

Lok'nStore Group plc

# Annual Report and Accounts

for the year ended 31 July 2020

# LOK'n STORE

## Self Storage



**LOK'n  
STORE**

**Self Storage**

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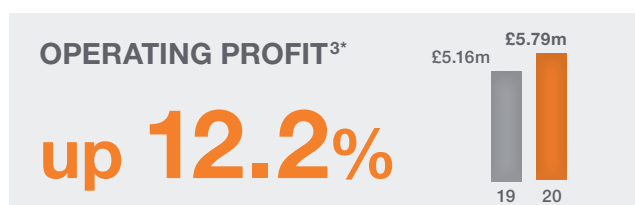
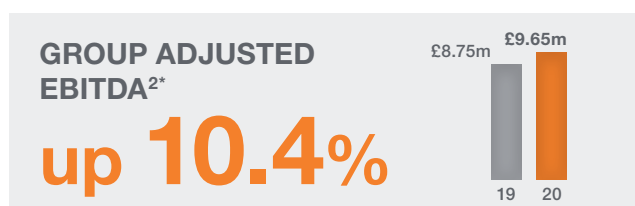
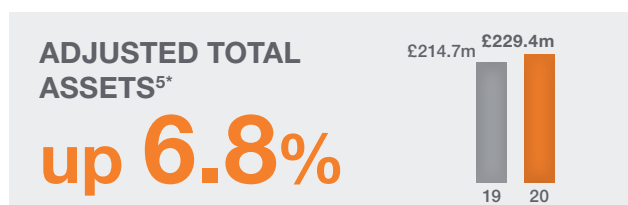
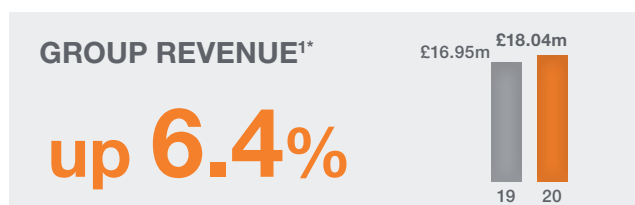
# Continued growth and strong new store opening programme.

We are a **leading company** in the fast growing UK self-storage market. We opened our first self-storage centre in February 1995 and have **grown consistently over the last 25 years**. We currently operate 36 self-storage centres mainly in Southern England. We have been listed on AIM since June 2000.



To find out more visit:  
[www.loknstore.com/investors](http://www.loknstore.com/investors)

# Highlights



## RESILIENT TRADING

- Group Revenue £18.04 million up 6.44% (2019: £16.95 million)
- Group Adjusted EBITDA<sup>2\*</sup> £9.65 million up 10.4% (2019: £8.75 million)
- Operating profit £5.79 million up 12.2% (2019: £5.16 million before exceptional items<sup>2\*</sup>)
- Store Management Fees £0.99 million up 21.4% (2019: £0.82 million)
- Occupancy up 5.9% (2019: 6.0%) pricing level
- Bad debt written off in year only 0.15% of Group Revenue (2019: 0.26%)

## CASH FLOW GROWTH DRIVES DIVIDEND INCREASE – NINTH CONSECUTIVE YEAR OF GROWTH

- Cash available for Distribution (CAD)<sup>4\*</sup> per share up 12.3% to 21.3 pence (2019: 18.9 pence)
- Annual dividend 13 pence per share up 8.3% (2019: 12 pence per share)

## STEADY INCREASE IN ASSET VALUE

- Adjusted Total Assets<sup>5\*</sup> £229.4 million up 6.8% on last year (2019: £214.7 million)
- Adjusted Net Asset Value<sup>6\*</sup> per share up 4.7% to £5.56 (2019: £5.31)

## CONSERVATIVE USE OF DEBT

- Loan to value ratio<sup>7\*</sup> 19.3% (2019: 16.1%) net of cash
- Net debt of £38.3 million (2019: £29.3 million)
- Average cost of debt 1.69% (2019: 2.11%)
- £75 million bank facility extended by one year to April 2025

## HEALTHY PIPELINE OF NEW LANDMARK STORES TO DELIVER FURTHER GROWTH<sup>8\*</sup>

- Pipeline<sup>9\*</sup> of 14 new stores taking total stores to 49
- Secured Pipeline will add 40.1% to owned trading space and 32.5% to total portfolio

## POSITIVE OUTLOOK

- Revenue, profits and asset values all moving ahead
- Good growth since year-end, strategy unchanged

“This year Lok’nStore’s revenue, profits and asset values all moved ahead and trading since the year end has been good. We are raising the annual dividend by 8.3% to 13 pence per share, our ninth consecutive year of increasing dividends.

14 new sites will add considerably to future sales and earnings growth, enabling further increases in dividends. Our strategy remains to open more landmark stores in an under-supplied market while maintaining a conservative balance sheet, leading to an exciting period of growth.”

Andrew Jacobs, Executive Chairman

\* See our Key Performance Indicators on pages 20 and 21.



# Chairman's Statement



“We continue to execute on our strategy of increasing sales, profits and asset values and opening more new landmark stores to **boost future value.**”

**Andrew Jacobs**  
Executive Chairman

I am delighted to be reporting on this solid set of results with Lok'nStore, continuing to deliver on our commitment to sustainable growth.

The full-year results can be summarised as:

- Strong operating performance resulting in revenue and adjusted EBITDA profit growth
- Pipeline of 14<sup>9\*</sup> stores
- Growing asset value
- Increased dividend
- Continuing to invest in our landmark store opening programme

The detail behind these results is discussed further in our Business and Financial Review.

Continued investor interest in the self-storage sector together with market transactions of self-storage operations underpins the value of our assets today and our strategy to open more landmark stores.

\* See our Key Performance Indicators on pages 20 and 21.

## Increased Dividend

The Board is confident in the strength of the business and capacity of the management team to trade effectively through this period, as demonstrated by these results, and accordingly deems it appropriate to continue to pursue the Group's progressive dividend policy.

Lok'nStore's increasing dividend payments to shareholders reflect the growth in the underlying Cash Available for Distribution (CAD) which is up 12.5% over the year.

For the ninth consecutive year, and in line with our stated aim to provide predictable dividend growth, we are proposing to increase the annual dividend by one pence per share. The Group will therefore pay a final dividend of 9 pence per share on 8 January 2021 following the interim dividend payment of 4 pence per share in June 2020 making a total annual dividend of 13 pence per share, up 8.33% from 12 pence last year. The dividend is well covered by the Cash Available for Distribution of 21.3 pence per share, a pay-out ratio of 61%.

The final dividend will be paid to shareholders on the register on 27 November 2020. The ex-dividend date will be 26 November 2020. The final deadline for Dividend Reinvestment Election by investors is 11 December 2020.

## Board Changes

On 3 August 2020 Lok'nStore Group announced the following Board changes, positioning the business for its next stage of growth. With effect from 1 August 2020:

- Neil Newman-Shepherd has been promoted to Group Managing Director. Neil has worked in the self-storage industry since 2003 and with Lok'nStore since 2006. Neil has served on the Lok'nStore Board since 2015 as Group Sales Director and will now take an increasing level of responsibility for the day to day operations of the business. Neil's part in the success of Lok'nStore over recent years has been significant and we look forward to his continued contribution to our future growth
- Andrew Jacobs became Executive Chairman and continues to manage the overall strategic direction and property aspects of Lok'nStore
- Simon Thomas stepped down from his role as Non-Executive Chairman and now continues to serve as Non-Executive Director. I would like to express my thanks to Simon Thomas for his many years of support in the role of Chairman at Lok'nStore



# 1995

LOK'NSTORE  
FOUNDED

# £10m

EQUITY RAISED  
IN 2001

# #4

SELF STORAGE  
OPERATOR IN THE UK



# £12m

INVESTED IN STORES  
AND PIPELINE IN  
THE YEAR

# 14

PIPELINE STORES

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We were also delighted to welcome Jeff Woyda as an independent Non-Executive Director with effect from 1 September 2020. During his extensive and varied career Jeff has held a number of senior Executive positions and is currently Chief Financial Officer and Chief Operating Officer of Clarkson plc, a FTSE 250 Company and the world's leading provider of integrated shipping services and investment banking capabilities to the shipping and offshore markets.

### IFRS 16

The Group has applied IFRS 16 for the first time in this year. IFRS 16 introduces new requirements with respect to lease accounting by removing the distinction between operating and finance leases and requiring the recognition of a Right of Use Asset and a corresponding lease liability in the Statement of Financial Position.

The prior period financial comparatives contained within these statements have been restated to reflect the first-time adoption of IFRS 16 which changes previously reported EBITDA, interest and depreciation numbers in the Statement of Comprehensive Income. Further details of these restatements can be found in note 1.

Lok'nStore will continue to report on CAD which aims to look through the statutory accounts and give a clear picture of the ongoing ability of the Group to generate positive cash flow from the operating business that can be used to pay dividends to shareholders to pay down debt or to invest in new stores.

### Investment in Our Stores

While we invested £12.0 million in sites and store development this year, we are able to report a year-end loan-to-value (LTV) ratio of only 19.3% (2019: 16.1%) and net debt of £38.3 million (2019: £29.3 million) (Refer to Note 17).

The Group continues to find high quality sites for new landmark stores. Trading at our new stores has been reassuring and this underpins our confidence that our secured pipeline of ten more landmark stores will add further momentum to sales and earnings growth, adding 48.0% more high quality trading space to our owned portfolio. We are on-site at Salford and will shortly be commencing development of our Warrington and Wolverhampton stores.



2020 marks the 25th anniversary of Lok'nStore. Started in 1995 from one freehold store in Horsham by our Executive Chairman, Andrew Jacobs. Six years later the business became a public company and has grown consistently ever since.

Today, Lok'nStore has over 12,000 customers across a portfolio of 35 storage customers and over 1.1 million square feet of occupied storage space. The Group is delivering on its strategy of opening more new landmark stores which will add considerable momentum to sales and earnings growth over the medium term.

# Chairman's Statement continued

## Managed Stores

Our growth strategy includes increasing the number of stores we manage for third party owners. This enables the Group to earn revenue without having to commit our capital, to amortise fixed central costs over a wider operating base and drive further traffic to our website which benefits our entire operation. We generated managed store income of c. £1.0 million this year, up 21.4% from the previous year.

Managed store income is generated from our existing platform and central management, resulting in a high effective profit margin. Our current pipeline includes an additional 4 managed stores which will take the total number of managed stores to 16.

## Our People

We rely on our amazing people to deliver these impressive results and even more so now in these difficult circumstances. During the COVID-19 pandemic the dedication of our colleagues has shone through more than ever, allowing us to support our customers during this unprecedented period.

We will continue to invest in training to develop and deepen their skills. We have reviewed our pay levels to ensure that all of our employees are paid fairly and we continue to promote equity ownership to our colleagues via our Share Investment Plan and the granting of options.

We do this because it makes business sense and directly contributes to our strategic and operational objectives which are to:

- Steadily increase cash available for distribution (CAD) per share enabling a predictable growth of the dividend from a strong asset base with conservative levels of debt
- Fill existing stores and improve pricing
- Acquire more sites to build new landmark stores
- Increase the number of stores we manage for third parties

## Coronavirus Update

On 11 March 2020 the World Health Organization declared a global pandemic which has profoundly altered the business landscape. The Board outlines below how it has dealt effectively with this unprecedented situation.

Although self-storage is a service business our facilities are not used intensively. Customer footfall is always comparatively low and our stores have only a few people in them at any given time, even under normal circumstances

At Lok'nStore the health and safety of our customers and colleagues is our principal priority. To date the vast majority of our team members have remained well. Of the small number of colleagues who have had to self-isolate, either because they or someone they live with have shown symptoms, all have recovered and are back at work. We are also pleased to be able to report that no colleagues have been hospitalised due to the virus.

Many of our customers are providing critical services distributing medical and other essential supplies. We include the NHS, GP surgeries, care and home support services and government departments amongst our customers and we

are proud to serve them at this difficult time. Storage, logistics and transport are important parts of the distribution network and as such were not selected for closure by the Government, even at the peak of the crisis. Our objective is to continue to keep our stores open so that our customers can continue to operate. All of our stores have remained open since the pandemic was declared and remain open at time of writing. You can read more about how we have maintained a COVID-19 safe environment in our Business and Financial Review.

## Robust Liquidity and Cash Flow

At 31 July 2020 the Group had cash balances of £13.1 million, which has since increased to £13.9 million at the date of this Report. The Group has a £75 million five-year revolving credit facility which, following a one-year extension executed during the year, now runs until April 2025. This provides ample liquidity for the Group's current needs. Cash balances combined with undrawn committed facilities at the year-end amounted to £36.7 million. The Group is not obliged to make any repayments on its loan facility prior to its expiration in April 2025.

Cash inflow from operating activities before investing and financing activities was £9.7 million in the year to 31 July 2020, and we continue to generate strong cash flows. Self-storage revenue was up 6.3% year-on-year.

The Group has a resilient business model with strong cash flows and a flexible and conservative debt structure. These features have served us well during the year enabling the business to continue to trade effectively, despite the challenges of the pandemic.

## Debt, IFRS 16 and Bank Covenants

The average cost of bank debt on drawn facilities for the period was 1.69%. (2019: 2.11%). All of the Group's total drawn bank debt of £51.3 million is unhedged, which means we have benefited immediately from the reduction in base lending rate during the year. At the date of this Report the Group's current cost of debt is running at 1.56%.

Interest cover has remained very strong during the year and, based on the current quarter, is in excess of seven times against a Group banking covenant of 2.5 times. At the period end our loan-to-value ratio based on net bank debt was 19.3% versus a covenant of 60% providing a large cushion against any unforeseen circumstances. Both the Loan to Value and Senior Interest covenants continue to be tested excluding the effects of IFRS 16.

## Capital Expenditure

Self-storage benefits from the short lead time between breaking ground and store opening of only around 12 months. Despite our expanding pipeline of new stores, and with the completion of the Leicester store in August 2020, we are currently only on-site in one location where we have purchased and are fitting-out the new store in Salford for an outlay of around £7.0 million. We intend to start building work on the Warrington site in November 2020. We have a high degree of flexibility regarding start dates for further building at other sites. We can therefore adapt and flex our development programme to react to changing economic circumstances.

## Positive Outlook for Growth

Our results for the financial year are robust and trading since the year end has been positive. This has all been achieved despite the current deeply unsettled external circumstances. With Lok'nStore's resilient business model and flexible and conservative debt structure the Board is confident the Company will continue to thrive under its proven and highly experienced management team and staff. We look to the future with confidence.

**Andrew Jacobs**  
**Executive Chairman**  
30 October 2020



# Group at a Glance

## Lok'nStore Group plc is one of the leading companies in the fast growing UK self-storage market.

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 1995 and have grown consistently over the last 25 years, currently with 36 self-storage centres trading mainly in Southern England.

We have been listed on the AIM Market since June 2000 and the Board accounts for 29.3% of the Total Voting Rights (TVR) in the Ordinary Shares of the Company (2019: 28.5%).

We offer self-storage from our own stores, and management services to third party storage owners. Self-storage and other storage services are available to both household and business customers at our highly branded Lok'nStore centres.

| HOUSEHOLD STORAGE  | BUSINESS STORAGE   |
|--|--|
| <ul style="list-style-type: none"> <li>Storage rooms</li> <li>Vehicle storage</li> <li>Student packages</li> <li>Forces and services packages</li> </ul> | <ul style="list-style-type: none"> <li>Pallet storage</li> <li>Self-storage archiving</li> <li>Flexible space</li> <li>Commercial vehicle storage</li> </ul> |



### Our Landmark Stores

We develop and operate self-storage centres predominantly in prominent locations in Southern England. Our eye-catching buildings with their distinctive orange livery create highly visible landmarks which continue to be a big contributor of new business for Lok'nStore.

We acquired 3 new sites in this financial year: Chester, Salford and Kettering.

We opened 2 new stores in this financial year: Gloucester, and Oldbury.

We opened 1 new landmark store in Leicester immediately post this financial year.



OLDBURY

## Our Locations

### Stores

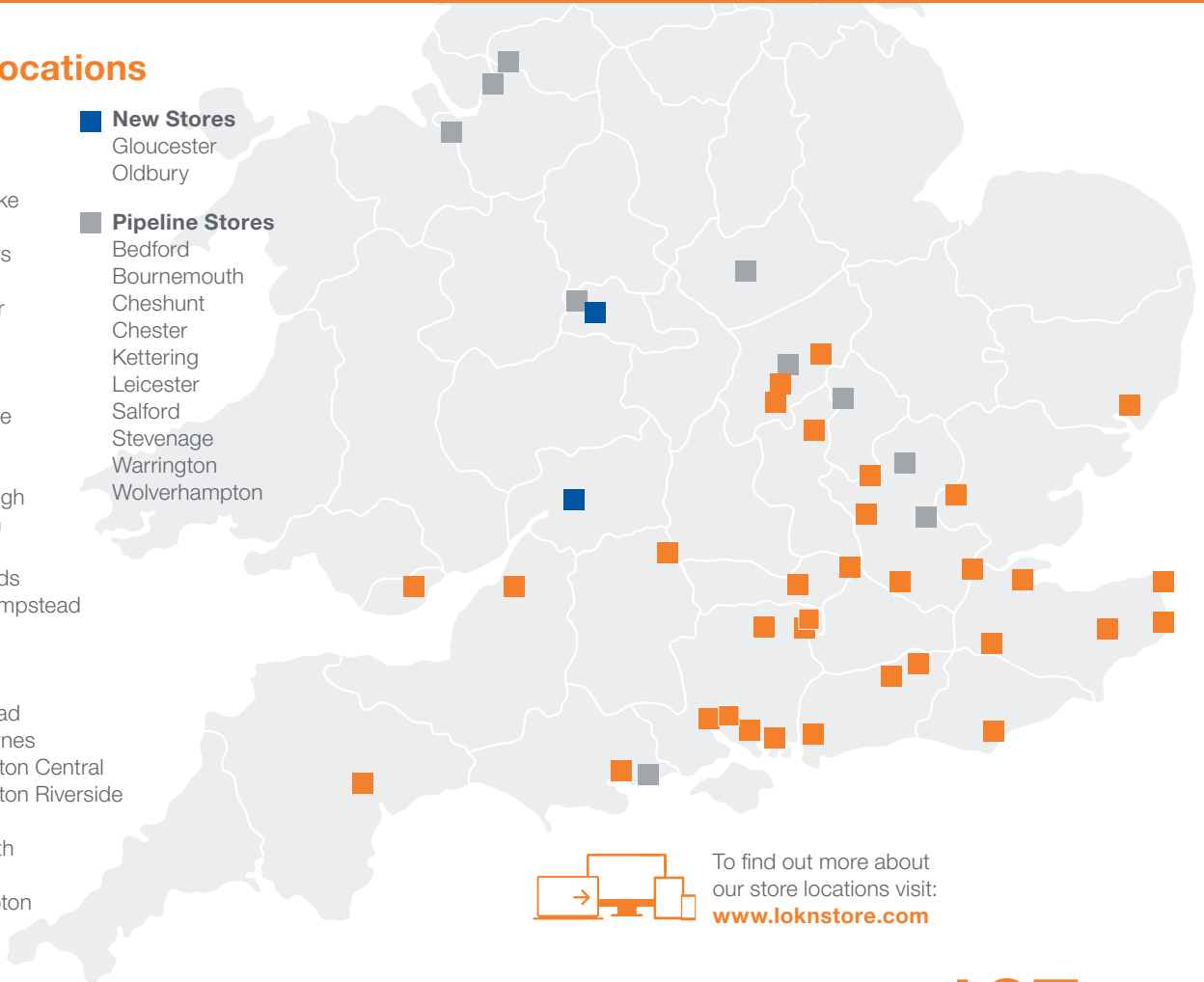
Aldershot  
Ashford  
Basingstoke  
Bristol  
Broadstairs  
Cardiff  
Chichester  
Crawley  
Crayford  
Dover  
Eastbourne  
Exeter  
Fareham  
Farnborough  
Gillingham  
Harlow  
Hedge Ends  
Hemel Hempstead  
Horsham  
Ipswich  
Luton  
Maidenhead  
Milton Keynes  
Northampton Central  
Northampton Riverside  
Poole  
Portsmouth  
Reading  
Southampton  
Sunbury  
Swindon  
Tonbridge  
Wellingborough

### New Stores

Gloucester  
Oldbury

### Pipeline Stores

Bedford  
Bournemouth  
Cheshunt  
Chester  
Kettering  
Leicester  
Salford  
Stevenage  
Warrington  
Wolverhampton



To find out more about  
our store locations visit:  
[www.loknstore.com](http://www.loknstore.com)

**36**  
STORAGE CENTRES

**12,500**  
CUSTOMERS

**167**  
EMPLOYEES



LEICESTER



GLOUCESTER









# Strategic Report

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## LANDMARK STORE OLDBURY



# 43,000

SQUARE FEET OF MAXIMUM  
LETTABLE AREA

NOW



# OPEN

**Lok'nStore Oldbury opened in June 2020 and early trading has been encouraging.**

Located on an extremely busy short section of dual carriageway between the M5 and Oldbury town centre, with strong commercial uses including a large supermarket and restaurants at either end. This recently completed building was purchased before occupation by its previous owner and converted to a bright and modern self-storage facility, opening within six months of purchase.

Oldbury is located in the built-up suburban area between Birmingham and Wolverhampton – with an extremely densely populated catchment this store is already busy and thriving.

# The UK Self-Storage Market

## The UK self-storage market at a glance

The Self-Storage Association UK Annual Industry Survey 2020 reports that the UK Self Storage industry is made up of 1,900 sites offering 49 million square feet of space.

### Market Overview

As reported in the Self-Storage Association UK (SSA UK) Annual Industry Survey 2020 the UK self-storage market continues to grow but remains under-developed relative to Australia and the US. In the UK there are an estimated 1,900 self-storage facilities providing 49 million square feet of storage space. With a population of 66.65 million people in the UK this equates to only 0.73 square feet per person compared to 9.44 square feet per person in the USA and 1.89 square feet in Australia. The UK has 41% of all European self-storage space.

The structure of the UK industry is changing. When the industry first emerged companies were predominately single owner sites often located in industrial areas but larger operators (defined as operators managing 10 or more sites), such as Lok'nStore, have recently been developing purpose built stores in retail facing locations offering customers a higher standard of product and service.

The main barriers to entry to the market remain the difficulty in finding and securing suitable sites as well as gaining the appropriate planning consents. As a result, according to the SSA UK, larger operators now

own or manage around 30% of facilities which translates to 40% of market share in terms of revenue and space. Currently Lok'nStore is the fourth largest operator in the UK by number of stores.

### Drivers of Demand for Self-storage

Demand for self-storage by both business and household customers is driven by a specific need based on changing circumstances as well as economic activity and business confidence.

For household customers their need is often linked to a life event where they will need space temporarily, for example to support a house sale, but increasingly householders are using storage on a semi-permanent basis to free up space at home or store belongings they don't have room for.

Business customers use self-storage for a variety of purposes including storage of goods, excess or seasonal stock, document archiving or storage of equipment and tools. Businesses tend to store for longer than household customers and take larger units, although they also take advantage of self-storage for temporary periods to support seasonal sales or office moves or refurbishments.

### Lok'nStore's Opportunity in the Market

The Self-Storage Association UK (SSA UK) Annual Industry Survey 2020 notes that public awareness of and demand for self-storage is increasing. We know that on average customers chose a store within five miles of their home or business. With a pipeline of 10 secured stores and a further 4 stores progressing through the acquisitions process, Lok'nStore is well placed to attract these customers and add further momentum to the growth of our sales and profits.

Combining the Group's competitive strengths (recognised brand, excellent customer service, rigorous cost control) and the attractive market dynamics of the storage sector (growing sector, under supply, resilience during economic downturn) with our strong balance sheet and flexible operating and ownership model (see our portfolio strategy), we believe Lok'nStore can take advantage of the opportunities presented and continue its growth without significantly increasing risk.



**£766m**

ANNUAL TURNOVER  
OF UK SELF  
STORAGE INDUSTRY

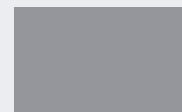


SQUARE FEET  
OF SELF STORAGE PER  
HEAD OF POPULATION

**9.4**



**1.9**



**0.7**



UK

AUSTRALIA

USA



**28,700**

SQ. FT. AVERAGE  
STORE SIZE



ONLY **48%**

OF PEOPLE HAVE A  
REASONABLE OR  
GOOD AWARENESS  
OF SELF STORAGE



**91%**

OF CUSTOMERS  
ARE SATISFIED  
WITH THE SERVICE  
FROM THEIR SELF  
STORAGE PROVIDER



**86%**

OF CUSTOMERS  
TRAVEL LESS  
THAN 30 MINUTES  
TO THEIR SELF  
STORAGE UNIT



# Our Business Model

**Our overriding objective is to steadily increase the Cash Available for Distribution (CAD).**

## WHAT WE DO



- Buy (or lease) prominent sites
- Build (or refurbish) landmark, highly visible orange storage centres
- Offer clean, dry, secure storage to business and household customers
- Offer managed storage services to third party owners

**36**

UK STORES CURRENTLY TRADING  
(INCLUDING 12 MANAGED STORES)



## HOW WE CREATE VALUE



- Take a flexible approach to site selection
- Increase our asset base
- Careful cost control
- Drive store EBITDA growth through a closely managed occupancy and pricing strategy
- Earn fees from managing stores on behalf of others
- Carefully balanced use of Leverage

**£18m**

REVENUE



This will enable a predictable growth of the dividend from a **strong asset base** and conservatively geared balance sheet.

SHARING VALUE WITH OUR STAKEHOLDERS



**SHAREHOLDERS**

- High quality earnings
- Growing NAV
- Progressive dividend policy

**13p**

ANNUAL DIVIDEND PER SHARE



**CUSTOMERS**

- Easy to locate stores
- Friendly and high level customer service
- Wide range of storage solutions
- Transparent and open contracts

**5 star**

CUSTOMER REVIEWS ON TRUSTPILOT



**OUR PEOPLE**

- Development opportunities through the Lok'nStore Academy
- Uncapped bonus scheme for all
- Share ownership plans
- Strong health and safety approach

**£390,000**

PAID OUT IN BONUSES TO STORE TEAMS



# Our Strategy

| OUR OBJECTIVES  | ACHIEVEMENTS IN 2020   | STRATEGY IN ACTION   |
|---|--|--|
| <p><b>STEADILY INCREASE CASH AVAILABLE FOR DISTRIBUTION (CAD) PER SHARE</b></p> | <p>Cash Available for Distribution (CAD) per share up 12.3% to 21.28 pence (2019:18.95 pence).</p>   | <p><b>8.33%</b><br/>INCREASE IN ANNUAL DIVIDEND TO 13 PENCE PER SHARE</p>                            |
| <p><b>FILL EXISTING STORES AND IMPROVE PRICING</b></p>                          | <p>We continued to improve our online visibility through evolution of our search engine strategy.</p> <p>We focussed on developing our teams' sales and customer service through the Lok'nStore Academy.</p> <p>These actions resulted in a 4% increase in new customers over the year. Excluding the lockdown period, this would have increased 12.6% year on year.</p> | <p><b>5.9%</b><br/>SELF-STORAGE UNIT OCCUPANCY UP</p> <hr/> <p>SELF-STORAGE PRICING BROADLY FLAT</p> |
| <p><b>ACQUIRE MORE SITES TO BUILD NEW LANDMARK STORES</b></p>                   | <p>Leicester store opened immediately post year-end in prominent location.</p> <p>4 new sites in Chester, Oldbury, Salford and Kettering.</p> <p>Planning permissions achieved at Warrington, Salford, Stevenage, Wolverhampton and Oldbury.</p>   | <p><b>10</b><br/>STORES IN PLANNING AND DEVELOPMENT</p>  |
| <p><b>INCREASE THE NUMBER OF STORES WE MANAGE FOR THIRD PARTIES</b></p>         | <p>Managed stores in Gloucester and Oldbury opened during the year.</p> <p>We have 4 managed sites in the pipeline.</p>  | <p><b>2</b><br/>NEW SITES FOR MANAGED STORES IN CHESTER AND KETTERING</p>                            |



# Managing Director's Review



## “Improving operating performance and asset values.”

**Neil Newman-Shepherd**  
Managing Director

Lok'nStore Group has delivered another excellent year successfully implementing on all of our strategic objectives. Revenue, profits and asset values have once again all moved ahead. Our large pipeline of new stores will substantially increase the proportion of our store space which is new or purpose-built and will add further momentum to the growth of sales and profits with plenty of new capacity contributing to our growth over the coming years.

### Robust Trading

Group revenue for the year was 18.04 million, up 6.44% year on year (2019: £16.95 million) driven by occupancy increases in both old and new stores. This revenue growth led to a 10.4% increase in Group Adjusted EBITDA.

- Self-storage revenue £17.0 million up 6.1% (2019: £16.00 million)
- Adjusted Store EBITDA £9.59 million up 6.7% (2019: £8.99 million)
- Unit occupancy up 5.9% (2019: 6.0%)
- Unit pricing level

Total Adjusted Store EBITDA in self-storage, a key performance indicator of profitability and cash flow

of the business, increased 6.7% to £9.59 million (2019: £8.99 million). The overall Adjusted EBITDA margin across all stores was higher at 56.1% (2019: 55.8%) with the Adjusted Store EBITDA margins of the freehold stores at 61.9% (2019: 61.8%) and the leasehold stores at 42.9% (2019: 43.1%).

Over the course of the year unit occupancy rose by a healthy 5.9% and unit pricing was broadly level.

By the year-end we had 12 managed stores following the opening of the 2 new managed stores in Gloucester and Oldbury.

As the business develops the balance of the stores continues to shift towards landmark freehold stores and managed stores which have a higher than average adjusted store EBITDA margin at 61.9% and 100% respectively versus 56.1% across all stores). The impact of this will be to continue to increase the average store EBITDA margin of the Group overall, and this effect is accentuated by operating more stores from a relatively fixed central cost base. In this context the new stores in the pipeline will make a larger than average contribution to Group profits as they become established trading units.

In the table on page 16 we show how the performance of the stores varies between freehold and leasehold stores. Currently 45.1% of Lok'nStore owned trading space is freehold, 23.7% is leasehold and 31.2% is in managed stores.

Inevitably the leaseholds trade on lower margins due to the rent payable, but nevertheless the 42.9% margins achieved is substantial, and leads to a higher return on capital than the freehold stores which require much larger capital expenditure to buy the land and buildings. The freehold stores produce 76.8% (2019: 75.2%) of the Adjusted store EBITDA and account for 91.6% (2019: 89.7%) of valuations (including secured pipeline stores).

As we build out the current secured pipeline we will be operating from 54.8% freehold space, leasehold space will decline to 17.9% of space and managed stores will increase to 27.3% of total space operated.

This mix of tenures with their different risk and return characteristics provides flexibility in the balance sheet and opportunities to create value throughout the cycle.

## Managing Director's Review continued

### Portfolio Analysis and Performance Breakdown

| As at 31 July 2020                  | Number of Stores      | % of Valuation | % of Adjusted Store EBITDA | Adjusted Store EBITDA Margin (%) | % Lettable Space | When Fully Developed |                        |
|-------------------------------------|-----------------------|----------------|----------------------------|----------------------------------|------------------|----------------------|------------------------|
|                                     |                       |                |                            |                                  |                  | Number of Stores     | Total % Lettable Space |
| Freehold                            | 15                    | 76.5           | 76.8                       | 61.9                             | 45.1             | 23                   | 54.8                   |
| Operating Leaseholds                | 8                     | 8.4            | 23.2                       | 42.9                             | 23.7             | 8                    | 17.9                   |
| Managed Stores                      | 12                    | –              | –                          | 100                              | 31.2             | 14                   | 27.3                   |
| <b>Total Stores Trading</b>         | <b>35</b>             | <b>–</b>       | <b>–</b>                   | <b>–</b>                         | <b>–</b>         | <b>45</b>            | <b>–</b>               |
| <b>Pipeline Stores<sup>9*</sup></b> | <b>10<sup>1</sup></b> |                |                            |                                  |                  |                      |                        |
| Owned                               | 8                     | 15.1           | –                          | –                                | –                | –                    | –                      |
| Managed Stores                      | 2                     | –              | –                          | –                                | –                | –                    | –                      |
| <b>Total Stores</b>                 | <b>45</b>             | <b>100</b>     | <b>100</b>                 | <b>56.1</b>                      | <b>100</b>       | <b>45</b>            | <b>100</b>             |

1 Applies to the 10 contracted stores only.

In the table below we show how the performance breaks down across the stores, based on age of store. Clearly older stores have had more time to fill up and produced 67.4% EBITDAR margins. Over time as new stores and pipeline sites go through their life cycle they will progress towards similar margins, adding substantially to revenues and profits.

### Operating Performance at a Glance (Lok'nStore Owned Stores Only)

| Weeks Old                               | Contracted Pipeline | Under 100      | 100 to 250   | Over 250     | Total        |
|---|---------------------|----------------|--------------|--------------|--------------|
| <b>Year Ended 31 July 2020</b>          |                     |                |              |              |              |
| Sales £'000                             |                     | 357            | 2,089        | 14,644       | 17,090       |
| Stores Adjusted EBITDA £'000            |                     | (129)          | 1,314        | 8,403        | 9,588        |
| <b>EBITDA Margin (%)<sup>10*</sup></b>  |                     | <b>(36.2%)</b> | <b>62.9%</b> | <b>57.4%</b> | <b>56.1%</b> |
| Stores Adjusted EBITDAR £'000           |                     | (129)          | 1,314        | 9,870        | 11,055       |
| <b>EBITDAR Margin (%)<sup>12*</sup></b> |                     | <b>36.2%</b>   | <b>62.9%</b> | <b>67.4%</b> | <b>64.7%</b> |
| As at 31 July 2020 ('000 sq. ft.)       |                     |                |              |              |              |
| <b>Maximum Net Area</b>                 | <b>476</b>          | <b>193</b>     | <b>49</b>    | <b>945</b>   | <b>1,542</b> |
| Freehold ('000 sq. ft.)                 | 355                 | 193            | 49           | 537          | 1,134        |
| Short Leasehold ('000 sq. ft.)          | –                   | –              | –            | 408          | 408          |
| <b>Number Stores</b>                    |                     |                |              |              |              |
| Freehold                                | 8                   | 2              | 3            | 10           | 23           |
| Short Leasehold                         | –                   | –              | –            | 8            | 8            |
| <b>Total Stores</b>                     | <b>8</b>            | <b>2</b>       | <b>3</b>     | <b>18</b>    | <b>31</b>    |

Table covers Lok'nStore owned stores only.

In respect of the Farnborough Store (over 250 weeks) the total store revenue includes a £100,000 contribution receivable from Group Head Office.

\* See our Key Performance Indicators on pages 20 and 21.

# 6.1%

INCREASE IN STORAGE REVENUE

# 5.9%

INCREASE IN UNIT OCCUPANCY

# 10.4%

INCREASE IN ADJUSTED STORE EBITDA

### Ancillary Sales

Ancillary sales which consist of boxes and packaging materials, insurance and other sales increased 5.1% (2019: 11.0%) over the year accounting for 11.0% of self-storage revenues (2019: 11.1%).

### Marketing

New customers are typically drawn to Lok'nStore as a result of three key drivers:

- Our distinctive landmark stores
- Google and other search engines
- Existing customers, previous customers and customer referrals

Store visibility remains pivotal to our marketing efforts. With their prominent positions, distinctive design and bright orange elevations our stores raise the profile of the Lok'nStore brand and help to generate a substantial proportion of our business. Our new landmark stores are located in highly prominent

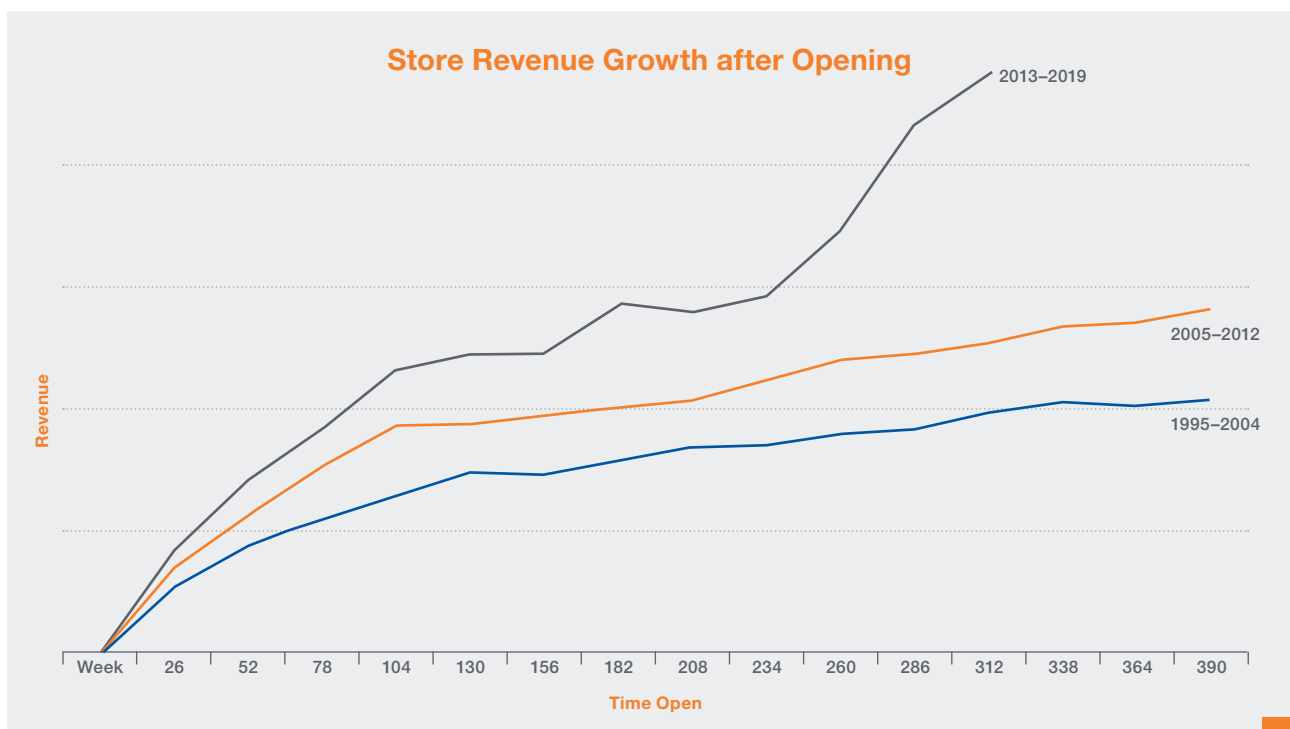
locations and we continually invest in new signage and lighting at our existing stores as well as creating striking designs for our new landmark stores, to promote and enhance their visual prominence and engage the local community.

The internet continues to be the main media channel for our advertising. Our website at [www.loknstore.co.uk](http://www.loknstore.co.uk) is one of the most established self-storage websites in the UK. The website delivers a high level of customer experience across desktop and mobile devices. Any new development of the website begins with a mobile first focus. 60% of visits to the website in the year were from a mobile device, up 6% year on year. This is a very dynamic area and we are committed to its continued development. We believe the internet provides a strong competitive advantage for the major operators such as Lok'nStore with relatively large marketing budgets.

### Pipeline of New Stores

Against this background of ever improving operating performance we have invested £12.0 million (2019: £14.0 million) in new store development this year and we have a new store pipeline of 10 secured stores by the reporting date, which will take the total to 45 stores. These will all be purpose built landmark stores in highly prominent locations and will add substantially to the Group's capacity for revenue, profit and asset growth. We have 4 further store acquisitions progressing through the legal process which will take the total to 49 stores.

The graph below shows the speed of fill-up of our stores broken down into their age groups. You can see that over time the stores have filled up faster with the most recently opened stores (on the left of the graph) filling fastest of all. We believe that this shows that the UK self-storage market is still in its infancy with low penetration and increased consumer awareness leading to faster fill. It also shows the strength of Lok'nStore's brand and landmark store model.



## Managing Director's Review continued

### Our COVID-19 Safe Response

Since March, we have been responding to the evolving guidance from the governments in England and Wales regarding the pandemic, as well as the guidelines issued by the Self-Storage Association. I am extremely proud of the way our teams across the business have met the challenge and adapted so well in an uncertain environment.

Self-storage is a service business but our facilities are not used intensively. Customer footfall is always comparatively low and our stores have few people in them at any given time, even under normal circumstances.

Many of our customers provide critical services distributing medical and other essential supplies. We include the NHS, GP surgeries, care and home support services and government departments amongst our customers and we are proud to provide them with an efficient service at this difficult time.

Management reacted swiftly earlier in the year in response to the crisis with a comprehensive range of key measures undertaken for colleagues and customers alike. Here is a summary of the key measures we have taken:

### For Our Colleagues

- Colleagues have been provided with PPE including face masks, visors and hand sanitiser
  - Our stores have been fitted with Perspex safety screens on desks and clear COVID-19 signage
  - During lockdown, we reduced store opening hours and store colleagues worked reduced hours, with no loss of pay
  - We have paid our team members and Directors as normal, including those working reduced hours or self-isolating
  - All bonus systems remained unchanged so colleagues still had the opportunity to increase their earning potential
- Eight out of 167 team members had a period of furlough during which Lok'nStore maintained their salary at its normal level. All of these employees were furloughed to enable them, where necessary, to either shield or care for someone shielding
  - Most of our team members come to our stores by car, by bike or walking. For the small number of colleagues who rely on public transport we have worked with them to find alternative methods
  - We are in regular communication with our store colleagues, updating them on the latest advice from Public Health England and the Government. We have also put in place contingency plans around reduced staffing levels to cope with increased absences as a result of self-isolation or illness





### For Our Customers

- All of our stores have remained open since the 23 March 2020
- We remain vigilant with our daily cleaning programme and our staff have intensified cleaning of the most commonly touched areas and of shared equipment such as trolleys
- New customers can access our reception areas one at a time to ensure strict social distancing guidelines wearing a face covering
- Existing customers are still able to access their storage units as normal without any face to face contact with our team members
- Customers can still communicate with our friendly teams by telephone, email or live chat

- Where a customer has approached us with a short-term financial burden, we have worked with them to find a mutual solution
- To further support our customers from the 20 March 2020 no new storage rate reviews will be issued to customers until further notice

### Future

Lok'nStore has a resilient business model and has had an excellent year, successfully implementing our strategic objectives; trading has remained strong since the year-end. That all of this has been achieved in the face of the current deeply unsettled external circumstances is all the more pleasing and a tribute to all involved.

Against the background of a strong performance from our existing stores, we have a current pipeline of 14 new stores which will add considerable momentum to sales and earnings growth in the future.

**Neil Newman-Shepherd**  
Managing Director

30 October 2020





# Key Performance Indicators

What we mean when we say ... (and why we use these Key Performance Indicators (KPIs))

In addition to IFRS accounting performance measures we use some Alternative Performance Measures (APMs) to help us understand how the underlying business is performing. The following table identifies those measures and explains what we mean when we use them and importantly why we use them and what they tell you about our business and performance.

- 1. Continuing Operations** – The Group's document storage business was sold on 31 January 2019 and its disposal constitutes a discontinued operation. Separate reporting of discontinued operations is important in providing users of financial statements with the information necessary to determine the effects of a disposal on the ongoing continuing operations of our business. To ensure a clear separation of the financial performance of Continuing Operations, Discontinued Operations are shown separately on the Statement of Comprehensive Income as a profit on disposal (after tax) which combines operating profit with the profit arising on its disposal. The profit on discontinued operations is then aggregated with profit on continuing operations in determining the Group's total profit for the year.  

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**2. Group Adjusted EBITDA – Earnings Before Interest, Tax, Depreciation and Amortisation** – This measure strips away non-cash charges, finance charges and tax and now also reflects the removal of operating lease costs from operating expenses as a result of the implementation of IFRS 16. Adjusted EBITDA is defined as EBITDA before losses or profits on disposal, share-based payments, acquisition costs, exceptional items, finance income, finance costs and taxation.  

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**3. Exceptional Items** – refers to one-off items of a non-operational nature which arose during the year, often relating to asset disposals, and are unlikely to be recurring. (Refer Note 3(c) of the Financial Statements).  

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**4. CAD – Cash Available for Distribution** – is calculated as Adjusted EBITDA less total net finance cost, less capitalised maintenance expenses, New Works Team costs and current tax. This measure also excludes the impact of IFRS 16 and includes leasing charges as normal operating costs of each store, and gives clarity on the recurring operating cash flow of the business. This measure is designed to show the capacity of the business to generate ongoing net operating cash that can be used to pay dividends to shareholders or pay down debt. The calculation of the Cash Available for Distribution is set out in the Business and Financial Review.
- 5. Adjusted Total Assets** – The value of adjusted total assets of £229.4 million (2019: £214.7 million) is calculated by adding the independent valuation of the leasehold properties of £16.7 million (2019: £18.7 million) less their corresponding net book value (NBV) £3.7 million (2019: £4.0 million) to the total assets in the Statement of Financial Position of £216.4 million (2019: £200.0 million). This provides clarity on the significant value of the leasehold stores as trading businesses which under accounting rules on leases are only presented at their book values within the Statement of Financial Position. Total assets now include the Right of Use Assets as a result of the implementation of IFRS 16 of £11.8 million. The comparative periods have been adjusted accordingly (2019: £13.0 million).
- 6. NAV – Net Asset Value per Share** – Adjusted net asset value per share is the net assets adjusted for the valuation of leasehold stores (properties held under leases) and deferred tax divided by the number of shares at the year-end. The shares held in the Group's employee benefits trust and treasury shares are excluded from the number of shares. The calculation of the Net Asset Value per share is set out in the Business and Financial Review.
- 7. LTV – Loan to Value Ratio** – measures the debt of the business expressed as a percentage of total property assets giving a perspective on the gearing of the business. The calculation is based on net debt (excluding IFRS 16 lease liabilities) of £38.3 million

as set out in note 17 (2019: £29.3 million) as a percentage of the total properties independently valued by JLL and including development land assets of £29.9 million totalling £198.3 million (2019: £181.2 million) as set out in the Business and Financial Review.

**8. Average Cost of Debt** – The average cost of debt is calculated by taking the total interest paid on the Group's Revolving Credit Facility in the quarterly/ weekly charging periods throughout the year and taking an average based on the whole financial year. Apart from the Group's Revolving Credit Facility the Group has no other debt.

**9. Pipeline Sites** – means sites for new stores that either we have exchanged contracts on or have agreed heads of terms and are progressing with our lawyers towards completion. We have 14 pipeline sites of which 10 are contracted and 4 are with lawyers. Since the year-end Leicester, which was included in the pipeline sites at 31 July 2020 opened in August 2020.

**10. Adjusted Store EBITDA** – is Group Adjusted EBITDA (see 2 above) before the deduction of central and head office costs. Unlike Group Adjusted EBITDA this measure excludes the impact of IFRS 16 and includes leasing charges as normal operating costs of each store. The measure is designed to give clarity on the recurring operating cash flow of the business and provides important information on the underlying performance of the trading stores and shows the cash generating core of the business. Use of this metric enables us to provide additional information on store EBITDA contributions (after leasing costs) and the margins analysed between freehold and leasehold stores and according to the age of the stores. This analysis is set out in a table in the Business and Financial Review.

**11. Gearing** – refers to the level of a company's debt related to its equity capital, usually expressed in percentage form. It is a measure of a company's financial leverage and shows the extent to which its operations are funded by lenders versus shareholders. Gearing can be measured by a number of ratios and we use the debt-to-equity ratio in this document. The calculation of the gearing percentage, also referred to as the net debt to equity ratio is set out in Note 17 of the Financial Statements.

**12. Group Adjusted EBITDAR** – EBITDAR is Earnings before interest, tax, depreciation amortisation and rent. The measure is designed to give clarity on the effect of the rent payable by leasehold stores and how its elimination enables an analytical comparison between freehold stores operating performance (which do not pay rent) and leasehold stores operating performance. This analysis is set out in a table in the Business and Financial Review.

**13. Cost Ratio** – calculates the ratio of the total operating costs of the business as set out in the Business and Financial Review, expressed as a percentage of total Group revenue (note 2), giving a perspective on the cost efficiency of the business when compared to the cost ratio of the previous year.

**14. LFL- Like for Like** – This measure is used to give transparency on improvements in the operating business unrelated to the opening of new stores or closure of old stores therefore giving visibility of the true trading picture. The like for like key performance measure is only used where its use is particularly relevant to illustrate a performance metric not otherwise apparent.

See also the Glossary on page 122.

# Property Review

## Store and Portfolio Strategy

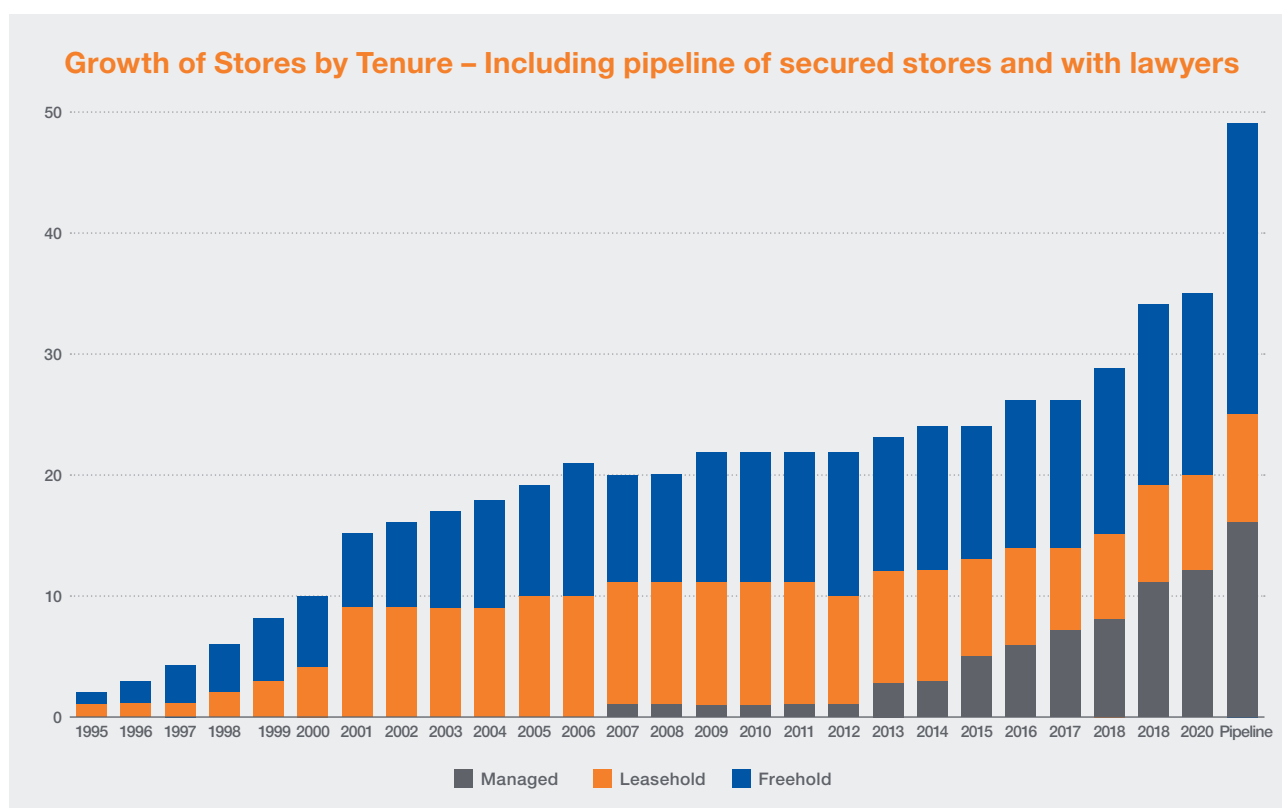
Each of our operating store is a profitable unit in its own right. Therefore, our strategy is to continue to increase the number of stores we operate without stretching our balance sheet. The core focus of this strategy is the acquisition of highly prominent freehold locations in busy towns and cities in England where we will build well branded landmark stores.

## Flexible Approach to Site Acquisition

All of the projects noted below are part of our strategy of actively managing our operating portfolio to ensure we are maximising both trading potential and value. This includes strengthening our distinctive brand, increasing the size and number of our stores and replacing stores or sites where it will increase shareholder value.

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 store's development. We also consider selling established stores on sale and manage back contracts in order to recycle the capital and protect the balance sheet. Indeed, some of our stores have been freehold, leasehold and managed stores during their operating life cycle! Our most important consideration is always the trading potential of the store rather than the property tenure.

The table below illustrates the rapid growth of store numbers and the changing tenure mix over time. Noteworthy is the growth of managed stores over recent years.



As at 31 July 2020, Lok'nStore operated 35 stores. Of these Lok'nStore owns 15 freehold stores and 8 stores are held under commercial leases. All of our leasehold stores are inside the Landlord and Tenant Act providing us with a strong security of tenure. 12 further sites operate under management contracts. The opening of Leicester immediately post year-end takes the number of trading stores at the date of this report to 36.

The average unexpired term of the Group's operating leaseholds is approximately nine years and seven months as at 31 July 2020.

# 36

STORES NOW  
TRADING

# 10

LANDMARK  
STORES SECURED

# 32.5%

INCREASE IN  
TRADING SPACE

## Store Pipeline

- 4 new store opportunities identified and are progressing with lawyers
- 10 contracted stores are under development of which 8 will be owned freehold by Lok'nStore and 2 will be managed stores
- Current Pipeline of 10 contracted stores adds 32.5% of extra trading space to the overall portfolio, 40.1% to our owned portfolio and 15.9% to the managed portfolio

## Growth from New Stores and More New Stores to Come

Lok'nStore's strong operating cash flow, solid asset base, and tactical approach to its store property portfolio provide the Group with opportunities to improve the terms of its property usage in all stages of the economic cycle. Our focus on the trading business gives us many opportunities and our property decisions are always driven by the requirements of the trading business.

Here is a summary of our current contracted pipeline;

- **Bedford** – Planning application in process
- **Bournemouth** – Planning application in process
- **Cheshunt** – Planning application in process. We have signed an agreement to share this site with a discount food retailer mitigating our development costs and generating excellent footfall for the site
- **Chester** – Planning application in process
- **Kettering** – Design in process
- **Leicester** – **Opened** 1 August 2020 post balance sheet
- **Salford** – **On-site**. The store is due to open in April 2021
- **Stevenage** – Planning permission granted
- **Warrington** – Planning permission granted. We aim to be on-site in November 2020
- **Wolverhampton** – Planning permission has been granted. We aim to be on-site towards the end of 2020

## Managed Stores

Lok'nStore manages an increasing number of stores for third party owners. Under this model Lok'nStore can provide a turnkey package for investors wishing to own trading self-storage assets. The investor supplies all the capital for the project which Lok'nStore manages. Lok'nStore will buy, build and operate the stores under the Lok'nStore brand and within our current management structure.

Under a managed store contract Lok'nStore receives a standard monthly management fee based on revenue, a performance fee based on certain objectives and fees on a successful exit. We also charge acquisition, planning and branding fees. This enables the Group to earn revenue from our expertise and knowledge of the self-storage industry without committing our capital, to amortise fixed central costs over a wider operating base and drive further traffic to our website which benefits our entire operation.

All of the operating expenses of the store are paid for by the third party out of the store revenue with Lok'nStore receiving various fees and performance bonuses. This strategy improves the risk adjusted return of the business by increasing the operating footprint, revenues and profits without committing capital.

Following the managed store opening of Gloucester in February 2020 and Oldbury in June 2020, we now have 12 stores trading under management contracts at 31 July 2020. Chester and Kettering are in the design stage and will add a further two stores to the managed store portfolio.

We generated managed store income of £991,298 this year, up 21.4% (2019: £816,676) from the previous period. We expect this to continue increasing steadily over the coming years as more managed stores are opened.

The graph on page 24 shows how our historical management fees have grown and also indicates a strong correlation between the total management fee income and the number of stores under management 12 managed stores (2019: 11).

## Property Review continued



### New Store Pipeline

As at 31 July 2020, we have 10 new stores secured in our Current Pipeline<sup>9\*</sup>. All are in prominent locations with large catchment areas and little established competition and demonstrate the Group's ability to source high quality sites adding to future sales and earnings growth. These eye-catching buildings, with their distinctive orange Lok'nStore branded livery and prominent signage, create highly visible landmarks, which continue to be a big source of new customers.

When this contracted development pipeline of 10 sites has been completed Lok'nStore will operate from 45 stores including 14 managed stores. In addition, 3 further new store opportunities are progressing with lawyers. The 10 secured pipeline sites represent a combination of 8 owned and 2 managed stores. These will add 561,497 sq. ft. of new capacity adding 61.1% to freehold trading space and 15.9% to the managed store portfolio delivering a 32.5% increase in overall trading space.

| Analysis of Stores As at 31 Jul 2020 | No. of Stores | Stores Trading | Pipeline Total | Pipeline Secured | Pipeline with lawyers |
|--------------------------------------|---------------|----------------|----------------|------------------|-----------------------|
| Freehold (JLL)                       | 15            | 15             |                |                  |                       |
| Leaseholds (JLL)                     | 8             | 8              |                |                  |                       |
| Pipeline (Freehold)                  | 9             |                | 9              | 8                | 1                     |
| Pipeline (Leasehold)                 | 1             |                | 1              |                  | 1                     |
| Managed Stores (Trading)             | 12            | 12             |                |                  |                       |
| Managed Stores (Pipeline)            | 4             |                | 4              | 2                | 2                     |
| <b>Total</b>                         | <b>49</b>     | <b>35</b>      | <b>14</b>      | <b>10</b>        | <b>4</b>              |

### Growing Store Property Assets and Net Asset Value

- Adjusted Total Assets £229.4 million<sup>5\*</sup> up 6.8% on last year (2019: £214.7 million)
- Adjusted Net Asset Value of £5.56 per share up 4.7% on last year (2019: £5.31 per share)

Lok'nStore has a strong and growing asset base. Our freehold and operating leasehold stores have been independently valued by Jones Lang LaSalle (JLL) at £168.4 million (Net Book Value (NBV) £56.6 million) as at 31 July 2020 (2019: £162.7 million: NBV £57.9 million). The change in property valuation is referred to further in the Financial Review section of the Strategic Report and is detailed in note 11b of the notes to the financial statements.

Adding our stores under development at cost and land and buildings held at Director valuation, our total property valuation is £200.2 million (2019: £183.7 million).

The increase in the values of properties which were also assessed by JLL last year was 3.5% (2019: 9.1%).

\* See our Key Performance Indicators on pages 20 and 21.



# Financial Review



“Efficient capital allocation and investment into **fast growing landmark assets.**”

**Ray Davies**  
Finance Director

## Record Financial Results on All Measures

- Group Revenue £18.04 million up 6.44% (2019: £16.95 million)
- Group Adjusted EBITDA<sup>2\*</sup> (£9.65 million up 10.4% (2019 Restated: £8.75 million)
- Operating profit (before exceptional items<sup>3\*</sup>) £5.79 million up 12.2% (2019: £5.16 million)
- Cash available for Distribution (CAD)<sup>4\*</sup> £6.17 million up 12.5% (2019: £5.49 million)
- Final proposed dividend up 8.0% to 9.0 pence per share (2019: 8.33 pence per share)
- Cash balances £13.1 million (2019: £13.7 million)

Lok'nStore is a robust business which generates an increasing cash flow from its strong asset base with a low LTV of 19.3% and a low average cost of debt of 1.69%. The value of the Group's property assets underpins a flexible business model with stable and rising cash flows and low credit risk giving the business a firm base for growth.

## IFRS 16

The Group has applied IFRS 16 for the first time in this financial year. IFRS 16 introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a Right of Use Asset and a corresponding lease liability in the Statement of Financial Position.

The prior year financial comparatives contained within these statements have been restated to reflect the first-time adoption of IFRS 16 which changes previously reported EBITDA, interest and depreciation numbers in the Statement of Comprehensive Income. Further details of these restatements can be found in note 1.

\* See our Key Performance Indicators on pages 20 and 21.

Lok'nStore will continue to report on the Cash available for Distribution (CAD) which aims to look through the statutory accounts and give a clear picture of the ongoing ability of the Company to generate positive cash flow from the operating business that can be used to pay dividends or pay down debt. As mentioned above CAD was up 12.5% for the year.

Both the Loan to Value and Senior Interest covenants set out in our bank facility agreements continue to be tested excluding the effects of IFRS 16. For covenant calculation purposes, debt/LTV will continue to exclude Right of Use Assets and the corresponding lease liabilities created by IFRS 16. Operating lease costs will continue to be a deduction in the calculation of EBITDA, in accordance with the accounting principles in force prior to 1 January 2019, when testing the Senior Interest covenant.

## Extension of Existing £75 Million Banking Facility to April 2025

The Group has agreed a one year extension on its existing joint banking facility with Royal Bank of Scotland plc and Lloyds Bank plc. The £75 million five year revolving credit facility which was executed last year included an extension option which has now been implemented.

The interest rate margin is set at the London Inter-Bank Offer Rate (LIBOR) plus 1.50%–1.75% based on a loan to value covenant test. This rate is 1.50% currently and our current all in debt cost on £51.3 million drawn is averaging 1.6%–1.7%.

The facility which was due to expire in April 2024, will now run until April 2025 providing funding for more landmark site acquisitions. The facility includes an accordion agreement to borrow a further £25 million in the future not yet committed.

Bank covenants and margin are unaffected by this extension of term.

## Financial Review continued

### Management of Interest Rate Risk

- Average cost of debt 1.69% (2019: 2.11%)

With £51.3 million of gross debt currently drawn against the £75 million bank facility the Group is not committed to hedging but will keep the matter under review. It is not the intention of the Group to enter into any hedging arrangement at this time given our low level of net debt, low loan to value ratio and high interest cover.

### Earnings per Share

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

|  | Group<br>2020<br>£'000 | Group<br>2019<br>Restated**<br>£'000 |
|--|------------------------|--------------------------------------|
| Profit for the financial year – Continuing Operations                    | 2,974                  | 3,161                                |
| Profit for the financial year – Discontinued Operations                  | –                      | 2,182                                |
| Total profit for the financial year attributable to owners of the Parent | 2,974                  | 5,343                                |

|   | 2020<br>No. of shares | 2019<br>No. of shares |
|---|-----------------------|-----------------------|
| Weighted average number of shares             |                       |                       |
| For basic earnings per share                  | 28,976,967            | 28,921,229            |
| Dilutive effect of share options <sup>1</sup> | 517,257               | 481,848               |
| For diluted earnings per share                | 29,494,224            | 29,403,077            |

|                                  | Group<br>2020<br>pence | Group<br>2019<br>Restated**<br>pence |
|----------------------------------|------------------------|--------------------------------------|
| <b>Earnings per share</b>        |                        |                                      |
| <b>Basic</b>                     |                        |                                      |
| Continuing Operations            | 10.26p                 | 10.93p                               |
| Discontinued Operations          | –                      | 7.55p                                |
| Total basic earnings per share   | 10.26p                 | 18.48p                               |
| <b>Diluted</b>                   |                        |                                      |
| Continuing Operations            | 10.08p                 | 10.75p                               |
| Discontinued Operations          | –                      | 7.42p                                |
| Total diluted earnings per share | 10.08p                 | 18.17p                               |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

1 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 22 to 25.

Basic earnings per share were 10.26 pence (2019: 18.48 pence per share – restated) and diluted earnings per share were 10.08 pence (2019: 18.17 pence per share – restated).

On a normalised basis stripping out the contribution from the Saracen business and the corresponding profit on disposal in 2019, basic earnings per share for the continuing operations were 10.26 pence (2019: 10.93 pence per share – restated) and diluted earnings per share were 10.08 pence (2019: 10.75 pence per share – restated).

# £18.04m

GROUP REVENUE  
UP 6.4%

# £9.65m

GROUP ADJUSTED  
EBITDA UP 10.4%

# £5.79m

OPERATING PROFIT  
(BEFORE EXCEPTIONAL  
ITEMS<sup>2</sup>) UP 12.2%

## Costs – Continuing Operations

- Group operating costs amounted to £8.26 million for the year (2019: Restated £8.02 million) up by 3.0%
- Cost ratio<sup>13\*</sup> reduced further to 45.8% (2019 Restated: 47.3%)

We have a strong record of disciplined control of our Group operating costs. In the year operating costs (stripping out the IFRS 16 effect of the property lease costs) were up 3% year on year. Group operating costs amounted to £8.26 million for the period, a 3.0% increase year on year (2019: £8.02 million) and we provide a breakdown below.

Future cost increases are likely to be driven by the expansion of the business in the areas of rates, staffing and marketing. Overall cost increases are mainly driven by the expansion of the business and we are seeing little other cost pressures.

Property costs are our largest cost category and increased by 9.2%. These costs mainly constitute rent and rates and have risen in recent years as we felt the effects of higher rates bills and as we opened our new landmark stores which are generally larger. Staff costs increased by 2.1% as we staffed the new stores and paid performance bonuses to all our store colleagues.

The decrease in overhead costs is principally due to a lower level of legal and professional costs related to work on rent reviews, corporate tax and compliance work and costs arising on aborted store acquisitions compared to the previous year.

| Group Costs                          | Increase<br>(decrease)<br>in costs % | Year ended<br>31 July 2020<br>£'000 | Year ended<br>31 July 2019<br>Restated**<br>£'000 |
|--------------------------------------|--------------------------------------|-------------------------------------|---|
| Property costs                       | 9.2                                  | <b>4,392</b>                        | 4,022   |
| IFRS 16 restatement – leases         | 8.2                                  | <b>(1,467)</b>                      | (1,356)   |
| Restated property and premises costs | 9.7                                  | <b>2,925</b>                        | 2,666   |
| Staff costs                          | 2.1                                  | <b>4,196</b>                        | 4,111   |
| Overheads                            | (8.4)                                | <b>1,139</b>                        | 1,244   |
| Total                                | 3.0                                  | <b>8,260</b>                        | 8,021   |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

## Cash Flow and Financing

At 31 July 2020 the Group had cash balances of £13.1 million (2019: £13.7 million). Cash inflow from operating activities before investing and financing activities was £9.7 million (2019: £9.5 million).

As well as using cash generated from operations to fund some capital expenditure, the Group has a £75 million five year revolving credit facility which runs until April 2025. This provides sufficient liquidity for the Group's current needs. Undrawn committed facilities at the year-end amounted to £23.7 million (2019: £32.0 million).

Cash plus undrawn committed facilities amounts to £36.8 million leaving the business with plenty of headroom to keep acquiring and building new landmark stores. The bank facility has a further £25 million accordion not yet committed.

## Strong Cash Flow Supports 8.33% Annual Dividend Increase

- Annual dividend 13 pence per share up 8.33% (2019: 12 pence per share)
- Cash Available for Distribution (CAD) of 21.28 pence per share (2019: 18.95 pence per share)

## Cash Available for Distribution (CAD) up 12.5% From Continuing Operations

Cash available for Distribution (CAD) provides a clear picture of ongoing cash flow available for dividends or debt repayment. The CAD was up 12.5% in the year compared to last year.

To illustrate this fully the table on page 28 shows the calculation of CAD.

\* See our Key Performance Indicators on pages 20 and 21.

# Financial Review continued

## Analysis of Cash Available for Distribution (CAD)

### Based on Continued Operations

|   | Group<br>Year ended<br>31 July 2020<br>£'000 | Group<br>Year ended<br>31 July 2019<br>Restated**<br>£'000 |
|---|--|--|
| Group Adjusted EBITDA (per Statement of Comprehensive Income) | 9,654  | 8,749  |
| IFRS 16 restatement – property leases                         | (1,468)                                      | (1,356)  |
| Less: Net finance costs paid <sup>1</sup>                     | (1,046)                                      | (903)  |
| Capitalised maintenance expenses                              | (110)  | (99)   |
| New Works Team  | (89)   | (90)   |
| Current tax (note 8)  | (768)  | (811)  |
| Total deductions  | (3,481)                                      | (3,259)  |
| <b>Cash Available for Distribution</b>                        | <b>6,173</b>                                 | 5,490  |
| <b>Increase in CAD over last year</b>                         | <b>12.5%</b>                                 | 8.8%   |
|   | <b>Number</b>                                | <b>Number</b>  |
| Closing shares in issue (less shares held in EBT)             | 29,010,078                                   | 28,960,574   |
| CAD per share (annualised)                                    | 21.28p                                       | 18.95p   |
| <b>Increase in CAD per share over last year</b>               | <b>12.3%</b>                                 | 8.8%   |

<sup>1</sup> Net finance costs represent finance costs paid per the Cash Flow Statement of £1.07 million less bank interest received £0.03 million to give the true cash flow effect.

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

### Gearing<sup>11\*</sup> (Excluding IFRS 16 Lease Liabilities)

At 31 July 2020 the Group had £51.3 million of gross bank borrowings (2019: £43.0 million) representing gearing of 31.3% (2019: 24.9%) on net debt of £38.3 million (2019: £29.3 million). After adjusting for the uplift in value of short leaseholds which are stated at depreciated historic cost in the statement of financial position, gearing is 28.3% (2019: 22.2%). After adjusting for the deferred tax liability carried at year-end of £26.8 million gearing drops to 23.6% (2019: 19.0%).

### Gearing<sup>11\*</sup> (Including IFRS 16 Lease Liabilities)

At 31 July 2020 the Group had £51.3 million of gross bank borrowings (2019: £43.0 million) and £12.5 million of lease liabilities (2019: £13.7 million) representing gearing of 41.8% (2019: 36.8%) on net debt of £50.7 million (2019: £42.9 million). After adjusting for the uplift in value of short leaseholds which are stated at depreciated historic cost in the statement of financial position, gearing is 37.7% (2019: 32.7%). After adjusting for the deferred tax liability carried at period end of £26.8 million gearing drops to 31.5% (2019: 27.9%).

### Capital Expenditure

The Group has an active store development programme and has grown through a combination of building new stores, existing store improvements and relocations.

Capital expenditure during the period totalled £12 million (2019: £14.0 million). This was primarily the completions of the Stevenage and Salford acquisitions, deposits paid on the Warrington, Chester and Kettering sites, together with ongoing construction and fit out works at our site in Leicester. There was also planning and pre-development works at our Wolverhampton, Bedford, Bournemouth, Stevenage and Cheshunt sites. The figure includes £382,190 of capitalised interest in respect of the development sites.

The Group has capital expenditure contracted but not provided for in the financial statements of £2.97 million (2019: £5.56 million). We carefully evaluate the ongoing economic and trading position before making any further capital commitments.

\* See our Key Performance Indicators on pages 20 and 21.

**Purchase of treasury shares:** The Group did not buy or sell any treasury shares during the year. We are proposing to renew our ongoing authority to buy back shares at this year's AGM to ensure the Group continues to have flexibility to make purchases should it be considered to be in the best interests of shareholders to do so.

Post-year-end, on 25 September 2020, Lok'nStore, bought back 8,000 Ordinary Shares of 1p each in the market at a price of 519.0 pence per Ordinary Share. On 2 October 2020 Lok'nStore bought back 29,972 Ordinary Shares of 1p each in the market at a price of 517.5 pence per Ordinary Share.

Following the Buyback, the issued share capital of the Company is 29,641,559 Ordinary Shares of which the 37,972 Ordinary Shares acquired are now held in treasury. The total number of voting rights in the Company, excluding Treasury shares will therefore be 29,603,587. (Refer note 34 – Events after the Reporting Date).

### Strong Balance Sheet, Efficient Use of Capital, Conservative Level of Debt

- Revolving Credit Facility (RCF) £75 million with accordion up to £100 million
- £12.0 million invested in new store pipeline (2019: £15.1 million<sup>14</sup>)
- Net debt £38.3 million (2019: £29.3 million)
- Loan to Value Ratio (LTV) net of cash 19.3% (2019: 16.1%)
- Cost of debt averaged 1.69% in the year (2019: 2.21%) on £51.3 million drawn (2019: £43.0 million)

Lok'nStore is a robust business with an excellent credit model, low debt and gearing and which is strongly cash generative from an increasing asset base. Its increased bank facilities at low rates of interest position the business well for the future.

### Statement of Financial Position

Net Group assets at the year-end were £121.4 million up 4.1% (2019 Restated: £116.6 million). Freehold properties were independently valued at 31 July 2020 at £151.7 million up 5.3% (2019: £144.0 million). Please refer to the table of property values below.

The Parent Company's net assets have increased as a result of the dividend of paid up from Lok'nStore Limited, the principal operating business.

### Taxation

The Group has made a current tax provision against earnings in this period of £0.92 million (2019: £0.81 million) based on a corporation tax rate of 19% (2019: 19%). The deferred tax provision which used to be calculated at forward corporation tax rates of 17% is now calculated at the substantively enacted corporation tax rate and has therefore reverted to 19%. The deferred tax provision is substantially a tax provision against the potential crystallisation (sales) of revalued properties and past 'rolled over' gains amounts to £26.8 million. (2019: £22.4 million). (See Note 20).

### Market Valuation of Freehold and Operating Leasehold Land and Buildings

It is the Group's policy to commission an independent external valuation of its properties at each financial year-end.

Our 15 freehold properties are held in the statement of financial position at fair value and have been valued by JLL. Refer to note 11(b) – property, plant and equipment and also to the accounting policies for details of the fair value of trading properties.

The valuations of the leasehold stores held as leases are not taken onto the statement of financial position. However, these have also been valued and these valuations have been used to calculate the Adjusted Net Asset Value position of the Group. The value of our leases in the valuation totals £16.73 million (2019: £18.73 million) and we have reported by way of a note the underlying value of these leasehold stores in our revaluations and adjusted our Net Asset Value (NAV) calculation accordingly to include their value. This ensures comparable NAV calculations.

A deferred tax liability arises on the revaluation of the properties and on the rolled-over gain arising from the disposal of some trading stores. It is not envisaged that any tax will become payable in the foreseeable future on these disposals due to the availability of rollover relief. It is not the intention of the Directors to make any significant disposals of operational stores, although individual disposals may be considered where it is clear that added value can be created by recycling the capital into other store opportunities.

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

14 Including purchase of the The Box Room (Self-Storage) Limited for £1.13 million in cash.



## Financial Review continued

### Analysis of Total Property Value

|  | No of stores/sites | 31 July 2020 Valuation £ | No of stores/sites | 31 July 2019 Valuation £ |
|--|--------------------|--------------------------|--------------------|--------------------------|
| Freehold stores valued by JLL <sup>1</sup>                     | 15                 | 151,675,000              | 15                 | 144,000,000              |
| Short leasehold stores valued by JLL <sup>2</sup>              | 8                  | 16,725,000               | 8                  | 18,725,000               |
| Freehold land and buildings at Director valuation <sup>3</sup> | 1                  | 1,931,457                | 1                  | 2,509,070                |
| Subtotal   | 24                 | 170,331,457              | 24                 | 165,234,070              |
| Sites in development at cost <sup>4</sup>                      | 10                 | 29,884,683               | 6                  | 18,441,750               |
| <b>Total</b>   | <b>34</b>          | <b>200,216,140</b>       | <b>30</b>          | <b>183,675,820</b>       |

1 Includes related fixtures and fittings (refer to note 11b).

2 The eight leaseholds valued by JLL 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 nine years and seven months at the date of the 2020 valuation (2019 valuation: 11 years and 0 months).

3 For more details refer note 11b – Directors valuation.

4 Includes £382,190 (31.07.2019: £332,326) of capitalised interest during the year.

Total freeholds account for 91.6% of property valuations (2019: 89.8%).

### Increase in Adjusted Net Asset Value per Share

- Adjusted Net Asset Value per share up 4.7% to £5.56 (2019 Restated: £5.31)

Adjusted Net Assets per Share are the net assets of the Group 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 (zero) are excluded from the number of shares.

At July 2020 the Adjusted Net Asset Value per share (before deferred tax) increased 4.7% to £5.56 from £5.31 last year. This increase is a result of higher property values on our existing stores as the strength of our landmark stores is recognised, combined with cash generated from operations less dividend payments, offset in part by an increase in the shares in issue due to the exercise of a small number share options during the year.

|  | Group<br>31 July 2020<br>£'000          | Group<br>31 July 2019<br>Restated**<br>£'000           |
|--|---|--|
| <b>Analysis of Adjusted Net Asset Value (NAV)</b>                        |   |  |
| Net assets   | <b>121,382</b>                          | 116,550  |
| Adjustment to include operating/short leasehold stores at valuation      |   |  |
| Add: JLL operating leasehold valuation                                   | <b>16,725</b>                           | 18,725   |
| Deduct: leasehold properties and their fixtures and fittings at NBV      | <b>(3,707)</b>                          | (3,905)  |
|  | <b>134,400</b>                          | 131,370  |
| Deferred tax arising on revaluation of leasehold properties <sup>1</sup> | <b>(2,473)</b>                          | (2,519)  |
| Adjusted net assets  | <b>131,927</b>                          | 128,851  |
|  | <b>Number<br/>(‘000s)</b>               | <b>Number<br/>(‘000s)</b>                              |
| <b>Shares in issue</b>   |   |  |
| Opening shares in issue  | <b>29,584</b>                           | 29,499   |
| Shares issued for the exercise of options                                | <b>49</b>                               | 85   |
| Closing shares in issue  | <b>29,633</b>                           | 29,584   |
| Shares held in EBT   | <b>(623)</b>                            | (623)  |
| Closing shares for NAV purposes  | <b>29,010</b>                           | 28,961   |
| Adjusted Net Asset Value per share after deferred tax provision          | <b>£4.55</b>                            | £4.45  |
|  | <b>Group<br/>31 July 2020<br/>£'000</b> | <b>Group<br/>31 July 2019<br/>Restated**<br/>£'000</b> |
| <b>Adjusted Net Asset Value per share before deferred tax provision</b>  |   |  |
| Adjusted net assets  | <b>131,927</b>                          | 128,851  |
| Deferred tax liabilities and assets recognised by the Group              | <b>26,760</b>                           | 22,385   |
| Deferred tax arising on revaluation of leasehold properties <sup>1</sup> | <b>2,473</b>                            | 2,519  |
| Adjusted net assets before deferred tax                                  | <b>161,160</b>                          | 153,755  |
| Closing shares for NAV purposes  | <b>29,010</b>                           | 28,961   |
| Adjusted Net Asset Value per share after deferred tax provision          | <b>£5.56</b>                            | £5.31  |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

1 A deferred tax adjustment in respect of the uplift in the value of the leasehold properties has been included, calculated by applying a tax rate of 19% (2019: 17%). 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.

## Summary

Lok'nStore Group operates within the UK self-storage sector which is still relatively immature. With a low loan to value and flexible bank facilities through to 2025 this market presents an excellent opportunity for further growth of the business. Recently opened landmark stores and our strong pipeline of more landmark stores demonstrate the Group's ability to use those strengths to exploit the opportunities available.

## Section 172 Statement

Section 172 of the Companies Act 2006 requires a Director of a Company to act in a way he or she considers, in good faith, would be the most likely to promote the success of the Company for the benefit of its members as a whole. In doing this Section 172, requires a Director to have regards among other matters to:

- the likely consequences of any decision in the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly with members of the Company.

The Directors give careful consideration to the factors set out above in discharging their duties under section 172, details of which are contained throughout this Report. The Board's obligations under Section 172 are considered at Board meetings within each relevant section of the Board pack. The stakeholders we consider in this regard are our employees, our customers, our shareholders, our suppliers, and the environment. The Board recognises that building strong relationships with our stakeholders will help us to deliver our strategy in line with our long-term values and operate the business in a sustainable way.

The Board regularly receives reports from management on issues concerning customers, the environment, suppliers, employees, and investors, which it takes into account in its discussions and in its decision-making process under Section 172.

# Principal Risks and Uncertainties

## Principal Risks and Uncertainties in Operating our Business

Risk management has been a fundamental part of the successful development of Lok'nStore. The process is designed to improve the probability of achieving our strategic objectives, keeping our employees safe, protecting the interests of our shareholders and key stakeholders, and enhancing the quality of our decision-making through understanding the risks inherent in both the day-to-day operations and the strategic direction of the Group as well as their likely impact.

Management of our risks helps us protect our reputation which is very important to the ability of the Group to attract customers, particularly with the growth of social media. 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. We operate strict Health and Safety policies and procedures and more information on these can be found on page 37.

## Our Risk Management Governance

The Board has overall responsibility for the management of the Group's risks. As the Group's strategic direction is reviewed and agreed the Board identifies the associated risks and works to reduce or mitigate them using an established risk management framework in conjunction with the Executive Management Team. This is a continuing and evolving process as we review and monitor the underlying risk elements relevant to the business.

## Risk Management Framework

The risk register covers all areas of the business including property, finance, employees, insurance, customers, strategy, governance and disaster recovery. The risks are categorised by risk area and rated based on a combination of 'likelihood' and 'consequences and impact' on the business. The combination of these two becomes the 'risk factor' and any factor with a rating over 15 is reported to the Board.

## Risk Management Team

Ray Davies, Group Finance Director, is the Board member responsible for ensuring that the risk management and related control systems are effective and that the communication channels between the Board and the Executive Management Team are open and working correctly. The Executive Management Team is responsible for the day to day management of the risk factors. Responsibility for identifying, managing and controlling the risk is assigned to an individual as shown on the risk register depending on the business area. Reporting against the risks forms part of the monthly Executive Management Meeting and the risk factor may be amended if applicable. There are also sub-committees for particular risk areas which meet regularly. The Risk Management and Reporting Structure is shown below.



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# Principal Risks and Uncertainties continued

## Principal Risks

The principal risks our business faces and our key mitigations are outlined in the table below.

| Risk                                    | Description  | Key Mitigation  |
|---|--|---|
| <b>Interest Rate and Liquidity Risk</b> | The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk (for details please see note 17, page 103).  | <ul style="list-style-type: none"> <li>Regular review by the Board (full details are set out in the Financial Review, page 25)</li> <li>Debt and interest are low relative to assets and earnings</li> <li>Could reduce debt, if required, by executing 'Sale and Manage-Back' arrangements on mature stores</li> </ul>   |
| <b>Tax Risk</b>                         | Changes to tax legislation may impact the level of corporation tax, capital gains tax, VAT and stamp duty land tax which would in turn affect the profits of the Company.  | <ul style="list-style-type: none"> <li>Regular monitoring of changes in legislation</li> <li>Use of appointed professional advisers and trade bodies</li> </ul>   |
| <b>Property Valuation Risk</b>          | The external independent valuations of the stores are sensitive to both operational trading performance of the stores and also wider market conditions. It follows that a reduction in operational performance or a deterioration of market conditions could have a material adverse impact on the Net Asset Value (NAV) of the Group. | <ul style="list-style-type: none"> <li>Regular monitoring of any changes in market conditions and transactions occurring within our marketplace</li> <li>Use of independent professional valuers expert in the self-storage sector</li> <li>Past experience from the financial crisis of 2008 shows the sector has been resilient to a market downturn</li> <li>Store properties are all UK based and predominately located in the affluent South of England and therefore not exposed to overseas/international/currency risks etc</li> <li>Strong operational management teams with the skills, experience and motivation to continue to drive operational performance</li> </ul> |
| <b>Property Acquisition</b>             | Acquiring new sites is a key strategic objective of the business but we face significant competition from other uses such as hotels, car showrooms and offices as well as from other self-storage operators.   | <ul style="list-style-type: none"> <li>We hold weekly property meetings to manage the search process and property purchases</li> <li>Use of property acquisition consultants</li> <li>Regular communication with agents</li> <li>Attendance at industry relevant property events</li> </ul>   |
| <b>Planning Permission</b>              | The process of gaining planning permissions remains challenging.   | <ul style="list-style-type: none"> <li>Where we can we acquire sites subject to planning</li> <li>We work with an established external planning consultant</li> <li>Our property team has over 20 years' experience</li> </ul>  |
| <b>Construction</b>                     | Poor construction may affect the value of the property and/or the efficient operation of the centre.   | <ul style="list-style-type: none"> <li>We use a design and build contract with a variety of established contractors</li> <li>We use external project managers</li> <li>All projects are overseen by our property team which has over 20 years' experience</li> </ul>  |

| Risk                         | Description  | Key Mitigation   |
|------------------------------|--|--|
| <b>Maintenance/ Damage</b>   | Damage to properties through poor maintenance or flood or fire could render a centre inoperable.   | <ul style="list-style-type: none"> <li>• Regular site checks by team members</li> <li>• Rolling maintenance plan for all stores</li> <li>• Comprehensive disaster recovery plan</li> <li>• Appropriate insurance cover</li> </ul>  |
| <b>Increased Competition</b> | An increasing number of competitors in the industry may negatively impact Lok'nStore's existing operations (e.g. pricing/available sites).   | <ul style="list-style-type: none"> <li>• Established criteria for site selection including: <ul style="list-style-type: none"> <li>– Prominent locations</li> <li>– High visibility</li> <li>– Distinctive designs and bright orange elevations and strong signage to attract customers</li> </ul> </li> <li>• Continued investment in the Group's website and internet marketing</li> <li>• Ensure high levels of customer service through training and monitoring</li> </ul> |
| <b>Employee Retention</b>    | Loss of employees may affect our ability to operate our stores and provide the high levels of customer service expected.   | <ul style="list-style-type: none"> <li>• Aim to offer a good work/life balance and career development</li> <li>• Regular reviews of remuneration levels against market</li> <li>• Achievable bonus systems</li> <li>• Generous Employee Share Schemes</li> <li>• High quality training via Lok'nStore Academy (for further information see page 36)</li> <li>• Intranet for improved communications</li> <li>• Established Employee rewards programme</li> </ul>               |
| <b>IT System Breach</b>      | A breach of our IT systems might adversely affect the operations of the business and our reputation.   | <ul style="list-style-type: none"> <li>• Strong and regularly reviewed IT security systems</li> <li>• Well communicated policies and procedures for handling and managing a systems breach</li> </ul>  |
| <b>COVID-19 Risk</b>         | A spread of the virus and social protection measures introduced by Government may adversely affect the operations and financial performance of the business and adversely impact on the health of staff. | <ul style="list-style-type: none"> <li>• Please refer to our COVID-19 Group Response section in the Managing Director's Review on page 18</li> </ul>   |

# Corporate Sustainability Report

## LOK'NSTORE ACADEMY

The Lok'nStore Academy continues to bring strategic and operational benefits to the business, aligning our training under one branded project, providing personal development opportunities to all of our team members. During the year the Academy offered a number of training courses which have been delivered via classroom based learning and since March via virtual training sessions. Over 5,460 hours of training was delivered via classroom and virtual means – the equivalent of over 32 hours per team member. We are delighted to report that 28 colleagues have completed National Vocational Qualifications (NVQs) since the Academy opened. In the current year six colleagues have enrolled on NVQs and these have progressed via virtual training sessions since the pandemic started.

Development of our teams through the Academy supports our strategic aim to fill future Centre Manager roles internally. 61% of our current Centre Managers are internal appointments having all developed from a Customer Service Assistant role, up from 55% last year. We expect to continue to improve this percentage as the business grows, giving us committed and talented team members at the customer facing heart of our business. The Academy encompasses all in house training and quality audits such as our monthly mystery shop programme and standards audits and performance reviews.



## Corporate and Social Responsibilities

Lok'nStore conducts its business in a manner that reflects honesty, integrity and ethical conduct. Our Corporate Social Responsibility Report sets out our environmental policy and how we manage our impact on the environment and our policies and principles in relation to our responsibilities to stakeholders including suppliers, customers and employees.

We believe that the long-term success of our business is best served by respecting the interests of all of 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 when communicating with our customers. 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.

COVID-19 events continue to move at a fast pace but our objective is to continue to keep our stores open so that our business customers in particular can continue to operate. Many of them are providing critical services distributing medical and other essential supplies. We include the NHS, GP surgeries, care and home support services and government departments amongst our customers. All of our stores have remained open throughout the pandemic.

### 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.

### 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 40 days (2019: 40 days).

**5,460 hours**  
OF ACADEMY  
TRAINING – UP 36.3%

**100%**

OF ELECTRICITY FROM  
RENEWABLE SOURCES

**80%**

OF EMPLOYEES ARE MEMBERS  
OF THE PENSION FUND

**100%**

OF EMPLOYEES RECEIVE  
PERFORMANCE RELATED BONUSES

**50%**

OF EMPLOYEES ARE MEMBERS  
OF SHARE INCENTIVE PLAN

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## Employees

At 31 July 2020 we had 167 employees (2019: 161).

We treat our employees with dignity and respect and are committed to providing a positive attitude and an enjoyable working environment. We have a professional open culture where all colleagues can exchange ideas and offer suggestions for improvement. This encourages our team members to build on their skills, through appropriate training and regular performance review. Regular training courses at our Head Office support these objectives and we talk below about the contribution Lok'nStore Academy makes to this (see the case study on the work of the Academy).

Remuneration of all Group colleagues is reviewed annually to ensure all of our employees are paid fairly and to ensure we can attract and retain the correct talent to support our rapid growth. Our Company Intranet provides a central point of knowledge for all employees across the organisation. The system is regularly updated with news, events and files making it a first point of reference for Company communication and documents.

## Share Ownership Plans

We are proud to have share ownership plans in which all employees are eligible to participate. 50% of our employees are members of our Share Incentive Plan (SIP), a tax efficient equity scheme. This high level of participation is testament to the loyalty and commitment of our team members.

Our personnel are committed and motivated and help maintain the exemplary levels of friendly service that Lok'nStore provides to its customers. The Board would like to thank all colleagues for their commitment to our business and for their hard work and efforts over the year.

## Employee Benefit Trust

The Employee Benefit Trust owns 623,212 shares (2019: 623,212), the costs of which are shown as a deduction from shareholders' funds. Full details are provided in note 28 – Own Shares.

## Health and Safety

The Board recognises the prime importance of maintaining high standards of Health and Safety and healthy working conditions for our teams, customers, visitors, contractors and other people who may be affected by our business activities. Lok'nStore has a Property Risk Committee which meets periodically and considers issues relevant to Health and Safety and other risk issues within the Group under the overall supervision of Ray Davies, Finance Director, who carries Board responsibility for risk management.

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 Managing Director, Managers and all colleagues within the Group.



# Corporate Sustainability Report continued

## Environmental Performance

Lok'nStore remains committed to reducing waste and ensuring commitment to its green policies. We have been actively monitoring and measuring our environmental impacts since 2005. By monitoring environmental key performance indicators (eKPIs) including greenhouse gas emissions (GHG), water use and waste, and reviewing them against our stated Environmental Policy, we continue to achieve our stated aims; to manage waste effectively, control polluting emissions and to encourage suppliers to minimise their impact on the environment.

The UK government requires all quoted companies to report on their GHG emissions as part of their annual Directors' report under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. As in previous years, Lok'nStore engaged Trucost to review its reporting of environmental impacts for the financial year ending 31 July 2020. A summary of their findings is included below. More detail can be found on our website.

### ENVIRONMENTAL CASE STUDY:

As a socially responsible company Lok'nStore is committed to reducing the impact our operations have on the environment. To ensure this commitment is fulfilled for this year and in the future, we are proud to confirm that electricity for the entire Lok'nStore Group now comes from 100% renewable energy.

Our external electricity supplier obtains its energy either from renewable generators or from combined heat and power sources. The Group stipulates that all energy supplied must be from renewable generation.

We continue to install photovoltaic (PV) solar panels on the roofs of our new buildings and are proud that we have managed to increase electricity generated by 53% whilst exporting clean green energy to the national grid. Lok'nStore facilities produced 347 MWh of PV electricity which is 1% more than in the previous reporting period.

The continued use of PV generated electricity helped Lok'nStore in avoiding 81 tCO<sub>2</sub>e of GHG emissions, based on the national standard mix of non-renewable energy for FY 2019–20. Out of the total electricity produced 84% was used at the sites, while the proportion of generation that was exported accounted for 16% of the total.

The Company's elimination of any GHG footprint from electricity consumption at its facilities and export of clean energy to the national grid demonstrate its successful approach to the environment.



More detail can be found on our website:  
[www.loknstore.com](http://www.loknstore.com)

## Environmental Management and Performance

### Highlights for the year ending 31 July 2020

The Group's operational Greenhouse Gas (GHG) emissions (direct and indirect) decreased by 38%, falling to 105 tCO<sub>2</sub>e from 170 tCO<sub>2</sub>e the previous financial year, the eighth year of decrease in a row. Normalising these emissions by annual revenue allows intensity comparisons to be made. Lok'nStore recorded a 42% lower emission intensity of 5.8 tCO<sub>2</sub>e per £million in 2019–20 as compared to 10 tCO<sub>2</sub>e per £million in 2018–19.

| Impact  | Result | Comment   |
|---|--------|---|
| <b>Operational GHG Emissions (scope 1 &amp; 2)</b>  | ✓      | In the year 2019-20 operational GHG emissions intensity has decreased by 42%. This continues to demonstrate our ongoing commitment to decreasing GHG emissions, which have reduced by 91.2% since 2005 when monitoring began from 1,189 tCO <sub>2</sub> e to 105 tCO <sub>2</sub> e.   |
| <b>Direct Operational GHG Emissions (scope 1)</b>   | ✓      | This year we are pleased to have achieved a 52% decrease in direct GHG emissions from fuel used in travel despite an increased number of stores trading and geographical spread. Vehicle fuel usage has decreased and efforts continue to be made to reduce the use of heating from gas sources wherever possible. We saw a 26% increase in natural gas consumption which is a relatively small percentage of our total energy consumption. |
| <b>Indirect Operational GHG Emissions (scope 2)</b> | ✓      | We achieved a decrease of 3% in total use of electricity across all our sites. We continue to emit no indirect operational GHG emissions due to all of our electricity coming from renewable feed stocks and on-site photovoltaic electricity generation.   |
| <b>Renewable Energy Generation</b>                  | ✓      | This year has seen a 1% increase in energy generated at our sites. Where possible PV solar panels will continue to be installed on new stores to increase electricity generated by our operations.  |
| <b>Water Consumption</b>                            | ✓      | Water usage has decreased by 25% in the year 2019–20, even as the total number of trading sites increased.  |
| <b>Waste Generation and Recycling</b>               | ✓      | In the year 2019–20 total waste generation decreased by 4% as the total number of trading sites increased. When adjusted for intensity we saw a 10% decrease in landfill waste. Alongside the decrease in landfill waste we also saw an 8% decrease in waste recycled. This reflects on the decrease in overall volume of waste more than it does on the route our waste takes once generated by our customers and our own operations.      |

The Group's environmental reporting is consistent with 'Environmental Key Performance Indicators: Reporting Guidelines for UK Business 2006'

Lok'nStore's GHG reporting for 2019-20 aligns with government guidelines

Trucost found that Lok'nStore assessed and disclosed all material environmental impacts – GHG emissions, water consumption and waste generation for its own facilities

The Board is committed to considering the impact our operations have on the environment and minimising them wherever possible. We will continue to monitor and report our environmental impacts in line with government guidelines.

The Strategic Report as set out in pages 9 to 39 was approved by the Board of Directors and authorised for issue on 30 October 2020 and signed on its behalf by

**Andrew Jacobs** Chief Executive Officer      **Ray Davies** Finance Director







# Governance

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## LANDMARK STORE LEICESTER



57,339

SQUARE FEET OF MAXIMUM  
LETTABLE AREA

NOW



OPEN

**Lok'nStore Leicester opened in early August 2020 (immediately post year-end) and early trading has been encouraging.**

This stunning landmark store is unmissable and is located in the Freeman's Park area, to the south of the city centre. Adjacent to the King Power football stadium and the Leicester Tigers rugby stadium with an adjacent national supermarket, cinema and leisure complex. With its stunning curved glass facade this store presents itself a busy main road out of the city centre.

This market leading purpose-built store serves the 330,000 strong population of Leicester with an easy to find modern storage facility.



# Board of Directors and Advisers

## EXECUTIVE DIRECTORS



**Andrew Jacobs (61)**  
Executive Chairman

### Experience

Andrew established Lok'nStore 25 years ago after eight years working in the Japanese equity market. Andrew is responsible for strategy, corporate finance and property. He has an MPhil in Economics from Cambridge University and a BSc in Economics from LSE.

### Key Areas of Expertise

Strategy, Corporate Finance, Economics and Property.



**Ray Davies (63)**  
Finance Director

### Experience

Ray is a Fellow of the Institute of Chartered Accountants and the Institute of Chartered Secretaries & Administrators. Prior to joining Lok'nStore in 2004, Ray held several senior finance positions in listed companies in the construction, health and fitness sectors.

### Key Areas of Expertise

Finance and Accounting, Corporate Reporting, Risk Management, Legal, Tax and Compliance.



**Neil Newman-Shepherd (43)**  
Managing Director

### Experience

Neil joined the Lok'nStore Group in October 2006 becoming Sales Director in November 2015. Prior to joining Lok'nStore, Neil gained retail experience at Wickes and Woolworths plc. Neil is responsible for sales, operations, marketing and people.

### Key Areas of Expertise

Sales, Marketing and Human Resource Management.

## NON-EXECUTIVE DIRECTORS



**Edward Luker (71)**  
Senior Non-Executive Director

### Experience

Edward is a Fellow of the Royal Institution of Chartered Surveyors. 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. Edward joined Lok'nStore in 2007.

### Key Areas of Expertise

Commercial Property.



**Simon Thomas (60)**  
Non-Executive Director

### Experience

Simon joined Lok'nStore in 1997 following successful careers in the publishing and finance sectors. He worked at Reed International, Swiss Bank Corporation, Nomura International and co-founded the emerging markets investment trust business at LCF Edmond de Rothschild. Simon is particularly interested in environmental economics and natural capital.

### Key Areas of Expertise

Corporate Finance and Environmental Performance.



**Richard Holmes (60)**  
Non-Executive Director

### Experience

Richard joined Lok'nStore in 2000 having held senior marketing and commercial roles in Unilever, Boots (as Marketing Director and Commercial Director) and latterly Specsavers (as Group Marketing Director).

### Key Areas of Expertise

Marketing including Digital Marketing, and Customer Experience.

## DIRECTORS AND ADVISERS

### Directors

The Board of Directors is supported by an Assistant Company Secretary who assists the Chairman with the setting of meeting agendas and provides the information to the Board members prior to the meetings. A procedure to enable Directors to take independent professional advice if required has been agreed by the Board and formally confirmed by all Directors.

|                           |  |
|---------------------------|--|
| <b>A. Jacobs</b>          | Executive Chairman                                     |
| <b>R.A. Davies</b>        | Finance Director                                       |
| <b>N. Newman-Shepherd</b> | Managing Director                                      |
| <b>E.T.D. Luker</b>       | Senior Non-Executive Director                          |
| <b>S.G. Thomas</b>        | Non-Executive Director                                 |
| <b>R.J. Holmes</b>        | Non-Executive Director                                 |
| <b>C.P. Peal</b>          | Non-Executive Director                                 |
| <b>Jeff Woyda</b>         | Non-Executive Director<br>(appointed 1 September 2020) |

In addition the Board is advised by:

### Secretary and Registered Office

Dentons Secretaries Limited  
One Fleet Place  
London  
EC4M 7WS

### Nominated Adviser and Broker

finnCap Ltd  
1, Bartholomew Close  
London  
EC1A 7BL

### Auditor

RSM UK Audit LLP  
25 Farringdon Street  
London  
EC4A 4AB

### Registrars

Link Asset Services  
(Formerly Capita Registrars)  
Link Group  
6th Floor, 65 Gresham Street,  
London  
EC2V 7NQ

### Solicitors

Dentons UKMEA LLP  
One Fleet Place  
London  
EC4M 7WS  
Goodman Derrick LLP  
10 St Bride Street  
London  
EC4A 4AD

Glovers LLP  
6 York Street  
London  
W1U 6QD



**Charles Peal (65)**  
Non-Executive  
Director



**Jeff Woyda (58)**  
Non-Executive  
Director

**The Board has over 100 years of self-storage experience.**

### Experience

Charles joined Lok'nStore in 2007. Charles started his career in 1977 at 3i Group, the leading UK quoted Venture Capital Company. He was Chief Executive of Legal and General Ventures from 1988 to 2000 and has served on several Boards since then.

### Key Areas of Expertise

Capital Markets and Fund Management.

### Experience

Jeff joined the Board on 1 September 2020 as an independent Non-Executive Director. During his extensive and varied career Jeff, a qualified accountant, has held a number of senior Executive positions and is currently Chief Financial Officer and Chief Operating Officer of Clarkson plc, a FTSE 250 company and the world's leading provider of integrated shipping services and investment banking capabilities to the shipping and offshore markets.

### Key Areas of Expertise

Finance and Technology, Strategic Development, Financial Management, Investor Relations and Corporate Governance.

 Audit Committee

 Remuneration Committee



To find out more visit:

[www.loknstore.com/investors/the-board](http://www.loknstore.com/investors/the-board)



Find out more about the Company's committees on [pages 49 and 50](#)

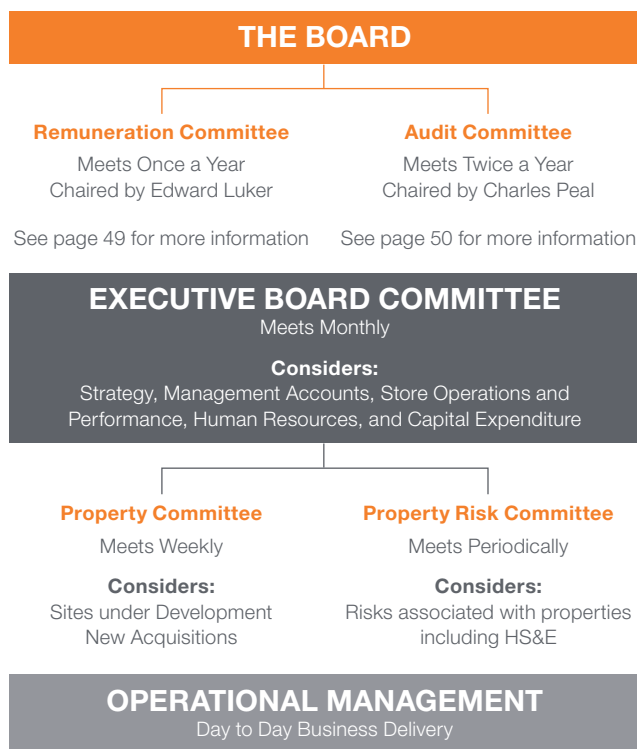
# Corporate Governance

The Board of Lok'nStore Group plc has always sought to operate the **highest level of governance standards** appropriate to the size and nature of the Company.

The Group applies the Quoted Companies Alliance's Corporate Governance code ('QCA Code').

As Chairman it is my responsibility to ensure the Company complies with the QCA Code and where the Company deviates to explain why the Directors believe this to be in the best interests of the Company. In this section, we hope to demonstrate our Company's good corporate governance structure and where our practices differ from the expectations set by the QCA Code, why they do so. You can find more information including our reporting directly referenced to the 10 principles of the QCA code on the corporate governance page in the investor section on our website. These are also summarised below and referenced to the relevant content within the Annual Report.

## Our Governance Structure



## Internal Control

The Board is responsible for ensuring that the Group has established and operates 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 employee handbook, which is issued to all colleagues. All employees may raise concerns about malpractice or improper or potentially illegal behaviour in confidence without concern of victimisation or disciplinary action.

| QCA Code Principle   | Reporting Location   | Compliant With Code |
|--|--|---------------------|
| 1 Establish a strategy and business model which promote long-term value for shareholders   | Our business model is set out on page 12 and our strategic objectives and achievements in the year are set out on page 14. The principle risks associated with the Business Model are set out in the Principal Risks and Uncertainties section on page 33.                             | ✓                   |
| 2 Seek to understand and meet shareholder needs and expectations   | Under Shareholder Relations on page 49 we discuss how we seek to understand and meet shareholder needs and expectations.<br><br>Andrew Jacobs, Executive Chairman, is responsible for shareholder liaison.   | ✓                   |
| 3 Take into account wider stakeholder and social responsibilities and their implications for long-term success                           | How we work with and take into account wider stakeholder interests is detailed in our Corporate Sustainability Report on pages 36 to 39.   | ✓                   |
| 4 Embed effective risk management, considering both opportunities and threats, throughout the organisation                               | Our approach to risk management is detailed on page 33 and our principal risks are outlined on pages 34 and 35. Our approach to Internal control and specifically internal audit is set out on page 44.  | ✓                   |
| 5 Maintain the Board as a well-functioning, balanced team led by the chair   | The Board structure is reported on pages 46 and 47. Our committees are detailed in this section of the Annual Report but can also be found on our website: <a href="https://www.loknstore.co.uk/investors/">https://www.loknstore.co.uk/investors/</a>                                 | ✓                   |
| 6 Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities                               | Our Directors' biographies can be found on pages 42 and 43 and further information on the balance of skills and capabilities within our Board can be found in the commentary on Board Evaluation on page 47.   | ✓                   |
| 7 Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement                                      | We set out this year's information in the Corporate Governance section on page 48.   | ✓                   |
| 8 Promote a corporate culture that is based on ethical values and behaviours   | Please see our Corporate Sustainability Report on pages 36 to 39.  | ✓                   |
| 9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board                    | Please see the Corporate Governance Section from page 41.  | ✓                   |
| 10 Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders | Please see the Corporate Governance Section, specifically page 49.<br><br>Results of voting at our AGMs can be found on the announcements page of our website: <a href="https://www.loknstore.co.uk/investors/announcements/">https://www.loknstore.co.uk/investors/announcements/</a> | ✓                   |

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# Corporate Governance continued

## The Board

### Three Executive Directors and Five Non-Executive Directors

| Meets:   | Considers:  | Receives:  |
|--|---|--|
| Five times a year with teleconferences when required | <ul style="list-style-type: none"> <li>Financial strategy</li> <li>Company performance</li> <li>Major investments</li> <li>Capital resources</li> <li>Risk management</li> <li>Reporting to shareholders</li> </ul> | <ul style="list-style-type: none"> <li>Detailed management accounts against budgets</li> <li>A current trading appraisal</li> <li>Minutes of all subcommittees</li> <li>The Risk Register</li> <li>The Conflicts Register</li> </ul> |

## The Directors

The Board consists of three Executive Directors and five Non-Executive Directors following the appointment of Jeff Woyda. The expertise of the Directors covers Company Law, Corporate Finance, Economics, Finance and Accounting, Corporate Reporting, Risk Management, Tax and Compliance, Marketing, Operations, Property Law and Strategy.

## Activities

The Non-Executive Directors provide considerable support to the Executive Chairman and while much of this is via informal meetings, telephone calls and email correspondence, the Non-Executive Directors also lend their expertise and experience to other members of the management team.

## Conflicts of Interest

The Directors have a responsibility to act in the best interests of the Group and its Shareholders and in keeping with this responsibility it is imperative that Directors are aware of and properly manage potential conflicts of interest.

The table below shows the Directorships that the Group Directors hold in other Companies both inside and outside the Group:

### Jeff Woyda

H. Clarkson & Company Limited  
 Clarkson PLC  
 Clarksons Platou Structured Asset Finance Ltd  
 Clarkson Research Holdings Ltd  
 Halcyon Shipping Ltd  
 Oilfield Publications Ltd  
 Clarkson Capital Ltd  
 LNG UK PLC  
 Levelseas Ltd  
 Clarkson Shipbroking Group Limited

Clarksons (Trustees) Limited  
 Clarksons Overseas Shipbroking Limited  
 Clarkson Research Services Limited  
 Clarkson Logistics Limited  
 Clarkson Property Holdings Limited

### Directorships held by Jeff Woyda in the last five years:

J.O. Plowright & Co. (Holdings) Limited  
 Clarksons Platou Securities Limited  
 Clarksons Platou Legal Services Limited  
 Clarkson Tankers Limited  
 Clarkson Dry Cargo Limited  
 Clarkson Sale and Purchase Limited  
 Clarkson Shipbrokers Limited  
 Clarkson Holdings Limited  
 Clarksons Platou Futures Limited  
 International Transport Intermediaries Club Limited  
 Maritech Services Limited  
 J.O. Plowright & Co. (Holdings) Limited  
 Maritech Holdings Limited  
 Seafix Limited  
 Maritech Development Limited

### Andrew Jacobs

Andrew Jacobs (UK) Limited  
 Lok'nStore Limited\*  
 The Box Room (Self Storage) Ltd\*

### Simon Thomas

Lok'nStore Limited\*  
 Simon Thomas (UK) Limited

**Richard Holmes**

Lok'nStore Limited\*  
 Lok'nStore Trustee Limited\*  
 First Contact Healthcare\*\*

**Ray Davies**

Ash Road SS Limited  
 Davies Elise Consulting Limited  
 Lok'nStore Limited\*  
 Lok'nStore Trustee Limited\*  
 ParknCruise Limited\*  
 Semco Engineering Limited\*  
 Semco Machine Tools Limited\*  
 Southern Engineering and Machinery Co. Limited\*  
 The Box Room (Self Storage) Ltd\*  
 Chichester Storage Limited  
 Broadstairs Storage Limited

**Charles Peal**

No other Directorships

**Edward Luker**

Edward Luker Consulting Limited  
 St George's School Ascot Trust Limited

**Neil Newman-Shepherd**

Lok'nStore Limited\*

\* Lok'nStore Group Companies  
 \*\* Guernsey registered company

Conflicts of interest arise where an individual's personal interests or those interests related to legitimate outside roles may conflict with the interests of the Group. This could, for example, inhibit open discussions or lead to a perception that the individual is acting outside of the Group's interests.

It is recognised that conflicts of interest will inevitably occur from time to time and that Directors legitimately undertake roles outside of the Group. The Board therefore believes it is important to be transparent in terms of such interests and to ensure they are properly recorded and, where necessary, Directors will withdraw from decision-making if there is a danger of perceived conflict.

A register of interests is maintained by the Assistant Company Secretary and is circulated to the Directors in advance of each Board meeting. Conflicts of Interest are considered and authorised by the Board as they arise.

We report in note 31 related party transactions. Additionally, in the interests of transparency we include items which, while not strictly falling within the definition of a related party transaction, are still considered matters of interest.

**Board Evaluation and Composition**

| Board Attendance                      | Board            | Audit Committee | Remuneration Committee | Annual General Meeting | % Attendance |
|---------------------------------------|------------------|-----------------|------------------------|------------------------|--------------|
| Total Number of Meetings in 2019/2020 | 7 (3 via 'Zoom') | 2               | 1                      | 1                      |              |
| <b>Executive Directors</b>            |                  |                 |                        |                        |              |
| Andrew Jacobs                         | 7 (3 via 'Zoom') | n/a             | n/a                    | 1                      | 100%         |
| Ray Davies                            | 7 (3 via 'Zoom') | n/a             | n/a                    | 1                      | 100%         |
| Neil Newman-Shepherd                  | 7 (3 via 'Zoom') | n/a             | n/a                    | 1                      | 100%         |
| <b>Non-Executive Directors</b>        |                  |                 |                        |                        |              |
| Simon Thomas                          | 7 (3 via 'Zoom') | n/a             | n/a                    | 1                      | 100%         |
| Edward Luker                          | 7 (3 via 'Zoom') | 1               | 1                      | 1                      | 100%         |
| Charles Peal                          | 7 (3 via 'Zoom') | 1               | n/a                    | 1                      | 100%         |
| Richard Holmes                        | 7 (3 via 'Zoom') | n/a             | 1                      | 1                      | 100%         |

## Corporate Governance continued

The 2019 QCA Code expects companies to, 'evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.' Our Executive Directors are evaluated on a quarterly basis via the Company's senior management review system in which objectives are set and performance against these objectives is subsequently measured. Remuneration is linked to these objectives and may include relevant performance targets such as number of new properties acquired or turnover growth. Our Non-Executives were evaluated informally within this year's review of our Board composition and we report on this below.

We have previously reported (against The UK Corporate Governance Code's requirement that a smaller company should have at least two Non-Executive Directors that are deemed independent) that all of our Non-Executive Directors have served for longer than nine years and were therefore no longer deemed independent. Our new code, the Quoted Companies Alliance Code, takes a more pragmatic approach stating that, 'length of tenure does not automatically affect independence' and that the Board should, 'make a decision regarding such Director's independence.'

Therefore, as part of our review of the Board composition this year we looked at the ability of our Non-Executive Directors to be objective, the experience each of our Non-Executive Directors brings to the business and the contribution they have made in the year. We established that the broad range of skills, expertise and attitude amongst the Executive and Non-Executive Directors includes all the matters that the Company deals with – strategy, property, finance, human resources, marketing, and organisation. Further the long experience of Board Members continues to be considered an asset and all express challenges freely and robustly.

We also met with potential Non-Executive Directors to explore what expertise they might bring to the Board and discussed the balance between new experiences and increasing costs. After careful consideration we concluded that although the current composition of the Board remains effective it in the best interest of shareholders and the Company as a whole to appoint a new independent Non-Executive Director with

the necessary skills and a wealth of knowledge and experience held in senior roles across multiple disciplines to contribute to the Group for its next stage of significant growth. Accordingly, Jeff Woyda was appointed as an independent Non-Executive Director on 1 September 2020. His biography details are set out in this Report on page 43.

Although Non-Executive Directors who have served over nine years must offer themselves for re-election at every Annual General Meeting, and accordingly Simon Thomas, Edward Luker, Charles Peal and Richard Holmes offer themselves for re-election at every AGM, the Group considers the Non-Executive Directors to be independent and therefore compliant with the Code.

### 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.

Performance related bonuses are calculated in accordance with strict and measurable performance criteria. There are no specific performance conditions relating to the historic grant of share options beyond the share price performance. There are appropriate performance criteria which apply for the grant of future share options to Directors and Senior Managers in the business as part of their participation in long-term performance awards in order to meet the objectives of the business and accord with accepted corporate governance. The details of each Director's remuneration are set out in note 7 in the financial statements and in the remuneration report on page 54.

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

## Shareholder Relations

We aim to provide balanced, clear and transparent communications which allow our shareholders to understand our performance, strategy and prospects. Further aiding transparency is the fact that the Group has a straight forward capital structure with only one class of shares and one bank facility.

The Directors also meet and discuss the performance of the Group with shareholders throughout the year with specific schedules to visit institutional investors, analysts and the media being held after the announcement of the half year and full year results. At the AGM the Board give a presentation of events and progress during the year. Attendee shareholders are encouraged to mix and engage with the Directors after the formal business of the AGM has concluded.

Regular Regulatory News Service announcements (RNS) are made via the London Stock Exchange throughout the year keeping all shareholders informed about acquisitions, trading conditions, Director dealings etc. Queries raised by a shareholder, either verbally or in writing, are promptly answered by whoever is best placed on the Board to do so.

## Accounting Dates and Reporting Calendar 2020

|           |                                  |
|-----------|----------------------------------|
| January   | H1 Period-End                    |
| February  | Pre-close Trading Statement (H1) |
| March     |                                  |
| April     | Interim Results Announced        |
| May       |                                  |
| June      |                                  |
| July      | Financial Year-End               |
| August    | Pre-close Trading Statement      |
| September |                                  |
| October   |                                  |
| November  | Preliminary Statement            |
| December  | AGM                              |

## Accountability and Audit

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

## Board Committees

The following section introduces the Group's committees, members and the terms of reference.

### Nomination Committee

A Nomination Committee would oversee the appointment of a new Director. Due to the relatively small size of the Company, the Board do not believe that a Nomination Committee is necessary. 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. Each member of the Board is subject to the re-election provisions of the Articles of Association, which require them to offer themselves for re-election at least once every three years.

### Remuneration Committee

The Remuneration Committee consists of Edward Luker (Chairman of the Committee) and Richard Holmes. The Committee meets once a year and considers, within existing terms of reference, the remuneration policy and makes recommendations to the Board for each Executive Director. Further the Committee considers proposals from the Chief Executive Officer on the remuneration of the operational management team especially in relation to bonus share option awards under the long-term performance related pay schemes.

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 long-term performance related pay including 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 the Remuneration Report on page 54 and more details are given in note 7 in the financial statements.

## Corporate Governance continued

### Audit Committee

The Company has an Audit Committee, to whom the external Auditor, RSM UK Audit LLP, reports. The Committee consists of Charles Peal (Chairman of the Committee) and Edward Luker. Charles Peal is the Committee's Nominated Financial Expert (for details of Charles' experience please see his biography on page 43). The Committee 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 prior to the announcement of the Group's financial results to consider the Auditors' Findings Report and consider any corresponding recommendations. It also convenes to discuss and review the findings of the external JLL Valuation Report prior to the Groups year-end results. The Committee 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 team members 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 6 to the financial statements.

The Committee is satisfied that the external Auditor remains independent in the discharge of their audit responsibilities.

The Board will continue to review the Company's corporate governance and annual reporting against the QCA Code and to implement appropriate systems in order to support the Directors in executing their responsibilities to all of the Company's Stakeholders.

On behalf of the Board.

**Andrew Jacobs**  
**Executive Chairman**  
30 October 2020



# 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 2020.

## Principal Activity

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

## Review of the Business and Future Developments

A detailed account of the Group's progress during the year and its future prospects are set out in the Chairman's Review on page 2 and the Strategic Report on pages 9 to 39. The key performance indicators are set out in the Highlights on page 1 and discussed in more detail in the Financial Review on page 25 and the Managing Director's Review on page 15. Commentary on financial risk managements is included on page 33 and disclosures on financial instruments are provided in note 17.

## Going Concern

A review of the Group's business activities, together with the matters likely to influence its future development, performance and its position in the wider market are set out in the Strategic Report. The financial position of the Group, its cash flows and borrowing facilities are shown in the Statement of Financial Position, Cash Flow Statement and corresponding notes and policies contained within the financial statements.

Further information concerning the Group's objectives, policies, its financial risk management objectives as well as details of financial instruments and credit and liquidity risk are also found in the Strategic Report and in the notes to the financial statements – See note 17.

The Directors can report that, based on the Group's budgets and financial projections, which include the expected impact of COVID-19 on the Group, they have satisfied themselves that the business is a going concern. The impact of COVID-19 and the measures the Directors have taken to mitigate its effects are set out in 'Our COVID-19 safe response' section in the Managing Directors Review on page 15.

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 £13.1 million, (2019: £13.7 million) undrawn committed facilities at 31 July 2020 of £23.7 million (2019: £32.0 million) and cash generated from operations £9.7 million (2019: £9.5 million).

The Group operates a Revolving Credit Facility of £75 million, with a further uncommitted £25 million accordion option taking the facility to £100 million. The increased facility continues to provide funding for new landmark site acquisitions to support the Group's ambitious growth plans. The facility is a combined agreement with Lloyds Bank and The Royal Bank of Scotland plc and runs until April 2025 with an option for a further two one year extensions. The interest rate is set at the London Inter-Bank Offer Rate (LIBOR) plus a 1.50%-1.75% margin based on a loan to value covenant test. 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.

## Dividend

The Directors propose that a final dividend of 9.00 pence per share will be paid to the shareholders. The total estimated dividend to be paid is £2.6 million based on the number of shares in issue at 16 October 2020 as adjusted for shares held in the Employee Benefits Trust. 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 26 November 2020; the record date 27 November 2020; with an intended payment date of 8 January 2020. The final deadline for Dividend Reinvestment Election (DRIP) is 11 December 2020.

## Events after the Reporting Date

Reportable events after the reporting date are set out in note 34 in the financial statements.

## Directors

The following Directors held office during the year and subsequently:

|                   |   |
|-------------------|---|
| SG Thomas         | ETD Luker                               |
| A Jacobs          | RJ Holmes                               |
| RA Davies         | CP Peal                                 |
| N Newman-Shepherd | J Woyda<br>(appointed 1 September 2020) |

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 7 of the financial statements. Biographical details of the Directors are set out on pages 42 and 43.

## Directors' Report continued

### Reappointment of Directors

Richard Holmes, Edward Luker and Charles Peal who have over 16, 13 and 13 years tenure respectively as Non-Executives are required under the Companies Act 2006 to offer themselves for re-election at every AGM and accordingly offer themselves for re-election at the next AGM. Simon Thomas by virtue of his accumulated tenure both as an Executive and a Non-Executive Director also offers himself for re-election at the next AGM.

Jeff Woyda, who was appointed as an additional Director of the Company on 1 September 2020, is required to offer himself up for reappointment in accordance with Article 103 of the Company's Articles of Association.

### 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 13 October 2020:

|   | Current Rank | % at 13 Oct 2020 | Number of Shares | Total Shares in Issue | % at 17 Oct 2019 | Number of Shares | Total Shares in Issue   |
|---|--------------|------------------|------------------|-----------------------|------------------|------------------|-------------------------|
| Andrew Jacobs   | 1            | 5,203,600        | 17.58            |                       | 17.59            | 5,204,600        |                         |
| Canaccord Genuity Wealth                                | 2            | 2,000,000        | 6.76             |                       | 5.54             | 1,640,000        |                         |
| BlackRock   | 3            | 1,869,722        | 6.31             |                       | 4.66             | 1,379,608        |                         |
| Premier Miton Investors                                 | 4            | 1,653,392        | 5.59             |                       | 8.28             | 2,449,455        |                         |
| Simon Thomas  | 5            | 1,530,000        | 5.17             |                       | 5.54             | 1,530,000        |                         |
| Stonehage Fleming (formerly Cavendish Asset Management) | 6            | 990,235          | 3.34             |                       | 3.84             | 1,077,115        |                         |
| Hargreaves Lansdown                                     | 7            | 918,848          | 3.10             |                       | 3.25             | 960,480          |                         |
| Downing   | 8            | 910,196          | 3.07             |                       | 3.37             | 996,650          |                         |
| Investec Wealth   | 9            | 908,421          | 3.07             |                       | -                | -                |                         |
|   |              |                  |                  | 29,604,081            |                  |                  | 29,586,555 <sup>1</sup> |

1 Represents total shares in issue

### 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 2020 are shown in note 11(b) to the Financial Statements. Further commentary on the property portfolio is contained in the Property Review on page 22 and in the Financial Review on page 25.

### Share Buy-back Authority

Authority will be sought at the Company's AGM on 10 December 2020 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.

## Stakeholder Engagement

Effective engagement with stakeholders at Board level and throughout our business is crucial to fulfilling the Group's strategic objectives. We continue to be collaborative with all stakeholder groups including customers, employees, suppliers, local authorities, regulators, funders and investors. This approach necessarily involves listening to and taking account of their views and feedback, while also being open to change.

## Annual General Meeting Meeting Arrangements

The continuing Coronavirus ('COVID-19') pandemic has led to the imposition of severe restrictions on public gatherings. As a consequence, we are making changes to the way in which we conduct this year's AGM. The Company understands and respects the importance of the AGM to Shareholders and the Board greatly values the opportunity to meet Shareholders in person. However, the health and safety of our Shareholders, employees and the broader community is of paramount importance.

In light of the UK Government's current guidance on public gatherings, and the new regulations set out in Schedule 14 of the Corporate Insolvency and Governance Act, the Board has concluded that Shareholders will not be permitted to attend the AGM in person this year and this year's AGM, which will be held on 10 December 2020 at 4.30pm, will be run as a closed meeting.

Only a small number of Directors will be permitted to attend the AGM to satisfy the minimum quorum requirements as stated in the Company's Articles of Association. The format of the meeting will be purely functional.

All other Shareholders should not attempt to attend the AGM in person.

Shareholders are strongly encouraged to appoint the Chairman of the meeting as their proxy. Under the Government restrictions, if a Shareholder appoints someone else as their proxy, that proxy will not be able to attend the meeting in order to cast the Shareholder's vote. **Therefore, the appointment of any person other than the Chairman of the meeting would result in your votes not being cast.**

Each of the resolutions to be considered at the AGM will be voted on by way of a poll. This ensures that Shareholders who are unable to attend the AGM but who have appointed proxies have their votes taken into account. The results of the polls will be announced to AIM and published on the Company's website as soon as possible after the conclusion of the AGM.

The Board will continue to monitor the evolving impact of the pandemic and, if it becomes appropriate or necessary to make changes to the proposed format of the 2020 AGM, will inform Shareholders as soon as possible.

Whilst Shareholders will not be permitted to attend the AGM in person, your participation is important to us. If you would like to ask a question regarding any of the proposed Resolutions, please send them to Suzy Wolfe, Assistant Company Secretary to [suzywolfe@lokncstore.co.uk](mailto:suzywolfe@lokncstore.co.uk) by 1 December 2020.

## Auditor

A resolution to reappoint RSM UK Audit LLP as Auditor will be put to the members at the Annual General Meeting. A formal notice together with explanatory circular will be sent to shareholders.

On behalf of the Board.

## Ray Davies

Director

30 October 2020

# Remuneration Report

Although the Group is not required to set out a formal Remuneration Report, we set out below the key components of the Directors' remuneration in accordance with AIM Rule 19.

**Base Salary:** Provides competitive fixed remuneration to retain key employees and reflect their experience and expertise in the context of the role and set by reference to the market.

**Annual and Monthly Bonuses:** Aligns reward to key Group strategic objectives and drives short-term performance.

**Long Term Incentive Plan:** Following strict performance criteria aligns Executive Director interests with those of shareholders and rewards achievement of the long-term plan. (See below and note 24b of the financial statements).

**All Employee Scheme:** The Group operates an HMRC approved Share Incentive Plan (SIP). This encourages share ownership by all employees and allows them to

share in the long-term success of the Group. R Davies and N Newman, Executive Directors, also participate in this scheme.

**Other Benefits:** The benefits reported in the table below all relate to medical insurance premiums paid on behalf of the Directors. An additional benefit is Death in Service Insurance typically at four times base salary (subject to a cap of £0.5 million).

**Service Contracts:** Executive Directors' service contracts operate on a rolling basis without a specific end-date providing for one year's notice on the part of the Company and six months' notice on the part of the employee. Non-Executives do not have service contracts with the Company but rather their appointments are governed by letters of appointment.

## Directors' Remuneration

| 2020                  | Emoluments<br>£ | Bonuses<br>£  | Benefits<br>£ | Sub total<br>£ | Pension<br>£ | Gains on<br>share options<br>£ | Total<br>£     |
|-----------------------|-----------------|---------------|---------------|----------------|--------------|--------------------------------|----------------|
| <b>Executive:</b>     |                 |               |               |                |              |                                |                |
| A Jacobs              | 225,233         | 36,500        | 6,107         | 267,840        | –            | –                              | <b>267,840</b> |
| RA Davies             | 165,797         | 13,300        | 4,845         | 183,942        | 6,631        | –                              | <b>190,573</b> |
| N Newman-Shepherd     | 82,877          | 40,345        | 2,560         | 125,782        | 3,315        | 172,358                        | <b>301,455</b> |
| <b>Non-Executive:</b> |                 |               |               |                |              |                                |                |
| SG Thomas             | 31,518          | –             | 4,808         | 36,326         | –            | –                              | <b>36,326</b>  |
| RJ Holmes             | 22,743          | –             | –             | 22,743         | –            | –                              | <b>22,743</b>  |
| ETD Luker             | 28,430          | –             | –             | 28,430         | –            | –                              | <b>28,430</b>  |
| CP Peal               | 22,743          | –             | –             | 22,743         | –            | –                              | <b>22,743</b>  |
|                       | <b>579,341</b>  | <b>90,145</b> | <b>18,320</b> | <b>687,806</b> | <b>9,946</b> | <b>172,358</b>                 | <b>870,110</b> |

| 2019                  | Emoluments<br>£ | Bonuses<br>£   | Benefits<br>£ | Sub total<br>£ | Pension<br>£ | Gains on<br>share options<br>£ | Total<br>£     |
|-----------------------|-----------------|----------------|---------------|----------------|--------------|--------------------------------|----------------|
| <b>Executive:</b>     |                 |                |               |                |              |                                |                |
| A Jacobs              | 220,816         | 38,250         | 5,435         | 264,501        | –            | –                              | 264,501        |
| RA Davies             | 160,968         | 22,641         | 4,612         | 188,221        | 4,829        | –                              | 193,050        |
| N Newman-Shepherd     | 78,931          | 64,034         | 2,364         | 145,329        | 2,631        | –                              | 147,960        |
| <b>Non-Executive:</b> |                 |                |               |                |              |                                |                |
| SG Thomas             | 30,900          | –              | 4,804         | 35,704         | –            | 40,580                         | 76,284         |
| RJ Holmes             | 22,297          | –              | –             | 22,297         | –            | –                              | 22,297         |
| ETD Luker             | 27,873          | –              | –             | 27,873         | –            | –                              | 27,873         |
| CP Peal               | 22,297          | –              | –             | 22,297         | –            | –                              | 22,297         |
|                       | <b>564,082</b>  | <b>124,925</b> | <b>17,215</b> | <b>706,222</b> | <b>7,460</b> | <b>40,580</b>                  | <b>754,262</b> |

Details of the Directors' remuneration is shown above. Key management personnel are defined as the Directors of the Group and the additional participants in the Partnership Performance Plan (PPP).

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 two (2019: two).

The following table shows a summary of the options held by Directors under all schemes. Refer Notes 22 to 25 for details.

| 2020                           | Total<br>at 31 July<br>2019 | Options<br>Granted | Options<br>Exercised/<br>Lapsed | Unapproved<br>Scheme | Approved<br>CSOP<br>Share<br>Options | Total<br>at 31 July<br>2020 |
|--------------------------------|-----------------------------|--------------------|---------------------------------|----------------------|--------------------------------------|-----------------------------|
| <b>Executive Directors</b>     |                             |                    |                                 |                      |                                      |                             |
| A Jacobs – Unapproved          | 206,087                     | –                  | –                               | 206,087              | –                                    | <b>206,087</b>              |
| A Jacobs – PPP                 | 80,000                      | 40,000             | –                               | 120,000              | –                                    | <b>120,000</b>              |
| <b>A Jacobs total</b>          | <b>286,087</b>              | <b>40,000</b>      | <b>–</b>                        | <b>326,087</b>       | <b>–</b>                             | <b>326,087</b>              |
| RA Davies – Unapproved         | 246,977                     | –                  | –                               | 246,977              | –                                    | <b>246,977</b>              |
| RA Davies – CSOP               | 7,742                       | –                  | –                               | –                    | 7,742                                | <b>7,742</b>                |
| RA Davies – PPP                | 80,000                      | 40,000             | –                               | 120,000              | –                                    | <b>120,000</b>              |
| <b>RA Davies total</b>         | <b>334,719</b>              | <b>40,000</b>      | <b>–</b>                        | <b>366,977</b>       | <b>7,742</b>                         | <b>374,719</b>              |
| N Newman-Shepherd – Unapproved | 172,421                     | –                  | (36,822)                        | 135,599              | –                                    | <b>135,599</b>              |
| N Newman-Shepherd – CSOP       | 10,661                      | –                  | (2,043)                         | –                    | 8,618                                | <b>8,618</b>                |
| N Newman-Shepherd – PPP        | 120,000                     | 60,000             | –                               | 180,000              | –                                    | <b>180,000</b>              |
| <b>N Newman-Shepherd total</b> | <b>303,082</b>              | <b>60,000</b>      | <b>–</b>                        | <b>315,599</b>       | <b>8,618</b>                         | <b>324,217</b>              |
| <b>Non-Executive Directors</b> |                             |                    |                                 |                      |                                      |                             |
| SG Thomas – Unapproved         | 5,217                       | –                  | –                               | 5,217                | –                                    | <b>5,217</b>                |
| <b>All Directors total</b>     | <b>929,105</b>              | <b>140,000</b>     | <b>(38,865)</b>                 | <b>1,013,880</b>     | <b>16,360</b>                        | <b>1,030,240</b>            |

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 two and a half, three or five years, subject to the performance criteria attached to the options.

### Unapproved Share Options – Long Term Partnership Performance Plan (LTPPP)

On 2 July 2019 the Group adopted the Company Long Term Partnership Performance Plan (LTPPP). The Plan is a discretionary benefit offered by the Company for the benefit of selected key employees including Executive Directors. Its main purpose is to increase the interest of the employees in the Groups long-term business goals and performance through share ownership. It contains specific performance criteria. Further details are set out in note 24(b) of the financial statements.

On behalf of the Board and signed on its behalf by:

**Andrew Jacobs**                      **Ray Davies**  
Executive Chairman                  Finance Director



# Statement of Directors' Responsibilities

## The Directors are responsible for preparing the Strategic Report and 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 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 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

## Opinion

We have audited the financial statements of Lok'nStore Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 July 2020 which comprises the consolidated statement of comprehensive income, the consolidated and company statements of change in equity, the consolidated and company statements of financial position, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 July 2020 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 Company 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.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions Relating to Going Concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

## Summary of our Audit Approach

|                          |  |
|--------------------------|--|
| <b>Key audit matters</b> | <b>Group</b> <ul style="list-style-type: none"><li>• Property valuation</li></ul> <b>Parent Company</b> <ul style="list-style-type: none"><li>• None</li></ul>   |
| <b>Materiality</b>       | <b>Group</b> <ul style="list-style-type: none"><li>• Overall materiality: £460,000 (2019: £462,000)</li><li>• Performance materiality: £345,000 (2019: £347,000)</li></ul> <b>Parent Company</b> <ul style="list-style-type: none"><li>• Overall materiality: £230,000 (2019: £230,000)</li><li>• Performance materiality: £172,000 (2019: £173,000)</li></ul> |
| <b>Scope</b>             | Our audit procedures covered 100% of revenue, 100% of total assets and 100% of profit before tax.  |

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group and Parent Company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Group and Parent Company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Auditor's Report continued

to the Members of Lok'nStore Group plc

## Property Valuation

**Key audit matter description** Property valuation is inherently subjective in nature and the Group employs external valuers to apply professional judgement concerning market conditions and factors impacting the valuation of individual properties

Fair values are calculated using actual and forecast inputs such as occupancy, capitalisation rates, maximum lettable area, operating expenses and net rent per square foot by property as at 31 July 2020

We consider property valuation to be Key Audit Matter due to the degree of estimation uncertainty inherent in the valuation and the allocation of resources in the audit

Refer to note 11b to the financial statements for the disclosures relating to the property valuations

**How the matter was addressed in the audit** Our approach to auditing the valuations involved the following:

- We tested the integrity of the information provided to the external valuer by management by agreeing key inputs such as actual occupancy and profitability to underlying records and source evidence;
- We evaluated the competence, capabilities and objectivity of the external valuation report;
- We assessed the scope of the work which the external valuer was requested to perform by management and the valuation methodology applied determining whether changes to the method were appropriate;
- We discussed the valuations with the external valuer and challenged them on the key assumptions applied and focussed on properties we identified as having significant or unusual valuation movements (compared to underlying performance or previous periods);
- We utilised an independent Auditor's expert in property valuation to assist the audit team in assessing the appropriateness of the valuation methodology adopted by the external valuer and in assessing the assumptions applied to a sample of specific properties as instructed by the audit team;
- We benchmarked the resulting valuations and valuation inputs to comparable businesses in the sector;
- We challenged management to justify the assumptions used in the model (particularly in respect of trading forecasts and comparison of those forecasts to actual results); and
- We considered the key assumptions relating to the rollover relief and to the calculations of deferred tax arising on the property valuations.

## Our Application of Materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

|   | Group  | Parent Company   |
|---|--|--|
| Overall materiality                               | £460,000 (2019: £462,000)  | £230,000 (2019: £230,000)  |
| Basis for determining overall materiality         | 10% of profit before tax   | 10% of profit before tax (capped at component materiality)   |
| Performance materiality                           | £345,000 (2019: £347,000)  | £172,000 (2019: £173,000)  |
| Basis for determining performance materiality     | 75% of overall materiality   | 75% of overall materiality   |
| Reporting of misstatements to the Audit Committee | Misstatements in excess of £23,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds. | Misstatements in excess of £11,500 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds. |

## An Overview of the Scope of our Audit

The Group consists of nine components, all of which are based in the UK.

The scope of our audit covered 100% of revenue, 100% of total assets and 100% of profit before tax. Subsidiaries that were subject to audit exemption were audited to Group materiality as part of the audit of the consolidated financial statements.

## Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on Other Matters Prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### Matters On Which We Are Required to Report by Exception

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

### Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 56, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view,

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our Auditor's report.

### Use of Our Report

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

### Graham Ricketts (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP,  
Statutory Auditor

Chartered Accountants  
25 Farringdon Street  
London  
EC4A 4AB

30 October 2020









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## LANDMARK STORE GLOUCESTER



# 41,000

SQUARE FEET OF MAXIMUM  
LETTABLE AREA

NOW



# OPEN

**Lok'nStore Gloucester opened in February 2020 and early trading has been steady.**

Located next door to a busy edge of city centre supermarket on the main North-South road through the city. The store team have units ranging in size from small lockers to small warehouse space providing an unparalleled modern service self-storage experience Gloucester.

Gloucester has a population in excess of 130,000 and this store, with its excellent frontage to the road provides modern, bright and highly accessible storage to that population.

# Consolidated Statement of Comprehensive Income

For the year ended 31 July 2020

|  | Notes | Group<br>Year Ended<br>31 July 2020<br>£'000 | Group<br>Year Ended<br>31 July 2019<br>Restated**<br>£'000 |
|--|-------|--|--|
| <b>Revenue</b>   | 2     | <b>18,041</b>                                | 16,950   |
| <b>Total property, staff, distribution and general costs</b> | 3a    | <b>(8,387)</b>                               | (8,201)  |
| <b>Adjusted EBITDA<sup>1</sup></b>                           |       | <b>9,654</b>                                 | 8,749  |
| Amortisation of intangible assets                            |       | –  | (83)   |
| Depreciation   | 6     | <b>(3,779)</b>                               | (3,461)  |
| Equity settled share-based payments                          |       | <b>(88)</b>                                  | (46)   |
|  |       | <b>(3,867)</b>                               | (3,590)  |
| Profit on sale of land at store                              | 3(c)  | –  | 295  |
| Costs of sale & manage-back of Crayford store                | 3(c)  | –  | (54)   |
| Deferred financing on bank loan written off                  | 3(c)  | –  | (133)  |
|  |       | –  | 108  |
|  |       | <b>(3,867)</b>                               | (3,482)  |
| <b>Operating profit</b>                                      |       | <b>5,787</b>                                 | 5,267  |
| Finance income   | 4     | <b>29</b>                                    | 31   |
| Finance cost   | 5     | <b>(1,126)</b>                               | (926)  |
| <b>Profit before taxation</b>                                |       | <b>4,690</b>                                 | 4,372  |
| Income tax expense   | 8     | <b>(1,716)</b>                               | (1,211)  |
| Profit for the period from continuing operations             |       | <b>2,974</b>                                 | 3,161  |
| Profit for the period from discontinued operations           | 12    | –  | 2,182  |
| <b>Profit for the period</b>                                 |       | <b>2,974</b>                                 | 5,343  |
| <b>Profit attributable to:</b>                               |       |  |  |
| Owners of the Parent   | 27a   | <b>2,974</b>                                 | 5,343  |
| <b>Other Comprehensive Income</b>                            |       |  |  |
| Items that will not be reclassified to profit and loss       |       |  |  |
| Increase in property valuation                               |       | <b>8,849</b>                                 | 13,765   |
| Deferred tax relating to change in property valuation        |       | <b>(3,602)</b>                               | (2,327)  |
| <b>Other comprehensive income</b>                            |       | <b>5,247</b>                                 | 11,438   |
| <b>Total comprehensive income for the period</b>             |       | <b>8,221</b>                                 | 16,781   |
| <b>Attributable to: Owners of the Parent</b>                 |       | <b>8,221</b>                                 | 16,781   |

<sup>1</sup> Adjusted EBITDA is defined in the accounting policies section of the notes to this Report.

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

# Consolidated Statement of Comprehensive Income

For the six months ended 31 July 2020

|  | Notes | Group<br>Year Ended<br>31 July 2020<br>£'000 | Group<br>Year Ended<br>31 July 2019<br>Restated**<br>£'000 |
|--|-------|--|--|
| <b>Earnings per share attributable to owners of the Parent</b> |       |  |  |
| <b>Basic</b>   |       |  |  |
|  | 10    |  |  |
| Continuing operations  |       | <b>10.26p</b>                                | 10.93p   |
| Discontinued operations  |       | –  | 7.55p  |
| <b>Total basic earnings per share</b>                          |       | <b>10.26p</b>                                | 18.48p   |
| <b>Diluted</b>   |       |  |  |
|  | 10    |  |  |
| Continuing operations  |       | <b>10.08p</b>                                | 10.75p   |
| Discontinued operations  |       | –  | 7.42p  |
| <b>Total diluted earnings per share</b>                        |       | <b>10.08p</b>                                | 18.17p   |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

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# Consolidated Statement of Changes in Equity

For the year ended 31 July 2020

|   | Attributable to Owners of the Parent |                        |                         |                              |  |                                     |
|---|--------------------------------------|------------------------|-------------------------|------------------------------|--|-------------------------------------|
|   | Share Capital<br>£'000               | Share Premium<br>£'000 | Other Reserves<br>£'000 | Revaluation Reserve<br>£'000 | Retained Earnings<br>Restated**<br>£'000 | Total Equity<br>Restated**<br>£'000 |
| <b>31 July 2018</b>   | <b>295</b>                           | <b>10,350</b>          | <b>8,363</b>            | <b>64,899</b>                | <b>19,344</b>                            | <b>103,251</b>                      |
| Effect of new accounting standard – IFRS 16                         | –                                    | –                      | –                       | –                            | (389)                                    | <b>(389)</b>                        |
| As at 1 August 2018 – restated                                      | 295                                  | 10,350                 | 8,363                   | 64,899                       | 18,955                                   | <b>102,862</b>                      |
| Profit for the year   | –                                    | –                      | –                       | –                            | 5,343                                    | <b>5,343</b>                        |
| Other comprehensive income:   |                                      |                        |                         |                              |  |                                     |
| Increase in property valuation net of deferred tax                  | –                                    | –                      | –                       | 11,438                       | –  | <b>11,438</b>                       |
| Total comprehensive income for the year                             | –                                    | –                      | –                       | 11,438                       | 5,343                                    | <b>16,781</b>                       |
| Transactions with owners:   |                                      |                        |                         |                              |  |                                     |
| Dividend paid   | –                                    | –                      | –                       | –                            | (3,279)                                  | <b>(3,279)</b>                      |
| Share based payments  | –                                    | –                      | 46                      | –                            | –  | <b>46</b>                           |
| Transfers in relation to share-based payments                       | –                                    | –                      | (51)                    | –                            | 51                                       | –                                   |
| Deferred tax relating to share options                              | –                                    | –                      | (1)                     | –                            | –  | <b>(1)</b>                          |
| Exercise of share options   | 1                                    | 140                    | –                       | –                            | –  | <b>141</b>                          |
| Total transactions with owners                                      | 1                                    | 140                    | (6)                     | –                            | (3,228)                                  | <b>(3,093)</b>                      |
| Reserve transfer on disposal of assets                              | –                                    | –                      | –                       | (4,927)                      | 4,927                                    | –                                   |
| Transfer additional depreciation on revaluation net of deferred tax | –                                    | –                      | –                       | (304)                        | 304                                      | –                                   |
| <b>31 July 2019</b>   | <b>296</b>                           | <b>10,490</b>          | <b>8,357</b>            | <b>71,106</b>                | <b>26,301</b>                            | <b>116,550</b>                      |
| Profit for the year   | –                                    | –                      | –                       | –                            | 2,974                                    | <b>2,974</b>                        |
| Other comprehensive income:   |                                      |                        |                         |                              |  |                                     |
| Increase in property valuation net of deferred tax                  | –                                    | –                      | –                       | 5,247                        | –  | <b>5,247</b>                        |
| Total comprehensive income for the year                             | –                                    | –                      | –                       | 5,247                        | 2,974                                    | <b>8,221</b>                        |
| Transactions with owners:   |                                      |                        |                         |                              |  |                                     |
| Dividend paid   | –                                    | –                      | –                       | –                            | (3,572)                                  | <b>(3,572)</b>                      |
| Share based payments  | –                                    | –                      | 88                      | –                            | –  | <b>88</b>                           |
| Transfers in relation to share-based payments                       | –                                    | –                      | (14)                    | –                            | 14                                       | –                                   |
| Deferred tax relating to share options                              | –                                    | –                      | 24                      | –                            | –  | <b>24</b>                           |
| Exercise of share options   | 1                                    | 70                     | –                       | –                            | –  | <b>71</b>                           |
| Total transactions with owners                                      | 1                                    | 70                     | 98                      | –                            | (3,558)                                  | <b>(3,389)</b>                      |
| Reserve transfer on disposal of assets                              | –                                    | –                      | –                       | –                            | –  | –                                   |
| Transfer additional depreciation on revaluation net of deferred tax | –                                    | –                      | –                       | (378)                        | 378                                      | –                                   |
| <b>31 July 2020</b>   | <b>297</b>                           | <b>10,560</b>          | <b>8,455</b>            | <b>75,975</b>                | <b>26,095</b>                            | <b>121,382</b>                      |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

# Company Statement of Changes in Equity

For the year ended 31 July 2020

|  | Share<br>Capital<br>£'000 | Share<br>Premium<br>£'000 | Retained<br>Earnings<br>£'000 | Other<br>Reserves<br>£'000 | Total<br>£'000 |
|--|---------------------------|---------------------------|-------------------------------|----------------------------|----------------|
| <b>31 July 2018</b>                          | <b>295</b>                | <b>10,350</b>             | <b>3,870</b>                  | <b>1,843</b>               | <b>16,358</b>  |
| <b>Profit for the year</b>                   | –                         | –                         | 3,774                         | –                          | <b>3,774</b>   |
| Equity settled share-based payments          | –                         | –                         | –                             | 46                         | <b>46</b>      |
| Transfer in relation to share-based payments | –                         | –                         | 51                            | (51)                       | –              |
| Exercise of share options                    | 1                         | 140                       | –                             | –                          | <b>141</b>     |
| Dividends paid                               | –                         | –                         | (3,279)                       | –                          | <b>(3,279)</b> |
| <b>31 July 2019</b>                          | <b>296</b>                | <b>10,490</b>             | <b>4,416</b>                  | <b>1,838</b>               | <b>17,040</b>  |
| <b>Profit for the year</b>                   | –                         | –                         | 14,792                        | –                          | <b>14,792</b>  |
| Equity settled share based payments          | –                         | –                         | –                             | 88                         | <b>88</b>      |
| Transfer in relation to share-based payments | –                         | –                         | 14                            | (14)                       | –              |
| Exercise of share options                    | 1                         | 70                        | –                             | –                          | <b>71</b>      |
| Dividends paid                               | –                         | –                         | (3,572)                       | –                          | <b>(3,572)</b> |
| <b>31 July 2020</b>                          | <b>297</b>                | <b>10,560</b>             | <b>15,650</b>                 | <b>1,912</b>               | <b>28,419</b>  |

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# Consolidated and Company Statements of Financial Position

31 July 2020

Company Registration No. 04007169

|  | Notes | Group<br>31 July<br>2020<br>£'000 | Group<br>31 July<br>2019<br>Restated**<br>£'000 | Group<br>31 July<br>2018<br>(Transition)<br>Restated**<br>£'000 | Company<br>31 July<br>2020<br>£'000 | Company<br>31 July<br>2019<br>Restated**<br>£'000 |
|--|-------|-----------------------------------|---|---|-------------------------------------|---|
| <b>Assets</b>                                      |       |                                   |   |   |                                     |   |
| <b>Non-current assets</b>                          |       |                                   |   |   |                                     |   |
| Intangibles  |       | –                                 | –   | 3,263   | –                                   | –   |
| Property, plant and equipment                      | 11b   | <b>187,258</b>                    | 168,938   | 152,580   | –                                   | –   |
| Investments  | 13    | –                                 | –   | –   | <b>2,552</b>                        | 2,464   |
| Financial assets                                   |       | <b>361</b>                        | 361   | 361   | –                                   | –   |
| Right of use assets                                | 11c   | <b>11,764</b>                     | 13,018  | 14,273  | –                                   | –   |
|  |       | <b>199,383</b>                    | 182,317   | 170,477   | <b>2,552</b>                        | 2,464   |
| <b>Current assets</b>                              |       |                                   |   |   |                                     |   |
| Inventories  | 14    | <b>270</b>                        | 298   | 257   | –                                   | –   |
| Trade and other receivables                        | 15    | <b>3,628</b>                      | 3,707   | 4,476   | <b>25,867</b>                       | 14,576  |
| Cash and cash equivalents                          |       | <b>13,066</b>                     | 13,662  | 4,990   | –                                   | –   |
|  |       | <b>16,964</b>                     | 17,667  | 9,723   | <b>25,867</b>                       | 14,576  |
| <b>Total current assets</b>                        |       | <b>16,964</b>                     | 17,667  | 9,723   | <b>25,867</b>                       | 14,576  |
| <b>Total assets</b>                                |       | <b>216,347</b>                    | 199,984   | 180,200   | <b>28,419</b>                       | 17,040  |
| <b>Liabilities</b>                                 |       |                                   |   |   |                                     |   |
| <b>Current liabilities</b>                         |       |                                   |   |   |                                     |   |
| Trade and other payables                           | 16    | <b>(4,676)</b>                    | (4,753)   | (5,159)   | –                                   | –   |
| Lease liabilities                                  |       | <b>(1,298)</b>                    | (1,171)   | (1,035)   | –                                   | –   |
| Taxation   |       | <b>(368)</b>                      | (339)   | (612)   | –                                   | –   |
|  |       | <b>(6,342)</b>                    | (6,263)   | (6,806)   | –                                   | –   |
| <b>Non-current liabilities</b>                     |       |                                   |   |   |                                     |   |
| Borrowings   | 18    | <b>(50,705)</b>                   | (42,331)  | (37,170)  | –                                   | –   |
| Lease liabilities                                  | 19    | <b>(11,158)</b>                   | (12,455)  | (13,627)  | –                                   | –   |
| Deferred tax                                       | 20    | <b>(26,760)</b>                   | (22,385)  | (19,735)  | –                                   | –   |
|  |       | <b>(88,623)</b>                   | (77,171)  | (70,532)  | –                                   | –   |
| <b>Total liabilities</b>                           |       | <b>(94,965)</b>                   | (83,434)  | (77,338)  | –                                   | –   |
| <b>Net assets</b>                                  |       | <b>121,382</b>                    | 116,550   | 102,862   | <b>28,419</b>                       | 17,040  |
| <b>Equity</b>                                      |       |                                   |   |   |                                     |   |
| <b>Equity attributable to owners of the Parent</b> |       |                                   |   |   |                                     |   |
| Called up share capital                            | 21    | <b>297</b>                        | 296   | 295   | <b>297</b>                          | 296   |
| Share premium                                      |       | <b>10,560</b>                     | 10,490  | 10,350  | <b>10,560</b>                       | 10,490  |
| Other reserves                                     | 26    | <b>8,455</b>                      | 8,357   | 8,363   | <b>1,912</b>                        | 1,838   |
| Retained earnings                                  | 27    | <b>26,095</b>                     | 26,301  | 18,955  | <b>15,650</b>                       | 4,416   |
| Revaluation reserve                                |       | <b>75,975</b>                     | 71,106  | 64,899  | –                                   | –   |
| <b>Total equity</b>                                |       | <b>121,382</b>                    | 116,550   | 102,862   | <b>28,419</b>                       | 17,040  |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

As permitted by section 408 Companies Act 2006, the Parent Company's statement of comprehensive income has not been included in these financial statements. The profit and comprehensive income for the year ended 31 July 2020 was £14.8 million (2019: £3.8 million).

Approved by the Board of Directors and authorised for issue on 30 October 2020 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 2020

|   | Notes | Group<br>Year ended<br>31 July<br>2020<br>£'000 | Group<br>Year ended<br>31 July<br>2019<br>Restated**<br>£'000 |
|---|-------|---|---|
| <b>Operating activities</b>   |       |   |   |
| Cash generated from operations  | 29a   | 9,700   | 9,545   |
| Income tax paid   |       | (893)   | (955)   |
| <b>Net cash generated from operations</b>   |       | <b>8,807</b>                                    | 8,590   |
| <b>Investing activities</b>   |       |   |   |
| Proceeds of disposal of discontinued operation<br>(net of disposal costs and cash included in sale) |       | –   | 6,849   |
| Proceeds of sale of land (net of disposal costs)  |       | –   | 796   |
| Proceeds of sale of store   |       | –   | 7,418   |
| Purchase of property, plant and equipment   | 11b   | (11,628)  | (14,029)  |
| Acquisition of subsidiary (net of cash acquired)  |       | –   | (1,069)   |
| Interest received   |       | 29  | 31  |
| <b>Net cash used in investing activities</b>  |       | <b>(11,599)</b>                                 | (4)   |
| <b>Financing activities</b>   |       |   |   |
| Proceeds from drawdown of new bank facility   |       | –   | 42,971  |
| Repayment of bank borrowings on retiring bank facility  |       | –   | (42,395)  |
| Proceeds of bank borrowings utilised for store development  |       | 8,351   | 5,653   |
| Finance costs paid on bank refinancing  |       | (113)   | (593)   |
| Finance costs paid  |       | (1,074)   | (934)   |
| Lease liabilities paid  |       | (1,467)   | (1,478)   |
| Equity dividends paid   |       | (3,572)   | (3,279)   |
| Proceeds from issue of Ordinary Shares (net)  |       | 71  | 141   |
| <b>Net cash from financing activities</b>   |       | <b>2,196</b>                                    | 86  |
| <b>Net (decrease)/increase in cash and cash equivalents in the period</b>                           |       | <b>(596)</b>                                    | 8,672   |
| <b>Cash and cash equivalents at beginning of the period</b>   |       | <b>13,662</b>                                   | 4,990   |
| <b>Cash and cash equivalents at end of the period</b>   |       | <b>13,066</b>                                   | 13,662  |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

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

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# 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 Fleet Place, London, EC4M 7WS, 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>. The principal activities of the Group and the nature of its operations are described in the Strategic Report.

## Basis of Accounting

The statutory accounts for the year ended 31 July 2020 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 2019.

The statutory accounts for the year ended 31 July 2020 will be delivered to the Registrar of Companies following the Company's Annual General Meeting and will be available from the investor section of the Company's website at <http://www.loknstore.co.uk>.

Statutory accounts for the year ended 31 July 2019 have been filed with the Registrar of Companies. The Auditor's report for the year ended 31 July 2020 was unqualified, did not include a reference to any matter to which the Auditor drew attention by way of emphasis without qualifying their report and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

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

## Standards Adopted in the Year

IFRS 16, (Leases Accounting). The Group has applied IFRS 16 for the first time in this financial year. IFRS 16 introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a Right of Use Asset and a corresponding lease liability in the Statement of Financial Position.

The prior year financial comparatives contained within these statements have been restated to reflect the first-time adoption of IFRS 16 which changes previously reported EBITDA, interest and depreciation numbers in the Statement of Comprehensive Income. Further details of these restatements can be found in note 1.

## Standards in issue but not yet effective

At the date of authorisation of these financial statements the following standards, which have not been applied in these financial statements, were in issue but not yet effective. These standards, which are effective for annual periods beginning on or after 1 January 2020 have been adopted by the EU unless otherwise stated.

- Amendments to References to the Conceptual Framework in IFRS Standards;
- Amendments to IFRS 16, COVID-19 rent concession (effective 1 June 2020);
- Amendments to IFRS 3, definition of a business;
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material;
- IAS 1 Presentation of Liabilities (effective 1 January 2023 – not EU endorsed)

The Directors do not anticipate that the adoption of these revised standards and interpretations will have a significant impact on the figures included in the financial statements in the period of initial application.

## Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (and its subsidiaries) made up to 31 July each year. Control is achieved where the Company has power over the investee, exposure or rights to variable returns from the investee and the ability to use its power to vary those returns.

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 or CGU for which the estimate of future cash flows have not been adjusted.

## Going Concern

The Directors can report that, based on the Group's budgets and financial projections, which include the expected impact of COVID-19 on the Group, they have satisfied themselves that the business is a going concern. The impact of COVID-19 and the measures the Directors have taken to mitigate its effects are set out in 'Our COVID-19 safe response' section in the Managing Directors Review on page 18.

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 £13.1 million (2019: £13.7 million), undrawn committed bank facilities at 31 July 2020 of £23.7 million (2019: £32.0 million), and cash generated from operations in the year ended 31 July 2020 of £9.7 million (2019: £9.5 million).

The Group has a bank facility of £75 million, with a further uncommitted £25 million accordion option taking the facility to £100 million. The increased facility will provide funding for new landmark site acquisitions and working capital to support the Group's ambitious growth plans.

The facility is a combined agreement with Lloyds Bank and The Royal Bank of Scotland plc and runs until April 2025 with an option for a further one year extension. The interest rate is set at the London Inter-Bank Offer Rate (LIBOR) plus a 1.50%–1.75% margin based on a loan to value covenant test.

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.

# Accounting Policies continued

## Revenue Recognition

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). Revenue is recognised evenly over the period of self-storage.

### b) Retail Sales

The Group operates a packaging 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.

The Group provides insurance to customers through a block policy purchased from its insurer. Block policyholders supply VAT exempt insurance transactions as principals rather than insurance related services as intermediaries and accordingly insurance income received from the customer is recognised as revenue rather than offset against the costs of the block policy.

The key characteristics of a block policy are that:

- There is a contract between the block policyholder and the insurer which allows the block policyholder to effect insurance cover subject to certain conditions
- The Group acting in our own name as the block policyholder procures insurance cover for third parties from the insurer
- There is a contractual relationship between the block policyholder and third parties under which the insurance is procured
- The block policyholder stands in place of the insurer in effecting the supply of insurance to the third parties

The Group is not exposed to any insured losses arising from its insurance activity.

### d) 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. Fees are invoiced monthly based on revenue performance. Additional performance fees may be earned if an individual Managed Store EBITDA performance exceeds agreed thresholds. Periodic fees may also be earned for additional specific services provided and are invoiced when that service has been completed. Revenue is recognised for each performance condition once the condition has been met.

## Segmental Information

In accordance with the requirements of IFRS 8 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. Financial information is reported to the Board with revenue and profit analysed between self-storage activity and serviced archive and records management activity. All activities arise in the United Kingdom.



## Adjusted EBITDA – Earnings Before Interest, Tax, Depreciation and Amortisation

This measure strips away non-cash charges, finance charges and tax and now also reflects the removal of property lease costs from operating expenses as a result of the implementation of IFRS 16. Adjusted EBITDA is defined as EBITDA before losses or profits on disposal, share-based payments, acquisition costs, exceptional items, finance income, finance costs and taxation.

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

## Adjusted Store EBITDA

This measure is Group Adjusted EBITDA before the deduction of central and head office costs however unlike Group Adjusted EBITDA this measure excludes the impact of IFRS 16 and includes leasing charges as normal operating costs of each store. The measure is designed to give clarity on the recurring operating cash flow of the business and provides important information on the underlying performance of the trading stores and shows the cash generating core of the business. Use of this metric enables us to provide additional information on store EBITDA contributions (after leasing costs) and the margins analysed between freehold and leasehold stores and according to the age of the stores.

## Operating Profit

Operating profit is defined as profit after all costs except finance income, finance costs and taxation.

## Discontinued Operations (2019)

The Group's document storage business was sold in the previous financial year and its disposal constituted a discontinued operation. Separate reporting of discontinued operations is important in providing users of financial statements with the information necessary to determine the effects of a disposal on the ongoing continuing operations of our business. To ensure a clear separation of the financial performance of Continuing Operations, Discontinued Operations are shown separately on the Statement of Comprehensive Income as a profit on disposal (after tax) which combines operating profit with the profit arising on its disposal. The profit on discontinued operations is then aggregated with profit on continuing operations in determining the Group's total net profit.

## 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 which may 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 is provided in full on the differences between the revalued amount of trading property assets carried in the Statement of Financial Position and their corresponding tax bases. 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.

## Accounting Policies continued

### Retirement Benefits

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

### Equity Share-based Payments

The cost of providing share-based payments to employees is charged to profit or loss over the vesting period of the related share options. The cost is based on the fair value of the options determined at grant date using the Black-Scholes pricing model, which is appropriate given the vesting and other conditions attaching to the options. The charge is 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. Following the opening of a store during the year amounts held under lease premiums are transferred to property plant and equipment.

### Property, Plant and Equipment

Freehold properties and long leasehold properties are measured at fair value which represents the Group's assessment of the highest and best use of the asset. Gains or losses arising from the changes in fair value of the trading properties are included in Other Comprehensive Income for the period in which they arise unless a decrease in fair value exceeds the cumulative valuation surplus for a particular asset, in which case the excess is recognised in profit or loss. A comprehensive external valuation is performed annually at each reporting date. Once a store is opened lease premiums are transferred to property, plant and equipment and carried at their transferred cost less any accumulated depreciation.

Short leasehold improvements, fixtures, fittings and equipment, and motor vehicles are carried at cost less accumulated depreciation. Expenditure related to the improvement of the buildings is capitalised and depreciated over the remaining period of the lease term.

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 and lease premium | 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.

The additional depreciation arising from the revaluation of freehold and long leasehold properties of £466,418 (2019: £380,565) is included within total depreciation 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 is subsequently reversed, 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.

## IFRS 16 – Leases

### Leases – the Group as Lessee

#### Initial and subsequent measurement of the Right of Use Asset

A Right of Use Asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the Group.

The Right of Use Asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation methods applied are as follows:

- Leased property – on a straight-line basis over the shorter of the lease term

The Right of Use Asset is adjusted for any re-measurement of the lease liability and lease modifications, as set out below.

#### Initial recognition of the lease liability

On commencement of a contract (or part of a contract) which gives the Group the right to use an asset for a period of time in exchange for consideration, the Group recognises a Right of Use Asset and a lease liability unless the lease qualifies as a 'short-term' lease or a 'low-value' lease.

Where the lease term is twelve months or less and the lease does not contain an option to purchase the leased asset, lease payments are recognised as an expense on a straight-line basis over the lease term.

Leases where the underlying asset is 'low-value', lease payments are recognised as an expense on a straight-line basis over the lease term.

#### Initial measurement of the lease liability

The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease, or the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined.

The lease term is the non-cancellable period of the lease plus extension periods that the Group is reasonably certain to exercise and termination periods that the Group is reasonably certain not to exercise.

Lease payments include fixed payments, less any lease incentives receivable, variable lease payments dependant on an index or a rate (such as those linked to LIBOR) and any residual value guarantees. Variable lease payments are initially measured using the index or rate when the leased asset is available for use.

#### Subsequent measurement of the lease liability

The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments. Interest on the lease liability is recognised in profit or loss, unless interest is directly attributable to qualifying assets, in which case it is capitalised in accordance with the Group's policy on borrowing costs.

# Accounting Policies continued

## IFRS 16 – Leases continued

### Leases – the Group as Lessee continued

#### Re-measurement of the lease liability

The lease liability is adjusted for changes arising from the original terms and conditions of the lease that change the lease term, the Group's assessment of its option to purchase the leased asset, the amount expected to be payable under a residual value guarantee and/or changes in lease payments due to a change in an index or rate. The adjustment to the lease liability is recognised when the change takes effect and is adjusted against the Right of Use Asset, unless the carrying amount of the Right of Use Asset is reduced to nil, when any further adjustment is recognised in profit or loss.

Adjustments to the lease payments arising from a change in the lease term or the lessee's assessment of its option to purchase the leased asset are discounted using a revised discount rate. The revised discount rate is calculated as the interest rate implicit in the lease for the remainder of the lease term, or if that rate cannot be readily determined, the lessee's incremental borrowing rate at the date of reassessment.

#### Lease modifications

A lease modification is a change that was not part of the original terms and conditions of the lease and is accounted for as a separate lease if it increases the scope of the lease by adding the right to use one or more additional assets with a commensurate adjustment to the payments under the lease.

For a lease modification not accounted for as a separate lease, the lease liability is adjusted for the revised lease payments, discounted using a revised discount rate. The revised discount rate use is the interest rate implicit in the lease for the remainder of the lease term, or if that rate cannot be readily determined, the lessee company's incremental borrowing rate at the date of the modification.

Where the lease modification decreases the scope of the lease, the carrying amount of the Right of Use Asset is reduced to reflect the partial or full termination of the lease. Any difference between the adjustment to the lease liability and the adjustment to the Right of Use Asset is recognised in profit or loss.

For all other lease modifications, the adjustment to the lease liability is recognised as an adjustment to the Right of Use Asset.

## 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 in the Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument. IFRS 9 covers the classification, measurement and derecognition of financial assets and liabilities. There has been no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designed at fair value through the income statement and the Group does not have any such liabilities.

The impairment model under IFRS 9 requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the situation under IAS39. The significant financial assets held by the Group that will be affected by the impairment losses recognised under IFRS 9 are trade and other receivables.

Trade receivables as indicated in Note 15 are £0.75 million. As described in Note 15 the Group's exposure to credit risk is low and the Group's credit model robust. The Directors have assessed the impact of impairment losses recognised for trade receivables under IFRS 9 at 31 July 2020 based on actual losses experienced over the past five years and concluded that the impact and volatility on impairment losses recognised under IFRS 9 to be immaterial.

The Company holds interCompany loan and receivables balances with the subsidiaries of the Group as disclosed in Note 15. The Directors do not estimate there to be a material impact on the Company only Financial Statements from the recognition of impairment provisions for the loans and receivables.

### 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.

The Group has an active store development programme and in accordance with IAS 23 has material qualifying assets that take a substantial period of time to develop from acquisition to ultimate store opening. Accordingly borrowing costs have been capitalised in the current year that are directly attributable to the acquisition, construction and fit-out of these qualifying store assets. The Group funds these developments from a general bank revolving credit facility and the capitalisation rate applied is the average cost of these funds. When an individual store development is complete and the store has opened capitalisation of attributable borrowing costs ceases. In the current year £382,190 (2019: £430,321) interest was capitalised in respect of nine qualifying development assets.

### Derivative Financial Instruments and Hedge Accounting

The Group's activities expose it to interest rate risk. The Group has used 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.

There were no financial derivatives held by the Group at 31 July 2020 or 31 July 2019.

### 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. The Group currently has no hedging instruments although hedging policy is kept under regular review.



## Accounting Policies continued

### Trade Receivables

For trade receivables, expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the aging of the receivable. The risk of a default occurring always takes into consideration all possible default events over the expected life of those receivables ('the lifetime expected credit losses').

Trade receivables as indicated in Note 15 are £0.75 million. As described in Note 15 the Group's exposure to credit risk is low and the Group's credit model robust. The Directors have assessed the impact of impairment losses recognised for trade receivables under IFRS 9 at 31 July 2020 based on actual losses experienced over the past five years and concluded that the impact and volatility on impairment losses recognised under IFRS 9 to be immaterial.

The Company holds inter-company loan and receivables balances with the subsidiaries of the Group as disclosed in Note 15.

### 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 and other 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.

### Financial Assets

Trade, Group and other debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost being the transaction price less any amounts settled and any impairment losses. Where the Group is entitled to receive cash under a management services agreement at a future specified date this is recorded as a financial asset at the current fair value of the cash ultimately receivable. Where this amount is receivable in more than one year hence the financial asset is presented as a non-current asset.

### Impairment of Financial Assets

A financial asset is credit-impaired when events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

The expected credit loss recognised in profit or loss for a credit impaired financial asset is the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

### Net Debt

Net debt comprises the borrowings of the Group less cash and cash equivalents.

### Provisions

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

## Employee Benefit Trust

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

## Own Shares

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

## Critical Accounting Estimates and Judgements

The preparation of 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 commissions an external valuation of its self-storage stores. This valuation uses 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 11b. The carrying value of land and buildings held at valuation at the reporting date was £141.4 million (2019: £133.5 million) as shown in the table in note 11(b).

### b) Assets in the course of construction and land held for 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 fees 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 carrying value of development property assets at the reporting date was £29.9 million (2019: £18.4 million). Please see note 11b for more details.

### c) Classification of self-storage facilities as owner occupied properties rather than investment properties

The Directors consider that Lok'nStore Group plc is the Parent Company of a 'Trading business' and is not wholly or mainly engaged in making investments. The holding of land is not a core activity.

The Group is an integrated storage solutions business offering a range of services to its customers. We provide services to our customers under contracts for the provision of storage services which do not give them any property or tenancy rights and a large number of the stores we operate are from properties where we do not own the land or the buildings. The assets we do own are valued on the basis of the trading cash flows that the operating businesses generate.

# Accounting Policies continued

## Critical Accounting Estimates and Judgements continued

### c) Classification of self-storage facilities as owner occupied properties rather than investment properties continued

The Group continues to develop its managed stores business where it uses its operational and logistic expertise to provide a full range of services to customers in stores we manage for third party owners. In recent years the Group has developed many new managed stores all of which are owned by third-party investors and managed by Lok'nStore.

Previously owned sites at Woking, Ashford, Swindon and Crayford, have been the subject of sale and manage-back transactions by which Lok'nStore has retained the management of the business when a third party owner acquired the business, land and buildings. All of this trading activity as well as the self-storage income earned from our leasehold stores' activity demonstrate that the holding of land is not a core activity because the trading operation is not dependent on the ownership of land. See the chart on page 22 for the changing ownership structure of the stores.

Furthermore, the Group has always and continues to comply with all of the usual accounting and tax protocols consistent with a trading business. As at the year-end, Lok'nStore operates 35 stores mainly in Southern England. Of the 35 stores, Lok'nStore owns the freehold interest in 15 stores, eight of the stores are held under commercial leases, with the remaining 12 managed stores operating under management contracts for third party owners. One of the features of Lok'nStore's strategy is to increase the number of stores we manage for third parties selling our expertise in storage solutions management, operating systems and marketing, through management fees rather than retaining a proprietary interest in land and buildings.

The classification of self-storage facilities as owner occupied properties rather than investment properties has resulted in the recognition of fair value gains in 2020 (net deferred of tax) of £5.6 million (2019: £11.4 million) in Other Comprehensive Income rather than the Income Statement.

### d) Application of IFRS 16

The Group uses judgement to assess whether the interest rate implicit in the lease is readily determinable. When the interest rate implicit in the lease is not readily determinable, the Group estimates the incremental borrowing rate based on its external borrowings secured against similar asset, adjusted for the term of the lease.

# Notes to the Financial Statements

For the year ended 31 July 2020

## 1 Implementation of IFRS 16 – Leases

IFRS 16 represents a significant change to the way that the Group prepares its financial statements. The effective date of adoption is for accounting periods commencing after 1 January 2019 and the standard therefore applies to Lok'nStore's financial statements for the year ended 31 July 2020 and has been applied in these financial statements using the full retrospective approach.

IFRS 16 primarily affects the accounting by lessees and results in the recognition of the value of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals.

The application of IFRS 16 relates to the Groups property leases. The Group has no leases on any other types of assets.

**The Statement of Financial Position:** The Group's leases on its leased stores are recognised as a 'Right of Use Asset' and as a corresponding liability at the year-end. Each lease payment is allocated between the liability element and the finance cost element. The finance costs are charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining liability for the period. The Right of Use Asset is depreciated on a weighted depreciation charge based on the individual lease term of the separate leases. Assets and liabilities arising from a lease will initially be measured on a present value basis which will include the fixed rental payments less any lease incentives receivable. If the interest rate implicit in the lease cannot be readily determined the lease payments will be discounted by the Group's incremental borrowing rate (cost of debt) to obtain an asset of similar value over a similar term with similar security. Right of Use Assets will be measured at cost comprising the initial measurement of the lease liability plus any initial direct costs (if any). The Group's current property lease commitments are reported in Note 30.

**The Statement of Profit or Loss:** This is affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, the rent operating expense that would usually be reported in these financial statements at £1.47 million (2019: £1.36 million) is replaced with interest and depreciation as a consequence of the 'capitalisation effect' of the leases, so the Group's key metric of Adjusted EBITDA increases significantly by the removal of the rent expense from the operating profit and loss. Other performance measures including Operating Profit also increases although reported interest and depreciation will be higher. Accordingly, the key metrics and Alternative Performance Measures (APMs) have been updated for IFRS 16 in the KPIs section above.

**The Consolidated Statement of Cash Flows:** While overall underlying cash flow is unaffected by the changes the presentation within the Consolidated Statement of Cash Flows will change. Reported operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities.

The effect on financial ratios such as gearing or leverage causes them to rise as the lease liability now forms part of net debt.

To give a broad overview of the numerical effect on the implementation of IFRS 16 as it would apply to the current period and comparative numbers we have:

|   | Group<br>31 July<br>2020<br>£'000 | Group<br>31 July<br>2019<br>£'000 |
|---|-----------------------------------|-----------------------------------|
| <b>Continuing operations</b>            |                                   |                                   |
| Rents payable under leases              | 1,467                             | 1,356                             |
| <b>Discontinued operations</b>          |                                   |                                   |
| Rents payable under leases              | –                                 | 122                               |
| <b>Total rents payable under leases</b> | <b>1,467</b>                      | <b>1,478</b>                      |

# Notes to the Financial Statements continued

For the year ended 31 July 2020

## 1 Implementation of IFRS 16 – Leases continued

To ensure consistency and effective comparison with prior periods, the Group has elected to apply the full retrospective implementation approach with reinstatement of the comparative information. The transition date of initial application is therefore 1 August 2018. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the leases. Where this cannot be readily determined the Present Value of all future operating lease payments is calculated using 2.2% as an effective cost of debt as the discount rate. This calculates an opening Right of Use Asset (ROU) as at 1 August 2018 of £14.27 million. Correspondingly this is also the opening value of the lease liability following the capitalisation of the leases.

After the application of a weighted depreciation charge based on the individual lease term of the separate property leases and the imputation of an interest charge at 2.2% as part of the amortisation of the lease liability a reconciliation of the total leases to the IFRS lease liability is shown below:

### Continuing Operations

#### Statement of Financial Position (extract)

|  | Group<br>31 July<br>2020<br>IFRS 16<br>£'000 | Group<br>31 July<br>2019<br>IFRS 16<br>Restated<br>£'000 | Group<br>31 July<br>2018<br>(Transition)<br>IFRS 16<br>Restated<br>£'000 |
|--|--|--|--|
| Right of Use Asset (ROU)                   | 11,764                                       | 13,018   | 14,273   |
| Equity – accumulated effect of restatement | 692  | 608  | 389  |
|  | <b>12,456</b>                                | 13,626   | 14,662   |
| <b>Current Lease Liability</b>             |  |  |  |
| Amounts due within one year                | 1,298  | 1,171  | 1,035  |
| <b>Non-current Lease Liability</b>         |  |  |  |
| Amounts due in one to two years            | 1,327  | 1,298  | 1,171  |
| Amounts due in three to five years         | 2,881  | 3,352  | 3,709  |
| Amounts due in more than five years        | 6,950  | 7,805  | 8,747  |
| <b>Non-current Lease Liability</b>         | <b>11,158</b>                                | 12,455   | 13,627   |
| <b>Total lease liability</b>               | <b>12,456</b>                                | 13,626   | 14,662   |



### Statement of Comprehensive Income (extract)

|  | Group<br>31 July<br>2020<br>IFRS 16<br>Restated<br>£'000 | Group<br>31 July<br>2019<br>IFRS 16<br>Restated<br>£'000 | Group<br>31 July<br>2018<br>(Transition)<br>IFRS 16<br>Restated<br>£'000 |
|--|--|--|--|
| Property lease expense                   | <b>1,467</b>   | 1,356  | 1,191  |
| Depreciation of Right of Use Asset (ROU) | <b>(1,254)</b>   | (1,254)  | (1,254)  |
| Interest charged on lease liability      | <b>(296)</b>   | (321)  | (325)  |
| Impact on Comprehensive Income           | <b>(83)</b>  | (219)  | (389)  |

### Analysis of the effect within the Statement of Comprehensive Income

|   | Group<br>31 July<br>2020<br>IFRS 16<br>Restated<br>£'000 | Group<br>31 July<br>2019<br>IFRS 16<br>Restated<br>£'000 | Group<br>31 July<br>2018<br>(Transition)<br>IFRS 16<br>Restated<br>£'000 |
|---|--|--|--|
| Increase in EBITDA                      | <b>1,467</b>   | 1,356  | 1,191  |
| Increase/(decrease) in operating profit | <b>213</b>   | 101  | (64)   |
| Increase/(decrease) in PBT              | <b>(83)</b>  | (219)  | (389)  |

The Group has applied a single discount rate equivalent to its effective cost of debt. For more detailed information on the Groups cash commitments under leases refer to note 30 (Commitments under leases).

# Notes to the Financial Statements continued

For the year ended 31 July 2020

## 1 Implementation of IFRS 16 – Leases continued

### Reconciliation of the impact of IFRS 16 on the previously reported Consolidated Statement of Comprehensive Income

For the year ended 31 July 2019

|  | Notes | Year Ended<br>31 July<br>2019<br>£'000 | Impact of<br>IFRS 16<br>£'000 | Year Ended<br>31 July<br>2019<br>Restated<br>£'000 |
|--|-------|--|-------------------------------|--|
| <b>Revenue</b>   | 2     | 16,950                                 | –                             | <b>16,950</b>                                      |
| <b>Total property, staff, distribution and general costs</b>   | 3a    | (9,557)                                | 1,356                         | <b>(8,201)</b>                                     |
| <b>Adjusted EBITDA<sup>1</sup></b>                             |       | 7,393                                  | 1,356                         | <b>8,749</b>                                       |
| Amortisation of intangible assets                              |       | 83                                     | –                             | <b>(83)</b>  |
| Depreciation   |       | (2,207)                                | (1,254)                       | <b>(3,461)</b>                                     |
| Equity settled share-based payments                            |       | (46)                                   | –                             | <b>(46)</b>  |
|  |       | (2,336)                                | (1,254)                       | <b>(3,590)</b>                                     |
| Profit on sale of land at store                                | 3(c)  | 295                                    | –                             | <b>295</b>   |
| Costs of sale & manage-back of Crayford store                  | 3(c)  | (54)                                   | –                             | <b>(54)</b>  |
| Deferred financing on bank loan written off                    | 3(c)  | (133)                                  | –                             | <b>(133)</b>                                       |
|  |       | 108                                    | –                             | <b>108</b>   |
|  |       | (2,228)                                | (1,254)                       | <b>(3,482)</b>                                     |
| <b>Operating profit</b>  |       | 5,165                                  | 102                           | <b>5,267</b>                                       |
| Finance income   | 4     | 31                                     | –                             | <b>31</b>  |
| Finance cost – bank borrowings                                 | 5     | (605)                                  | –                             | <b>(605)</b>                                       |
| Finance cost – lease liabilities                               | 5     | –                                      | (321)                         | <b>(321)</b>                                       |
|  |       | (574)                                  | (321)                         | <b>(895)</b>                                       |
| <b>Profit (loss) before taxation</b>                           |       | 4,591                                  | (219)                         | <b>4,372</b>                                       |
| Income tax expense   | 8     | (1,211)                                | –                             | <b>(1,211)</b>                                     |
| Profit for the period from continuing operations               |       | 3,380                                  | (219)                         | <b>3,161</b>                                       |
| Profit for the period from discontinued operations             | 12    | 2,182                                  | –                             | <b>2,182</b>                                       |
| <b>Profit for the period</b>                                   |       | 5,562                                  | (219)                         | <b>5,343</b>                                       |
| <b>Profit attributable to:</b>                                 |       |  |                               |  |
| Owners of the Parent   | 27    | 5,562                                  | (219)                         | <b>5,343</b>                                       |
| <b>Other Comprehensive Income</b>                              |       |  |                               |  |
| Items that will not be reclassified to profit and loss         |       |  |                               |  |
| Increase in property valuation                                 |       | 13,765                                 | –                             | <b>13,765</b>                                      |
| Deferred tax relating to change in property valuation          |       | (2,327)                                | –                             | <b>(2,327)</b>                                     |
|  |       | 11,438                                 | –                             | <b>11,438</b>                                      |
| Items that may be subsequently reclassified to profit and loss |       |  |                               |  |
| <b>Other comprehensive income</b>                              |       | 11,438                                 | –                             | <b>11,438</b>                                      |
| <b>Total comprehensive income for the period</b>               |       | 17,000                                 | (219)                         | <b>16,781</b>                                      |
| Attributable to: Owners of the Parent                          |       | 17,000                                 | (219)                         | <b>16,781</b>                                      |

<sup>1</sup> Adjusted EBITDA is defined in the accounting policies section of the notes to the interim report.

## Reconciliation of the impact of IFRS 16 on the previously reported Consolidated Statement of Comprehensive Income

For the year ended 31 July 2019

|  | Notes | Year Ended<br>31 July<br>2019<br>£'000 | Impact of<br>IFRS 16<br>£'000 | Year Ended<br>31 July<br>2019<br>Restated<br>£'000 |
|--|-------|--|-------------------------------|--|
| <b>Earnings per share attributable to owners of the Parent</b> |       |  |                               |  |
| <b>Basic</b>   |       |  |                               |  |
|  | 10    |  |                               |  |
| Continuing operations  |       | 11.69p                                 | (0.76p)                       | <b>10.93p</b>                                      |
| Discontinued operations  |       | 7.55p                                  | –                             | <b>7.55p</b>                                       |
| <b>Total basic earnings per share</b>                          |       | 19.24p                                 | (0.76p)                       | <b>18.48p</b>                                      |
| <b>Diluted</b>   |       |  |                               |  |
|  | 10    |  |                               |  |
| Continuing operations  |       | 11.50p                                 | (0.75p)                       | <b>10.75p</b>                                      |
| Discontinued operations  |       | 7.42p                                  | –                             | <b>7.42p</b>                                       |
| <b>Total diluted earnings per share</b>                        |       | 18.92p                                 | (0.75p)                       | <b>18.17p</b>                                      |

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# Notes to the Financial Statements continued

For the year ended 31 July 2020

## 1 Implementation of IFRS 16 – Leases continued

### Reconciliation of the impact of IFRS 16 on the previously reported Consolidated Statement of Financial Position

31 July 2019

|  | Notes | 31 July<br>2019<br>£'000 | Impact of<br>IFRS 16<br>£'000 | 31 July<br>2019<br>Restated<br>£'000 |
|--|-------|--------------------------|-------------------------------|--------------------------------------|
| <b>Assets</b>                                      |       |                          |                               |                                      |
| <b>Non-current assets</b>                          |       |                          |                               |                                      |
| Property, plant and equipment                      | 11b   | 168,938                  | –                             | <b>168,938</b>                       |
| Financial assets                                   |       | 361                      | –                             | <b>361</b>                           |
| Right of use assets                                | 11c   | –                        | 13,018                        | <b>13,018</b>                        |
|  |       | 169,299                  | 13,018                        | <b>182,317</b>                       |
| <b>Current assets</b>                              |       |                          |                               |                                      |
| Inventories  | 14    | 298                      | –                             | <b>298</b>                           |
| Trade and other receivables                        | 15    | 3,707                    | –                             | <b>3,707</b>                         |
| Cash and cash equivalents                          |       | 13,662                   | –                             | <b>13,662</b>                        |
| <b>Total current assets</b>                        |       | 17,667                   | –                             | <b>17,667</b>                        |
| <b>Total assets</b>                                |       | 186,966                  | 13,018                        | <b>199,984</b>                       |
| <b>Liabilities</b>                                 |       |                          |                               |                                      |
| <b>Current liabilities</b>                         |       |                          |                               |                                      |
| Trade and other payables                           | 16    | (4,753)                  | –                             | <b>(4,753)</b>                       |
| Lease liabilities                                  |       | –                        | (1,171)                       | <b>(1,171)</b>                       |
| Taxation   |       | (339)                    | –                             | <b>(339)</b>                         |
|  |       | (5,092)                  | (1,171)                       | <b>(6,263)</b>                       |
| <b>Non-current liabilities</b>                     |       |                          |                               |                                      |
| Borrowings   | 18    | (42,331)                 | –                             | <b>(42,331)</b>                      |
| Lease liabilities                                  | 19    | –                        | (12,455)                      | <b>(12,455)</b>                      |
| Deferred tax                                       | 20    | (22,385)                 | –                             | <b>(22,385)</b>                      |
|  |       | (64,716)                 | (12,455)                      | <b>(77,171)</b>                      |
| <b>Total liabilities</b>                           |       | (69,808)                 | (13,626)                      | <b>(83,434)</b>                      |
| <b>Net assets</b>                                  |       | 117,158                  | (608)                         | <b>116,550</b>                       |
| <b>Equity</b>                                      |       |                          |                               |                                      |
| <b>Equity attributable to owners of the Parent</b> |       |                          |                               |                                      |
| Called up share capital                            | 21    | 296                      | –                             | <b>296</b>                           |
| Share premium                                      |       | 10,490                   | –                             | <b>10,490</b>                        |
| Other reserves                                     | 26    | 8,357                    | –                             | <b>8,357</b>                         |
| Retained earnings                                  | 27    | 26,909                   | (608)                         | <b>26,301</b>                        |
| Revaluation reserve                                |       | 71,106                   | –                             | <b>71,106</b>                        |
| <b>Total equity</b>                                |       | 117,158                  | (608)                         | <b>116,550</b>                       |

## Reconciliation of the impact of IFRS 16 on the previously reported Consolidated Statement of Comprehensive Income

For the year ended 31 July 2018

|  | Year Ended<br>31 July<br>2018<br>£'000 | Impact of<br>IFRS 16<br>£'000 | Year ended<br>31 July<br>2018<br>Restated<br>£'000 |
|--|--|-------------------------------|--|
| <b>Revenue</b>   | 15,372                                 | –                             | <b>15,372</b>                                      |
| <b>Total property, staff, distribution and general costs</b> | (8,739)                                | 1,190                         | <b>(7,549)</b>                                     |
| <b>Adjusted EBITDA<sup>1</sup></b>                           | 6,633                                  | 1,190                         | <b>7,823</b>                                       |
| Amortisation of intangible assets                            | (165)                                  | –                             | <b>(165)</b>                                       |
| Depreciation   | (1,880)                                | (1,254)                       | <b>(3,134)</b>                                     |
| Equity settled share-based payments                          | (33)                                   | –                             | <b>(33)</b>  |
|  | (2,078)                                | (1,254)                       | <b>(3,332)</b>                                     |
| Carried interest – fees receivable                           | 361                                    | –                             | <b>361</b>   |
| Receivables from warranty claims                             | 230                                    | –                             | <b>230</b>   |
|  | 591                                    | –                             | <b>591</b>   |
|  | (1,487)                                | (1,254)                       | <b>(2,741)</b>                                     |
| <b>Operating profit</b>                                      | 5,146                                  | (64)                          | <b>5,082</b>                                       |
| Finance income   | 80                                     | –                             | <b>80</b>  |
| Finance cost – bank borrowings                               | (463)                                  | –                             | <b>(463)</b>                                       |
| Finance cost – lease liabilities                             | –                                      | (325)                         | <b>(325)</b>                                       |
|  | (383)                                  | (325)                         | <b>(708)</b>                                       |
| <b>Profit (loss) before taxation</b>                         | 4,763                                  | (389)                         | <b>4,374</b>                                       |
| Income tax expense   | (1,459)                                | –                             | <b>(1,459)</b>                                     |
| Profit for the period from continuing operations             | 3,304                                  | (389)                         | <b>2,915</b>                                       |
| Profit for the period from discontinued operations           | 453                                    | –                             | <b>453</b>   |
| Profit for the period  | 3,757                                  | (389)                         | <b>3,368</b>                                       |
| <b>Profit attributable to:</b>                               |  |                               |  |
| Owners of the Parent   | 3,757                                  | (389)                         | <b>3,368</b>                                       |
| <b>Other Comprehensive Income</b>                            |  |                               |  |
| Items that will not be reclassified to profit and loss       |  |                               |  |
| Increase in property valuation                               | 15,723                                 | –                             | <b>15,723</b>                                      |
| Deferred tax relating to change in property valuation        | (2,698)                                | –                             | <b>(2,698)</b>                                     |
|  | 13,025                                 | –                             | <b>13,025</b>                                      |
| <b>Other comprehensive income</b>                            | 13,025                                 | –                             | <b>13,025</b>                                      |
| <b>Total comprehensive income for the period</b>             | 16,782                                 | (389)                         | <b>16,393</b>                                      |
| Attributable to:   |  |                               |  |
| Owners of the Parent   | 16,782                                 | (389)                         | <b>16,393</b>                                      |

<sup>1</sup> Adjusted EBITDA is defined in the accounting policies section of the notes to the interim report.



# Notes to the Financial Statements continued

For the year ended 31 July 2020

## 1 Implementation of IFRS 16 – Leases continued

### Reconciliation of the impact of IFRS 16 on the previously reported Consolidated Statement of Comprehensive Income

For the year ended 31 July 2018

|  | Year ended<br>31 July<br>2018<br>£'000 | Impact of<br>IFRS 16<br>£'000 | Year ended<br>31 July<br>2018<br>Restated<br>£'000 |
|--|--|-------------------------------|--|
| <b>Earnings per share attributable to owners of the Parent</b> |  |                               |  |
| <b>Basic</b>   |  |                               |  |
| Continuing operations  | 11.48p                                 | (1.35p)                       | <b>10.13p</b>                                      |
| Discontinued operations  | 1.57p                                  | –                             | <b>1.57p</b>                                       |
| Total basic earnings per share                                 | 13.05p                                 | (1.35p)                       | <b>11.70p</b>                                      |
| <b>Diluted</b>   |  |                               |  |
| Continuing operations  | 11.28p                                 | (1.32p)                       | <b>9.96p</b>                                       |
| Discontinued operations  | 1.55p                                  | –                             | <b>1.55p</b>                                       |
| Total diluted earnings per share                               | 12.83p                                 | (1.32p)                       | <b>11.51p</b>                                      |

## Reconciliation of the impact of IFRS 16 on the previously reported Consolidated Statement of Financial Position

31 July 2018

|  | 31 July<br>2018<br>£'000 | Impact of<br>IFRS 16<br>£'000 | 31 July<br>2018<br>Restated<br>£'000 |
|--|--------------------------|-------------------------------|--------------------------------------|
| <b>Assets</b>                                      |                          |                               |                                      |
| <b>Non-current assets</b>                          |                          |                               |                                      |
| Intangible assets                                  | 3,263                    | –                             | <b>3,263</b>                         |
| Property, plant and equipment                      | 152,580                  | –                             | <b>152,580</b>                       |
| Financial assets                                   | 361                      | –                             | <b>361</b>                           |
| Right of use assets                                | –                        | 14,273                        | <b>14,273</b>                        |
|  | 156,204                  | 14,273                        | <b>170,477</b>                       |
| <b>Current assets</b>                              |                          |                               |                                      |
| Inventories  | 257                      | –                             | <b>257</b>                           |
| Trade and other receivables                        | 4,476                    | –                             | <b>4,476</b>                         |
| Cash and cash equivalents                          | 4,990                    | –                             | <b>4,990</b>                         |
| <b>Total current assets</b>                        | 9,723                    | –                             | <b>9,723</b>                         |
| <b>Total assets</b>                                | 165,927                  | 14,273                        | <b>180,200</b>                       |
| <b>Liabilities</b>                                 |                          |                               |                                      |
| <b>Current liabilities</b>                         |                          |                               |                                      |
| Trade and other payables                           | (5,159)                  | –                             | <b>(5,159)</b>                       |
| Lease liabilities                                  | –                        | (1,035)                       | <b>(1,035)</b>                       |
| Taxation   | (612)                    | –                             | <b>(612)</b>                         |
|  | (5,771)                  | (1,035)                       | <b>(6,806)</b>                       |
| <b>Non-current liabilities</b>                     |                          |                               |                                      |
| Borrowings   | (37,170)                 | –                             | <b>(37,170)</b>                      |
| Lease liabilities                                  | –                        | (13,627)                      | <b>(13,627)</b>                      |
| Deferred tax                                       | (19,735)                 | –                             | <b>(19,735)</b>                      |
|  | (56,905)                 | (13,627)                      | <b>(70,532)</b>                      |
| <b>Total liabilities</b>                           | (62,676)                 | (14,662)                      | <b>(77,338)</b>                      |
| <b>Net assets</b>                                  | 103,251                  | (389)                         | <b>102,862</b>                       |
| <b>Equity</b>                                      |                          |                               |                                      |
| <b>Equity attributable to owners of the Parent</b> |                          |                               |                                      |
| Called up share capital                            | 295                      | –                             | <b>295</b>                           |
| Share premium                                      | 10,350                   | –                             | <b>10,350</b>                        |
| Other reserves                                     | 8,363                    | –                             | <b>8,363</b>                         |
| Retained earnings                                  | 19,344                   | (389)                         | <b>18,955</b>                        |
| Revaluation reserve                                | 64,899                   | –                             | <b>64,899</b>                        |
| <b>Total equity</b>                                | 103,251                  | (389)                         | <b>102,862</b>                       |

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# Notes to the Financial Statements continued

For the year ended 31 July 2020

## 2 Revenue

Analysis of the Group's revenue is shown below:

|  | Group<br>2020<br>£'000 | Group<br>2019<br>£'000 |
|--|------------------------|------------------------|
| <b>Stores trading</b>                                      |                        |                        |
| Self-storage revenue                                       | 15,126                 | 14,235                 |
| Insurance revenue  | 1,663                  | 1,533                  |
| Retail sales   | 201                    | 241                    |
| Total self-storage revenue – owned stores                  | 16,990                 | 16,009                 |
| Ancillary store revenue                                    | 4                      | 44                     |
| Management fees – managed stores                           | 991                    | 817                    |
| Sub-total  | 17,985                 | 16,870                 |
| Non-storage income   | 56                     | 80                     |
| <b>Total revenue per statement of comprehensive income</b> | <b>18,041</b>          | 16,950                 |

The Group's serviced archive and record management segment was sold in the period and is presented as a discontinued operation (see note 12). Following the disposal, the Group has one operating segment, being self-storage in the UK.

## 3(a) Property, Staff, Distribution and General Costs

|   | Group<br>2020<br>£'000 | Group<br>2019<br>Restated**<br>£'000 |
|---|------------------------|--------------------------------------|
| Property and premises costs                 | 4,392                  | 4,022                                |
| IFRS 16 restatement – leases                | (1,467)                | (1,356)                              |
| Restated property and premises costs        | 2,925                  | 2,666                                |
| Staff costs                                 | 4,196                  | 4,111                                |
| General overheads                           | 1,139                  | 1,244                                |
| Sub-total operating costs                   | 8,260                  | 8,021                                |
| Retail products cost of sales (see note 3b) | 127                    | 180                                  |
|   | <b>8,387</b>           | 8,201                                |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

## 3(b) Cost of Sales of Retail Products

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

|           | Group<br>2020<br>£'000 | Group<br>2019<br>£'000 |
|-----------|------------------------|------------------------|
| Retail    | 98                     | 121                    |
| Insurance | 13                     | 26                     |
| Other     | 16                     | 33                     |
|           | <b>127</b>             | 180                    |

### 3(c) Other Income and Costs

|  | Group<br>2020<br>£'000 | Group<br>2019<br>£'000 |
|--|------------------------|------------------------|
| Profit on sale of land at store <sup>1</sup>             | -                      | (295)                  |
| Costs of sale & manage-back Crayford store <sup>2</sup>  | -                      | 54                     |
| Deferred financing on bank loan written off <sup>3</sup> | -                      | 133                    |
|  | -                      | (108)                  |

#### 2019:

- 1 Profit on sale of land at store: During the year land at the rear of our Southampton store with a fair value of £500,000 was sold for £800,000. There was £4,043 of associated costs of sale.
- 2 Costs of sale & manage-back Crayford store: On 28 February 2019 the Crayford store was sold at its fair value to an investment fund for £7.52 million in cash. Lok'nStore will continue to manage the store maintaining the operational footprint of the business and will receive management and performance fees. Legal and professional costs associated with this transaction amounted to £54,483.
- 3 Deferred financing on bank loan written off. In April 2019, the Group executed a new bank facility increasing facilities available by £25 million to £75 million, with a further £25 million accordion option taking the facility to £100 million. The deferred element of the original financing costs of £133,307 was accordingly written off.

### 4 Finance Income

|                | Group<br>2020<br>£'000 | Group<br>2019<br>Restated**<br>£'000 |
|----------------|------------------------|--------------------------------------|
| Bank interest  | 29                     | 24                                   |
| Other interest | -                      | 7                                    |
|                | 29                     | 31                                   |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

Interest receivable arises on cash and cash equivalents (see note 17).

### 5 Finance Costs

|                               | Group<br>2020<br>£'000 | Group<br>2019<br>Restated**<br>£'000 |
|-------------------------------|------------------------|--------------------------------------|
| Bank interest                 | 510                    | 452                                  |
| Non-utilisation fees          | 183                    | 89                                   |
| Bank loan arrangement fees    | 137                    | 64                                   |
| Interest on lease liabilities | 296                    | 321                                  |
|                               | 1,126                  | 926                                  |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

# Notes to the Financial Statements continued

For the year ended 31 July 2020

## 6 Profit Before Taxation

|  | Group<br>2020<br>£'000 | Group<br>2019<br>Restated**<br>£'000 |
|--|------------------------|--------------------------------------|
| Profit before taxation is stated after charging:   |                        |                                      |
| Depreciation and amounts written off property, plant and equipment:                        |                        |                                      |
| Owned assets   | <b>2,525</b>           | 2,207                                |
| Depreciation of right of use assets (IFRS 16) (Note 1)                                     | <b>1,254</b>           | 1,254                                |
|  | <b>3,779</b>           | 3,461                                |
| Amortisation of intangible assets  | –                      | 83                                   |
|  | <b>3,779</b>           | 3,544                                |
| Amounts payable to RSM UK Audit LLP and their associates for audit and non-audit services: |                        |                                      |
| Audit services   |                        |                                      |
| – UK statutory audit of the Company and consolidated accounts                              | <b>68</b>              | 66                                   |
| Other services   |                        |                                      |
| – the auditing of accounts of subsidiaries of the Company pursuant to legislation          | –                      | –                                    |
| Other services supplied pursuant to such legislation                                       |                        |                                      |
| – interim review   | <b>9</b>               | 12                                   |
| – other services   | –                      | 3                                    |
| Tax services   |                        |                                      |
| – compliance services  | <b>23</b>              | 23                                   |
| – advisory services  | <b>9</b>               | 31                                   |
|  | <b>109</b>             | 135                                  |
| Comprising:  |                        |                                      |
| Audit services   | <b>68</b>              | 66                                   |
| Non-audit services   | <b>41</b>              | 69                                   |
|  | <b>109</b>             | 135                                  |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.



## 7 Employees

|  | Group<br>2020<br>No.   | Group<br>2019<br>No.   |
|--|------------------------|------------------------|
| The average monthly number of persons (including Directors) employed by the Group during the year was: |                        |                        |
| Store management   | 142                    | 132                    |
| Administration   | 25                     | 24                     |
|  | <b>167</b>             | 156                    |
|  |                        |                        |
|  | Group<br>2020<br>£'000 | Group<br>2019<br>£'000 |
| Costs for the above persons:   |                        |                        |
| Wages and salaries   | 3,580                  | 3,446                  |
| Social security costs  | 440                    | 424                    |
| Pension costs  | 114                    | 85                     |
|  | <b>4,134</b>           | 3,955                  |
| Share based remuneration (options)   | 88                     | 46                     |
|  | <b>4,222</b>           | 4,001                  |

Share based remuneration is separately disclosed in the statement of comprehensive income. Wages and salaries of £91,815 (2019: £90,436) 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 £15,183 (2019: £13,217) outstanding at the year-end.

There were no employees employed by Lok'nStore Group plc in the year (2019: nil).

# Notes to the Financial Statements continued

For the year ended 31 July 2020

## 7 Employees continued

### Directors' Remuneration

| Directors' Remuneration 2020 | Emoluments<br>£ | Bonuses<br>£  | Benefits<br>£ | Sub total<br>£ | Pension<br>£ | Gains<br>on share<br>options<br>£ | Total<br>£     |
|------------------------------|-----------------|---------------|---------------|----------------|--------------|-----------------------------------|----------------|
| <b>Executive:</b>            |                 |               |               |                |              |                                   |                |
| A Jacobs                     | 225,233         | 36,500        | 6,107         | 267,840        | –            | –                                 | <b>267,840</b> |
| RA Davies                    | 165,797         | 13,300        | 4,845         | 183,942        | 6,631        | –                                 | <b>190,573</b> |
| N Newman-Shepherd            | 82,877          | 40,345        | 2,560         | 125,782        | 3,315        | 172,358                           | <b>301,455</b> |
| <b>Non-Executive:</b>        |                 |               |               |                |              |                                   |                |
| SG Thomas                    | 31,518          | –             | 4,808         | 36,326         | –            | –                                 | <b>36,326</b>  |
| RJ Holmes                    | 22,743          | –             | –             | 22,743         | –            | –                                 | <b>22,743</b>  |
| ETD Luker                    | 28,430          | –             | –             | 28,430         | –            | –                                 | <b>28,430</b>  |
| CP Peal                      | 22,743          | –             | –             | 22,743         | –            | –                                 | <b>22,743</b>  |
|                              | <b>579,341</b>  | <b>90,145</b> | <b>18,320</b> | <b>687,806</b> | <b>9,946</b> | <b>172,358</b>                    | <b>870,110</b> |

| Directors' Remuneration 2019 | Emoluments<br>£ | Bonuses<br>£   | Benefits<br>£ | Sub total<br>£ | Pension<br>£ | Gains<br>on share<br>options<br>£ | Total<br>£     |
|------------------------------|-----------------|----------------|---------------|----------------|--------------|-----------------------------------|----------------|
| <b>Executive:</b>            |                 |                |               |                |              |                                   |                |
| A Jacobs                     | 220,816         | 38,250         | 5,435         | 264,501        | –            | –                                 | 264,501        |
| RA Davies                    | 160,968         | 22,641         | 4,612         | 188,221        | 4,829        | –                                 | 193,050        |
| N Newman-Shepherd            | 78,931          | 64,034         | 2,364         | 145,329        | 2,631        | –                                 | 147,960        |
| <b>Non-Executive:</b>        |                 |                |               |                |              |                                   |                |
| SG Thomas                    | 30,900          | –              | 4,804         | 35,704         | –            | 40,580                            | 76,284         |
| RJ Holmes                    | 22,297          | –              | –             | 22,297         | –            | –                                 | 22,297         |
| ETD Luker                    | 27,873          | –              | –             | 27,873         | –            | –                                 | 27,873         |
| CP Peal                      | 22,297          | –              | –             | 22,297         | –            | –                                 | 22,297         |
|                              | <b>564,082</b>  | <b>124,925</b> | <b>17,215</b> | <b>706,222</b> | <b>7,460</b> | <b>40,580</b>                     | <b>754,262</b> |

Details of the Directors' remuneration is shown above. Key management personnel are defined as the Directors of the Group and the additional participants in the Partnership Performance Plan (PPP).

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 two (2019: two).

## 8 Taxation

|   | Group<br>2020<br>£'000 | Group<br>2019<br>Restated**<br>£'000 |
|---|------------------------|--------------------------------------|
| <b>Current tax:</b>                               |                        |                                      |
| UK corporation tax                                | 920                    | 811                                  |
| <b>Deferred tax:</b>                              |                        |                                      |
| Origination and reversal of temporary differences | 730                    | 400                                  |
| Adjustments in respect of prior periods           | 66                     | –                                    |
| Total deferred tax                                | 796                    | 400                                  |
| Income tax expense for the year                   | 1,716                  | 1,211                                |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

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

|   | 2020<br>£'000 | 2019<br>Restated**<br>£'000 |
|---|---------------|-----------------------------|
| <b>Profit before tax</b>  | <b>4,690</b>  | 4,372                       |
| Tax on ordinary activities at the effective standard rate of corporation tax in the UK of 19% (2019: 19%) | 931           | 880                         |
| Expenses not deductible for tax purposes  | –             | 18                          |
| Depreciation of non-qualifying assets   | 229           | 355                         |
| Share based payment charges in excess of corresponding tax deduction                                      | 17            | 2                           |
| Impact of change in tax rate on closing deferred tax balances   | 806           | –                           |
| Adjustments in respect of prior periods – deferred tax  | 66            | –                           |
| Impact of change in tax rate on timing differences  | (157)         | (17)                        |
| Write-back of over provision  | (153)         | –                           |
| Other   | (23)          | (27)                        |
| Income tax expense for the year   | 1,716         | 1,211                       |
| Effective tax rate  | 36%           | 28%                         |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

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 £3.7 million (2019: £2.3 million) has been recognised as a debit/credit directly in other comprehensive income (see note 20 on deferred tax). Impact of change in the tax rate on closing deferred tax balances arises because the deferred tax provision which used to be calculated at forward corporation tax rates of 17% is now calculated at the substantively enacted corporation tax rate and has therefore reverted to 19%.

# Notes to the Financial Statements continued

For the year ended 31 July 2020

## 9 Dividends

|   | 2020<br>£'000 | 2019<br>£'000 |
|---|---------------|---------------|
| Amounts recognised as distributions to equity holders in the year:    |               |               |
| Final dividend for the year ended 31 July 2018 (7.67 pence per share) | –             | 2,217         |
| Interim dividend for the year to 31 July 2019 (3.67 pence per share)  | –             | 1,062         |
| Final dividend for the year ended 31 July 2019 (8.33 pence per share) | <b>2,413</b>  | –             |
| Interim dividend for the year to 31 July 2020 (4.00 pence per share)  | <b>1,159</b>  | –             |
|   | <b>3,572</b>  | 3,279         |

In respect of the current year the Directors paid an interim dividend of 4.0 pence per share to shareholders on 12 June 2020. The Directors propose that a final dividend of 9.00 pence per share will be paid to the shareholders. The total estimated dividend to be paid is £2.6 million based on the number of shares in issue at 16 October 2020 as adjusted for shares held in the Employee Benefits Trust.

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 26 November 2020; the record date 27 November 2020; with an intended payment date of 8 January 2020. The final deadline for Dividend Reinvestment Election (DRIP) is 11 December 2020.

## 10 Earnings per Share

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

|  | Group<br>2020<br>£'000 | Group<br>2019<br>Restated**<br>£'000 |
|--|------------------------|--------------------------------------|
| Profit for the financial year attributable to continuing operations      | <b>2,974</b>           | 3,161                                |
| Profit for the financial year attributable to discontinued operations    | –                      | 2,182                                |
| Total profit for the financial year attributable to owners of the Parent | <b>2,974</b>           | 5,343                                |

|   | 2020<br>No. of shares | 2019<br>No. of shares |
|---|-----------------------|-----------------------|
| Weighted average number of shares             |                       |                       |
| For basic earnings per share                  | <b>28,976,967</b>     | 28,921,229            |
| Dilutive effect of share options <sup>1</sup> | <b>517,257</b>        | 481,848               |
| For diluted earnings per share                | <b>29,494,224</b>     | 29,403,077            |

<sup>1</sup> 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 22 to 25.

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

|                                  | Group<br>2020<br>pence | Group<br>2019<br>Restated**<br>pence |
|----------------------------------|------------------------|--------------------------------------|
| <b>Earnings per share</b>        |                        |                                      |
| <b>Basic</b>                     |                        |                                      |
| Continuing operations            | <b>10.26p</b>          | 10.93p                               |
| Discontinued operations          | –                      | 7.55p                                |
| Total basic earnings per share   | <b>10.26p</b>          | 18.48p                               |
| <b>Diluted</b>                   |                        |                                      |
| Continuing operations            | <b>10.08p</b>          | 10.75p                               |
| Discontinued operations          | –                      | 7.42p                                |
| Total diluted earnings per share | <b>10.08p</b>          | 18.17p                               |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

### 11(a) Intangible Assets

| Group  | Goodwill<br>£'000 | Contractual<br>customer<br>relationships<br>£'000 | Total<br>£'000 |
|--|-------------------|---|----------------|
| <b>Cost at 1 August 2018</b>                           | <b>1,110</b>      | <b>3,309</b>                                      | <b>4,419</b>   |
| <b>Amortisation at 1 August 2018</b>                   | –                 | (1,156)   | (1,156)        |
| Amortisation charge                                    | –                 | (83)  | (83)           |
| <b>Amortisation at 31 July 2019</b>                    | –                 | (1,239)   | (1,239)        |
| Disposal   | (1,110)           | (2,070)   | (3,180)        |
| <b>Net book value at 31 July 2019 and 31 July 2020</b> | <b>–</b>          | <b>–</b>  | <b>–</b>       |

All goodwill and customer relationships were allocated to the serviced document storage cash-generating unit (CGU) identified as a separate business segment.

In the previous year, on 31 January 2019 Lok'nStore disposed of its serviced document storage business Saracen Datastore Limited ('Saracen') for £7.64 million in cash against its Net Book Value as at 31 July 2018 of £5.4 million and which included the value of the intangible assets. The recoverable amount exceeds the carrying amount of the CGU.

# Notes to the Financial Statements continued

For the year ended 31 July 2020

## 11(b) Property, Plant and Equipment

| Group                                 | Development property assets at cost £'000 | Land and buildings at valuation £'000 | Long leasehold 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    |
|---------------------------------------|---|---------------------------------------|--|--|--|------------------------------|----------------|
| <b>Cost or valuation</b>              |   |                                       |  |  |  |                              |                |
| <b>1 August 2018</b>                  | <b>16,570</b>                             | <b>108,486</b>                        | <b>11,438</b>  | <b>2,648</b>                               | <b>27,186</b>                                  | <b>17</b>                    | <b>166,345</b> |
| Additions                             | 6,667                                     | 2,804                                 | 1,493  | 162  | 2,744  | 20                           | 13,890         |
| Additions – Acquisition of subsidiary | –   | –                                     | –  | 1,242                                      | –  | –                            | 1,242          |
| Reclassification                      | (4,185)                                   | 17,116                                | (12,931)   | –  | –  | –                            | –              |
| Transfers                             | 6   | (6)                                   | –  | –  | –  | –                            | –              |
| Disposals                             | (616)                                     | (8,058)                               | –  | –  | (1,109)  | –                            | (9,783)        |
| Disposals – discontinued operations   | –   | –                                     | –  | (84)                                       | (2,267)  | (7)                          | (2,358)        |
| Revaluations                          | –   | 13,189                                | –  | –  | –  | –                            | 13,189         |
| <b>31 July 2019</b>                   | <b>18,442</b>                             | <b>133,531</b>                        | <b>–</b>   | <b>3,968</b>                               | <b>26,554</b>                                  | <b>30</b>                    | <b>182,525</b> |
| <b>Depreciation</b>                   |   |                                       |  |  |  |                              |                |
| 1 August 2018                         | –   | –                                     | –  | 1,979                                      | 11,772   | 14                           | 13,765         |
| Depreciation                          | –   | 1,004                                 | –  | 156  | 1,091  | 5                            | 2,256          |
| Disposals                             | –   | (428)                                 | –  | –  | (726)  | –                            | (1,154)        |
| Disposals – discontinued operations   | –   | –                                     | –  | (57)                                       | (640)  | (7)                          | (704)          |
| Revaluations                          | –   | (576)                                 | –  | –  | –  | –                            | (576)          |
| <b>31 July 2019</b>                   | <b>–</b>                                  | <b>–</b>                              | <b>–</b>   | <b>2,078</b>                               | <b>11,497</b>                                  | <b>12</b>                    | <b>13,587</b>  |
| <b>Net book value at 31 July 2019</b> | <b>18,442</b>                             | <b>133,531</b>                        | <b>–</b>   | <b>1,890</b>                               | <b>15,057</b>                                  | <b>18</b>                    | <b>168,938</b> |
| <b>Cost or valuation</b>              |   |                                       |  |  |  |                              |                |
| <b>1 August 2019</b>                  | <b>18,442</b>                             | <b>133,531</b>                        | <b>–</b>   | <b>3,968</b>                               | <b>26,554</b>                                  | <b>30</b>                    | <b>182,525</b> |
| Additions                             | 11,443                                    | 149                                   | –  | 29   | 389  | –                            | 12,010         |
| Reclassification                      | –   | –                                     | –  | –  | –  | –                            | –              |
| Transfers                             | –   | –                                     | –  | –  | –  | –                            | –              |
| Disposals                             | –   | –                                     | –  | –  | –  | (20)                         | (20)           |
| Disposals – discontinued operations   | –   | –                                     | –  | –  | –  | –                            | –              |
| Revaluations                          | –   | 7,686                                 | –  | –  | –  | –                            | 7,686          |
| <b>31 July 2020</b>                   | <b>29,885</b>                             | <b>141,366</b>                        | <b>–</b>   | <b>3,997</b>                               | <b>26,943</b>                                  | <b>10</b>                    | <b>202,201</b> |
| <b>1 August 2019</b>                  | <b>–</b>                                  | <b>–</b>                              | <b>–</b>   | <b>2,078</b>                               | <b>11,497</b>                                  | <b>12</b>                    | <b>13,587</b>  |
| Depreciation                          | –   | 1,164                                 | –  | 191  | 1,167  | 2                            | 2,524          |
| Disposals                             | –   | –                                     | –  | –  | –  | (4)                          | (4)            |
| Revaluations                          | –   | (1,164)                               | –  | –  | –  | –                            | (1,164)        |
| <b>31 July 2020</b>                   | <b>–</b>                                  | <b>–</b>                              | <b>–</b>   | <b>2,269</b>                               | <b>12,664</b>                                  | <b>10</b>                    | <b>14,943</b>  |
| <b>Net book value at 31 July 2020</b> | <b>29,885</b>                             | <b>141,366</b>                        | <b>–</b>   | <b>1,728</b>                               | <b>14,279</b>                                  | <b>–</b>                     | <b>187,258</b> |



The Group has an active store development programme and in accordance with IAS 23 has material qualifying assets that take a substantial period of time to develop from acquisition to ultimate store opening. Accordingly borrowing costs of £382,190 (2019: £430,321) have been capitalised in the current year that are directly attributable to the acquisition, construction and fit-out of these qualifying store assets. The total amount is carried in development property assets.

If all property, plant and equipment were stated at historic cost the carrying value would be £91.6 million (2019: £81.7 million).

Capital expenditure during the year totalled £12.0 million (2019: £14.0 million). This was primarily the purchase of our Stevenage and Salford sites, the exchange of contracts at our Warrington site, and the completion of construction works at our Leicester store which opened post-balance sheet in August 2020. Costs relating to the planning and pre-development works on our Bournemouth, Bedford, and Cheshunt sites also featured.

Property, plant and equipment (non-current assets) with a carrying value of £187.3 million (2019: £168.9 million) are pledged as security for bank loans.

### Market Valuation of Freehold and Leasehold Land and Buildings

On 31 July 2020 a professional valuation was prepared by Jones Lang LaSalle Limited (JLL) in respect of 15 freehold, and eight leasehold properties. The valuation was prepared in accordance with the RICS Valuation – Global Standards 2017, published by The Royal Institution of Chartered Surveyors (‘the RICS Red Book’) and the valuation methodology is explained in more detail below. The valuations were prepared on the basis of Fair Value as a fully equipped operational entity having regard to trading potential. 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 RICS Red Book JLL have confirmed that:

- This is the fourth year that JLL has been appointed to value the properties
- The valuers who prepared the valuation have the necessary skills and experience having been significantly involved in the sector
- JLL do not provide other significant professional or agency services to the Company
- In relation to the preceding financial year of JLL the proportion of the total fees payable by the Company to the total fee income of the firm is less than 5% and is minimal

The valuation report indicates a total valuation for all properties valued of £168.4 million (2019: £162.7 million) of which £151.7 million (2019: £144.0 million) relates to freehold properties, and £16.7 million (2019: £18.7 million) relates to properties held under leases.

Freehold land and buildings are carried at valuation in the statement of financial position. Short leasehold improvements at properties held under 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. Of the £151.7 million (2019: £144.0 million) valuation of the freehold properties £12.3 million (2019: £13.0 million) relates to the net book value of fixtures, fittings and equipment, and the remaining £139.4 million (2019: £131.0 million) relates to freehold and long leasehold properties.

The 2020 valuation includes and reflects movements in value which have resulted from the operational performance of the stores and movements in the investment environment.

# Notes to the Financial Statements continued

For the year ended 31 July 2020

## 11(b) Property, Plant and Equipment continued

### Valuation Methodology

Jones Lang LaSalle Limited (JLL) have adopted the profits method of valuation, and cross checked with the direct comparison method based on recent transactions in the sector, which is the main method of pricing adopted by purchasers of self-storage properties.

JLL have valued the assets on an individual basis and have disregarded any portfolio effect.

The profits method of valuation considers the cash flow generated by the trading potential of the self-storage facility. Due to the specialised design and use of the buildings, the value is typically based on their ability to generate a net income from operating as self-storage facilities.

JLL have constructed a discounted cash flow model. This sets out their explicit assumptions on the underlying cash flow that they believe could be generated by a Reasonably Efficient Operator at each of the properties, both at the valuation date and in the near future as the properties increase their occupancy and rates charged to customers. Judgements are made as to the trading potential and likely long-term sustainable occupancy.

Stable occupancy depends upon the nature of demand, size of property and nearby competition, and allows for a reasonable vacancy rate to enable the operator to sell units to new customers. In the valuation the assumed stabilised occupancy level for the 23 trading stores (both freeholds and leaseholds) averages 84.9% (2019: 84.3%).

Expenditure is deducted (such as business rates, staff costs, repair and maintenance, utilities, marketing and bad debts) as well as an operator's charge which takes account of central costs. JLL also make an allowance for long-term capex requirements where applicable. The assumptions used by JLL include:

- The cash flow for freeholds runs for an explicit period of 10 years, after which it is capitalised at an all risks yield which reflects the implicit future growth of the business, or a hypothetical sale
- The cash flow for leaseholds continues for the unexpired term of the lease
- The discount rate applied has had regard to recent transactions, weighted average costs of capital and target return in other asset types with adjustments made to reflect differences in the risk and liquidity profile
- The weighted average annual discount rate adopted (for both freeholds and leaseholds) is 8.70% (2019: 10.09%). The yield arising from the first year of the projected cash flow is 6.08% (2019: 5.99%), rising to 8.13% (2019: 8.74%) in year five
- JLL have assumed purchasers' costs of 6.8% (2019: 6.8%)
- The average assumed stabilised occupancy is 84.9% (2019: 84.3%)
- The average exit yield assumed is 7.13% (2019: 7.22%)

The comparison method considers recent transactions where self-storage properties have sold, and then adjusts them based on a multiple of current earnings, and a capital value per square foot. They are adjusted to reflect differences in location, physical characteristics, local supply and demand, tenure and trading levels.

JLL reported that the Lok'nStore portfolio has generally performed very well in terms of increasing occupancy over the course of the year which has driven the assumed stabilised occupancy higher.

For leaseholds the same methodology has been used as for freehold property, except that no sale of the assets in the tenth year is assumed, but the discounted cash flow is extended to the expiry of the lease. The average unexpired term of the Group's operating leaseholds is approximately nine years and seven months as at 31 July 2020 (11 years and 0 months: 31 July 2019). Valuations for stores held under 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 leases 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 JLL 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 previous years.

The fair value hierarchy within which the Fair Value measurements are categorised is level 3, in accordance with IFRS 13 fair value measurements.

### Directors' Valuation of Land and Property

**The old Southampton store:** Following the opening of the new Southampton store with the corresponding transfer of all customers from the old Southampton store, the vacant building was redeveloped for cruise parking. In 2020 the Board concluded that management time and capital could be more effectively deployed within the self-storage business and the operation was closed. Accordingly, the Directors placed their valuation on the current developed site at £2.0 million (2019: £2.5 million) which is their best estimate of the potential realisable value of the site in current market conditions.

The total value of land and property carried at Director Valuation at 31 July 2020 is £2.0 million (2019: £2.5 million).

### 11(c) Right of Use Assets (ROU)

#### Group Property Leases

|  | Group<br>31 July<br>2020<br>IFRS 16<br>£'000 | Group<br>31 July<br>2019<br>IFRS 16<br>Restated**<br>£'000 | Group<br>31 July<br>2018<br>(Transition)<br>IFRS 16<br>Restated**<br>£'000 |
|--|--|--|--|
| Right of Use Asset (ROU) – opening balance | 13,018                                       | 14,272   | 15,526   |
| Depreciation of Right of Use Asset (ROU)   | (1,254)                                      | (1,254)  | (1,254)  |
| Right of Use Asset (ROU) – closing balance | 11,764                                       | 13,018   | 14,272   |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

The application of IFRS 16 relates to the Groups property leases. The Group has no leases on any other types of assets.

To ensure consistency and effective comparison with prior periods, the Group has elected to apply the full retrospective implementation approach with reinstatement of the comparative information. The transition date of initial application is therefore 1 August 2018. The Present Value of all future operating lease payments is calculated using 2.2% as an effective cost of debt as the single discount rate. This calculates an opening Right of Use Asset (ROU) as at 1 August 2018 of £14.3 million.

The Right of Use Asset is depreciated on a depreciation charge based on the individual lease term of the separate leases.

### 12 Disposal of Saracen Datastore Limited

On 31 January 2019 Lok'nStore disposed of its serviced document storage business Saracen Datastore Limited ('Saracen') for £7.64 million in cash against its Net Book Value as at 31 July 2018 of £5.4 million.

In the short term the disposal proceeds were used to reduce overall Group borrowing and will improve all key banking ratios. In the medium term the disposal proceeds will be used to fund the ongoing investment into our highly accretive development pipeline of new self-storage centres, fulfilling the Company's objective of growing asset value by recycling capital from lower growth assets into high growth landmark stores.

The proceeds of disposal net of disposal costs was treated as a receipt in Investing Activities in the Consolidated Cash Flow Statement and contributed £6.85 million to the increase in cash and cash equivalents in the previous year.

# Notes to the Financial Statements continued

For the year ended 31 July 2020

## 12 Disposal of Saracen Datastore Limited continued

Key amounts relating to the discontinued operation are as follows:

|   | 31 July<br>2020<br>£'000 | 31 July<br>2019<br>Restated**<br>£'000 |
|---|--------------------------|--|
| Revenue                                 | –                        | 1,156                                  |
| Expenses                                | –                        | (902)                                  |
| EBITDA                                  | –                        | 254                                    |
| Depreciation                            | –                        | (48)                                   |
| Finance income/costs                    | –                        | 3                                      |
| Profit before tax                       | –                        | 209                                    |
| Tax                                     | –                        | 8                                      |
| Profit after tax                        | –                        | 217                                    |
| Profit on disposal of subsidiary        | –                        | 1,965                                  |
| After tax disposal profit               | –                        | 1,965                                  |
| Total profit on discontinued operations | –                        | 2,182                                  |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

Before disposal, Saracen contributed £1.16 million to the Group's revenue and £0.25 million to its EBITDA in the period up to its disposal on 31 January 2019. The carrying value of Saracen's assets and liabilities that were sold on 31 January 2019 was as follows:

| Assets  | £'000 |
|---|-------|
| <b>Non-current assets</b>                     |       |
| Intangible assets                             | 3,180 |
| Property, plant and equipment                 | 1,654 |
|   | 4,834 |
| <b>Current assets</b>                         |       |
| Inventories                                   | 5     |
| Receivables                                   | 722   |
| Cash  | 508   |
|   | 1,235 |
| <b>Total assets</b>                           | 6,069 |
| <b>Current liabilities</b>                    | (603) |
| <b>Non-current liabilities</b>                | (79)  |
| <b>Total liabilities</b>                      | (682) |
| Net assets disposed of                        | 5,387 |
| Cash proceeds (net of fees/costs of disposal) | 7,352 |
| <b>Profit on disposal</b>                     | 1,965 |

The profit on disposal was included in profit on discontinued operations in the consolidated statement of comprehensive income. The Group believes that Substantial Shareholder Relief would be available on the gain made on the disposal of the shares. Proceeds from disposal of discontinued operation (net of disposal costs and cash included in sale) is presented as an investing activity in the consolidated statement of cash flows.

## 13 Investments

|   |              |
|---|--------------|
| <b>Company Investments in subsidiary undertakings</b>   | <b>£'000</b> |
| <b>31 July 2018</b>                                     | <b>2,418</b> |
| Capital contributions arising from share-based payments | 46           |
| <b>31 July 2019</b>                                     | <b>2,464</b> |
| Capital contributions arising from share-based payments | 88           |
| <b>31 July 2020</b>                                     | <b>2,552</b> |

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 |            | Nature of entity          |
|---|-----------------------|------------------------------------|------------|---------------------------|
|   |                       | Directly                           | Indirectly |                           |
| Lok'nStore Limited <sup>3,5</sup>                                   | Ordinary              | 100                                | –          | Self-storage              |
| Lok'nStore Trustee Limited <sup>1,3,4</sup>                         | Ordinary              | –                                  | 100        | Trustee                   |
| Southern Engineering and Machinery Company Limited <sup>1,3,5</sup> | Ordinary              | –                                  | 100        | Self-storage              |
| Semco Machine Tools Limited <sup>2,5,5</sup>                        | Ordinary              | –                                  | 100        | Dormant                   |
| Semco Engineering Limited <sup>2,3,5</sup>                          | Ordinary              | –                                  | 100        | Dormant                   |
| Saracen Datastore Limited <sup>1,5,6</sup>                          | Ordinary              | –                                  | 100        | Serviced Document Storage |
| ParknCruise Limited <sup>1,4</sup>                                  | Ordinary              | –                                  | 100        | Dormant                   |
| The Box Room (Self Storage) Limited <sup>1,4</sup>                  | Ordinary              | –                                  | 100        | Self-storage              |

1 These companies are subsidiaries of Lok'nStore Limited.

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

3 These companies have taken the exemption from audit under Section 479A of the Companies Act 2006.

4 The address of these companies is 112, Hawley Lane, Farnborough, Hants. GU14 8JE.

5 The address of these companies is 1, Fleet Place London EC4M 7WS.

6 The serviced document storage business was sold in the previous year.

## 14 Inventories

|                                  | Group<br>2020<br>£'000 | Group<br>2019<br>£'000 |
|----------------------------------|------------------------|------------------------|
| Consumables and goods for resale | 270                    | 298                    |

The amount of inventories recognised in cost of sales as an expense during the year was £97,966 (2019: £120,954). (See Note 3(b)).

## 15 Trade and Other Receivables

|                                | Group<br>2020<br>£'000 | Group<br>2019<br>£'000 |
|--------------------------------|------------------------|------------------------|
| Trade receivables              | 746                    | 1,055                  |
| Other receivables              | 2,451                  | 2,270                  |
| Prepayments and accrued income | 431                    | 382                    |
|                                | <b>3,628</b>           | <b>3,707</b>           |

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

# Notes to the Financial Statements continued

For the year ended 31 July 2020

## 15 Trade and Other Receivables continued

Other receivables include monies receivable from the managed stores for services provided by the Group and also includes a £0.61 million VAT repayment owed to the Group by HMRC which was received post year-end.

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

|  | Company<br>2020<br>£'000 | Company<br>2019<br>£'000 |
|--|--------------------------|--------------------------|
| Net amount due from Lok'nStore Limited | 25,867                   | 14,576                   |

The amount due from Lok'nStore Limited is interest free. The balance is repayable on demand.

### 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 expected credit losses.

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. 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.

Included in the Group's trade receivables balance are receivables with a carrying amount of £110,668 (2019: £55,049) 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 54 days past due (2019: 51 days past due).

### Ageing of past due but not impaired receivables

|            | Group<br>2020<br>£'000 | Group<br>2019<br>£'000 |
|------------|------------------------|------------------------|
| 0-30 days  | 16                     | 14                     |
| 30-60 days | 16                     | 4                      |
| 60+ days   | 79                     | 37                     |
| Total      | 111                    | 55                     |

### Movement in the allowance for credit losses

|                                      | Group<br>2020<br>£'000 | Group<br>2019<br>£'000 |
|--------------------------------------|------------------------|------------------------|
| Balance at the beginning of the year | 191                    | 165                    |
| Impairment losses recognised         | 20                     | 39                     |
| Amounts written off as uncollectible | (22)                   | (13)                   |
| Balance at the end of the year       | 189                    | 191                    |



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.

### Ageing of impaired trade receivables

|            | Group<br>2020<br>£'000 | Group<br>2019<br>£'000 |
|------------|------------------------|------------------------|
| 0–30 days  | –                      | –                      |
| 30–60 days | –                      | –                      |
| 60+ days   | 189                    | 191                    |
| Total      | 189                    | 191                    |

### 16 Trade and Other Payables

|                                    | Group<br>2020<br>£'000 | Group<br>2019<br>£'000 |
|------------------------------------|------------------------|------------------------|
| Trade payables                     | 1,275                  | 640                    |
| Taxation and social security costs | 137                    | 388                    |
| Other payables                     | 777                    | 1,115                  |
| Accruals and deferred income       | 2,487                  | 2,610                  |
|                                    | 4,676                  | 4,753                  |

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

### 17 Financial Instruments

#### Capital management and gearing

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debts, which include the borrowings disclosed in note 18, cash and cash equivalents and equity attributable to the owners of the Parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity. 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 relatively conservative gearing ratio (the proportion of net debt to equity) balancing the overall level with the opportunities for the growth of the business. The Board considers at each review the appropriateness of the current ratio in light of the above. The Board is currently satisfied with the Group's gearing ratio.

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

|                                  | Group<br>2020<br>£'000 | Group<br>2019<br>Restated**<br>£'000 |
|----------------------------------|------------------------|--------------------------------------|
| <b>Gearing – Bank Borrowings</b> |                        |                                      |
| Gross debt                       | (51,322)               | (42,972)                             |
| Cash and cash equivalents        | 13,066                 | 13,662                               |
| Net debt                         | (38,255)               | (29,310)                             |
| Total equity – balance sheet     | 121,382                | 116,550                              |
| IFRS restatement                 | 692                    | 608                                  |
| Adjusted total equity            | 122,074                | 117,158                              |
| Net debt to equity ratio         | 31.3%                  | 25.0%                                |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

# Notes to the Financial Statements continued

For the year ended 31 July 2020

## 17 Financial Instruments continued

### Capital management and gearing continued

|  | Group<br>2020<br>£'000 | Group<br>2019<br>Restated**<br>£'000 |
|--|------------------------|--------------------------------------|
| <b>Total Gearing – Bank Borrowings and lease liabilities</b> |                        |                                      |
| Gross debt – bank borrowings                                 | <b>(51,322)</b>        | (42,972)                             |
| Gross debt – lease liabilities                               | <b>(12,455)</b>        | (13,626)                             |
| Cash and cash equivalents                                    | <b>13,066</b>          | 13,662                               |
| Net debt   | <b>(50,711)</b>        | (42,936)                             |
| Total equity – balance sheet                                 | <b>121,382</b>         | 116,550                              |
| Net debt to equity ratio                                     | <b>41.8%</b>           | 36.8%                                |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

The modest increase in the Group's gearing ratio arises principally through the combined effect of an increase in the value of its trading properties, and the cash generated from operations. These effects on gearing were offset by the purchase of our Stevenage and Salford sites, the exchange of contracts at our Warrington site, and the completion of construction works at our Leicester store which opened post-balance sheet in August 2020. Costs relating to the planning and pre-development works on our Bournemouth, Bedford, and Cheshunt sites also featured.

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. The Group previously has hedged through the deployment of interest rate swaps although the Group had no such instruments in place at 31 July 2019 or 31 July 2020. The Board continues to keep its hedging policy under periodic review.

#### B Debt management

Debt is defined as non-current and current borrowings, as detailed in note 18. Equity includes all capital and reserves of the Group. The Group is not subject to externally imposed capital requirements.

The Group borrows through a joint revolving credit facility with Royal Bank of Scotland plc and Lloyds Banking Group secured on its store portfolio and other Group assets, excluding intangibles, with a net book value of £187.3 million (2019: £168.9 million). Borrowings are arranged to ensure the Group fulfils its strategy of growth and development of its stores and to maintain short-term liquidity. As at the reporting date the Group has a committed revolving credit facility of £75 million (2019: £75 million). This facility provides an accordion £25 million which, although uncommitted, can take the facility to £100 million and runs to 2024 with an option of two one year extensions. Undrawn committed facilities at the year-end amounted to £23.7 million (2019: £32.0 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 18. The Group has a number of revolving loans within its overall revolving credit facility and as such is exposed to interest rate risks at the time of renewal arising from any upward movement in the LIBOR rate.

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<sup>1</sup>. All amounts are denominated in Sterling. The balances at 31 July 2020 are as follows:

|  | Group<br>2020<br>£'000 | Group<br>2019<br>£'000 |
|--|------------------------|------------------------|
| Variable rate treasury deposits <sup>1</sup> | 11,608                 | 12,232                 |
| SIP trustee deposits                         | 63                     | 63                     |
| Cash in operating current accounts           | 1,385                  | 1,357                  |
| Other cash and cash equivalents              | 10                     | 10                     |
| <b>Total cash and cash equivalents</b>       | <b>13,066</b>          | 13,662                 |

<sup>1</sup> Money market rates for the Group's variable rate treasury deposit track Royal Bank of Scotland plc base rate.

The Interest rate between August 2019 and 28 May 2020 was 0.30% on balances greater than £1 million and 0.20% on balances below £1 million. This rate had been in place since 2 August 2018. On 29 May 2020, the rate on the account changed to a flat rate of 0.01% Gross/AER on all balances.

The rate attributable to the variable rate deposits at 31 July 2020 was 0.01%.

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

Over the longer term, significant changes in interest rates may have an impact on consolidated earnings.

At 31 July 2020, it is estimated that an increase of one percentage point in interest rates would have reduced the Group's annual profit before tax by £513,222 (2019: £429,717) and conversely a decrease of one percentage point in interest rates would have increased the Group's annual profit before tax by £513,222 (2019: 429,717). 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 of 1.69% applying to the variable rate borrowings of £51.3 million in the year (2019: £43.0 million/2.11%).

#### E Cash management and liquidity

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

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

#### F Foreign currency management

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

#### G Credit risk

The credit risk management policies of the Group with respect to trade receivables are discussed in note 15. There has not been a significant change in credit quality. The Group has a robust credit model with customers paying four-weekly in advance for their storage. The Group has no significant concentration of credit risk, with exposure spread across over 12,500 customers and with no individual self-storage customer accounting for more than 1% of total revenue and no group entities under common control (e.g. Government) accounting for more than 10% of total revenues. The Group holds a right of lien over its self-storage customers' goods if customer debts are not paid although this is used relatively infrequently within the context of overall customer numbers and only ever as a final stage in the debt recovery process.

# Notes to the Financial Statements continued

For the year ended 31 July 2020

## 17 Financial Instruments continued

### G Credit risk continued

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 2020 was £2.40 million (2019: £3.38 million) on receivables and £13.1 million (2019: £13.7 million) on cash and cash equivalents.

### H Maturity analysis of financial liabilities

The undiscounted contractual cash flow maturities are as follows:

| 2020 – Group                                     | Trade and other payables<br>£'000 | Borrowings<br>£'000 | Interest on borrowings<br>£'000 |
|--|-----------------------------------|---------------------|---------------------------------|
| Over five years                                  | –                                 | –                   | –                               |
| From two to five years                           | –                                 | 51,322              | 2,364                           |
| From one to two years                            | –                                 | –                   | 865                             |
| Due after more than one year                     | –                                 | 51,322              | 3,229                           |
| Due within one year                              | 2,585                             | –                   | 865                             |
| <b>Total contractual undiscounted cash flows</b> | <b>2,585</b>                      | <b>51,322</b>       | <b>4,094</b>                    |

| 2019 – Group                                     | Trade and other payables<br>£'000 | Borrowings<br>£'000 | Interest on borrowings<br>£'000 |
|--|-----------------------------------|---------------------|---------------------------------|
| Over five years                                  | –                                 | –                   | –                               |
| From two to five years                           | –                                 | 42,972              | 2,474                           |
| From one to two years                            | –                                 | –                   | 906                             |
| Due after more than one year                     | –                                 | 42,972              | 3,380                           |
| Due within one year                              | 2,199                             | –                   | 906                             |
| <b>Total contractual undiscounted cash flows</b> | <b>2,199</b>                      | <b>42,972</b>       | <b>4,286</b>                    |

### I Fair values of financial instruments

|   | Group<br>2020<br>£'000 | Group<br>2019<br>Restated**<br>£'000 |
|---|------------------------|--------------------------------------|
| <b>Categories of financial assets and financial liabilities</b> |                        |                                      |
| <b>Financial assets</b>   |                        |                                      |
| Trade and other receivables <sup>1</sup>                        | 3,610                  | 3,992                                |
| Cash and cash equivalents                                       | 13,066                 | 13,662                               |
| <b>Financial liabilities</b>                                    |                        |                                      |
| Trade and other payables  | (2,585)                | (2,199)                              |
| Bank loans  | (50,705)               | (42,331)                             |

<sup>1</sup> Includes £361,460 relating to fees receivable in 2022 from the Aldershot managed store currently classified as a non-current asset (measured at fair value).

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

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.

### J Company's financial instruments

The Company's financial assets are amounts owed by subsidiary undertakings amounting to £25.9 million (2019: £14.6 million) which are classified as loans and receivables, and the investment in its subsidiary undertaking of £2.55 million (2019: £2.46 million). 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.

### 18 Borrowings

|  | Group<br>2020<br>£'000 | Group<br>2019<br>£'000 |
|--|------------------------|------------------------|
| <b>Bank borrowings</b>   |                        |                        |
| <b>Non-current</b>   |                        |                        |
| Bank loans repayable in more than two years but not more than five years |                        |                        |
| Gross  | <b>51,322</b>          | 42,972                 |
| Deferred financing costs   | <b>(617)</b>           | (641)                  |
| Net bank borrowings  | <b>50,705</b>          | 42,331                 |
| Non-current borrowings   | <b>50,705</b>          | 42,331                 |

The Group has a joint £75 million five year revolving credit facility banking facility with Lloyds Bank and Royal Bank of Scotland plc. The facility provides an accordion £25 million which can take the facility to £100 million and runs to April 2025 with an option of a one year extension.

The Group currently has £51.3 million drawn against its facility which is secured with RBS and Lloyds jointly by legal charges and debentures over the freehold and leasehold properties and other tangible assets of the business with a net book value of £187.8 million (2019 £168.9 million) together with cross-company guarantees from Group companies.

On 14 July 2020, the Group implemented a one year extension on its existing joint banking facility. The facility which was due to expire in April 2024, will now run until April 2025 providing funding for more landmark site acquisitions.

The £75 million five year revolving credit facility set the interest rate margin at the London Inter-Bank Offer Rate (LIBOR) plus 1.50%–1.75% based on a loan to value covenant test. This rate is 1.50% currently and our current all in debt cost on £51.2 million drawn is averaging 1.6%–1.7%.

Bank covenants and margin are unaffected by this extension of term.

### 19 Lease Liabilities

To ensure consistency and effective comparison with prior periods, the Group has elected to apply the full retrospective implementation approach with reinstatement of the comparative information. The transition date of initial application is therefore 1 August 2018. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the leases. Where this cannot be readily determined the Present Value of all future operating lease payments is calculated using 2.2% as an effective cost of debt as the discount rate.

After the application of a weighted depreciation charge based on the individual lease term of the separate leases and the imputation of an interest charge at 2.2% as part of the amortisation of the lease liability the total lease liabilities stated under the first-time adoption of IFRS 16 is shown below. The impact of the adoption of IFRS 16 is also set out in note 1 of the financial statements.

# Notes to the Financial Statements continued

For the year ended 31 July 2020

## 19 Lease Liabilities continued

|  | Group<br>2020<br>£'000 | Group<br>2019<br>Restated**<br>£'000 |
|--|------------------------|--------------------------------------|
| <b>Lease liabilities attributable to Right of Use assets</b> |                        |                                      |
| <b>Current lease liabilities</b>                             |                        |                                      |
| Amounts due within one year                                  | 1,298                  | 1,171                                |
| <b>Non-current lease liabilities</b>                         |                        |                                      |
| Amounts due in one to two years                              | 1,326                  | 1,298                                |
| Amounts due in three to five years                           | 2,881                  | 3,352                                |
| Amounts due in more than five years                          | 6,950                  | 7,805                                |
| <b>Non-current lease liabilities</b>                         | <b>11,157</b>          | 12,455                               |
| <b>Total lease liabilities</b>                               | <b>12,455</b>          | 13,626                               |

|  | Group<br>2020<br>£'000 | Group<br>2019<br>Restated**<br>£'000 |
|--|------------------------|--------------------------------------|
| <b>Lease liabilities attributable to Right of Use assets</b> |                        |                                      |
| <b>Balance B/Fwd</b>   | <b>13,626</b>          | 14,662                               |
| Lease repayments   | (1,467)                | (1,356)                              |
| Lease interest (non-cash)                                    | 296                    | 320                                  |
| <b>Total lease liabilities</b>                               | <b>12,455</b>          | 13,626                               |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

The application of IFRS 16 relates to the Group's property leases. The portfolio of property leases all have similar characteristics. Subject to periodic future rent reviews, typically every five years, there are no variable lease payments. The Group has no leases on any other types of assets.

The total cash outflow for leases is set out in note 30 (Commitments under property leases).

## 20 Deferred Tax

|   | Group<br>2020<br>£'000 | Group<br>2019<br>£'000 |
|---|------------------------|------------------------|
| <b>Deferred tax liability</b>                           |                        |                        |
| Liability at start of year                              | 22,385                 | 19,735                 |
| Charge to income for the year – continued operations    | 796                    | 400                    |
| Charge to income for the year – discontinued operations | –                      | 32                     |
| Total charge to income for the year                     | 796                    | 432                    |
| Tax charged directly to other comprehensive income      | 3,602                  | 2,327                  |
| Tax credited – disposal of subsidiary                   | –                      | (134)                  |
| Initial recognition on acquisition of subsidiary        | –                      | 24                     |
| (Credit)/debit to share-based payment reserve           | (23)                   | 1                      |
| <b>Liability at end of year</b>                         | <b>26,760</b>          | 22,385                 |



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

|   | Accelerated<br>Capital<br>Allowances<br>£'000 | Other<br>temporary<br>differences<br>£'000 | Revaluation<br>of<br>properties<br>£'000 | Rolled<br>over gain<br>on disposal<br>£'000 | Share<br>options<br>£'000 | Total<br>£'000 |
|---|---|--|--|---|---------------------------|----------------|
| <b>At 1 August 2019</b>                   | <b>2,879</b>                                  | <b>383</b>                                 | <b>14,568</b>                            | <b>2,146</b>                                | <b>(241)</b>              | <b>19,735</b>  |
| Charge/(credit) to income for the year    | 336   | (14)                                       | –  | –   | –                         | 322            |
| Charge to other comprehensive income      | –   | –  | 2,327                                    | –   | –                         | 2,327          |
| Reclassification following store disposal | –   | –  | (558)                                    | 558   | –                         | –              |
| Charge to share-based payment reserve     | –   | –  | –  | –   | 1                         | 1              |
| <b>At 31 July 2019</b>                    | <b>3,215</b>                                  | <b>369</b>                                 | <b>16,337</b>                            | <b>2,704</b>                                | <b>(240)</b>              | <b>22,385</b>  |
| Charge/ (credit) to income for the year   | 434   | 110  | –  | 252   | –                         | 796            |
| Charge to other comprehensive income      | –   | –  | 3,602                                    | –   | –                         | 3,602          |
| Charge to share-based payment reserve     | –   | –  | –  | –   | (23)                      | (23)           |
| <b>At 31 July 2020</b>                    | <b>3,649</b>                                  | <b>479</b>                                 | <b>19,939</b>                            | <b>2,956</b>                                | <b>(263)</b>              | <b>26,760</b>  |

The increase in the deferred tax liability arises substantially from a combination of an increase in the valuation of the Group's stores and a rise in forward tax rates which used to be calculated at forward corporation tax rates of 17% and is calculated at the substantively enacted corporation tax rate and has therefore reverted to 19%. The deferred tax provision is substantially a tax provision against the potential crystallisation (sales) of revalued properties and past 'rolled over' gains and amounts to £26.8 million (2019: £22.4 million) – the crystallisation of which is within the Board's control.

## 21 Share Capital

|   | 2020<br>£'000  | 2019<br>£'000  |
|---|--|--|
| <b>Authorised:</b>  |  |  |
| 35,000,000 Ordinary Shares of 1 penny each (2019: 35,000,000) | <b>350</b>   | 350  |
| Allotted, issued and fully paid Ordinary Shares               | <b>£'000</b>   | £'000  |
| Balance at start of year                                      | <b>296</b>   | 295  |
| Options exercised during the year 85,171 (2019: 195,692)      | <b>1</b>   | 1  |
| Balance at end of year  | <b>297</b>   | 296  |
|   | <b>Called up,<br/>allotted and<br/>fully paid<br/>Number</b> | <b>Called up,<br/>allotted and<br/>fully paid<br/>Number</b> |
| Number of shares at start of the year                         | <b>29,583,786</b>  | 29,498,615   |
| Options exercised during the year                             | <b>49,504</b>  | 85,171   |
| Number of shares at end of the year                           | <b>29,633,290</b>  | 29,583,786   |

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

# Notes to the Financial Statements continued

For the year ended 31 July 2020

## 22 Equity Settled Share-based Payment Plans

The Group operates three equity-settled share-based payment plans; one approved and two unapproved share option schemes.

The Company has the following share options:

| 2020<br>Summary  | As at<br>31 July 2019<br>No of options | Granted        | Exercised       | Lapsed/<br>surrendered | As at<br>31 July 2020<br>No of options |
|--|--|----------------|-----------------|------------------------|--|
| Unapproved Share Options<br>(refer note 24(a))               | 750,851                                | 8,945          | (44,692)        | –                      | <b>715,104</b>                         |
| Unapproved Share Options<br>(PPP Scheme) – refer note 24(b)) | 540,000                                | 290,000        | –               | –                      | <b>830,000</b>                         |
| Approved CSOP Share Options<br>(refer note 25)               | 94,939                                 | 11,079         | (4,812)         | (3,271)                | <b>97,935</b>                          |
| <b>Total</b>   | <b>1,385,790</b>                       | <b>310,024</b> | <b>(49,504)</b> | <b>(3,271)</b>         | <b>1,643,039</b>                       |

| 2019<br>Summary  | As at<br>31 July 2018<br>No of options | Granted        | Exercised       | Lapsed/<br>surrendered | As at<br>31 July 2019<br>No of options |
|--|--|----------------|-----------------|------------------------|--|
| Unapproved Share Options<br>(refer note 24(a))               | 817,551                                | 3,300          | (70,000)        | –                      | <b>750,851</b>                         |
| Unapproved Share Options<br>(PPP Scheme) – refer note 24(b)) | 140,000                                | 400,000        | –               | –                      | <b>540,000</b>                         |
| Approved CSOP Share Options<br>(refer note 25)               | 92,199                                 | 15,673         | (9,952)         | (2,981)                | <b>94,939</b>                          |
| <b>Total</b>   | <b>1,049,750</b>                       | <b>418,973</b> | <b>(79,952)</b> | <b>(2,981)</b>         | <b>1,385,790</b>                       |

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

|                                  | Total at<br>31 July<br>2019 | Options<br>granted | Options<br>Exercised/<br>lapsed | Unapproved<br>Scheme | Approved<br>CSOP share<br>options | Total at<br>31 July<br>2020 |
|----------------------------------|-----------------------------|--------------------|---------------------------------|----------------------|-----------------------------------|-----------------------------|
| <b>2020</b>                      |                             |                    |                                 |                      |                                   |                             |
| <b>Executive Directors</b>       |                             |                    |                                 |                      |                                   |                             |
| A Jacobs – Unapproved            | 206,087                     | –                  | –                               | 206,087              | –                                 | <b>206,087</b>              |
| A Jacobs – PPP                   | 80,000                      | 40,000             | –                               | 120,000              | –                                 | <b>120,000</b>              |
| <b>A Jacobs – total</b>          | <b>286,087</b>              | <b>40,000</b>      | <b>–</b>                        | <b>326,087</b>       | <b>–</b>                          | <b>326,087</b>              |
| RA Davies – Unapproved           | 246,977                     | –                  | –                               | 246,977              | –                                 | <b>246,977</b>              |
| RA Davies – CSOP                 | 7,742                       | –                  | –                               | –                    | 7,742                             | <b>7,742</b>                |
| RA Davies – PPP                  | 80,000                      | 40,000             | –                               | 120,000              | –                                 | <b>120,000</b>              |
| <b>RA Davies – total</b>         | <b>334,719</b>              | <b>40,000</b>      | <b>–</b>                        | <b>366,977</b>       | <b>7,742</b>                      | <b>374,719</b>              |
| N Newman-Shepherd – Unapproved   | 172,421                     | –                  | (36,822)                        | 135,599              | –                                 | <b>135,599</b>              |
| N Newman-Shepherd – CSOP         | 10,661                      | –                  | (2,043)                         | –                    | 8,618                             | <b>8,618</b>                |
| N Newman-Shepherd – PPP          | 120,000                     | 60,000             | –                               | 180,000              | –                                 | <b>180,000</b>              |
| <b>N Newman-Shepherd – total</b> | <b>303,082</b>              | <b>60,000</b>      | <b>–</b>                        | <b>315,599</b>       | <b>8,618</b>                      | <b>324,217</b>              |
| <b>Non-Executive Directors</b>   |                             |                    |                                 |                      |                                   |                             |
| SG Thomas – Unapproved           | 5,217                       | –                  | –                               | 5,217                | –                                 | <b>5,217</b>                |
| <b>All Directors – total</b>     | <b>929,105</b>              | <b>140,000</b>     | <b>(38,865)</b>                 | <b>1,013,880</b>     | <b>16,360</b>                     | <b>1,030,240</b>            |

|                                  | Total at<br>31 July<br>2018 | Options<br>granted | Options<br>Exercised/<br>lapsed | Unapproved<br>Scheme | Approved<br>CSOP share<br>options | Total at<br>31 July<br>2019 |
|----------------------------------|-----------------------------|--------------------|---------------------------------|----------------------|-----------------------------------|-----------------------------|
| <b>2019</b>                      |                             |                    |                                 |                      |                                   |                             |
| <b>Executive Directors</b>       |                             |                    |                                 |                      |                                   |                             |
| A Jacobs – Unapproved            | 206,087                     | –                  | –                               | 206,087              | –                                 | <b>206,087</b>              |
| A Jacobs – PPP                   | –                           | 80,000             | –                               | 80,000               | –                                 | <b>80,000</b>               |
| <b>A Jacobs – total</b>          | <b>206,087</b>              | <b>80,000</b>      | <b>–</b>                        | <b>286,087</b>       | <b>–</b>                          | <b>286,087</b>              |
| RA Davies – Unapproved           | 246,977                     | –                  | –                               | 246,977              | –                                 | <b>246,977</b>              |
| RA Davies – CSOP                 | 7,742                       | –                  | –                               | –                    | 7,742                             | <b>7,742</b>                |
| RA Davies – PPP                  | –                           | 80,000             | –                               | 80,000               | –                                 | <b>80,000</b>               |
| <b>RA Davies – total</b>         | <b>254,719</b>              | <b>80,000</b>      | <b>–</b>                        | <b>326,977</b>       | <b>7,742</b>                      | <b>334,719</b>              |
| N Newman-Shepherd – Unapproved   | 172,421                     | –                  | –                               | 172,421              | –                                 | <b>172,421</b>              |
| N Newman-Shepherd – CSOP         | 10,661                      | –                  | –                               | –                    | 10,661                            | <b>10,661</b>               |
| N Newman-Shepherd – PPP          | –                           | 120,000            | –                               | 120,000              | –                                 | <b>120,000</b>              |
| <b>N Newman-Shepherd – total</b> | <b>183,082</b>              | <b>120,000</b>     | <b>–</b>                        | <b>292,421</b>       | <b>10,661</b>                     | <b>303,082</b>              |
| <b>Non-Executive Directors</b>   |                             |                    |                                 |                      |                                   |                             |
| SG Thomas – Unapproved           | 25,217                      | –                  | (20,000)                        | 5,217                | –                                 | <b>5,217</b>                |
| <b>All Directors – total</b>     | <b>669,105</b>              | <b>280,000</b>     | <b>(20,000)</b>                 | <b>910,702</b>       | <b>18,403</b>                     | <b>929,105</b>              |

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 two and a half, three or five years, subject to the performance criteria attached to the options.

Under the CSOP Approved Share Option scheme (Note 25) and the Unapproved Share Options scheme (Note 24(a)), 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. Exercise of an option is subject to continued employment or in the case of unapproved options at the discretion of the Board. The life of each option granted is six and a half to seven years. There are no cash settlement alternatives.

**The rules governing the PPP scheme are disclosed in Note 24(b).**

Under the CSOP Approved Share Option scheme (Note 25) and the Unapproved Share Options scheme (Note 24(a)), 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 and a half years which is part way between vesting (two and a half to 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 and a half years).

Under the Partnership Performance Plan (Note 24(b)), 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. For options granted on 31 July 2020, the expected term is assumed to be 12.4 years, which is halfway between vesting and lapse. For options granted on 31 January 2020, the expected term is assumed to be 11.2 years. The vesting date is based upon the assumption that the CAD and/or NAV targets are met at the same time as the share price target is met, and the lapse date is the fifteenth anniversary of the grant. The risk free rate of return is the UK gilt rate at date of grant commensurate with the expected term (i.e. 12.4 years).

The total charge for the year relating to employer share-based payment schemes was £87,990 (2019: £46,221), all of which relates to equity-settled share-based payment transactions.

# Notes to the Financial Statements continued

For the year ended 31 July 2020

## 23 Enterprise Management Initiative Scheme

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

The Group has for some years no longer met the EMI Scheme qualifying criteria. Accordingly, there were no options issued under this scheme during the year, and no options remained at the year-end. The scheme is now closed.

## 24(a) 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<br>2020<br>number | Weighted<br>average<br>exercise price<br>2020<br>pence | Options<br>2019<br>number | Weighted<br>average<br>exercise price<br>2019<br>pence |
|---------------------------|---------------------------|--|---------------------------|--|
| Outstanding at 1 August   | 750,851                   | 178.76   | 817,551                   | 174.59   |
| Granted during the year   | 8,945                     | 570.00   | 3,300                     | 527.00   |
| Forfeited during the year | –                         | –  | –                         | –  |
| Exercised during the year | (44,692)                  | 130.22   | (70,000)                  | 146.46   |
| Outstanding at 31 July    | 715,104                   | 179.08   | 750,851                   | 178.76   |
| Exercisable at 31 July    | 698,514                   | 171.04   | 704,982                   | 164.43   |

The options outstanding at 31 July 2020 had a weighted average remaining contractual life of 6.7 years (2019: 6.6 years). The exercise prices for shares exercisable at 31 July 2020 ranged from 56.50 pence per share to 387.50 pence per share.

The following sets out the movements in the year in respect of unapproved share options held by the Directors of the Company.

|                   | As at<br>31 July<br>2019 | Granted  | Exercised/<br>lapsed | As at<br>31 July<br>2020 | Exercise<br>price<br>£ | Date from<br>which<br>exercisable | Expiry<br>date       |
|-------------------|--------------------------|----------|----------------------|--------------------------|------------------------|-----------------------------------|----------------------|
| A Jacobs          | 206,087                  | –        | –                    | 206,087                  | 1.085 – 2.855          | 31/7/15 –<br>6/8/18               | 31/7/22 –<br>6/8/25  |
| S Thomas          | 5,217                    | –        | –                    | 5,217                    | 2.070 – 2.855          | 31/7/17 –<br>6/8/18               | 31/1/24 –<br>6/8/25  |
| R Davies          | 246,977                  | –        | –                    | 246,977                  | 0.850 – 2.135          | 31/7/10 –<br>31/7/17              | 31/7/17 –<br>31/7/27 |
| N Newman-Shepherd | 172,421                  | –        | (36,822)             | 135,599                  | 1.360 – 3.875          | 31/7/16 –<br>31/7/20              | 31/7/18 –<br>31/7/27 |
| <b>Total</b>      | <b>630,702</b>           | <b>–</b> | <b>(36,822)</b>      | <b>593,880</b>           |                        |                                   |                      |

## 24(b) Unapproved Share Options – Partnership Performance Plan (PPP)

On 2 July 2019 the Group adopted the Company Partnership Performance Plan (PPP).

The Plan is a discretionary benefit offered by the Company for the benefit of selected key employees. Its main purpose is to increase the interest of the employees in the Group's long-term business goals and performance through share ownership.

Shares purchased or received under the Plan, any cash received under the Plan and any gains obtained under the Plan are not part of salary for any purpose except to any extent required by statute.

The Remuneration Committee of the Board of the Company shall have the right to decide, in its sole discretion, whether or not awards will be granted and to which employees those awards will be granted.

A summary of the structure and rules of the Plan are set out below:

### Structure

- Options are granted on Lok'nStore Group plc shares
- The exercise price is at £6 is well above the current price to allow the issuance of more options increasing member returns if ambitious targets are hit
- Options are to be issued to participants in five annual tranches from July 2019 to July 2022
- Participants will have 10 years to exercise from vesting dates
- Performance criteria are geared to achievement of ambitious long-term plan
- Performance targets of share price, NAV and CAD thresholds for each award. NAV and CAD thresholds to be determined each year by the Remuneration Committee
- Alternative exercise methods can be considered by the Group:
  - Participants may exercise and hold – paying tax arising
  - Participants may exercise and sell – paying tax arising
  - Group delivers net profit to participants in cash or shares

### Main Rules & Conditions

- Conditional on participants remaining in employment with the Group
- Replaces LTPRP for participating members
- Existing cash bonus schemes remain in place
- All options vest if there is a change of control
- Includes Good/Bad Leaver clauses
- The Scheme is entirely at the discretion of the Remuneration Committee who act on behalf of the Board

Movements in the year are shown below:

|                                    | Options number | Weighted average exercise price pence |
|------------------------------------|----------------|---------------------------------------|
| Outstanding at 1 August 2019       | 540,000        | 600.00                                |
| Granted during the year            | 290,000        | 600.00                                |
| <b>Outstanding at 31 July 2020</b> | <b>830,000</b> | <b>600.00</b>                         |
| Exercisable at 31 July 2020        | –              | –                                     |

# Notes to the Financial Statements continued

For the year ended 31 July 2020

## 24(b) Unapproved Share Options – Partnership Performance Plan (PPP) continued

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

|                                  | As at<br>31 July<br>2019 | Granted | As at<br>31 July<br>2020 | Exercise<br>price<br>pence | Date from which<br>exercisable | Expiry<br>date |
|----------------------------------|--------------------------|---------|--------------------------|----------------------------|--------------------------------|----------------|
| A Jacobs                         | 40,000                   | –       | <b>40,000</b>            | 600.00                     | 31/07/2023                     | 31/07/2033     |
| A Jacobs                         | 40,000                   | –       | <b>40,000</b>            | 600.00                     | 31/07/2024                     | 31/07/2034     |
| A Jacobs                         | –                        | 40,000  | <b>40,000</b>            | 600.00                     | 31/07/2025                     | 31/07/2035     |
| A Jacobs –<br>Total              | 80,000                   | 40,000  | <b>120,000</b>           |                            |                                |                |
| R Davies                         | 40,000                   | –       | <b>40,000</b>            | 600.00                     | 31/07/2023                     | 31/07/2033     |
| R Davies                         | 40,000                   | –       | <b>40,000</b>            | 600.00                     | 31/07/2024                     | 31/07/2034     |
| R Davies                         | –                        | 40,000  | <b>40,000</b>            | 600.00                     | 31/07/2025                     | 31/07/2035     |
| R Davies –<br>Total              | 80,000                   | 40,000  | <b>120,000</b>           |                            |                                |                |
| N Newman–<br>Shepherd            | 60,000                   | –       | <b>60,000</b>            | 600.00                     | 31/07/2023                     | 31/07/2033     |
| N Newman–<br>Shepherd            | 60,000                   | –       | <b>60,000</b>            | 600.00                     | 31/07/2024                     | 31/07/2034     |
| N Newman–<br>Shepherd            | –                        | 60,000  | <b>60,000</b>            | 600.00                     | 31/07/2025                     | 31/07/2035     |
| N Newman–<br>Shepherd –<br>Total | 120,000                  | 60,000  | <b>180,000</b>           |                            |                                |                |

## 25 CSOP Approved Share Options

On 2 June 2010 the Group adopted a Company Share Option Plan (CSOP). The CSOP 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<br>2020<br>number | Weighted<br>average<br>exercise price<br>2020<br>pence | Options<br>2019<br>number | Weighted<br>average<br>exercise price<br>2019<br>pence |
|---------------------------------------|---------------------------|--|---------------------------|--|
| Outstanding at 1 August               | <b>94,939</b>             | <b>261.68</b>  | 92,199                    | 311.59   |
| Granted during the year               | <b>11,079</b>             | <b>570.00</b>  | 15,673                    | 527.00   |
| Forfeited/surrendered during the year | <b>(3,271)</b>            | <b>489.17</b>  | (2,981)                   | 402.50   |
| Exercised during the year             | <b>(4,812)</b>            | <b>264.51</b>  | (9,952)                   | 269.79   |
| <b>Outstanding at 31 July</b>         | <b>97,935</b>             | <b>376.83</b>  | 94,939                    | 261.68   |
| Exercisable at 31 July                | <b>55,942</b>             | <b>294.58</b>  | 42,204                    | 241.78   |

The options outstanding at 31 July 2020 had a weighted average remaining contractual life of 9.9 years (2019: 10.5 years). The exercise prices for shares exercisable at 31 July 2020 ranged from 207.0 pence per share to 387.5 pence per share.



The inputs into the Black-Scholes model used to value the options granted 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 2019        | 10.50                 | 527.00                             | 527.00               | 25.02                   | 2.15                        | 0.44                        | 96.0                              |
| <b>31 July 2020</b> | <b>9.90</b>           | <b>570.00</b>                      | <b>570.00</b>        | <b>33.52</b>            | <b>2.16</b>                 | <b>0.00</b>                 | <b>141.00</b>                     |

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

|                   | As at 31 July 2019 | Granted | Exercised/lapsed | As at 31 July 2020 | Exercise price pence | Date from which exercisable | Expiry Date          |
|-------------------|--------------------|---------|------------------|--------------------|----------------------|-----------------------------|----------------------|
| R Davies          | 7,742              | –       | –                | <b>7,742</b>       | 3.875                | 31/7/20                     | 31/7/27              |
| N Newman-Shepherd | 10,661             | –       | (2,043)          | <b>8,618</b>       | 1.360 – 3.875        | 31/7/14<br>– 31/7/20        | 31/7/21<br>– 31/7/27 |
|                   | 18,403             | –       | –                | <b>16,360</b>      |                      |                             |                      |

## 26(a) Other Reserves

| Group   | Merger reserve<br>£'000 | Other reserve<br>£'000 | Capital redemption reserve<br>£'000 | Share-based payment reserve<br>£'000 | Total<br>£'000 |
|---|-------------------------|------------------------|-------------------------------------|--------------------------------------|----------------|
| <b>1 August 2018</b>                          | <b>6,295</b>            | <b>1,294</b>           | <b>34</b>                           | <b>740</b>                           | <b>8,363</b>   |
| Share based remuneration (options)            | –                       | –                      | –                                   | 46                                   | 46             |
| IFRS 2 – transfer (to)/from retained earnings | –                       | –                      | –                                   | (51)                                 | (51)           |
| Tax charge relating to share options          | –                       | –                      | –                                   | (1)                                  | (1)            |
| <b>31 July 2019</b>                           | <b>6,295</b>            | <b>1,294</b>           | <b>34</b>                           | <b>734</b>                           | <b>8,357</b>   |
| Share based remuneration (options)            | –                       | –                      | –                                   | 88                                   | 88             |
| IFRS 2 – transfer (to)/from retained earnings | –                       | –                      | –                                   | (14)                                 | (14)           |
| Tax charge relating to share options          | –                       | –                      | –                                   | 24                                   | 24             |
| <b>31 July 2020</b>                           | <b>6,295</b>            | <b>1,294</b>           | <b>34</b>                           | <b>832</b>                           | <b>8,455</b>   |

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.

### Share based payment reserve

Under IFRS 2 there is the option to make transfers from the share-based payment reserve to retained earnings in respect of accumulated share option charges where the options have either been exercised or have lapsed post-vesting. The total amounts calculated and accordingly transferred to retained earnings amounted to £13,760 (2019: £51,295).

# Notes to the Financial Statements continued

For the year ended 31 July 2020

## 26(b) Other Reserves

| Company                                     | Other reserve<br>£'000 | Share-based payment reserve<br>£'000 | Total<br>£'000 |
|---|------------------------|--------------------------------------|----------------|
| <b>1 August 2019</b>                        | <b>1,114</b>           | <b>729</b>                           | <b>1,843</b>   |
| Share based remuneration (options)          | –                      | 46                                   | 46             |
| IFRS 2 – transfer to/from retained earnings | –                      | (51)                                 | (51)           |
| <b>31 July 2019</b>                         | <b>1,114</b>           | <b>724</b>                           | <b>1,838</b>   |
| Share based remuneration (options)          | –                      | 88                                   | 88             |
| IFRS 2 – transfer to/from retained earnings | –                      | (14)                                 | (14)           |
| <b>31 July 2020</b>                         | <b>1,114</b>           | <b>798</b>                           | <b>1,912</b>   |

## 27(a) Retained Earnings

| Group   | Retained earnings before deduction of own shares Restated**<br>£'000 | Own shares (note 26)<br>£'000 | Retained earnings Total Restated**<br>£'000 |
|---|--|-------------------------------|---|
| <b>1 August 2018</b>  | <b>19,844</b>  | <b>(500)</b>                  | <b>19,344</b>                               |
| Effect of new accounting standard – IFRS 16                           | (389)  | –                             | (389)                                       |
| <b>As at 1 August 2018 – restated</b>                                 | <b>19,455</b>  | <b>(500)</b>                  | <b>18,955</b>                               |
| <b>Profit attributable to owners of Parent for the financial year</b> | 5,343  | –                             | 5,343                                       |
| Transfer from revaluation reserve                                     |  |                               |   |
| (Additional depreciation on revaluation)                              | 304  | –                             | 304   |
| Transfer from share-based payment reserve (Note 26a)                  | 51   | –                             | 51  |
| Dividend paid   | (3,279)  | –                             | (3,279)                                     |
| Asset disposals   | 4,927  | –                             | 4,927                                       |
| <b>31 July 2019</b>   | <b>26,801</b>  | <b>(500)</b>                  | <b>26,301</b>                               |
| <b>Profit attributable to owners of Parent for the financial year</b> | 2,974  | –                             | 2,974                                       |
| Transfer from revaluation reserve                                     |  |                               |   |
| (Additional depreciation on revaluation)                              | 378  | –                             | 378   |
| Transfer from share-based payment reserve (Note 26a)                  | 14   | –                             | 14  |
| Dividend paid   | (3,572)  | –                             | (3,572)                                     |
| <b>31 July 2020</b>   | <b>26,595</b>  | <b>(500)</b>                  | <b>26,095</b>                               |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

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.

## 27(b) Retained Earnings

| Company  | Retained earnings before deduction of own shares<br>£'000 | Own shares (note 26)<br>£'000 | Retained earnings Total<br>£'000 |
|--|---|-------------------------------|----------------------------------|
| <b>1 August 2018</b>   | <b>3,870</b>  | <b>–</b>                      | <b>3,870</b>                     |
| <b>Profit attributable to owners of Company for the financial year</b> | 3,774   | –                             | 3,774                            |
| Transfer from share-based payment reserve (Note 26b)                   | 51  | –                             | 51                               |
| Dividend paid  | (3,279)   | –                             | (3,279)                          |
| <b>31 July 2019</b>  | <b>4,416</b>  | <b>–</b>                      | <b>4,416</b>                     |
| <b>Profit attributable to owners of Company for the financial year</b> | 14,792  | –                             | <b>14,792</b>                    |
| Transfer from share-based payment reserve (Note 26b)                   | 14  | –                             | <b>14</b>                        |
| Dividend paid  | (3,572)   | –                             | <b>(3,572)</b>                   |
| <b>31 July 2020</b>  | <b>15,650</b>   | <b>–</b>                      | <b>15,650</b>                    |

## 28 Own Shares

|                                      | EBT shares<br>Number | EBT shares<br>£ | Treasury shares<br>Number | Treasury shares<br>£ | Own shares total<br>£ |
|--------------------------------------|----------------------|-----------------|---------------------------|----------------------|-----------------------|
| <b>31 July 2019 and 31 July 2020</b> | <b>623,212</b>       | <b>499,910</b>  | <b>–</b>                  | <b>–</b>             | <b>499,910</b>        |

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 2020, the Trust held 623,212 (2019: 623,212) Ordinary Shares of 1 penny each with a market value of £3,552,308 (2019: £3,284,327). No shares were transferred out of the scheme during the year (2019: nil).

No options have been granted under the EBT. The EBT waived its dividends in full. No other dividends were waived during the year.

# Notes to the Financial Statements continued

For the year ended 31 July 2020

## 29 Cash Flows

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

|  | Six months ended<br>31 January 2020<br>Unaudited<br>£'000 | Year ended<br>31 July 2019<br>Audited<br>Restated**<br>£'000 |
|--|---|--|
| Profit before tax – continuing operations      | 4,690   | 4,372  |
| Profit before tax – discontinued operations    | -   | 2,174  |
| Total profit before tax                        | 4,690   | 6,546  |
| Depreciation                                   | 3,779   | 3,695  |
| Amortisation of intangible assets              | -   | 83   |
| Equity settled share-based payments            | 88  | 46   |
| Profit on sale of land at store                | -   | (296)  |
| Profit on disposal of Saracen business         | -   | (1,967)  |
| Costs of sale and manage-back – Crayford store | -   | 54   |
| Deferred financing on bank loan written off    | -   | 133  |
| Interest receivable                            | (29)  | (31)   |
| Interest payable – bank borrowings             | 830   | 602  |
| Interest payable – lease liabilities           | 296   | 342  |
| Decrease/(increase) in inventories             | 28  | (41)   |
| Decrease in receivables                        | 79  | 768  |
| (Decrease) in payables                         | (61)  | (389)  |
| Cash generated from operations                 | 9,700   | 9,545  |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

### (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 18 less cash and cash equivalents.

|  | Group<br>2020<br>£'000 | Group<br>2019<br>£'000 |
|--|------------------------|------------------------|
| (Decrease)/increase in cash in the year      | (596)                  | 8,672                  |
| Change in net debt resulting from cash flows | (8,350)                | (5,637)                |
| Movement in net debt in year                 | (8,946)                | 3,035                  |
| Net debt brought forward                     | (29,310)               | (32,345)               |
| Net debt carried forward                     | (38,255)               | (29,310)               |

### 30 Commitments Under Property Leases

At 31 July 2020 the total future minimum lease payments as a lessee under non-cancellable leases were as follows:

|                            | Group<br>2020<br>£'000 | Group<br>2019<br>£'000 |
|----------------------------|------------------------|------------------------|
| <b>Land and buildings</b>  |                        |                        |
| Amounts due:               |                        |                        |
| Within one year            | <b>1,575</b>           | 1,517                  |
| Between two and five years | <b>5,041</b>           | 5,358                  |
| After five years           | <b>7,811</b>           | 8,165                  |
|                            | <b>14,427</b>          | 15,040                 |

Property lease payments represent rentals payable by the Group for certain of its properties. Typically, leases are negotiated for a term of 20 years and rentals are fixed for an average of five years.

Under the first-time adoption of IFRS 16, the Group's property leases on its leased stores are now recognised as a 'Right of Use Asset' and as a corresponding liability at the year-end. This is fully explained in Note 1 of the financial statements.

### 31 Related Party Transactions

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 13.

The aggregate remuneration of the Directors, and the other key management personnel of the Group, is set out below. Further information on the remuneration of individual Directors is found in note 7.

|   | Group<br>2020<br>£'000 | Group<br>2019<br>£'000 |
|---|------------------------|------------------------|
| Short term employee benefits – Directors            | <b>965</b>             | 892                    |
| Short term employee benefits – Other key management | <b>328</b>             | 311                    |
| Post-employment benefits – Directors                | <b>10</b>              | 7                      |
| Post-employment benefits – Other key management     | <b>10</b>              | 7                      |
| Share-based payments                                | <b>88</b>              | 46                     |
| <b>Total</b>  | <b>1,401</b>           | 1,263                  |

The Group recognises a number of management personnel that are important to retain within the business in order for it to achieve its strategic plan. Accordingly, these are recognised as key personnel and are participants in the Long Term Performance Plan. They are included in the table above.

# Notes to the Financial Statements continued

For the year ended 31 July 2020

## 31 Related Party Transactions continued

### Group Director shareholdings – dividends received

In respect of the total dividends paid during the year of £3,572,001 (2019: £3,279,691), the Group Directors received the amounts set out in the table below:

| Directors' Dividend Income | Holding No. | Final 2019<br>8.33 pence<br>per share<br>£ | Interim 2020<br>3.33 pence<br>per share<br>£ | Total 2020<br>£ | Total 2019<br>£ |
|----------------------------|-------------|--|--|-----------------|-----------------|
| <b>Executive:</b>          |             |  |  |                 |                 |
| A Jacobs                   | 5,203,600   | 433,460                                    | 208,144                                      | <b>641,644</b>  | 590,202         |
| Ray Davies                 | 64,329      | 4,759                                      | 2,573  | <b>7,332</b>    | 7,166           |
| N Newman-Shepherd          | 17,164      | 1,430                                      | 566  | <b>1,996</b>    | 1,570           |
| <b>Non-Executive:</b>      |             |  |  |                 |                 |
| SG Thomas                  | 1,530,000   | 127,473                                    | 61,200                                       | <b>188,673</b>  | 192,677         |
| RJ Holmes                  | 273,674     | 22,797                                     | 10,947                                       | <b>33,744</b>   | 31,035          |
| ETD Luker                  | 28,800      | 2,399                                      | 1,152  | <b>3,551</b>    | 3,266           |
| CP Peal                    | 644,222     | 53,064                                     | 25,769                                       | <b>78,833</b>   | 58,914          |
|                            | 7,761,789   | 645,382                                    | 310,351                                      | <b>955,733</b>  | 884,830         |

### Managed Stores – Group Director shareholdings

Although the Director holdings in Managed Stores falls outside of the definition of related party transactions they are disclosed here for transparency and are set out in the table below: -

| Director                  | Chichester<br>No of shares | Broadstairs<br>No of shares | Exeter<br>No of shares |
|---------------------------|----------------------------|-----------------------------|------------------------|
| Andrew Jacobs             | 36,800                     | 38,160                      | 240,000                |
| Charles Peal              | –                          | –                           | 500,000                |
| Simon Thomas              | –                          | –                           | 160,000                |
| Total shareholding        | 36,800                     | 38,160                      | 900,000                |
| Issued Share Capital      | 189,341                    | 189,690                     | 3,970,000              |
| % of Issued Share Capital | 19.4%                      | 20.1%                       | 22.7%                  |

## 32 Capital Commitments and Guarantees

The Group has capital expenditure contracted but not provided for in the financial statements of £2.97 million (2019: £5.56 million) relating to commitments to complete the purchase of a site in Warrington and on which contracts have been exchanged, building contracts on its Leicester development site as well as building retentions outstanding on the completed Maidenhead, Wellingborough and Ipswich stores.

## 33 Bank Borrowings

The Company has guaranteed the bank borrowings of Lok'nStore Limited, a subsidiary company. As at the year-end, that company had gross bank borrowings of £51.3 million (2019: £43.0 million).



### 34 Events after the Reporting Date

- i. **Novel Coronavirus (COVID-19) Update:** Since the outbreak of the Novel Coronavirus (COVID-19) was declared a 'Global Pandemic' by the World Health Organization on the 11th March 2020, we have reported comprehensively on the up to date COVID-19 position and this is contained within the Chairman's Statement. Trading since the year-end has continued to be positive and is consistent with the strong finish to the financial year.
- ii. **Leicester store opening:** Following completion of its store development, the Leicester store opened post year-end in early August 2020. The 57,500 sq. ft. store is in a highly prominent location opposite a major food retailer in the heart of Leicester's busy retail district. Early trading has been encouraging.
- iii. **Share buyback (Purchases in Own Shares):** On 25 September 2020, Lok'nStore, bought back 8,000 Ordinary Shares of 1p each in the market at a price of 519.0 pence per Ordinary Share ('Buy-back'). The Ordinary Shares acquired will be held in treasury.

Lok'nStore announced that on 2 October 2020 it bought back 29,972 Ordinary Shares of 1p each in the market at a price of 517.5 pence per Ordinary Share. The Ordinary Shares acquired will be held in treasury.

Following the Buyback, the issued share capital of the Company is 29,641,559 Ordinary Shares of which 37,972 are now held in treasury. The total number of voting rights in the Company, excluding Treasury shares will therefore be 29,603,587.

- iv. **Purchase of Peterborough site:** On 23 October 2020 the Group acquired a site in Peterborough. The site occupies a central location in the city, prominently positioned on the access route to a large and busy retail park with neighbouring occupiers including B&Q, Aldi, Curry's and Argos. The purchase is subject to the successful receipt of a planning permission for a 45,000 sq. ft. purpose built landmark self-storage facility.

# Glossary

## Abbreviation

|                              |   |
|------------------------------|---|
| <b>APM</b>                   | Alternative performance measures  |
| <b>Adjusted EBITDA</b>       | 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 |
| <b>Adjusted Store EBITDA</b> | Adjusted EBITDA (see above) but before central and head office costs  |
| <b>AGM</b>                   | Annual General Meeting  |
| <b>APD</b>                   | Auditing Practices  |
| <b>Bps</b>                   | Basis Points  |
| <b>CAC</b>                   | Contributory asset charges  |
| <b>CAD</b>                   | Cash available for Distribution   |
| <b>Capex</b>                 | Capital Expenditure   |
| <b>CGU</b>                   | Cash generating units   |
| <b>CO<sub>2</sub>e</b>       | Carbon Dioxide Equivalents  |
| <b>CSOP</b>                  | Company Share Option Plan   |
| <b>EBT</b>                   | Employee Benefit Trust  |
| <b>eKPIs</b>                 | Environmental key performance indicators  |
| <b>EMI</b>                   | Enterprise Management Incentive Scheme  |
| <b>ESOP</b>                  | Employee Share Option Plan  |
| <b>EU</b>                    | European Union  |
| <b>GHG</b>                   | Greenhouse gas  |
| <b>HMRC</b>                  | Her Majesty's Revenue & Customs   |
| <b>IAS</b>                   | International Accounting Standard   |
| <b>IFRIC</b>                 | International Financial Reporting Interpretations Committee   |
| <b>IFRS</b>                  | International Financial Reporting Standards   |
| <b>ISA</b>                   | International Standards on Auditing   |
| <b>JLL</b>                   | Jones Lang LaSalle  |
| <b>LIBOR</b>                 | London Interbank Offered Rate   |
| <b>LFL</b>                   | Like for like   |
| <b>LTPPP</b>                 | Long Term Partnership Performance Plan  |
| <b>LTV</b>                   | Loan to Value Ratio   |
| <b>MWh</b>                   | Megawatt Hour   |
| <b>NAV</b>                   | Net Asset Value   |
| <b>NBV</b>                   | Net Book Value  |
| <b>Operating Profit</b>      | Earnings before interest and tax (EBIT)   |
| <b>PPP</b>                   | Partnership Performance Plan  |
| <b>PV</b>                    | Photovoltaic  |
| <b>QCA</b>                   | Quoted Companies Alliance   |
| <b>RICS</b>                  | Royal Institution of Chartered Surveyors  |
| <b>SIP</b>                   | Share Incentive Plan  |
| <b>SME</b>                   | Small and medium sized enterprises  |
| <b>Sq. ft.</b>               | Square Feet   |
| <b>tCO<sub>2</sub>e</b>      | Tonnes of carbon dioxide equivalent   |
| <b>TVR</b>                   | Total voting rights   |
| <b>VAT</b>                   | 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

## Owned Trading Stores

### Basingstoke, Hampshire

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

### Bristol, Gloucestershire

Longwell Green Trade Park  
Aldermoor Way  
Bristol  
Gloucestershire  
BS30 7ET  
  
Tel 0117 967 7055  
Bristol@loknstore.co.uk

### Cardiff, Glamorgan

234, Penarth Road  
Cardiff  
Glamorgan  
Wales  
CF11 8LR  
  
Tel 0292 022 1901  
Cardiff@loknstore.co.uk

### Eastbourne, East Sussex

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

### Fareham, Hampshire

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

### Farnborough, Hampshire

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

### Gillingham, Kent

Courteney Road  
Gillingham  
Kent  
ME8 0RT  
  
Tel 01634 366044  
gillingham@loknstore.co.uk

### Harlow, Essex

Edinburgh Way  
Temple Fields  
Harlow  
Essex  
CM20 2GF  
  
Tel 01279 882366  
harlow@loknstore.co.uk

### Hedge End, Southampton

Units 2 & 3  
Waterloo Industrial Estate  
Flanders Rd  
Hedge End  
Southampton  
SO30 2QT  
  
Tel 01489 787005  
HedgeEnd@loknstore.co.uk

### Horsham, West Sussex

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

### Ipswich, Suffolk

7a Futura Park  
Futura Park  
Ipswich  
Suffolk  
IP3 9QH  
  
Tel 01473 794940  
exeter@loknstore.co.uk

### Luton, Bedfordshire

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

### Maidenhead, Berkshire

Stafferton Way  
Maidenhead  
Berkshire  
SL6 1AY  
  
Tel 01628 878870  
maidenhead@loknstore.co.uk

### Milton Keynes, Buckinghamshire

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

Overview

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## Our Stores continued

### Owned Trading Stores continued

#### Northampton Central, Northamptonshire

16 Quorn Way  
Grafton Street Industrial Estate  
Northampton  
Northamptonshire  
NN1 2PN

Tel 01604 629928  
nncentral@loknstore.co.uk

#### Northampton Riverside, Northamptonshire

Units 1–4, Carousel Way  
Northampton  
Northamptonshire  
NN3 9HG

Tel 01604 785522  
northampton@loknstore.co.uk

#### Poole, Dorset

50 Willis Way  
Fleetsbridge  
Poole  
Dorset  
BH15 3SY

Tel 01202 666160  
poole@loknstore.co.uk

#### Portsmouth, Hampshire

Rudmore Square  
Portsmouth  
Hampshire  
PO2 8RT

Tel 02392 876783  
portsmouth@loknstore.co.uk

#### Reading, Berkshire

251 A33 Relief Road  
Reading  
Berkshire  
RG2 0RR

Tel 01189 588999  
reading@loknstore.co.uk

#### Southampton, Hampshire

Third Avenue  
Southampton  
Hampshire  
SO15 0JX

Tel 02380 783388  
southampton@loknstore.co.uk

#### Sunbury, Middlesex

Unit C, The Sunbury Centre  
Hanworth Road  
Sunbury on Thames  
Middlesex  
TW16 5DA

Tel 01932 761100  
sunbury@loknstore.co.uk

#### Tonbridge, Kent

Unit 6 Deacon Trading Estate  
Vale Road  
Tonbridge  
Kent  
TN9 1SW

Tel 01732 771007  
tonbridge@loknstore.co.uk

#### Wellingborough, Northamptonshire

19/21 Whitworth Way  
Wellingborough  
Northamptonshire  
NN8 2EF

Tel 01634 366044  
gillingham@loknstore.co.uk

### Development Locations – LNS Owned Stores

#### Bedford, Bedfordshire

69 Cardington Road  
Bedford  
Bedfordshire  
NK42 0BQ

#### Bournemouth, Dorset

Land at Wessex Field  
Deansleigh Road  
Bournemouth  
Dorset  
BH7 7DU

#### Cheshunt, Hertfordshire

Land lying on the South Side  
of Halfhide Lane  
Turnford  
Hertfordshire  
EN8 0FH

#### Leicester, East Midlands

21 Freemans Common Road  
Leicester  
East Midlands  
LE2 7SL

Tel 0116 497 0785  
leicester@loknstore.co.uk

(Opened August 2020)

#### Stevenage, Hertfordshire

Part of Land at Plot 2000  
Stevenage Business Park Gunnels  
Wood Road  
Stevenage  
Hertfordshire  
SG1 2BL

#### Warrington, Cheshire

Land at Winwick Road  
Warrington  
Cheshire  
WA2 7PF

#### Wolverhampton, Staffordshire

Land at Pantheon Park  
Wednesfield Way  
Wolverhampton  
Staffordshire  
WV11 3DR

#### Salford, Lancashire

1 North Phoebe Street  
Salford  
Lancashire  
M5 4EA

### Managed Stores – Trading Aldershot, Hampshire

251, Ash Road  
Aldershot  
Hampshire  
GU12 4DD

Tel 0845 4856415  
aldershot@loknstore.co.uk

### **Ashford, Kent**

Wotton Road  
Ashford  
Kent  
TN23 6LL

Tel 01233 645500  
ashford@loknstore.co.uk

### **Broadstairs, Kent**

Unit 2, Pyramid Business Park,  
Poorhole Lane,  
Broadstairs,  
Kent  
CT10 2PT

Tel 01843 863253  
broadstairs@loknstore.co.uk

### **Chichester, West Sussex**

17, Terminus Road  
Chichester  
West Sussex  
PO19 8TX

Tel 01243 771840  
chichester@loknstore.co.uk

### **Crawley, West Sussex**

Sussex Manor Business Park  
Gatwick Road  
Crawley  
West Sussex  
RH10 9NH

Tel 01293 738530  
crawley@loknstore.co.uk

### **Crayford, Kent**

Block B  
Optima Park  
Thames Road  
Crayford  
Kent  
DA1 4QX

Tel 01322 525292  
crayford@loknstore.co.uk

### **Dover, Kent**

White Cliffs Business Park  
Honeywood Parkway  
Dover  
Kent  
CT16 3FF

Tel 01304 827353  
dover@loknstore.co.uk

### **Exeter, Devon**

1 Matford Park Road  
Exeter  
Devon  
EX2 8ED

Tel 01392 823989  
exeter@loknstore.co.uk

### **Gloucester, Gloucestershire**

Metz Way  
Triangle Park  
Gloucester  
Gloucestershire  
GL1 1AH

Tel 01452 938082  
gloucester@loknstore.co.uk

(Opened February 2020)

### **Hemel Hempstead, Hertfordshire**

Fortius Point  
47, Maylands Avenue  
Hemel Hempstead  
Hertfordshire  
HP2 7DE

Tel 01442 240768  
hemelhempstead@loknstore.co.uk

### **Oldbury, West Midlands**

6 Churchbridge  
Oldbury  
West Midlands  
B69 2AP

Tel 0121 5446309  
oldbury@loknstore.co.uk

(Opened February 2020)

### **Swindon, Wiltshire**

Kembrey Street  
Elgin Industrial Estate  
Swindon  
Wiltshire  
SN2 8UY

Tel 01793 421234  
swindoneast@loknstore.co.uk

### **Managed stores – Under Development**

#### **Chester, Cheshire**

58-64 Sealand Road  
Chester  
Cheshire  
CH1 4LD

#### **Kettering, Northamptonshire**

Site between Pytchley Lane  
and Pytchley Road  
Kettering  
Northamptonshire  
NN15 6XB

Overview

Strategic Report

Governance

Financial Statements

**LOK'n  
STORE**

**Self Storage**

**Head Office**

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