Lok'nStore Group plc

Annual Report and Accounts

for the year ended 31 July 2021

- TOTAL OCCUPIED SPACE UP **35.3%**
- NET ASSET VALUE PER SHARE UP **31.6%** TO £7.31
- PIPELINE ADDS **38.0%** MORE SPACE

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LOK'n STORE

Self Storage

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 26 years** with 37 self-storage centres operating mainly in southern England.

We have been listed on the AIM market since June 2000.

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.

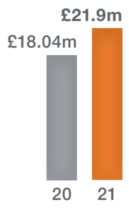
To find out more visit:
www.loknstore.com/investors

Highlights

EXCELLENT TRADING, SIGNIFICANT ASSET VALUE GROWTH, AMBITIOUS STORE OPENING PROGRAMME AND ACCELERATED DIVIDEND POLICY.

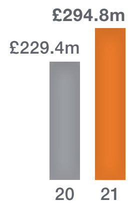
GROUP REVENUE[1]*

▲ 21.3%



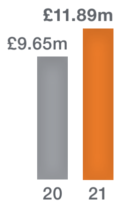
ADJUSTED TOTAL ASSETS[5]*

▲ 28.5%



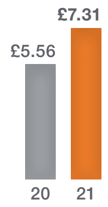
GROUP ADJUSTED EBITDA[1]*

▲ 23.2%



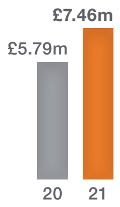
ADJUSTED NET ASSET VALUE[5]* PER SHARE

▲ 31.6%



OPERATING PROFIT[3]*

▲ 29.0%



ANNUAL DIVIDEND PER SHARE

▲ 15.4%

"Lok'nStore's business has moved ahead significantly with revenue up 21.3% on last year. Trading since the year end has continued to be good. We have made a step change in the dividend policy raising the annual dividend by 15.4% to 15 pence per share and this is an indication to investors of our intention to accelerate the dividend growth as our cash flows continue to build."

"We have made significant progress on our new store pipeline, with two new stores opened in the period and one existing store acquired contributing to our net asset value per share growth of 31.6%. Three stores are currently under construction opening early 2022, and four more are soon to commence. This pipeline of new stores delivers 38% more space and will add further momentum to sales and earnings growth."

"Our strategy remains to open more landmark stores while maintaining a conservative balance sheet. We will continue this exciting period of growth, building asset value and increasing dividend income for our shareholders."

Andrew Jacobs
Executive Chairman

STRONG TRADING

- Group Revenue £21.9 million up 21.3% (2020: £18.04 million)
- Group Adjusted EBITDA[1] £11.89 million up 23.2% (2020: £9.65 million)
- Operating Profit £7.46 million up 29.0% (2020: £5.79 million)

DRIVEN BY OPERATING METRICS

- Total Occupied space up 35.3% (2020: 5.9%)
- Occupancy up from 69.6% to 85.8%
- Pricing up 8.7% year-on-year

INCREASED CASH FLOW DRIVES STEP CHANGE IN DIVIDEND GROWTH

- Cash Available for Distribution (CAD)[3] per share up 33.3% to 28.4 pence (2020: 21.3 pence)
- Annual dividend 15 pence per share up 15.4% (2020: 13 pence per share)
- Tenth year of consecutive Dividend increase

SIGNIFICANT INCREASE IN NET ASSET VALUE

- Adjusted Net Asset Value[5] per share up 31.6% to £7.31 (2020: £5.56)

LOW DEBT

- Loan to Value ratio[6] (LTV) 21.0% (2020: 19.3%)
- Average cost of debt[7] 1.54% (2020: 1.69%)

DYNAMIC PIPELINE[8] OF NEW LANDMARK STORES WILL DELIVER FURTHER GROWTH

- £26.9 million invested in new stores
- Pipeline of 14 new stores will take total to 51[8]
- Pipeline will add 38% more trading space

POSITIVE OUTLOOK

- Occupancy increases point to further revenue and profit growth
- Trading momentum continues post year end
- Strategy unchanged – increase revenue from existing stores and open more new stores

* See our Key Performance Indicators on pages 22 and 23.

For all of the definitions of the terms used in the highlights above refer to our Key Performance Indicators on pages 22 and 23.

Chairman's Statement

ANNUAL DIVIDEND **15 PENCE** PER SHARE

"Increased dividend growth is an indication of our intention to accelerate shareholder returns."

Andrew Jacobs
Executive Chairman

£26.9m
INVESTED IN NEW STORES THIS YEAR

31.6%
NET ASSET VALUE PER SHARE UP TO £7.31

I am delighted to be reporting on these great results with Lok'nStore delivering a strong operating performance. This has resulted in another year of significant growth in revenue, profits, and asset values, enabling the Group to accelerate dividend growth over the coming years.

These excellent full-year results can be summarised as:

- 35.3% growth of occupied space across our stores
- 21.3% increase in Group Revenue
- 23.2% growth in Group Adjusted EBITDA
- 31.6% growth in Adjusted Net Asset Value per share
- 38% more trading space in New Store Pipeline[8*]
- £26.9 million investment in our landmark store opening programme
- Accelerated growth of dividend

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

Accelerated Dividend Growth

The Board has reviewed the Company's dividend policy in the context of its disciplined approach to capital allocation. In light of the cash-generative qualities of the business and noting the requirement to invest in the landmark store opening programme, we are pleased to report that Lok'nStore will now pursue a more progressive dividend policy which reflects the strong long-term underlying cash flow growth of the business.

The Directors are proposing a final dividend of 10.67 pence per share (2020: 9.00 pence) following the interim dividend payment of 4.33 pence per share in June 2021, bringing the total distribution for the year to 15 pence per share, an increase of 15.4% (2020: 13 pence per share) and our tenth year of increase in a row.

Subject to approval at the Company's AGM on 9 December 2021 the final dividend will be paid on 7 January 2022 to shareholders on the register on 26 November 2021. The ex-dividend date will be 25 November 2021. The final deadline for Dividend Reinvestment Election by investors is 10 December 2021.

Increase in Net Asset Value

Adjusted Total Group Assets[4*] have moved upwards sharply in the year by 28.5% to £294.8 million mainly due to the trading strength of our business, as well as investor interest in self-storage assets and our investment in new stores.

Our trading assets are independently valued by Jones Lang La Salle (JLL) on the 31 July each year. This year we saw an uplift of our freehold and leasehold trading stores of £66.5 million. £23.0 million of this uplift comes from the maiden valuations of our new stores in Leicester and Salford. The Chichester store added £5.1 million.

A further £27.6 million comes from the impact of improved cash flows of the same store portfolio that were valued last year. This demonstrates the impact operating performance has on asset values and why one of our key objectives remains to fill existing stores and continue improving pricing.

The balance of the uplift comes from improvements in both the Discount Rate and Exit Yield applied to the valuations. On a same store basis on our owned freehold trading stores, we have seen exit yields improve on average by 32 basis points, with discount rates improving by 37 basis points. This demonstrates that the performance of the UK Self-Storage Market is attracting significant investor appetite.

The Exit Yield and Discount Rates applied are backed by transactional evidence and give us confidence that there may be more Exit Yield compression to come as investors chase scarce assets. We are well positioned to benefit from future changes with our high quality portfolio of stores.

Investment in our Stores

While we invested £26.9 million in new store development this year, we are able to report a year-end LTV ratio of only 21.0% (2020: 19.3%) and net debt of £56.3 million (2020: £38.3 million) (Refer to Note 28b).

During the year we increased our number of owned trading stores by three, with Leicester and Salford opening in the year and Chichester being purchased from a management client.

The Group continues to find high-quality sites for new landmark stores. Trading at our new stores continues to exceed expectations and this underpins our confidence that our pipeline will add further to sales and earnings growth, adding 42.5% more trading space to our owned portfolio.

Three stores are currently under construction in Warrington, Wolverhampton and Stevenage and these will be open in early 2022. We expect to be on site at four more of our pipeline stores during the coming financial year, with these due to open in FY2023.

* See our Key Performance Indicators on pages 22 and 23.

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 £1.35 million this year, up 35.8% from the previous year (2020: £0.99 million). Total managed store assets under Lok'nStore's management are now approaching £100 million.

Our current pipeline includes an additional three managed stores which will take the total number of managed stores to 14.

Our Objectives

We are focused on allocating capital in a way that most benefits our shareholders over the short, medium and long term. Therefore, our strategic and operational objectives are to:

- Steadily increase CAD per share increasing shareholder return from a rising 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

Our People

We always rely on our amazing people to deliver these impressive results, and this has been especially the case during the pandemic when I am proud to say that they went the 'extra mile' every day to provide essential services such as storing medical equipment and PPE.

I am delighted to say that all of our colleagues continue to benefit from the success of the business with £1 million paid in bonuses to those colleagues directly supporting customers, an increase of 158% on the previous year.

We will continue to invest in training to develop and deepen the skills of our team members. 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.

Liquidity and Cash Flow

At 31 July 2021 the Group had cash balances of £9.1 million (2020: £13.1 million). The Group has a £75 million five-year revolving credit facility and this was extended to £100 million after the year-end and provides all the financing needs for the current pipeline. Following a one-year extension executed post year-end the facility now runs until April 2026. The Group is not obliged to make any repayments on its loan facility prior to its expiration in April 2026.

Cash inflow from operating activities before investing and financing activities was £12.2 million in the year to 31 July 2021 up 25.6%.

Debt and Bank Covenants

The average cost of bank debt on drawn facilities for the period was 1.54% (2020: 1.69%) and all of the Group's total drawn bank debt of £65.4 million is unhedged, which means we have benefited immediately from the reduction in base lending rates. At the date of this Report the Group's current cost of debt is running at 1.55%.

Interest cover is more than 10 times against a covenant of 2.5 times. At the year-end our loan-to-value ratio based on net bank debt was 21.0% versus a bank covenant of 60% providing a large cushion against any unforeseen circumstances. Both the LTV and Interest covenants exclude the gearing effects of IFRS 16 as agreed with our banks.

Capital Expenditure

It is always our intention to commence the construction and fit out of all of our pipeline stores as soon as all planning and enabling works have been completed.

Self-storage benefits from the short lead time between breaking ground and store opening of only around twelve months. We only have committed future capital expenditure at the two stores in Warrington and Stevenage, both of which will be open and producing cash within the coming year. We have a high degree of flexibility regarding start dates for further building at other sites. We can therefore adapt our development program quickly to react to changing economic circumstances.

Outlook for More Growth

Trading since the year end has continued to be good. The significant occupancy gains during the year provide the Group with pricing and margin opportunities into this financial year and beyond.

Our new store pipeline will add 38% more trading space over coming years providing further impetus to the growth of cash flows and therefore dividends.

We look to the future with confidence.

Andrew Jacobs
Executive Chairman
29 October 2021

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 26 years, currently with 37 self-storage centres trading mainly in southern England.

We have been listed on the AIM Market since June 2000 and the Board accounts for 29.4% of the Total Voting Rights (TVR) in the ordinary shares of the Company (2020: 29.3%).

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

- Storage rooms
- Vehicle storage
- Student packages
- Forces and services packages

BUSINESS STORAGE

- Pallet storage
- Self-storage archiving
- Flexible space
- Commercial vehicle storage

REVENUE BY CUSTOMER TYPE

70.4% Household customers

29.6% Business customers

NUMBER OF TRADING STORES BY TYPE

26 Owned stores

11 Managed stores

37 Total trading stores

NUMBER OF PIPELINE STORES BY TYPE

9 Owned stores

4 Managed stores

1 Leased store

Our Landmark Stores

We develop and operate self-storage centres in prominent locations. 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 four new sites in this financial year in Peterborough, Barking, Altrincham and Staines.
- We also agreed a contract on our first purpose-built leasehold store in Basildon.
- We opened two new stores in this financial year in Leicester, and Salford.
- We acquired one existing store from a management client in Chichester.

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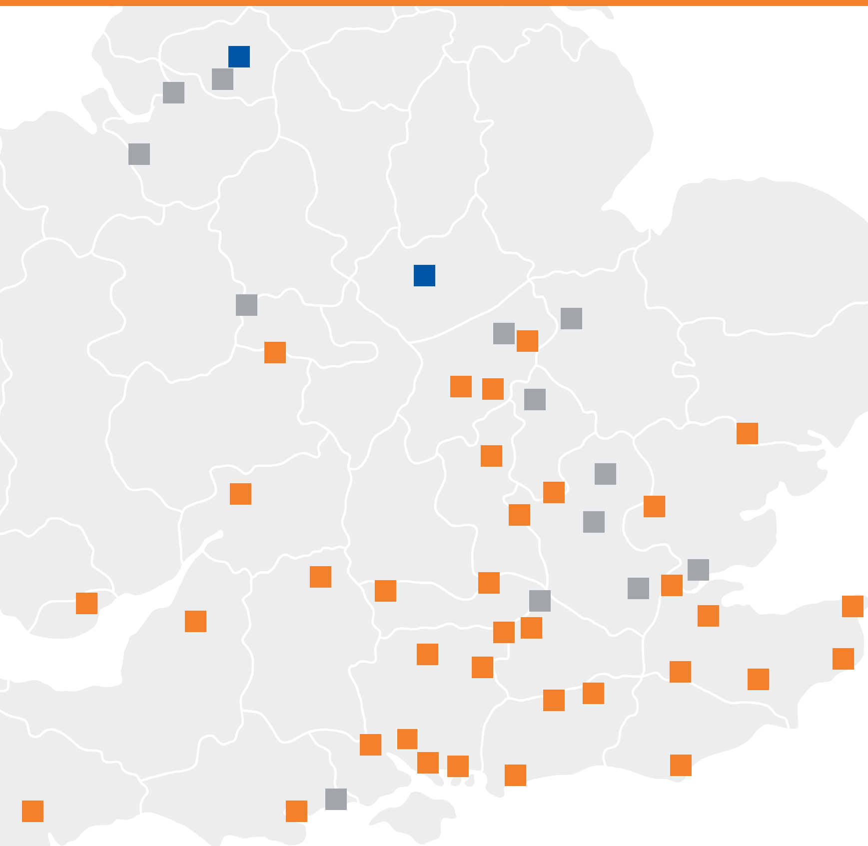
LEICESTER

Our Locations



Stores

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

New Stores

Leicester
Salford

Pipeline Stores

Altrincham
Barking
Basildon
Bedford
Bournemouth
Cheshunt
Chester
Kettering
Peterborough
Staines
Stevenage
Warrington
Wolverhampton

To find out more about our store locations visit: **www.loknstore.com**

37 STORAGE CENTRES

16,100 CUSTOMERS

171 EMPLOYEES

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SALFORD

PAGE 67

WARRINGTON

Strategic Report

Overview
Strategic Report
Governance
Financial Statements

LANDMARK STORE
LEICESTER

58,000
LETTABLE SQUARE FEET

NOW
OPEN

We reported on the encouraging early trading at Leicester in last year's report. This trend has continued and we have now completed the fitting out of the remainder of the storage space to bring this store to its full potential of 58,000 sq. ft.

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

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

The UK Self-Storage Market

The UK Self-Storage Market at a Glance

The Self-Storage Association UK Annual Industry Survey 2021 reports that the UK Self-Storage industry is made up of 1,997 sites offering 50.5 million sq. ft. of space.

Market Overview

As reported in the Self-Storage Association UK (SSA UK) Annual Industry Survey 2021 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 1,997 self-storage facilities providing 50.5 million sq. ft. of storage space. With a population of 68 million people in the UK this equates to only 0.74 sq. ft. per person.

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 ten 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, larger operators now own or manage around a third of all facilities which translates to 45% 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 turn a box room into a home office, 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.

During the pandemic many of our customers were 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.

Lok'nStore's Opportunity in the Market

The SSA UK Annual Industry Survey 2021 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 13 stores and a continuing program of evaluating further site opportunities, Lok'nStore is well placed to attract new 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.

Hemel Hempstead Store

Our Business Model

Our overriding objective is to increase the Cash Available for Distribution (CAD) enabling a predictable growth of the dividend from a rising asset base while maintaining conservatively geared balance sheet.

WHAT WE DO

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

37
UK STORES CURRENTLY TRADING

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

£21.9m
GROUP REVENUE

SHARING VALUE WITH OUR STAKEHOLDERS

SHAREHOLDERS

- High-quality earnings
- Growing NAV per share
- Progressive dividend policy

15 pence
ANNUAL DIVIDEND PER SHARE

CUSTOMERS

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

Rated Excellent
ON GOOGLE WITH AN AVERAGE SCORE OF 4.5

OUR PEOPLE

- Development opportunities through the Lok'nStore Academy
- Regular opportunities for career progression through our expanding store portfolio
- Uncapped bonus scheme
- Share ownership plans
- High regard for health and safety

£1.0m
(2020: £0.39 MILLION) PAID OUT IN BONUSES TO STORE TEAMS

Our Strategy

OUR OBJECTIVES	ACHIEVEMENTS IN 2021	STRATEGY IN ACTION
STEADILY INCREASE CASH AVAILABLE FOR DISTRIBUTION (CAD) PER SHARE	CAD per share up 33.3% to 28.4 pence (2020: 21.28 pence).	**15.4%** INCREASE IN ANNUAL DIVIDEND TO 15 PENCE PER SHARE (2020: 13 PENCE PER SHARE)
FILL EXISTING STORES AND IMPROVE PRICING	We continued to improve our online visibility through evolution of our search engine strategy. We focussed on developing our teams' sales and customer service through the Lok'nStore Academy. These actions resulted in a 51% increase in new customers over the year.	SELF-STORAGE UNIT OCCUPANCY UP **35.3%** SELF-STORAGE PRICING UP **8.7%** NAV PER SHARE UP **31.6%**
ACQUIRE MORE SITES TO BUILD NEW LANDMARK STORES	13 stores secured in planning or development. Planning permissions achieved at Basildon, Bedford, Bournemouth, Cheshunt and Staines.	**4** NEW SITES IN THIS FINANCIAL YEAR WE ALSO AGREED A CONTRACT ON OUR FIRST PURPOSE-BUILT LEASEHOLD STORE IN BASILDON
INCREASE THE NUMBER OF STORES WE MANAGE FOR THIRD PARTIES	3 managed stores in planning or development.	MANAGED STORE FEES UP **35.8%**

Managing Director's Review

"Excellent operating performance drives significant growth of asset values."

Neil Newman-Shepherd
Managing Director

Lok'nStore Group has had another excellent year successfully delivering against all of our strategic objectives. Once again revenue, profits and asset values have all moved sharply ahead. In coming years our 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.

Trading

Group revenue for the year was £21.9 million, up 21.3% year on year (2020: £18.04 million) driven by occupancy increases and improved pricing across our stores. This revenue growth led to a 23.2% increase in Group Adjusted EBITDA.

- Total self-storage revenue £20.6 million up 20.7% (2020: £17.0 million)
- Adjusted Store EBITDA £12.03 million up 25.5% (2020: £9.59 million)
- Occupied space up 35.3% (2020: 5.9%)
- Occupancy up from 69.6% to 85.8%
- Unit pricing up 8.7%
- £26.9 million invested in our portfolio of stores this year

Total Adjusted Store EBITDA, a key performance indicator of profitability and cash flow of the business, increased 25.5% to £12.03 million (2020: £9.59 million). The overall Adjusted EBITDA margin across all stores was higher again at 58.3% (2020: 56.1%) with the Adjusted Store EBITDA margins of the freehold stores at 63.1% (2020: 61.9%) and the leasehold stores at 46.5% (2020: 42.9%).

Over the course of the year unit occupancy rose by an unprecedented 35.3% and unit pricing was up 8.7%.

At the year-end we had 11 managed stores operating and the Wolverhampton managed store currently under construction. During the year we purchased the existing Chichester managed store.

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 63.1% and 100.0% respectively versus 58.3% 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 18, we show how the performance of the stores varies between freehold and leasehold stores. Currently 50.2% of Lok'nStore owned trading space is freehold, 21.8% is leasehold and 28.0% is managed stores.

Leaseholds trade on lower margins due to the rent payable, but nevertheless the 46.5% margin 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 76.9% (2020: 76.8%) of the Adjusted store EBITDA and account for 91.8% (2020: 91.6%) of valuations (including secured pipeline stores).

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

Managing Director's Review continued

20.7% INCREASE IN STORAGE REVENUE

35.3% INCREASE IN UNIT OCCUPANCY

25.5% INCREASE IN ADJUSTED STORE EBITDA

Marketing

New customers are typically drawn to Lok'nStore by three key drivers:

- Our distinctive landmark stores
- Google and other search engines
- Existing or 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 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. 59% of visits to the website in the year were from a mobile device, consistent with last 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 £26.9 million (2020: £12.0 million) in new store development this year and we have a new store pipeline of 13 secured stores by the reporting date, which will take the total to 50 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 believe that the UK self-storage market is still in its infancy with low penetration and increased consumer awareness leading to faster fill up rates.

Portfolio Analysis and Performance Breakdown

As at 31 July 2021	Number of Stores	% of Valuation	% of Adjusted Store EBITDA	Adjusted Store EBITDA Margin (%)	% Lettable Space	When Fully Developed: Number of Stores	When Fully Developed: Total % Lettable Space
Freehold	17	79.2	76.9	63.1	50.2	**26**	**56.5**
Operating Leaseholds	9	8.2	23.1	46.5	21.8	**10**	**15.9**
Managed Stores	11	–	–	100	28.0	**14**	**27.6**
Total Stores Trading	37	–	–	–	–	**50**	**–**
Pipeline Stores*							
Owned – Freehold	9	12.6	–	–	–	**–**	**–**
Owned – Leasehold	1	–	–	–	–	**–**	**–**
Managed Stores	3	–	–	–	–	**–**	**–**
Total Stores	**50**	**100**	**100**	**58.3**	**100**	**50**	**100**

* Applies to the 13 contracted stores only.

In the table below we show how the performance breaks down across the stores based on age. Clearly older stores have had more time to fill up and produced 68.4% 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	Pipeline	Under 100	100 to 250	Over 250	Total
Year Ended 31 July 2021					
Sales £'000		287	2,122	18,220	20,629
Stores Adjusted EBITDA £'000		(272)	1,390	10.913	12,031
EBITDA Margin (%)		**(94.8%)**	**65.5%**	**59.9%**	**58.3%**
Store Adjusted EBITDAR £'000		(267)	1,390	12,467	13,590
EBITDAR Margin (%)		**(93.0%)**	**65.5%**	**68.4%**	**65.9%**
As at 31 July 2020 ('000 sq. ft.)					
Maximum Net Area	**572**	**148**	**226**	**971**	**1,917**
Freehold/Long Leasehold ('000 sq. ft.)	**520**	**148**	**226**	**536**	**1,430**
Short Leasehold ('000 sq. ft.)	**52**	**–**	**–**	**435**	**487**
Number Stores					
Freehold	9	3	4	10	26
Short Leasehold	1	–	–	9	10
Total Stores	**10**	**3**	**4**	**19**	**36**

Table covers Lok'nStore owned trading 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 22 and 23.

Managing Director's Review continued

Our COVID-19 Safe Response

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.

We have put in place a comprehensive range of key measures undertaken for colleagues and customers alike. Here is a summary of the key measures:

For our Colleagues

- Colleagues have been provided with PPE including face masks, Perspex safety screens, visors and hand sanitiser.
- 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 had the opportunity to increase their earning potential.
- 8 out of 171 team members have had a period of furlough since March 2020 during which Lok'nStore fully funded 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. We have returned all of these furlough funds.
- 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.
- 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.
- 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, nevertheless bad debt has remained extremely subdued at only 0.17% of Group revenue.
- To further support our customers through the worst of the pandemic no storage price reviews were issued to customers for 12 months between March 2020 and March 2021.

Future

Lok'nStore has had an excellent year, with all of our trading and financial metrics moving ahead briskly demonstrating the strength of the self-storage business model throughout the economic cycle. Trading has remained good since the year-end.

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
29 October 2021

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 explain how the underlying business is performing.

Here we identify those measures and explain what we mean when we use them and, importantly, why we use them:-

1. Group Adjusted EBITDA
Earnings before interest, tax, depreciation and amortisation. This measure strips away non-cash charges, finance charges and tax. 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.

2. Other Income and Expenditure Items
One-off items of a non-operational nature which arose during the year, often relating to asset disposals, and are unlikely to be recurring.

3. CAD – Cash Available for Distribution
Calculated as Adjusted EBITDA less total net finance cost, less capitalised maintenance expenses, New Works Team costs and current tax. This measures the capacity of the business to pay dividends or pay down debt. The calculation of the CAD is set out in the Financial Review.

4. Adjusted Total Group Assets
The value of adjusted total assets of £294.8 million (2020: £229.4 million) is calculated by adding the independent valuation of the leasehold properties of £22.1 million (2020: £16.7 million) less their corresponding net book value (NBV) £7.6 million (2020: £3.7 million) to the total assets in the Statement of Financial Position of £280.3 million (2020: £216.4 million). This provides clarity on the significant value of the leasehold stores as trading businesses which under the Group's accounting policy on leases are only presented at their book values within the Statement of Financial Position.

5. NAV – Adjusted 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 Financial Review.

6. LTV – Loan to Value ratio
Measures the net 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 bank debt of £56.3 million as a percentage of the total properties independently valued by JLL and including development land assets of £33.7 million (2020: £29.9 million) totalling £268.6 million (2020: £198.3 million) as set out in the Financial Review.

7. 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. The average cost of debt 1.54% (2020: 1.69%).

8. Pipeline Sites
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 13 are contracted and 1 is with lawyers. We currently have 26 owned stores with an additional 11 managed stores trading. When these 14 sites are fully developed, we will have a total of 51 stores.

9. Secured Pipeline Sites
The 13 sites for new stores on which we have exchanged legal contracts. Of these ten stores are Lok'nStore owned Stores and three will be managed stores.

10. Adjusted Store EBITDA
Group Adjusted EBITDA (see 1 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 Financial Review.

11. Gearing
The level of debt compared to 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 16 of the Financial Statements.

12. Group Adjusted EBITDAR
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 a comparison between the operating performance of freehold stores (which do not pay rent) and leasehold stores. This analysis is set out in a table in the Financial Review.

13. Cost Ratio
Calculates the ratio of the total operating costs of the business as set out in the 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. The Cost Ratio has been reduced further to 44.9% (2020: 45.8 %)

See also the Glossary on page 119.

Property Review

37
STORES NOW TRADING

13
NEW LANDMARK SITES SECURED

38%
ADDITIONAL SPACE TO COME FROM NEW STORES

Store and Portfolio Strategy

Each of our operating stores 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.

Lok'nStore's rising 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.

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 are focussed on allocating capital in the most efficient manner to achieve our objectives for our shareholders.

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 life cycle.

Sale and Manage-Back of Stores

We also consider selling established stores on sale and manage back contracts in order to recycle the capital into the development of new landmark stores and manage the balance sheet as part of our successful growth strategy and disciplined capital allocation. 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 and sale and manage-backs have the additional advantages:

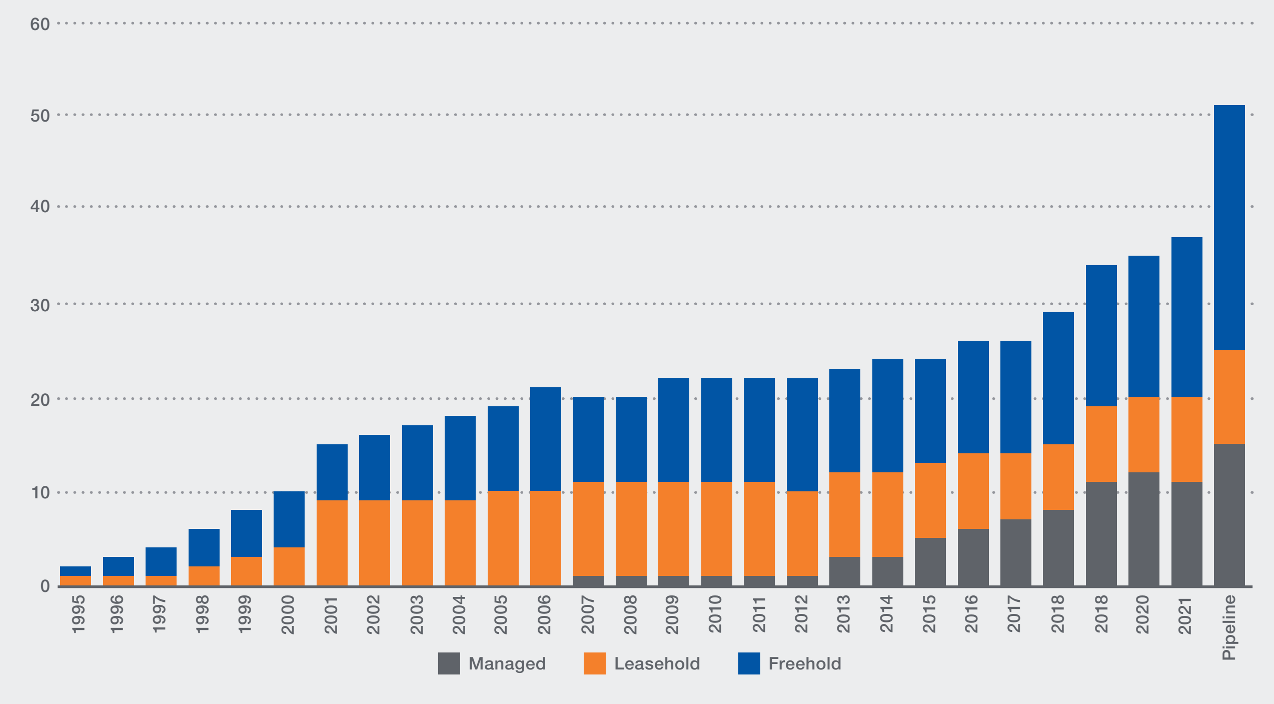
i) The critical mass of stores numbers benefits the business (e.g. through Google search and sharing of other marketing costs)

ii) It spreads the central management costs

iii) Through the performance fees we are exposed to the capital upside without committing capital

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

Lok'nStore Number of Stores Trading Since Inception



As at 31 July 2021, Lok'nStore operated 26 of its own stores. Of these Lok'nStore owns 17 freehold stores and 9 stores are operated under commercial leases. All of our leasehold stores are inside the Landlord and Tenant Act providing us with security of tenure. We operate 11 further stores under management contracts. The average unexpired term of the Group's leaseholds is 11 years and 1 month as at 31 July 2021.

Pipeline

- 13 stores in our current Secured Pipeline are under development of which 9 will be owned freehold by Lok'nStore with one leasehold, and 3 managed stores
- 1 new store opportunity is progressing with lawyers
- Current Pipeline of 13 contracted stores adds 38% of extra trading space to the overall portfolio, 42.5% to our owned portfolio and 26.3% to the managed portfolio

All 13 stores in our Secured Pipeline[9] 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.

Summary of our current pipeline:

New Store Pipeline

Store	Size sq. ft.	Status
Warrington	60,000	Onsite – Open November 2021
Stevenage	56,000	Onsite – Open December 2021
Wolverhampton	53,000	Onsite – Open January 2022
Bournemouth	77,000	Planning Consent Granted
Staines	60,000	Planning Consent Granted
Basildon	53,000	Planning Consent Granted
Bedford	55,000	Planning Consent Granted
Cheshunt	60,000	Planning Consent Granted
Peterborough	40,000	Planning Consent Granted (post year-end)
Chester	40,000	Planning Application Submitted
Kettering	40,000	Planning Application Submitted
Barking	60,000	Design
Altrincham	60,000	Pre-application planning submission – being reviewed

During the year we opened two new stores in Leicester and Salford. Early trading in both stores has been very encouraging. We also acquired the existing managed store in Chichester. We acquired four new sites during the year and we also signed a lease on our first purpose-built leasehold store.

Portfolio Breakdown

When the contracted development pipeline of 13 sites has been completed Lok'nStore will operate from 50 stores including 14 managed stores. In addition, a further new store opportunity is progressing with lawyers. The secured pipeline sites represent a combination of ten owned and three managed stores. These will add 657,458 sq. ft. of new capacity adding 55.5% to freehold and leasehold trading space and 26.3% to the managed store portfolio delivering a 38% increase in overall trading space.

Portfolio Breakdown As at 31 July 2021	No of Stores/Sites	Trading Lok'nStore	Trading Managed	Pipeline	Secured	With Lawyers
Freehold & Long Leasehold	17	17				
Leaseholds	9	9				
Pipeline (Freehold)	9			9	9	
Pipeline (Leasehold)	1			1	1	
Managed Stores (Trading)	11		11			
Managed Stores (Pipeline)	4			4	3	1
Total	**51**	**26**	**11**	**14**	**13**	**1**
MLA sq. ft.	2,627,012	1,344,830	574,724	707,458	657,458	50,000

Managed Stores

- Approaching £100 million of Store assets under management
- 35.8% increase in management fees

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. Alternatively, Lok'nStore can sell an existing trading store to a new owner and continue to manage the store under a management contract. Lok'nStore is then able to recycle the capital back into its new store opening programme whilst maintaining the operating footprint of the store.

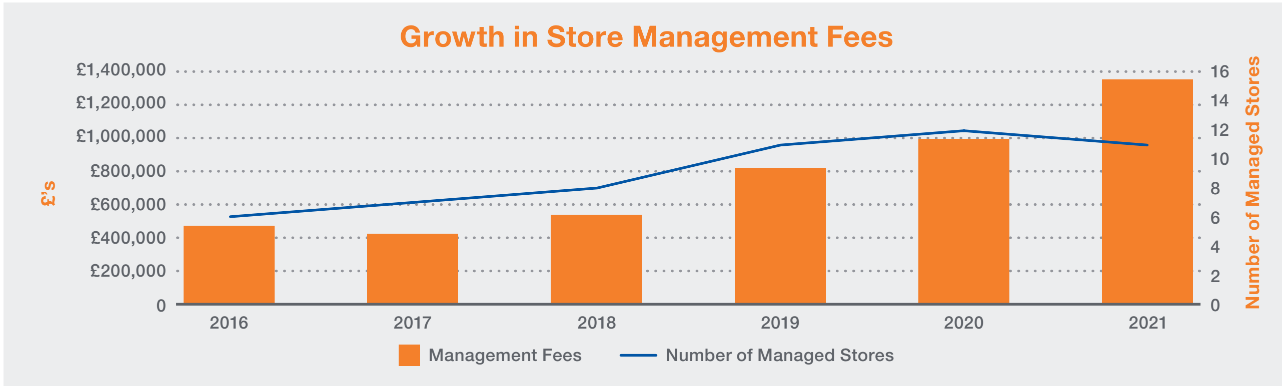
Under a managed store contract Lok'nStore receives a standard management fee based on revenue, a performance fee based on certain objectives and fees on a successful exit. We also charge acquisition, planning and branding fees. This enables the Group to earn revenue from our expertise and knowledge of 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 then receiving various fees and performance bonuses. This strategy improves the risk adjusted return of our business by increasing the operating footprint, revenues and profits without committing capital.

We now manage approaching £100 million of assets under this structure on which we generated managed store income of £1,346,264 this year, up 35.8% (2020: £991,298) from the previous year. We expect this to continue increasing steadily over the coming years as more managed stores are opened.

Management fees	Percentage Increase %	Group Year ended 31 July 2021 £	Group Year ended 31 July 2020 £
Recurring fees			
Base management fees		**515,940**	434,345
Administration and compliance fees		**59,500**	53,638
Enhanced Management fees		**307,184**	243,315
Recurring fees – sub-total	**20.7%**	**882,624**	731,298
Construction & Advisory fees		**12,500**	45,000
Supplementary fees		**303,327**	215,000
Increase in estimated fees receivable		**147,813**	–
Non-recurring fees – sub-total	**78.3%**	**463,640**	260,000
Total management fees	**35.8%**	**1,346,264**	991,298

The graph below shows how our historical management fees have grown and indicates a strong correlation between the total management fee income and the number of stores under management. This year we acquired one of our managed stores so the total number declined but with new managed stores in the pipeline this will resume its upward trend.



Growing Store Property Assets and Net Asset Value

- Adjusted Total Assets £294.8 million[4*] up 28.5% on last year (2020: £229.4 million)
- Adjusted Net Asset Value of £7.31 per share up 31.6% on last year (2020: £5.56 per share)
- Value of operating stores £234.9 million up 39.5% on last year (2020: £168.4 million)
- Total property assets £270.1 million up 34.9% on last year (2020: £200.2 million)

Our freehold and leasehold stores have been independently valued by Jones Lang LaSalle (JLL) at £234.9 million (Net Book Value (NBV) £70.9 million) as at 31 July 2021 (2020: £168.4 million: NBV £56.6 million).

The significant change in property valuation is referred to further in the Financial Review section of the Strategic Report and is detailed in Note 11(a) of the notes to the financial statements. The principal drivers for this increase are:-

- The trading stores have performed very well in terms of increasing occupancy over the course of the year which has driven the stabilised occupancy assumed by JLL higher with the average assumed stabilised occupancy rising to 88.85% (2020: 84.9%)
- Discount Rates and Exit Yields applied by JLL have also compressed this year
- Transactional activity in the UK and across Europe remains strong
- There is an increasing amount of capital looking to access the self-storage market, with a real step change in the interest in the sector in 2018/19 with major private equity and institutions looking to enter the market. The entrance of Schroders to the market in 2016 was a significant movement in the sector, followed by Legal and General and Carlyle Group in 2019. More recently, Angelo Gordon, GIC and Heitman have committed significant capital to the sector, with other institutions looking to enter the market either through direct acquisition or by funding new store developments.
- The self-storage sector has proven its resilience as an asset class throughout the COVID-19 pandemic

Adding our stores under development at cost, and land and buildings held at director valuation, our total property valuation is up 34.9% to £270.1 million (2020: £200.2 million). The increase in the values of properties which were also valued by JLL last year was 22.8% (2020: 3.5%).

* See our Key Performance Indicators on pages 22 and 23.

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Financial Review

£21.9m
GROUP REVENUE UP 21.3%

£11.9m
GROUP ADJUSTED EBITDA UP 23.2%

£7.5m
OPERATING PROFIT UP 29.0%

"Disciplined capital allocation and investment into fast growing landmark assets."

Ray Davies
Finance Director

Record Financial Results on All Measures

- Group Revenue £21.9 million up 21.3% (2020: £18.04 million)
- Group Adjusted EBITDA2 £11.89 million up 23.2% (2020 £9.65 million)
- Operating profit £7.46 million up 29.0% (2020: £5.79 million)
- Post Balance Sheet: £25 million accordion executed – increases bank facility to £100 million
- Bank facility extended by one year to April 2026

Lok'nStore's business generates an increasing cash flow from its strong asset base with a low LTV of 21.0% and a low average cost of debt of 1.54%. The value of the Group's property assets underpins a flexible business model with predictable and rising cash flows and low credit risk giving the business a firm base for growth.

IFRS 16

The Group applies IFRS 16 which removes the distinction between operating and finance leases, and requires the recognition of a right of use asset and a corresponding lease liability in the Statement of Financial Position. Further details of these can be found in Note 1.

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 cash flow from the operating business that can be used to pay dividends, make investments in new stores or pay down debt. CAD was up 33.5% for the year.

As agreed with the banks, both the Loan to Value and Senior Interest covenants set out in our bank facility 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. When testing the Senior Interest Covenant, property 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.

Post Balance Sheet:

- £25 million accordion executed – increases bank facility to £100 million
- Bank facility extended by one year to April 2026
- Migration from LIBOR to an alternative risk-free reference rate (SONIA)

On 20 October 2021, the Group executed the accordion arrangement embedded within the Revolving Credit Facility which increases the facilities available to the Group from £75 million to £100 million.

In addition, the Group has also agreed a one-year extension on its existing joint banking facility. The facility is a joint agreement with ABN AMRO N V and NatWest Bank plc participating equally and is closely aligned to the terms of the Group's previous facility. ABN Amro N V replaced Lloyds Bank plc in June 2021 as one of the Group's strategic banking partners.

The facility which was due to expire in April 2025, will now run until April 2026 providing funding for more landmark site acquisitions.

The two principal bank covenants (LTV and Senior Interest) and margin are unaffected by the execution of the accordion and this extension of term.

Amendments to the Facility Agreement dealing with the transition from LIBOR to SONIA (Sterling Over Night Indexed Average) have also been made, fulfilling UK regulator's requirements ahead of LIBOR's phasing out after 31 December 2021.

* See our Key Performance Indicators on pages 22 and 23.

Management of Interest Rate Risk

- Average cost of debt 1.54% (2020: 1.69%)

With £65.4 million of gross debt drawn, 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 2021 £'000	Group 2020 £'000
Total profit for the financial year attributable to owners of the parent	**3,283**	2,974

	2021 No. of Shares	2020 No. of Shares
Weighted average number of shares		
For basic earnings per share	**29,035,104**	28,976,967
Dilutive effect of share options*	**527,846**	517,257
For diluted earnings per share	**29,562,950**	29,494,224

Earnings Per Share	Group 2021 Pence	Group 2020 Pence
Basic		
Total basic earnings per share	**11.33p**	10.26p
Diluted		
Total diluted earnings per share	**11.10p**	10.08p

* 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 21 to 24.

Basic earnings per share were 11.33 pence (2020: 10.26 pence per share) and diluted earnings per share were 11.10 pence (2020: 10.08 pence per share).

Cost Ratio Reduced Further

- Group operating costs amounted to £9.8 million for the year (2020: £8.26 million) up by 19.1%.
- Cost ratio[12] reduced further to 44.9% (2020: 45.8 %).

We are disciplined in control of our operating costs. Group operating costs amounted to £9.8 million for the period, a 19.1% increase year on year (2020: £8.26 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.

Property costs are our largest cost category and increased by 8.9%. 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 25.6% as we staffed the new stores and paid higher performance bonuses to all our store colleagues based on the significant revenue growth achieved.

The increase in overhead costs is principally due to a higher level of online marketing costs and legal and professional costs related to work on rent reviews, corporate tax and general compliance work.

Group Costs (Refer also Note 3(a))	Increase in Costs %	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Property and premises costs	10.2	**3,224**	2,925
Staff costs	25.6	**5,270**	4,196
Overheads	17.7	**1,341**	1,139
Total	19.1	**9,835**	8,260

Cash Flow and Financing

At 31 July 2021 the Group had cash balances of £9.1 million (2020: £13.1 million). Cash inflow from operating activities before investing and financing activities was £12.2 million, up 25.8% (2020: £9.7 million).

As well as using cash generated from operations to fund some capital expenditure, the Group had at 31 July 2021 a £75 million five-year revolving credit facility recently increased to £100 million post year-end and which now runs until April 2026. This provides sufficient liquidity for the Group's current needs. Undrawn committed facilities at the year-end amounted to £9.6 million (2020: £23.7 million). With facility utilisation at £65.4 million and combined with cash balances the £100 million facility now provides over £43 million of available headroom leaving the business with plenty of headroom to keep acquiring and building new landmark stores.

Increasing Cash Flow Supports 15.4% Annual Dividend Increase

- Annual dividend 15 pence per share up 15.4% (2020: 13 pence per share)
- Cash Available for Distribution (CAD) of 28.36 pence per share (2020: 21.28 pence per share)

Cash Available for Distribution (CAD) up 33.5%

CAD provides a clear picture of ongoing cash flow available for dividends or debt repayment.

Analysis of Cash Available for Distribution (CAD)	Group Year ended 31 July 2021 £'000	Group Year ended 31 July 2020 £'000
Group Adjusted EBITDA		
(Per Statement of Comprehensive Income)	**11,890**	9,654
Property lease rents	**(1,559)**	(1,468)
Net finance costs paid	**(969)**	(1,046)
Capitalised maintenance expenses	**(193)**	(110)
New Works Team	**(129)**	(89)
Current tax (Note 8)	**(798)**	(768)
	(3,648)	(3,481)
Cash Available for Distribution	**8,242**	6,173
Increase in CAD over last year	**33.5%**	12.5%
	Number	**Number**
Closing shares in issue (less shares held in EBT)	**29,063,575**	29,010,078
CAD per share (annualised)	**28.36p**	21.28p
Increase in CAD per share over last year	**33.3%**	12.3%

Gearing[11] (excluding IFRS16 Lease Liabilities)

At 31 July 2021 the Group had £65.4 million of bank borrowings (2020: £51.3 million) representing gearing of 37.2% (2020: 31.5%) on net debt of £56.3 million (2020: £38.3 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 33.8% (2020: 28.3%). After adjusting for the deferred tax liability carried at year-end of £44.3 million gearing drops to 26.4% (2020: 23.6%).

Gearing[11] (including IFRS16 Lease Liabilities)

At 31 July 2021 the Group had £65.4 million of bank borrowings (2020: £51.3 million) and £11.2 million of lease liabilities (2020: £12.5 million) representing gearing of 44.6% (2020: 41.8%) on net debt of £67.5 million (2020: £50.7 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 40.7% (2020: 37.7%). After adjusting for the deferred tax liability carried at period end of £44.3 million gearing drops to 31.7% (2020: 31.5%).

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 £26.9 million (2020: £12 million). This was primarily the purchase of the Chichester Store for £4.0 million, the acquisition of development sites in Barking and Altrincham, ongoing construction works at our Warrington and Stevenage stores, the exchange of contracts on our Peterborough site, and the completion of construction works at our Leicester, and Salford stores. Costs relating to the planning and pre-development works on our Bournemouth, Bedford, Cheshunt, Peterborough, Kettering and Staines sites also featured.

The Group has capital expenditure contracted but not provided for in the financial statements of £6.16 million (2020: £2.97 million). We carefully evaluate the ongoing economic and trading position before making any further capital commitments.

Purchase and Sale of Treasury Shares

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.

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. On 11 December 2020 Lok'nStore bought back 88,883 ordinary shares of 1p each in the market at a price of 554.8 pence per Ordinary Share.

On 18 May 2021, the entire holding of 126,855 shares held in treasury were sold into the market at a price of 668.66 pence per share. As at 31 July 2021, the total number of voting rights (TVR) in the Company is 29,650,567 shares.

Strong Balance Sheet, Efficient Use of Capital, Low Debt

- Revolving Credit Facility (RCF) £75 million increased up to £100 million (post year-end)
- £26.9 million invested in new store pipeline (2020: £12.0 million)
- Net debt £56.3 million (2020: £38.3 million)
- Loan to Value Ratio (LTV) net of cash 21.0% (2020: 19.3%)
- Cost of debt averaged 1.54% in the year (2020: 1.69%) on £65.4 million debt drawn (2020: £51.3 million)

Lok'nStore has a good credit model, with 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 £151.3 million up 24.6% (2020: £121.4 million). Freehold properties were independently valued at 31 July 2021 at £212.8 million up 40.3% (2020: £151.7 million). Please refer to the table of property values below.

The Parent Company's net assets have increased as a result of the £5 million dividend paid up from Lok'nStore Limited, the principal operating business of the Group.

Taxation

The Group has made a current tax provision against earnings in this period of £0.80 million (2020: £0.92 million) based on a corporation tax rate of 19% (2020: 19%). The deferred tax provision which used to be calculated at forward corporation tax rates of 19% is now calculated at the substantively enacted corporation tax rate and has therefore increased to 25%. The deferred tax provision is substantially a tax provision against the potential crystallisation (sales) of revalued properties and past 'rolled over' gains amount to £46.8 million (2020: £26.8 million (See Note 19).

Market Valuation of Freehold and 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 17 freehold properties are held in the statement of financial position at fair value and have been valued by JLL. Refer to Note 11(a) – 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 £22.1 million (2020: £16.73 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 disposals may be considered where it is clear that value can be created by recycling the capital into new stores.

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

Financial Review continued

Analysis of Total Property Value

	No. of Stores/Sites	31 July 2021 Valuation £	No. of Stores/Sites	31 July 2020 Valuation £
Freehold stores valued by JLL[1]	**17**	**212,800,000**	15	151,675,000
Short leasehold stores valued by JLL[2]	**9**	**22,100,000**	8	16,725,000
	26	**234,900,000**	23	168,400,000
Freehold land and buildings at Director valuation[3]	**1**	**1,500,000**	1	1,931,457
Subtotal	**27**	**236,400,000**	24	170,331,457
Sites in development at cost[4]	**12**	**33,675,774**	10	29,884,683
Total	**39**	**270,075,774**	34	200,216,140

1 Includes related fixtures and fittings (refer to Note 11(a)).

2 The nine 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 11 years and 1 month at the date of the 2021 valuation (2020 valuation: 9 years and 7 months).

3 For more details refer Note 11(a) – Directors' valuation.

4 Includes £380,193 (31.07.2020: £382,190) of capitalised interest during the year.

Total freeholds account for 91.8% of property valuations (2020: 91.6%).

Increase in Adjusted Net Asset Value per Share

- Adjusted Net Asset Value per share up 31.6% to £7.31 (2020: £5.56)

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 2021, the Adjusted Net Asset Value per share (before deferred tax) increased 31.6% to £7.31 from £5.56 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.

Analysis of Adjusted Net Asset Value (NAV)

	Group 31 July 2021 £'000	Group 31 July 2020 £'000
Net assets	**151,259**	121,382
Adjustment to include short leasehold stores at valuation		
Add: JLL leasehold stores valuation	**22,100**	16,725
Deduct: leasehold properties and their fixtures and fittings at NBV	**(7,630)**	(3,707)
	165,729	134,400
Deferred tax arising on revaluation of leasehold properties[1]	**(3,618)**	(2,473)
Adjusted net assets	**162,111**	131,927

Shares in issue	Number ('000s)	Number ('000s)
Opening shares in issue	**29,633**	29,584
Shares issued for the exercise of options	**54**	49
Closing shares in issue	**29,687**	29,633
Shares held in EBT	**(623)**	(623)
Closing shares for NAV purposes	**29,064**	29,010
Adjusted Net Asset Value per share after deferred tax provision	**£5.58**	£4.55

Adjusted Net Asset Value per share before deferred tax provision	Group 31 July 2021 £'000	Group 31 July 2020 £'000
Adjusted net assets	**162,111**	131,927
Deferred tax liabilities and assets recognised by the Group	**46,760**	26,760
Deferred tax arising on revaluation of leasehold properties[1]	**3,618**	2,473
Adjusted net assets before deferred tax	**212,489**	161,160
Closing shares for NAV purposes	**29,064**	29,010
Adjusted Net Asset Value per share before deferred tax provision	**£7.31**	£5.56

1 A deferred tax adjustment in respect of the uplift in the value of the leasehold properties has been included, calculated by applying the substantively enacted corporation tax rate of 25% (2020: 19%). 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 industry which is still an immature sector with strong growth prospects. With a low loan to value ratio and flexible bank facilities this market presents an excellent opportunity for further growth of Lok'nStore's business. Recently opened landmark stores and our ambitious new store pipeline 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 regard 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.

Section 172 Matters	Specific Examples of Lok'nStore's Actions	Page
(a) the likely consequences of any decision in the long-term;	Our dividend policy, taken together with sections of our Financial Review explain how we balance returns to shareholders with capital invested organically and on acquisitions	30 to 31
	Our governance framework shows how the Board delegates its authority	52 to 54
(b) the interests of the company's employees;	Protecting our people in COVID-19 pandemic	20
	Employee Engagement	6 and 41
(c) the need to foster the company's business relationships with suppliers, customers and others;	Partnering with suppliers	40
(d) the impact of the company's operations on the community and the environment;	Protecting the environment	42 to 43
(e) the desirability of the company maintaining a reputation for high standards of business conduct; and	Upholding high ethical standards	40
	Partnering with suppliers	40
(f) the need to act fairly with members of the company.	Stakeholder Engagement	53 and 57
	Investment proposition	4 to 7 and 11

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 good 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 40.

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 numerically 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, 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.

OUR RISK MANAGEMENT AND REPORTING STRUCTURE

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
Interest Rate and Liquidity Risk	The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk (for details please see Note 16).	• Regular review by the Board (full details are set out in the Financial Review, page 28). • Debt and interest are low relative to assets and earnings. • Could reduce debt, if required, by executing 'Sale and Manage-Back' arrangements on mature stores.
Tax Risk	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.	• Regular monitoring of changes in legislation. • Use of appointed professional advisers and trade bodies.
Property Valuation Risk	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.	• Regular monitoring of any changes in market conditions and transactions occurring within our marketplace. • Use of independent professional valuers expert in the self-storage sector. • Past experience from the financial crisis of 2008 shows the sector has been resilient to a market downturn. • Store properties are all UK based and predominantly located in the affluent South of England and therefore not exposed to overseas/international/currency risks etc. • Operational management teams with the skills, experience and motivation to continue to drive operational performance.
Environmental Risk	Flooding Increased requirement to reduce waste and greenhouse gas emissions and reduce environmental impact on the environment.	• Flood risk due diligence undertaken on all prospective site acquisitions. • Flood protection measures in place at all stores. • Group has been measuring environmental impact since 2005 and is committed to manage waste effectively and control polluting emissions. • All new construction has solar power on the roofs of its buildings.
Property Acquisition	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.	• We hold weekly property meetings to manage the search process and property purchases. • Use of property acquisition consultants. • Regular communication with agents. • Attendance at industry relevant property events.
Planning Permission	The process of gaining planning permissions remains challenging.	• Where we can we acquire sites subject to planning. • We work with an established external planning consultant. • Our property team has over 20 years' experience.

Risk	Description	Key Mitigation
Construction	Poor construction may affect the value of the property and/or the efficient operation of the centre.	• We use a design and build contract with a variety of established contractors. • We use external project managers. • All projects are overseen by our property team which has over 20 years' experience.
Maintenance/ Damage	Damage to properties through poor maintenance or flood or fire could render a centre inoperable.	• Regular site checks by team members. • Rolling maintenance plan for all stores. • Comprehensive disaster recovery plan. • Appropriate insurance cover.
Increased Competition	An increasing number of competitors in the industry may negatively impact Lok'nStore's existing operations (e.g. pricing/available sites).	• Established criteria for site selection including: – Prominent locations – High visibility – Distinctive designs and bright orange elevations and signage to attract customers. • Continued investment in the Group's website and internet marketing. • Ensure high levels of customer service through training and monitoring.
Employee Retention	Loss of employees may affect our ability to operate our stores and provide the high levels of customer service expected.	• Aim to offer a good work/life balance and career development. • Regular reviews of remuneration levels against market. • Achievable bonus systems. • Generous Employee Share Schemes. • High-quality training via Lok'nStore Academy (for further information see page 41). • Intranet for improved communications. • Established Employee rewards programme.
IT System Breach	A breach of our IT systems might adversely affect the operations of the business and our reputation.	• Regularly reviewed IT security systems. • Well communicated policies and procedures for handling and managing a systems breach.
COVID-19 Risk	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.	• Please refer to our COVID-19 Group Response section in the Managing Director's Review on page 20.

Corporate Sustainability Report

£1m
PAID IN COLLEAGUE BONUSES – UP 158%

46
COLLEAGUES HAVE COMPLETED A NATIONAL VOCATIONAL QUALIFICATION

62%
OF STORE MANAGERS HAVE BEEN PROMOTED INTERNALLY

Corporate and Social Responsibilities

Lok'nStore conducts its business in a manner that reflects a policy of honesty, integrity and ethical conduct. This Corporate Social Sustainability 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.

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 are of high importance to Lok'nStore.

In recent years we have introduced an Environmental Committee that meets quarterly to review and discuss practical steps we can take as a business to further reduce our impact on the environment. The committee members consist of stakeholders at all levels of the business whose roles all have a direct link to our environmental performance. The committee includes two Executive Board Directors and a Non-Executive Director, Simon Thomas, who has special responsibility on the Board for environmental matters.

We regularly discuss with colleagues throughout the business, opportunities to improve our environmental performance and the engagement with the communities in which we do business.

Our Customers

We believe in clarity and transparency when communicating with our customers. Our website 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.

We kept our stores open throughout the COVID-19 pandemic so that our business customers in particular could continue to operate. Many of them 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.

To further support our customers during the COVID-19 pandemic no new storage rate reviews were issued to customers for 12 months between March 2020 and March 2021. Where a customer approached us with a short-term financial burden, we worked with them to find a mutual solution.

Our Suppliers

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

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 39 days (2020: 40 days).

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.

The Board would like to thank all our colleagues for their commitment to our customers and for their hard work and efforts over the year.

Our Team

At 31 July 2021 we had 171 employees (2020: 167).

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 the Lok'nStore Academy and regular performance review.

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 expansion. We are delighted to say that all of our colleagues continue to benefit from the success of the business through our bonus schemes. During the year, we paid £1 million in bonuses to those colleagues directly supporting customers, an increase of 158% on the previous year.

Share Ownership Plans

We are proud to have share ownership plans in which all employees are eligible to participate. 50% of our employees are investing 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.

As at 31 July 2021:

Total Investing (people):	85
Total Enrolled (people):	140
% Uptake:	60.71%

Total Enrolled (people):	140
Total Employees:	171
% Uptake:	81.87%

Total Investing (people):	85
Total Employees:	171
% Uptake:	49.71%

Employee Benefit Trust

The Employee Benefit Trust owns 623,212 shares (2020: 623,212), the costs of which are shown as a deduction from shareholders' funds. Full details are provided in Note 27 – Own Shares.

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 virtual training sessions.

Our continuing growth and dynamic pipeline of new stores allows our colleagues to grow as the business grows. Development of our teams through the Academy supports our strategic aim to fill future Centre Manager roles internally. Today 62% of our Centre Managers are internal appointments having all developed from a Customer Service Assistant role. We aim 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.

100% OF ELECTRICITY FROM RENEWABLE SOURCES

53% OF STORES INCLUDING PIPELINE TO PRODUCE SOLAR ENERGY

27% REDUCTION IN WASTE TO LANDFILL THIS YEAR

Environmental Management and 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 Director's 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 2021. A summary of their findings is included below. More detail can be found on our website.

Highlights for the Year Ending 31 July 2021

The Group's operational Greenhouse Gas (GHG) emissions (direct and indirect) decreased by 29%, falling from 105 tCO_2e to 75 tCO_2e, the ninth year of decrease in a row. Normalizing these emissions by annual revenue allows intensity comparisons to be made. Lok'nStore recorded a 41% lower emission intensity of 3.4 tCO_2e per £million in 2020–21 as compared to 5.8 tCO_2e per £million in 2019–20.

Impact	Result	Comment
Operational GHG Emissions (scope 1 and 2)	✓	In the year 2020–21 operational GHG emissions intensity has decreased by 41%. This demonstrates our ongoing commitment to decreasing GHG emissions, which have reduced by 94% since 2005 when monitoring began from 1189 tCO_2e to 75 tCO_2e.
Direct Operational GHG Emissions (scope 1)	✓	This year we are pleased to have achieved a 49% 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 19% decrease in natural gas consumption which is a relatively small percentage of our total energy consumption.
Indirect Operational GHG Emissions (scope 2)	✓	Whilst we experienced an increase of 18% in total use of electricity across all of our sites, this is reflective of the increased demand for self-storage and therefore use of stores. We continue to emit no indirect operational GHG emissions due to all of our electricity coming from renewable feed stocks and onsite photovoltaic electricity generation.
Renewable Energy Generation	✓	Generation of electricity from our solar panels installed on our buildings is entirely dependent on sunshine hours and a 15% decrease in energy generated at our sites is largely reflective of less sunshine hours during the period. PV solar panels will continue to be installed on new stores to increase electricity generated by our operations.
Water Consumption	✓	Although water usage has increase by 20% in the year 2020–21, this can be explained through an increase in total number of trading sites. Water intensity, the amount of water we use per pound of revenue, decreased by 0.7%.
Waste Generation and Recycling	✓	In the year 2020–21 total waste generation decreased by 27% while the total number of trading sites increased. When adjusted for intensity we saw a 40% decrease in landfill waste. Alongside the decrease in landfill waste, we also saw an 4% increase in waste recycled.

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

Lok'nStore's GHG reporting for 2020–21 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.

This year, Lok'nStore experienced far less travel by its colleagues due to the restrictions of COVID and the precautions we took as a business to minimise its impact. This has seen a material decrease in Scope 1 direct GHG emissions from car use by colleagues. Whilst to some degree the effects of COVID continue we would expect this decrease to be reflected in future years, but we do expect colleague travel to return to historic levels in the future as we increase the number of stores we operate.

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.

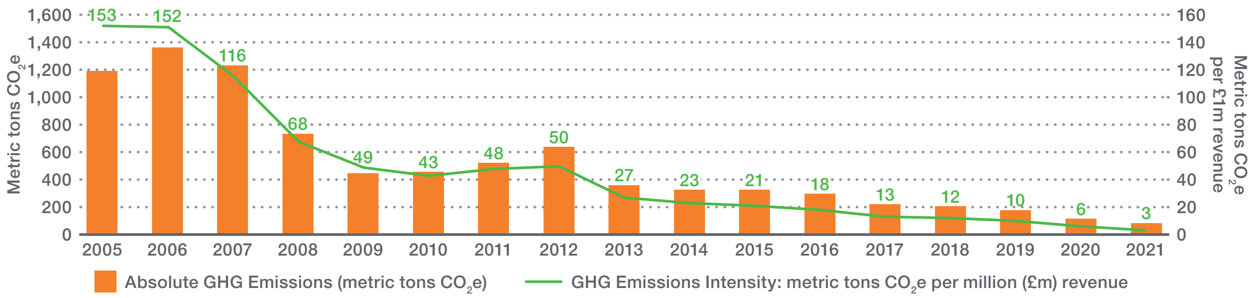
The Strategic Report as set out in pages 12 to 43 was approved by the Board of Directors and authorised for issue on 29 October 2021 and signed on its behalf by

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

CASE STUDY – OUR DRIVE FOR NET ZERO OPERATIONAL CHG EMISSIONS AND INCREASING OUR OWN GENERATION OF GREEN ELECTRICITY.

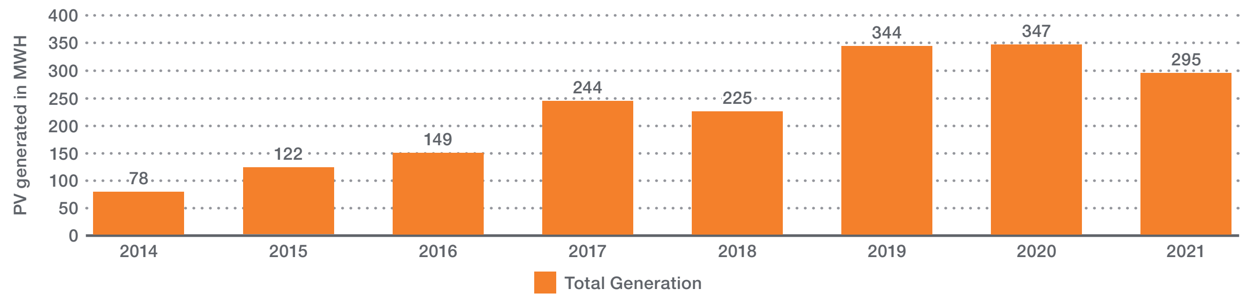
Lok'nStore saw a further drop of 29% in Lok'nStore's direct and indirect emissions in the year. Whilst some of this drop can be ascribed to a drop in the already low volume of colleague travel which resulted from the COVID-19 pandemic, we have consistently decreased our CHG emissions from our operational business. We have monitored these emissions since 2005 and have achieved a decrease in 13 of those years, a drop of 94% since 2005, as shown below:

Combined Direct and Indirect Operational CHG Emissions FY2005 to 2021



Lok'nStore has made installing solar photovoltaic panels a priority at all of its new and some of its existing premises. Although 2021 saw a drop in output, that was due to unplanned outages and a moderate drop in sunshine hours, since 2014 the Group has been generating its own electricity and uses 87% of the energy it produces for its own use, with the remainder being sent back to the network for other users.

Total PV Generation



LOK'NSTORE'S ENVIRONMENTAL COMMITTEE IN ACTION – REDUCING OUR WASTE TO LANDFILL UP TO 60%

The Lok'nStore Environmental Committee identified there was an opportunity to reduce the quantity of waste produced and to improve the accuracy of waste reporting. Data showed that every site had a bin collection each week even though a sample of stores showed that a number of bins were being collected half full.

A reduction in collections and the greater awareness the project brought around waste generation resulted in trial stores successfully operating on the reduced collections. As a result of this success, a new fortnightly collection programme has been rolled out to all stores and was fully implemented by the end of summer 2021. The impact of this will be felt in 2021–2022.

At year ending 31 July 2021, we have reduced waste from 135 to 98 metric tonnes, a 27% decrease in total waste across the portfolio. We aim to reduce waste reported by a further 33% in the coming year, a total of 60% reduction in waste with all stores operating on a fortnightly collection.

There has been a positive impact on colleague and customer engagement throughout the process. Store teams are conscious of both what is being regarded as waste and the quantity of waste being produced.

Governance

LANDMARK STORE
SALFORD

52,500
LETTABLE SQUARE FEET

NOW
OPEN

Opened in April 2021 our first store in the extremely densely populated Manchester conurbation in Salford.

The store is filling up well in early trading. The purchase of the site, and subsequent conversion of the property resulted in excess land which has been successfully let, and a further unit which is under offer.

This prominent site on the extremely busy Regents Road, an arterial route into the West of Manchester, is surrounded by a multitude of complimentary retailers, food and leisure uses. The building itself has been converted from its previous retail use making good use of the strong customer facing elements of the scheme that existed. The smart new orange façade and strong branding make us the most prominent building in the area, raising customer awareness day and night.

Board of Directors and Advisers

THE BOARD HAS OVER **100 YEARS** OF SELF-STORAGE EXPERIENCE.

EXECUTIVE DIRECTORS

Andrew Jacobs (62)
Executive Chairman

Experience
Andrew established Lok'nStore 26 years ago after 8 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 (64)
Finance Director

Experience
Ray is a Fellow of the Institute of Chartered Accountants and the Institute of Chartered Secretaries and 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 (44)
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 (72)
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 previously worked for CB Richard Ellis for 33 years, where he was a Director and Partner for 20 years. Edward joined Lok'nStore in 2007.

Key Areas of Expertise
Commercial property.

Simon Thomas (61)
Non-Executive Director

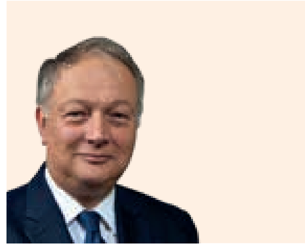
Experience
Simon joined Lok'nStore in 1997 following successful careers in the publishing and finance sectors. He worked at Reed International, Swiss Bank Corporation, Nomura International and co-founded the emerging markets investment trust business at LCF Edmond de Rothschild. Simon is particularly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

Key Areas of Expertise
Corporate finance and environmental performance.

Richard Holmes (61)
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.



Charles Peal (66)
Non-Executive Director

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.

Jeff Woyda (59)
Non-Executive Director

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.

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.

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

■ Audit Committee ■ Remuneration Committee

Find out more about the Company's committees on pages 53 to 54.

ADVISERS

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 Limited, 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

Solicitors: Goodman Derrick LLP, 10 St Bride Street, London, EC4A 4AD

Solicitors: Glovers LLP, 6 York Street, London, W1U 6QD

To find out more visit: **www.loknstore.com/investors/the-board**

Corporate Governance Statement

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 ten 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

THE BOARD

Remuneration Committee
Meets Once a Year
Chaired by Edward Luker
See page 54 for more information

Audit Committee
Meets Three times a Year
Chaired by Charles Peal
See page 54 for more information

EXECUTIVE BOARD COMMITTEE
Meets Monthly
Considers:
Strategy, Management Accounts, Store Operations and Performance, Human Resources, and Capital Expenditure

Property Committee
Meets Weekly
Considers:
Sites under Development
New Acquisitions

Property Risk Committee
Meets Periodically
Considers:
Risks Associated with Properties including HS&E

OPERATIONAL MANAGEMENT
Day to Day Business Delivery

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 pages 14 to 15 and our strategic objectives and achievements in the year are also set out on page 16. The principal risks associated with the business model are set out in the Principal Risks and Uncertainties section on pages 37 to 39.	✓
2	Seek to understand and meet shareholder needs and expectations.	Under Shareholder Relations on page 53 we discuss how we seek to understand and meet shareholder needs and expectations. 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 40 to 43.	✓
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation.	Our approach to risk management is detailed on page 37 and our principal risks are outlined on pages 38 and 39. Our approach to internal control and specifically internal audit is set out on page 48.	✓
5	Maintain the Board as a well-functioning, balanced team led by the chair.	The Board structure is reported on page 50 to 54. Our committees are detailed in this section of the Annual Report but can also be found on our website: https://www.loknstore.co.uk/investors/	✓
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 46 and 47 and further information on the balance of skills and capabilities within our Board can be found in the commentary on Board Evaluation on page 52.	✓
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 52.	✓
8	Promote a corporate culture that is based on ethical values and behaviours.	Please see our Corporate Sustainability Report on pages 40 to 43.	✓
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 48.	✓
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 53. Results of voting at our AGMs can be found on the announcements page of our website: https://www.loknstore.co.uk/investors/announcements/	✓

The Board

Three Executive Directors and Five Non-Executive Directors

Meets:	Considers:	Receives:
Five times a year with teleconferences when required	• Financial strategy • Company performance • Major investments • Capital resources • Risk management • Reporting to shareholders	• Detailed management accounts against budgets • A current trading appraisal • Minutes of all subcommittees • The Risk Register • The Conflicts Register

The Directors

The Board consists of three Executive Directors and five Non-Executive Directors. 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 and Trusts 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
Clarkson (Trustees) Limited
Clarksons Overseas Shipbroking Limited
Clarkson Research Services Limited
Clarkson Logistics Limited
Clarkson Property Holdings 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
Maritech Limited

Overseas Directorships

Bonus Plus Investments Limited
Clarkson Logistics (HK) Limited
Clarksons Platou Asia Limited
Diligent Challenger Limited
Clarkson Shipping Services India Private Limited
Clarksons Platou AS
Clarksons Platou Asia Pte. Limited
Afromar Properties (PTY) Limited
Clarksons Platou (South Africa) (Pty) Limited
Clarkson Shipping Services Acquisition USA LLC
Clarksons Platou (USA) Inc
Clarksons Platou Shipping Services USA LLC

Directorships held by Jeff Woyda in the last five years:

J.O. Plowright & Co. (Holdings) Limited
Clarksons Platou Securities Limited

Trusteeships

The Clarkson Foundation CIO
The Clarkson PLC Pension Scheme
J.O. Plowright & Co. (Holdings) Limited Pension and Assurance Scheme

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*
Moorfield Eye Hospital NHS Foundation Trust
First Contact Healthcare**
The Schiehallion Fund Limited **

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*
Gypsy Moth Storage Limited (formerly 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 30 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 2020–2021	7 (via 'Zoom')	3	1	1	
Executive Directors					
Andrew Jacobs	7 (via 'Zoom')	n/a	n/a	1	100%
Ray Davies	7 (via 'Zoom')	n/a	n/a	1	100%
Neil Newman-Shepherd	7 (via 'Zoom')	n/a	n/a	1	100%
Non-Executive Directors					
Simon Thomas	7 (via 'Zoom')	n/a	n/a	1	100%
Edward Luker	7 (via 'Zoom')	3	1	1	100%
Charles Peal	7 (via 'Zoom')	3	n/a	1	100%
Richard Holmes	7 (via 'Zoom')	n/a	1	1	100%
Jeff Woyda	7 (via 'Zoom')	n/a	n/a	1	100%

The 2020 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 revenue growth. Our Non-Executives were evaluated informally within this year's review of our Board composition and we report on this below.

The UK Corporate Governance Code's requirement is that a smaller company should have at least two Non-Executive Directors that are deemed independent. Four of our Non-Executive Directors have served for longer than nine years and were therefore no longer deemed independent under this Code. Our adopted 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. Furthermore, 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 was 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 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 47.

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 58. 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 2021

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 58 and more details are given in Note 7 in the financial statements.

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 47). 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 Group's year-end results. The Committee would also convene prior to the Group's interim financial results and 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
29 October 2021

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 2021.

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 4 to 7 and the Strategic Report on pages 12 to 43. The key performance indicators are set out in the Highlights on page 2 and discussed in more detail in the Financial Review on page 28 and the Managing Director's Review on page 17. Commentary on financial risk managements is included on page 37 and disclosures on financial instruments are provided in Note 16.

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 16).

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 17.

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 £9.1 million, (2020: £13.1 million) undrawn committed facilities at 31 July 2021 of £9.6 million (2020: £23.7 million) and cash generated from operations £12.2 million (2020: £9.7 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 joint agreement with ABN AMRO NV and NatWest Bank plc participating equally 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. After the year end on 20 October 2021, the Group executed the accordion and the one year extension taking available facilities to £100 million. Further details are provided in Note 17 (Borrowings).

The financial statements are therefore prepared on a going concern basis.

Dividend

The Directors propose that a final dividend of 10.67 pence per share will be paid to the shareholders. The total estimated dividend to be paid is £3.1 million based on the number of shares in issue at 15 October 2021 as adjusted for shares held in the Employee Benefits Trust. This is subject to approval by shareholders at the Annual General Meeting on 9 December 2021 and has not been included as a liability in these financial statements. The ex-dividend date will be 25 November 2021; the record date 26 November 2021; with an intended payment date of 7 January 2022. The final deadline for Dividend Reinvestment Election (DRIP) is 10 December 2021.

Events after the Reporting Date

Reportable events after the reporting date are set out in Note 33 in the financial statements.

Directors

The following Directors held office during the year and subsequently:

A Jacobs	ETD Luker	CP Peal
RA Davies	SG Thomas	J Woyda
N Newman-Shepherd	RJ Holmes	

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 46 and 47.

Reappointment of Directors

Richard Holmes and Charles Peal who have over 17 and 14 years tenure respectively as Non-Executives are required 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.

Edward Luker, the Senior Non-Executive Director, after many dedicated years of service to the Group, is retiring and therefore will not be seeking re-election at this year's AGM. The Board would like to record its appreciation of the significant contribution that he has made to the business over his many years on the Board. Jeff Woyda will become Senior Independent Non-Executive in his place.

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 15 October 2021:

	Current Rank	% at 15 Oct 2021	Number of Shares	Total Shares in Issue	% at 13 Oct 2020	Number of Shares	Total Shares in Issue
Andrew Jacobs	1	**17.52**	**5,203,600**		17.58	5,203,600	
Canaccord Genuity Wealth	2	**8.42**	**2,500,000**		6.76	2,000,000	
BlackRock	3	**6.67**	**1,979,376**		6.31	1,869,722	
Simon Thomas	4	**5.14**	**1,525,000**		5.17	1,530,000	
Investec Wealth & Investment	5	**4.38**	**1,300,454**		3.07	908,421	
Interactive Investor	6	**3.63**	**1,079,020**		–	–	
Stonehage Fleming	7	**3.47**	**1,030,235**		3.34	990,235	
Hargreaves Lansdown	8	**3.41**	**1,013,602**		3.10	918,848	
Premier Miton Investors	9	**3.27**	**970,701**		5.59	1,653,392	
				29,692,749			29,604,081[1]

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 2021 are shown in Note 11(a) to the Financial Statements. Further commentary on the property portfolio is contained in the Property Review on page 24 and in the Financial Review on page 28.

Share Buy-back Authority

Authority will be sought at the Company's AGM on 9 December 2021 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.

Political Donations

The Group made no political donations during the year.

Annual General Meeting

Meeting Arrangements

The Board considers the Annual General Meeting an important opportunity to present to shareholders the Company's performance and intends to hold its Annual General Meeting at 5.30 pm on 9 December 2021 to be held at the offices of Goodman Derrick LLP, 10 St Bride Street, London EC4A 4AD.

In normal circumstances, the Board values greatly the opportunity meet shareholders in person. However, despite the current position regarding COVID-19 restrictions, it is not certain what restrictions may be in place on the day of the AGM.

The current intention is to proceed with the holding of the AGM as an open meeting but it remains the Board's priority to ensure the health and wellbeing of all stakeholders. Given the uncertainties, it may become necessary to make alternative arrangements for the AGM and the manner in which it is held should restrictions be re-imposed that may restrict or prevent shareholders from attending in person.

Accordingly, the Board strongly encourages shareholders not to attend the AGM in person but instead make use of the option to participate in the meeting remotely via a zoom conference call. If you wish to use this zoom facility please contact the Assistant Company Secretary by emailing Suzy Wolfe at suzywolfe@loknstore.co.uk and she will provide further information.

To the extent that you wish to attend the AGM in person and are able to do so safely, the Board kindly requests that you pre-register your intentions to attend by emailing suzywolfe@loknstore.co.uk no later than 2 December 2021.

We will continue to monitor the latest government guidance and how this might affect the arrangements for the AGM. Consequently, the AGM is subject to change, possibly at short notice. If it becomes necessary or appropriate to revise the current arrangements for the AGM, this will be announced through the RNS on the London Stock Exchange website and further information will be made available on our website in the Investor Section under shareholder information.

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 and Form of Proxy will be sent to shareholders.

On behalf of the Board.

Ray Davies
Finance Director
29 October 2021

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 23(b) 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

Directors' Remuneration 2021	Emoluments £	Bonuses £	Benefits £	Sub Total £	Pension £	Gains on Share Options £	Total £
Executive:							
A Jacobs	215,233	132,500	6,568	354,301	–	–	**354,301**
RA Davies	165,797	45,946	5,434	217,177	6,631	–	**223,808**
N Newman-Shepherd	91,210	179,545	2,571	273,326	3,648	–	**276,974**
Non-Executive:							
SG Thomas	22,743	–	5,087	27,830	–	14,436	**42,266**
RJ Holmes	22,743	–	–	22,743	–	–	**22,743**
ETD Luker	28,430	–	–	28,430	–	–	**28,430**
CP Peal	22,743	–	–	22,743	–	–	**22,743**
J Woyda	20,848	–	–	20,848	–	–	**20,848**
	589,747	**357,991**	**19,660**	**967,398**	**10,279**	**14,436**	**992,113**

Directors' Remuneration 2020	Emoluments £	Bonuses £	Benefits £	Sub Total £	Pension £	Gains on Share Options £	Total £
Executive:							
A Jacobs	225,233	36,500	6,107	267,840	–	–	**267,840**
RA Davies	165,797	13,300	4,845	183,942	6,631	–	**190,573**
N Newman-Shepherd	82,877	40,345	2,560	125,782	3,315	175,358	**301,455**
Non-Executive:							
SG Thomas	31,518	–	4,808	36,326	–	–	**36,326**
RJ Holmes	22,743	–	–	22,743	–	–	**22,743**
ETD Luker	28,430	–	–	28,430	–	–	**28,430**
CP Peal	22,743	–	–	22,743	–	–	**22,743**
	579,341	**90,145**	**18,320**	**687,806**	**9,946**	**172,358**	**870,110**

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 (2020: two).

The following table shows a summary of the options held by Directors under all schemes. Refer Notes 21 to 24 for details.

	Total at 31 July 2020	Options Granted	Options Exercised	Unapproved Scheme	Approved CSOP Share Options	Total at 31 July 2021
2021						
Executive Directors						
A Jacobs – Unapproved	206,087	–	–	206,087	–	**206,087**
A Jacobs – PPP	120,000	40,000	–	160,000	–	**160,000**
A Jacobs total	326,087	40,000	–	366,087	–	**366,087**
RA Davies – Unapproved	246,977	–	–	246,977	–	**246,977**
RA Davies – CSOP	7,742	–	–	–	7,742	**7,742**
RA Davies – PPP	120,000	40,000	–	160,000	–	**160,000**
RA Davies total	374,719	40,000	–	406,977	7,742	**414,719**
N Newman-Shepherd – Unapproved	135,599	–	–	135,599	–	**135,599**
N Newman-Shepherd – CSOP	8,618	–	–	–	8,618	**8,618**
N Newman-Shepherd – PPP	180,000	60,000	–	240,000	–	**240,000**
N Newman-Shepherd total	324,217	60,000	–	375,599	8,618	**384,217**
Non-Executive Directors						
SG Thomas – Unapproved	5,217	–	(5,217)	–	–	**–**
All Directors total	**1,030,240**	**140,000**	**(5,217)**	**1,148,663**	**16,360**	**1,165,023**

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 (PPP)

On 2 July 2019 the Group adopted the Company Long-Term Partnership Performance Plan (PPP). 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 Group's long-term business goals and performance through share ownership. It contains specific performance criteria. Further details are set out in Note 23(b) of the financial statements.

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

Andrew Jacobs — Executive Chairman

Ray Davies — Finance Director

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors have elected under company law and are required by the AIM Rules of the London Stock Exchange to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and have elected under company law to prepare the company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

The Group and Company financial statements are required by law and international accounting standards in conformity with the requirements of the Companies Act 2006 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 each of 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 international accounting standards in conformity with the requirements of the Companies Act 2006; 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 requirements of 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 included on the Lok'nStore Group Plc website.

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 2021 which comprise 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 Accounting Standards in conformity with the requirements of the Companies Act 2006 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 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 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 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 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing management's going concern assessment covering the 12 month period from date of approval of the financial statements
- Checking the mathematical accuracy of the underlying financial model
- Assessing management's sensitivity analysis, including considering the impact on bank loan covenants
- Reviewing covenant compliance calculations
- Reviewing the appropriateness of going concern disclosures in the financial statements

We concluded that the directors' assessment was appropriate in the circumstances and have no key observations to make.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report continued

to the Members of Lok'nStore Group plc

Summary of our Audit Approach

Key audit matters	Group • Property valuation Parent Company • None
Materiality	Group • Overall materiality: £617,000 (2020: £460,000) • Performance materiality: £463,000 (2020: £345,000) Parent Company • Overall materiality: £469,000 (2020: £230,000) • Performance materiality: £351,000 (2020: £172,000)
Scope	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 judgment, 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.

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 freehold properties. At 31 July the fair value of freehold properties was £199.6m. 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 2021. We consider property valuation to be a Key Audit Matter due to the relative importance of these assets to the group's financial statements, the degree of estimation uncertainty inherent in the valuation and the allocation of resources in the audit. Refer to Note 11(a) 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 those preparing 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; • 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 reasons for the significant uplift in value in the year which included challenge of the assumptions used in the model (particularly in respect of trading forecasts and comparison of those forecasts to actual results); • We considered the key assumptions relating to the rollover relief and to the calculations of deferred tax arising on the property valuations; and • We used a disclosures checklist to audit the disclosures relating to the property valuation, including disclosure of the critical estimates and judgements made by management.

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	£617,000 (2020: £460,000)	£469,000 (2020: £230,000)
Basis for determining overall materiality	10% of profit before tax	10% of profit before tax (capped at component materiality)
Rationale for benchmark applied	Represents the trading performance of the business and potential return to investors	Represents the trading performance of the underlying business and potential return to investors
Performance materiality	£463,000 (2020: £345,000)	£351,000 (2020: £172,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £31,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £23,400 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 8 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 60, 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.

The Extent to which the Audit was Considered Capable of Detecting Irregularities, Including Fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud; and
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

Legislation/Regulation	Additional audit procedures performed by the Group audit engagement team included:
IFRS/UK-adopted IAS and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation; Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	Engagement of a tax specialist to review the tax calculations, particularly surrounding the rollover relief calculations and deferred tax. Consideration of whether any matter identified during the audit required reporting to an appropriate authority outside the entity.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Management override of controls	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

29 October 2021

Financial Statements

LANDMARK STORE
WARRINGTON

60,000
LETTABLE SQUARE FEET

OPENING
EARLY 2022

We are pleased to report that developments in Warrington, Wolverhampton and Stevenage are now substantially advanced and are due to open in Late 2021 and early 2022.

The delivery of our substantial pipeline of landmark sites demonstrates our commitment to our controlled expansion strategy, taking advantage of opportunities to deliver purpose built landmark stores.

At Warrington, the ultra-landmark site is located on the busy Winwick Road. Developed as Warrington's first purpose built self-storage facility, the modern building is opposite the Rugby League stadium and a large Tesco Extra superstore, numerous car dealers and smaller shops. The North South arterial road sees high traffic levels at all times of day and the prominence combined with the modern offering is designed to achieve great awareness in this undersupplied market.

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2021

	Notes	Group Year Ended 31 July 2021 £'000	Group Year Ended 31 July 2020 £'000
Revenue	2	**21,892**	18,041
Total property, staff, distribution and general costs	3(a)	**(10,001)**	(8,387)
Adjusted EBITDA[1]		**11,891**	9,654
Depreciation	6	**(4,149)**	(3,779)
Equity-settled share-based payments		**(118)**	(88)
		(4,267)	(3,867)
Loss on sale of land and property	3(c)	**(160)**	–
		(4,427)	(3,867)
Operating profit		**7,464**	5,787
Finance income	4	**1**	29
Finance cost	5	**(1,017)**	(1,126)
Profit before taxation		**6,448**	4,690
Income tax expense	8	**(3,165)**	(1,716)
Profit for the period from continuing operations		**3,283**	2,974
Profit for the year		**3,283**	2,974
Profit attributable to:			
Owners of the Parent	26(a)	**3,283**	2,974
Other comprehensive income			
Items that will not be reclassified to profit and loss			
Increase in property valuation	11	**47,718**	8,849
Deferred tax relating to change in property valuation	19	**(18,224)**	(3,602)
Other comprehensive income		**29,494**	5,247
Total comprehensive income for the period		**32,777**	8,221
Attributable to: Owners of the Parent		**32,777**	8,221

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

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2021

	Notes	Group Year Ended 31 July 2021 £'000	Group Year Ended 31 July 2020 £'000
Earnings per share attributable to owners of the Parent			
Basic	10		
Total basic earnings per share		**11.33p**	10.26p
Diluted	10		
Total diluted earnings per share		**11.10p**	10.08p

Consolidated Statement of Changes in Equity

For the year ended 31 July 2021

	Attributable to Owners of the Parent					
	Share Capital £'000	Share Premium £'000	Other Reserves £'000	Revaluation Reserve £'000	Retained Earnings £'000	Total Equity £'000
31 July 2019	**296**	**10,490**	**8,357**	**71,106**	**26,301**	**116,550**
Profit for the year	–	–	–	–	2,974	**2,974**
Other comprehensive income:						
Increase in property valuation net of deferred tax	–	–	–	5,247	–	**5,247**
Total comprehensive income for the year	–	–	–	5,247	2,974	**8,221**
Transactions with owners:						
Dividend paid	–	–	–	–	(3,572)	**(3,572)**
Share-based payments	–	–	88	–	–	**88**
Transfers in relation to share-based payments	–	–	(14)	–	14	**–**
Deferred tax relating to share options	–	–	24	–	–	**24**
Exercise of share options	1	70	–	–	–	**71**
Transfer additional depreciation on revaluation net of deferred tax	–	–	–	(378)	378	**–**
Total transactions with owners	1	70	98	(378)	(3,180)	**(3,389)**
31 July 2020	**297**	**10,560**	**8,455**	**75,975**	**26,095**	**121,382**
Profit for the year	–	–	–	–	3,283	**3,283**
Other comprehensive income:						
Increase in property valuation net of deferred tax	–	–	–	29,494	–	**29,494**
Total comprehensive income for the year	–	–	–	29,494	3,283	**32,777**
Transactions with owners:						
Dividend paid	–	–	–	–	(3,865)	**(3,865)**
Share-based payments	–	–	118	–	–	**118**
Transfers in relation to share-based payments	–	–	(26)	–	26	**–**
Deferred tax relating to share options	–	–	591	–	–	**591**
Exercise of share options	1	255	–	–	–	**256**
Reserve transfer on disposal of assets	–	–	–	(165)	165	**–**
Transfer additional depreciation on revaluation net of deferred tax	–	–	–	(568)	568	**–**
Total transactions with owners	1	255	683	(733)	(3,106)	**(2,900)**
31 July 2021	**298**	**10,815**	**9,138**	**104,736**	**26,272**	**151,259**

Company Statement of Changes in Equity

For the year ended 31 July 2021

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Other Reserves £'000	Total Equity £'000
31 July 2019	**296**	**10,490**	**4,416**	**1,838**	**17,040**
Profit for the year	–	–	14,792	–	**14,792**
Equity settled share-based payments	–	–	–	88	**88**
Transfer in relation to share-based payments	–	–	14	(14)	**–**
Exercise of share options	1	70	–	–	**71**
Dividends paid	–	–	(3,572)	–	**(3,572)**
31 July 2020	**297**	**10,560**	**15,650**	**1,912**	**28,419**
Profit for the year	–	–	4,793	–	**4,793**
Equity settled share-based payments	–	–	–	118	**118**
Transfer in relation to share-based payments	–	–	26	(26)	**–**
Exercise of share options	1	255	–	–	**256**
Dividends paid	–	–	(3,865)	–	**(3,865)**
31 July 2021	**298**	**10,815**	**16,604**	**2,004**	**29,721**

Consolidated and Company Statements of Financial Position

31 July 2021

Company Registration No. 04007169

	Notes	Group 31 July 2021 £'000	Group 31 July 2020 £'000	Company 31 July 2021 £'000	Company 31 July 2020 £'000
Assets					
Non-current assets					
Property, plant and equipment	11(a)	**255,652**	187,258	**–**	–
Investments	12	**–**	–	**2,670**	2,552
Financial assets		**–**	361	**–**	–
Right of use assets	11(b)	**10,503**	11,764	**–**	–
		266,155	199,383	**2,670**	2,552
Current assets					
Inventories	13	**290**	270	**–**	–
Trade and other receivables	14	**4,273**	3,628	**27,051**	25,867
Cash and cash equivalents		**9,105**	13,066	**–**	–
Financial assets		**509**	–	**–**	–
Total current assets		**14,177**	16,964	**27,051**	25,867
Total assets		**280,332**	216,347	**29,721**	28,419
Liabilities					
Current liabilities					
Trade and other payables	15	**(5,841)**	(4,676)	**–**	–
Lease liabilities	18	**(1,258)**	(1,298)	**–**	–
Taxation		**(365)**	(368)	**–**	–
		(7,464)	(6,342)	**–**	–
Non-current liabilities					
Borrowings	17	**(64,941)**	(50,705)	**–**	–
Lease liabilities	18	**(9,908)**	(11,158)	**–**	–
Deferred tax	19	**(46,760)**	(26,760)	**–**	–
		(121,609)	(88,623)	**–**	–
Total liabilities		**(129,073)**	(94,965)	**–**	–
Net assets		**151,259**	121,382	**29,721**	28,419
Equity					
Equity attributable to owners of the Parent					
Called up share capital	20	**298**	297	**298**	297
Share premium		**10,815**	10,560	**10,815**	10,560
Other reserves	25(a)	**9,138**	8,455	**2,004**	1,912
Retained earnings	26	**26,272**	26,095	**16,604**	15,650
Revaluation reserve	25(a)	**104,736**	75,975	**–**	–
Total equity		**151,259**	121,382	**29,721**	28,419

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 2021 was £4.8 million (2020: £14.8 million).

Approved by the Board of Directors and authorised for issue on 29 October 2021 and signed on its behalf by:

Andrew Jacobs
Executive Chairman

Ray Davies
Finance Director

Consolidated Statement of Cash Flows

For the year ended 31 July 2021

	Notes	Group Year Ended 31 July 2021 £'000	Group Year Ended 31 July 2020 £'000
Operating activities			
Cash generated from operations	28(a)	**12,187**	9,700
Income tax paid		**(800)**	(893)
Net cash generated from operations		**11,387**	8,807
Investing activities			
Proceeds of sale of land (net of disposal costs) – Wolverhampton		**1,509**	–
Proceeds of sale of land (net of disposal costs) – Southampton		**1,676**	–
Purchase of property, plant and equipment	11(a)	**(26,474)**	(11,628)
Interest received		**1**	29
Net cash used in investing activities		**(23,288)**	(11,599)
Financing activities			
Proceeds of bank borrowings drawn for store development		**14,077**	8,351
Finance costs paid on bank refinancing		**–**	(113)
Finance costs paid		**(969)**	(1,074)
Lease liabilities paid		**(1,559)**	(1,467)
Equity shares purchased for treasury (net of costs)		**(693)**	–
Equity shares sold from treasury (net of costs)		**846**	–
Equity dividends paid		**(3,865)**	(3,572)
Proceeds from issuance of Ordinary Shares (net)		**103**	71
Net cash from financing activities		**7,940**	2,196
Net (decrease)/increase in cash and cash equivalents in the period		**(3,961)**	(596)
Cash and cash equivalents at beginning of the period		**13,066**	13,662
Cash and cash equivalents at end of the period		**9,105**	13,066

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

Accounting Policies

General Information

Lok'nStore Group plc is an AIM listed company incorporated and domiciled in England and Wales. The address of the registered office is One 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 2021 have been prepared in accordance with International Accounting Standards (IFRS) and International Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 2021.

The statutory accounts for the year ended 31 July 2021 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.

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 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.

- Amendments to References to the Conceptual Framework in IFRS Standards;
- 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);
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 Interest Rare Benchmark Reform – Phase 2.

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.

Going Concern

The Directors can report that, based on the Group's budgets and financial projections, which include the continued 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 Director's Review on page 17.

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 £9.1 million (2020: £13.1 million), undrawn committed bank facilities at 31 July 2021 of £9.6 million (2020: £23.7 million), and cash generated from operations in the year ended 31 July 2021 of £12.2 million (2020: £9.7 million).

Post balance sheet: In October 2021, the Group executed the accordion arrangement embedded within the Revolving Credit Facility which increases the facilities available to the Group to £100 million.

In addition, the Group also agreed a one-year extension on its existing joint banking facility with National Westminster Bank/Royal Bank of Scotland plc and ABN AMRO Bank NV. The facility which was due to expire in April 2025, will now run until April 2026 providing funding for more landmark site acquisitions to support the Group's ambitious growth plans.

The facility is a combined agreement with ABN AMRO Bank NV and The Royal Bank of Scotland plc/National Westminster Bank plc. 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 stores' 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.

Operating Profit

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

Taxation

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

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

Deferred tax is the tax 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 except for when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Retirement Benefits

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

Accounting Policies continued

Equity Settled 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, Plant and Equipment

Freehold 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.

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	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 2 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 £710,593 (2020: £466,418) 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.

Impairment of Property, Plant and Equipment

At each reporting date the Group reviews the carrying amounts of its property, and plant and equipment 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 or useful life.

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 12 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.

IFRS 16 – Leases continued

Leases – the Group as lessee continued

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.

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.

The impairment model under IFRS 9 requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses. 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.

The Company holds intercompany loan and receivables balances with the subsidiaries of the Group as disclosed in Note 14. 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 (Borrowing costs) 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 £380,193 (2020: £382,190) 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 historically 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 2021 or 31 July 2020.

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 ageing 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 14 are £1.45 million (2020: £0.75 million). As described in Note 14 the Group's exposure to credit risk is low and the Group's credit model is solid. The Directors have assessed the impact of future impairment losses recognised for trade receivables under IFRS 9 at 31 July 2021 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 14.

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 comprise 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.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

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.

Dividends

Dividends are recognised when declared during the financial year.

Critical Accounting Estimates a) and b) and Judgements c) and d)

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

a) Estimate of fair value of trading properties

The Group 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 fees and operating costs, maintenance requirements, capitalisation rates and Discount Rates.

A more detailed explanation of the background and methodology adopted in the valuation of the Group's trading properties is set out in Note 11(a). The carrying value of land and buildings held at valuation at the reporting date was £199.6 million (2020: £141.4 million) as shown in the table in Note 11(a).

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 lettable storage space that it can achieve in its planning negotiations, together with the time it will take to achieve maturity. 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 £33.7 million (2020: £29.9 million). Please see Note 11(a) for more details.

Critical Accounting Estimates a) and b) and Judgements c) and d) continued

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.

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 24 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 26 owned stores mainly in southern England, although in recent years we have expanded our historically southern England focused geographic footprint into the South West (Exeter), Wales (Cardiff) and the North West (Salford, Warrington and Altrincham). Of the 26 stores, Lok'nStore owns the freehold interest in 17 stores, 9 of the stores are held under commercial leases. There are a further 11 managed stores operating under management contracts for third-party owners making a total of 37 stores trading under the Lok'nStore brand.

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 2021 (net deferred of tax) of £29.5 million (2020: £5.2 million) in Other Comprehensive Income rather than the profit and loss.

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 a similar asset, adjusted for the term of the lease.

Notes to the Financial Statements

For the year ended 31 July 2021

1 The Group's Property Leases

IFRS 16 was adopted in the year ended 31 July 2020 using the full retrospective method. The Group accounts for the value of its property leases on the balance sheet by the recognition of a right of use asset (the right to use the leased item) and a corresponding financial liability to pay rentals due under the property lease term. This treatment relates to the Group's property leases. The Group has no leases on any other types of assets.

IFRS 16 recognises a right of use assets (ROU) of £10.50 million at 31 July 2021 (31 July 2020: £11.76 million) and total lease liabilities of £11.17 million, (31 July 2020: £12.46 million) with depreciation charges of £1.26 million (31 July 2020: £1.25 million) and lease interest charges of £0.30 million (31 July 2020: £0.30 million).

Detailed analysis is provided in the tables below:

	Group 31 July 2021 £'000	Group 31 July 2020 £'000
Total rents payable under property leases	**1,559**	1,467

Statement of Financial Position (extract)

	Group 31 July 2021 £'000	Group 31 July 2020 £'000
Right of use asset (ROU)	**10,503**	11,764
Current Lease Liability		
Amounts due within one year	**1,258**	1,298
Non-current Lease Liability		
Amounts due in one to two years	**1,085**	1,327
Amounts due in three to five years	**2,585**	2,881
Amounts due in more than five years	**6,238**	6,950
Non-current Lease Liability	**9,908**	11,158
Total lease liability	**11,166**	12,456

Statement of Comprehensive Income (extract)

	Group 31 July 2021 £'000	Group 31 July 2020 £'000
Property lease expense	**1,559**	1,467
Depreciation of right of use asset (ROU)	**(1,261)**	(1,254)
Interest charged on lease liability	**(270)**	(296)
Impact on Comprehensive Income	**28**	(83)

1 The Group's Property Leases continued

Comparative Analysis of the effect within the Statement of Comprehensive Income prior to IFRS 16

	Group 31 July 2021 £'000	Group 31 July 2020 £'000
Increase in EBITDA	**1,559**	1,467
Increase/(decrease) in operating profit	**298**	213
Increase/decrease in profit before tax	**28**	(83)

The Group has applied a single Discount Rate equivalent to its effective cost of debt. For more detailed information on the Group's commitments under property leases refer to Note 29 (Commitments under property leases).

2 Revenue

Analysis of the Group's revenue is shown below:

Stores trading

Stores trading	Group 2021 £'000	Group 2020 £'000
Self-storage revenue	**18,165**	15,126
Insurance revenue	**2,079**	1,663
Retail sales	**285**	201
Total self-storage revenue – owned stores	**20,529**	16,990
Ancillary store revenue	**–**	4
Management fees – managed stores	**1,346**	991
Sub-total	**21,875**	17,985
Non-storage income	**17**	56
Total revenue per statement of comprehensive income	**21,892**	18,041

The Group has one operating segment, being self-storage in the UK.

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

	Group 2021 £'000	Group 2020 £'000
Property and premises costs	**4,783**	4,392
Property leases capitalised	**(1,559)**	(1,467)
Net property and premises costs	**3,224**	2,925
Staff costs	**5,269**	4,196
General overheads	**1,341**	1,139
Sub-total operating costs	**9,834**	8,260
Retail products cost of sales (see Note 3(b))	**167**	127
	10,001	8,387

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 2021 £'000	Group 2020 £'000
Retail	**125**	98
Insurance	**14**	13
Other	**28**	16
	167	127

3(c) Other Income and Costs

	Group 2021 £'000	Group 2020 £'000
Profit on sale of land at Wolverhampton[1]	**(265)**	–
Loss on sale of vacant property at Southampton[2]	**(425)**	–
	160	–

1 Profit on sale of land at Wolverhampton: During the period development land with the benefit of planning permission was sold on a sale and manage-back.

2 In December 2020, we completed the sale of our vacant property in Southampton, Hampshire for £1.6 million (net of disposal costs) (Net Book Value c. £2 million) eliminating over £150,000 p.a. of residual costs.

4 Finance Income

	Group 2021 £'000	Group 2020 £'000
Bank interest	**1**	29

Interest receivable arises on cash and cash equivalents (see Note 16).

5 Finance Costs

	Group 2021 £'000	Group 2020 £'000
Bank interest	**469**	510
Non-utilisation fees	**120**	183
Bank loan arrangement fees	**158**	137
Interest on lease liabilities	**270**	296
	1,017	1,126

6 Profit Before Taxation

	Group 2021 £'000	Group 2020 £'000
Profit before taxation is stated after charging:		
Depreciation and amounts written off property, plant and equipment:		
Depreciation based on historic cost	**2,178**	2,058
Depreciation based on revalued assets	**710**	467
Depreciation of right of use assets (Note 1)	**1,261**	1,254
	4,149	3,779

Amounts payable to RSM UK Audit LLP and their associates for audit and non-audit services:

	Group 2021 £'000	Group 2020 £'000
Audit services		
– UK statutory audit of the Company and consolidated accounts	**80**	68
Other services		
– interim agreed upon procedures	**9**	9
Tax services		
– compliance services	**–**	23
– advisory services	**–**	9
	89	109
Comprising:		
Audit services	**80**	68
Non-audit services	**9**	41
	89	109

7 Employees

	Group 2021 No.	Group 2020 No.
The average monthly number of persons (including Directors) employed by the Group during the year was:		
Store management	**145**	142
Administration	**26**	25
	171	167

	Group 2021 £'000	Group 2020 £'000
Costs for the above persons:		
Wages and salaries	**4,369**	3,580
Social security costs	**555**	440
Pension costs	**130**	114
	5,054	4,134
Share-based remuneration (options)	**118**	88
	5,172	4,222

Share-based remuneration is separately disclosed in the statement of comprehensive income. Wages and salaries of £107,304 (2020: £91,815) 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 £14,292 (2020: £15,183) outstanding at the year-end. There were no employees employed by Lok'nStore Group plc in the year other than the Directors (2020: nil).

Notes to the Financial Statements continued

For the year ended 31 July 2021

7 Employees continued

Directors' Remuneration

Directors' Remuneration 2021	Emoluments £	Bonuses £	Benefits £	Sub Total £	Pension £	Gains on Share Options £	Total £
Executive:							
A Jacobs	215,233	132,500	6,568	354,301	–	–	**354,301**
RA Davies	165,797	45,946	5,434	217,177	6,631	–	**223,808**
N Newman-Shepherd	91,210	179,545	2,571	273,326	3,648	–	**276,974**
Non-Executive:							
SG Thomas	22,743	–	5,087	27,830	–	14,436	**42,266**
RJ Holmes	22,743	–	–	22,743	–	–	**22,743**
ETD Luker	28,430	–	–	28,430	–	–	**28,430**
CP Peal	22,743	–	–	22,743	–	–	**22,743**
J Woyda	20,848	–	–	20,848	–	–	**20,848**
	589,747	**357,991**	**19,660**	**967,398**	**10,279**	**14,436**	**992,113**

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

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 (2020: two).

8 Taxation

	Group 2021 £'000	Group 2020 £'000
Current tax:		
UK corporation tax	**798**	920
Deferred tax:		
Origination and reversal of temporary differences	**260**	730
Impact of change of rate on closing balance	**2,107**	66
Total deferred tax	**2,367**	796
Income tax expense for the year	**3,165**	1,716

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

	2021 £'000	2020 £'000
Profit before tax	**6,448**	4,690
Tax on ordinary activities at the effective standard rate of corporation tax in the UK of 19% (2020: 19%)	**1,225**	931
Depreciation of non-qualifying assets	**263**	229
Share-based payment charges in excess of corresponding tax deduction	**(20)**	17
Impact of change in tax rate on closing deferred tax balances	**2,107**	806
Adjustments in respect of prior periods – deferred tax	**–**	66
Adjustments in respect of prior periods – corporation tax	**(375)**	–
Impact of change in tax rate on timing differences	**–**	(157)
Write-back of over provision	**–**	(153)
Other	**(35)**	(23)
Income tax expense for the year	**3,165**	1,716
Effective tax rate	**49%**	36%

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 £18.2 million (2020: £3.6 million) has been recognised as a debit/credit directly in other comprehensive income (see Note 19 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 19% is now calculated at the substantively enacted corporation tax rate and has increased to 25%.

9 Dividends

	2021 £'000	2020 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 July 2019 (8.33 pence per share)	–	2,413
Interim dividend for the year to 31 July 2020 (4.00 pence per share)	–	1,159
Final dividend for the year ended 31 July 2020 (9.00 pence per share)	**2,612**	–
Interim dividend for the year to 31 July 2021 (4.33 pence per share)	**1,253**	–
	3,865	3,572

In respect of the current year the Directors paid an interim dividend of 4.33 pence per share to shareholders on 11 June 2021. The Directors propose that a final dividend of 10.67 pence per share will be paid to the shareholders. The total estimated final dividend to be paid is approximately £3.1 million based on the number of shares in issue at 15 October 2021 as adjusted for shares held in the Employee Benefits Trust.

This is subject to approval by shareholders at the Annual General Meeting on 9 December 2021 and has not been included as a liability in these financial statements. The ex-dividend date will be 25 November 2021; the record date 26 November 2021; with an intended payment date of 7 January 2022. The final deadline for Dividend Reinvestment Election (DRIP) is 10 December 2021.

10 Earnings per Share

	Group 2021 £'000	Group 2020 £'000
Total profit for the financial year attributable to owners of the Parent	**3,283**	2,974

	2021 No. of Shares	2020 No. of Shares
Weighted average number of shares		
For basic earnings per share	**29,035,104**	28,976,967
Dilutive effect of share options[1]	**527,846**	517,257
For diluted earnings per share	**29,562,950**	29,494,224

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 21 to 25.

Earnings per share	Group 2021 Pence	Group 2020 Pence
Basic		
Total basic earnings per share	**11.33p**	10.26p
Diluted		
Total diluted earnings per share	**11.10p**	10.08p

11(a) Property, Plant and Equipment

Group	Development Property Assets at Cost £'000	Land and Buildings at Valuation £'000	Short Leasehold Improvements at Cost £'000	Fixtures, Fittings and Equipment at Cost £'000	Motor Vehicles at Cost £'000	Total £'000
Cost or valuation						
1 August 2019	**18,442**	**133,531**	**3,968**	**26,554**	**30**	**182,525**
Additions	11,443	149	29	389	–	12,010
Disposals	–	–	–	–	(20)	(20)
Revaluations	–	7,686	–	–	–	7,686
31 July 2020	**29,885**	**141,366**	**3,997**	**26,943**	**10**	**202,201**
Depreciation						
1 August 2019	–	–	2,078	11,497	14	13,587
Depreciation	–	1,164	191	1,167	2	2,524
Disposals	–	–	–	–	(4)	(4)
Revaluations	–	(1,164)	–	–	–	(1,164)
31 July 2020	**–**	**–**	**2,269**	**12,664**	**10**	**14,943**
Net book value at 31 July 2020	**29,885**	**141,366**	**1,728**	**14,279**	**–**	**187,258**
Cost or valuation						
1 August 2020	**29,885**	**141,366**	**3,997**	**26,943**	**10**	**202,201**
Additions	21,688	325	3,560	1,281	–	26,854*
Transfers	(16,654)	13,157	–	3,497	–	–
Disposals	(1,243)	(1,497)	–	(1,301)	–	(4,041)
Revaluations	–	46,266	–	–	–	46,266
31 July 2021	**33,676**	**199,617**	**7,557**	**30,420**	**10**	**271,280**
Depreciation						
1 August 2020	**–**	**–**	**2,269**	**12,664**	**10**	**14,943**
Depreciation	–	1,453	240	1,195	–	2,888
Disposals	–	–	–	(750)	–	(750)
Revaluations	–	(1,453)	–	–	–	(1,453)
31 July 2021	**–**	**–**	**2,509**	**13,109**	**10**	**15,628**
Net book value at 31 July 2021	**33,676**	**199,617**	**5,048**	**17,311**	**–**	**255,652**

* Including capitalised interest costs of £380,193.

The Group has an active store development programme and in accordance with IAS 23 (Borrowing costs) has material assets that take a substantial period of time to develop from acquisition to ultimate store opening. Accordingly borrowing costs of £380,193 (2020: £382,190) 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 £113.0 million (2020: £91.6 million).

11(a) Property, Plant and Equipment continued

Capital expenditure during the year totalled £26.9 million (2020: £12.0 million). This was primarily the purchase of the Chichester store for £4.0 million, the acquisition of development sites in Barking and Altrincham, ongoing construction works at our Warrington and Stevenage stores, the exchange of contracts on our Peterborough site, and the completion of construction works at our Leicester and Salford stores. Costs relating to the planning and pre-development works on our Bournemouth, Bedford, Cheshunt, Peterborough Kettering and Staines sites also featured.

Property, plant and equipment (non-current assets) with a carrying value of £255.7 million (2020: £187.3 million) are pledged as security for bank loans.

Independent External Market Valuation of Freehold and Leasehold Land and Buildings

Fair Value Measurement

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

On 31 July 2021 an independent professional valuation was prepared by Jones Lang LaSalle Limited (JLL) in respect of 17 freehold, and 9 leasehold stores operated by Lok'nStore. The valuation was prepared in accordance with the RICS Valuation – Global Standards 2020 – UK national supplement, 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 sixth 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 £234.9 million (2020: £168.4 million) of which £212.8 million (2020: £151.7 million) relates to freehold properties, and £22.1 million (2020: £16.7 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 £212.8 million (2020: £151.7 million) valuation of the freehold properties £14.7 million (2020: £12.3 million) relates to the net book value of fixtures, fittings and equipment, and the remaining £198.1 million (2020: £139.4 million) relates to freehold properties.

The 2021 valuation includes and reflects movements in value which have resulted from the operational performance of the stores and market movements in the investment environment.

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 contract units to new customers. In the valuation the assumed stabilised occupancy level for the 26 trading stores (both freeholds and leaseholds) averages 88.5% (2020: 84.9%).

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 ten 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 9.24% (2020: 8.70%).
- The Discount Rates used in the freehold valuation ranges from 7.5% to 9.25% (2020: 7.75% to 9.5%).
- The yield arising from the first year of the projected cash flow is 6.49% (2020: 6.08%), rising to 7.61% (2020: 8.13%) in year five.
- JLL have assumed purchasers' costs of 6.8% (2020: 6.8%).
- The average assumed stabilised occupancy is 88.85% (2020: 84.9%).
- The average Exit Yield assumed is 6.73% (2020: 7.13%).

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.

The Group has reported that the Lok'nStore trading stores have performed very well in terms of increasing occupancy over the course of the year which has driven the stabilised occupancy assumed by JLL 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 11 years and 1 month as at 31 July 2021 (9 years and 7 months: 31 July 2020). 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 ten years is exercised. This is consistent with the approach taken in previous years.

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11(a) Property, plant and equipment continued

Directors' Valuation of Land and Property

1) **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. In December 2020 the site was sold for £1.69 million £0.4 million below its historic book value and £0.2 million below its Director Valuation but eliminating £150,000 of annualised residual costs.

2) **Land and buildings at the rear of the new Salford trading store:** Following the opening of the new Salford store there is available land and building at the rear of the new store which is suitable for rent on commercial terms to third party users. Based on negotiated rents with third parties the Directors have placed a Directors' Valuation of £1.5 million on this land and building.

The total value of land and property carried at Director Valuation at 31 July 2021 is £1.5 million (2020: £2 million).

11(b) Right of use assets (ROU)

Group Property Leases

	Group 31 July 2021 £'000	Group 31 July 2020 £'000
Right of use asset (ROU) – opening balance	**11,764**	13,018
Depreciation of right of use asset (ROU)	**(1,261)**	(1,254)
Right of use asset (ROU) – closing balance	**10,503**	11,764

The Group has no leases on any other types of assets. The Present Value of all future operating lease payments is calculated using 2.2% as an incremental borrowing rate as the single Discount Rate.

The right of use assets are depreciated on a depreciation charge based on the individual lease term of the separate leases.

12 Investments

Company investments in subsidiary undertakings	£'000
31 July 2019	**2,464**
Capital contributions arising from share-based payments	88
31 July 2020	**2,552**
Capital contributions arising from share-based payments	118
31 July 2021	**2,670**

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

Company Name	Company Registration No.	% of Shares and Voting Rights Held			
		Class of Shareholding	Directly	Indirectly	Nature of Entity
Lok'nStore Limited* #	02902717	Ordinary	100	–	Self-storage
Lok'nStore Trustee Limited¥ †	03788705	Ordinary	–	100	Trustee
Southern Engineering and Machinery Company Limited¥ #	00381670	Ordinary	–	100	Self-storage
Semco Machine Tools Limited≠ #	01025573	Ordinary	–	100	Dormant
Semco Engineering Limited≠ #	01164294	Ordinary	–	100	Dormant
ParknCruise Limited¥ †	10329934	Ordinary	–	100	Dormant
The Box Room (Self-storage) Limited¥ †	06840417	Ordinary	–	100	Self-storage

¥ These companies are subsidiaries of Lok'nStore Limited.

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

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

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

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

13 Inventories

	Group 2021 £'000	Group 2020 £'000
Consumables and goods for resale	**290**	270

The amount of inventories recognised in cost of sales as an expense during the year was £124,656 (2020: £97,966). (See Note 3(b)).

14 Trade and Other Receivables

	Group 2021 £'000	Group 2020 £'000
Trade receivables	**1,451**	746
Other receivables	**881**	2,451
Taxation	**1,497**	–
Prepayments and accrued income	**444**	431
	4,273	3,628

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

Other receivables include monies receivable from the managed stores for services provided by the Group. The taxation debtor of £1,497 million is a VAT repayment owed to the Group by HMRC which was received post year-end.

14 Trade and Other Receivables continued

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

	Company 2021 £'000	Company 2020 £'000
Net amount due from Lok'nStore Limited	**27,051**	25,867

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 ten 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 Group 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 £89,329 (2020: £110,668) 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 55 days past due (2020: 54 days past due). The Group does not expect credit losses on intra-group balances.

Ageing of past due but not impaired receivables

	Group 2021 £'000	Group 2020 £'000
0–30 days	**14**	16
30–60 days	**4**	16
60+ days	**71**	79
Total	**89**	111

Movement in the allowance for credit losses

	Group 2021 £'000	Group 2020 £'000
Balance at the beginning of the year	**189**	191
Impairment losses recognised	**22**	20
Amounts written off as uncollectible	**(64)**	(22)
Balance at the end of the year	**147**	189

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 2021 £'000	Group 2020 £'000
0–30 days	**–**	–
30–60 days	**–**	–
60+ days	**147**	189
Total	**147**	189

15 Trade and Other Payables

	Group 2021 £'000	Group 2020 £'000
Trade payables	**1,385**	1,275
Taxation and social security costs	**370**	137
Other payables	**690**	777
Accruals and deferred income	**3,397**	2,487
	5,842	4,676

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

16 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 17, 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:

Gearing – Bank borrowings	Group 2021 £'000	Group 2020 £'000
Gross debt – bank borrowings *	**(65,399)**	(51,322)
Cash and cash equivalents	**9,105**	13,066
Net debt	**(56,294)**	(38,255)
Total equity – balance sheet	**151,259**	121,382
Net debt to equity ratio	**37.2%**	31.5%

16 Financial instruments continued

Capital management and gearing continued

Total Gearing – Bank borrowings and lease liabilities	Group 2021 £'000	Group 2020 £'000
Gross debt – bank borrowings *	**(65,399)**	(51,322)
Gross debt – lease liabilities	**(11,166)**	(12,455)
Cash and cash equivalents	**9,105**	13,066
Net debt	**(67,460)**	(50,711)
Total equity – balance sheet	**151,259**	121,382
Net debt to equity ratio	**44.6%**	41.8%

* Gross debt is the total amount of bank debt drawn before any amortisation of bank arrangement fees.

The movement of 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, offset primarily by drawdown of debt to fund the acquisition of development sites in Warrington, Barking and Altrincham. The Group's operating cash was also applied to ongoing construction works at our Warrington and Stevenage stores, the exchange of contracts on our Peterborough site, and the completion of construction works at our Leicester, and Salford stores. Costs relating to the planning and pre-development works on our Bournemouth, Bedford, Cheshunt, Peterborough, Kettering and Staines 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 2020 or 31 July 2021. 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 17. 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/NatWest Bank plc and ABN AMRO Bank secured on its store portfolio and other Group assets, excluding intangibles, with a net book value of £255.7 million (2020: £187.3 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 (2020: £75 million). This facility provides for an accordion of £25 million which although uncommitted at the year-end can take the facility to £100 million and runs to 2025 with an option of a one-year extension. After the year-end on 20 October 2021, the Group executed the accordion and the one-year extension and details are provided in Note 17 (Borrowings).

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 17. 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. All amounts are denominated in Sterling. The balances at 31 July 2021 are as follows:

	Group 2021 £'000	Group 2019 £'000
Variable rate treasury deposits#	**7,604**	11,608
SIP trustee deposits	**63**	63
Cash in operating current accounts	**1,430**	1,385
Other cash and cash equivalents	**8**	10
Total cash and cash equivalents	**9,105**	13,066

\# Money market rates for the Group's variable rate treasury deposit track National Westminster Bank plc base rate.

The rate attributable to the variable rate deposits at 31 July 2021 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 2021, it is estimated that an increase of one percentage point in interest rates would have reduced the Group's annual profit before tax by £653,989 (2020: £513,222) and conversely a decrease of one percentage point in interest rates would have increased the Group's annual profit before tax by £653,989 (2020: £513,222). 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 1.54% and applying to the variable rate borrowings of £65.4 million in the year (2020: £51.3 million/1.69%).

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 14. There has not been a significant change in credit quality.

The Group has a strong 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 16,000 customers (2020: 12,500) and with no individual self-storage customer accounting for more than 1% of total revenue and no entities under common control (e.g. Government) accounting for more than 5% 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.

16 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 2021 was £1.48 million (2020: £2.40 million) on receivables and £9.1 million (2020: £13.1 million) on cash and cash equivalents.

H Maturity analysis of financial liabilities

The undiscounted contractual cash flow maturities are as follows:

2021 – Group	Trade and Other Payables £'000	Borrowings £'000	Interest on Borrowings £'000
Over five years	–	–	–
From two to five years	–	65,399	2,248
From one to two years	–	–	1,010
Due after more than one year	–	65,399	3,258
Due within one year	2,856	–	1,010
Total contractual undiscounted cash flows	2,856	65,399	4,268

2020 – Group	Trade and Other Payables £'000	Borrowings £'000	Interest on Borrowings £'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
Total contractual undiscounted cash flows	2,585	51,322	4,094

Lease liabilities are separately disclosed in Note 29.

I Fair values of financial instruments

	Group 2021 £'000	Group 2020 £'000
Categories of financial assets and financial liabilities		
Financial assets measured at amortised cost		
Trade and other receivables [1]	2,824	3,971
Cash and cash equivalents	9,105	13,066
Financial liabilities measured at amortised cost		
Trade and other payables	(2,856)	(2,585)
Lease liabilities	(11,166)	(12,456)
Bank loans	(64,941)	(50,705)

1 Includes £509,277 relating to fees receivable in July 2022 (2020: £361,460) from the Aldershot managed store now classified as a current asset (measured at fair value) (2020: classified as a non-current asset).

The fair values of the Group's cash and short-term deposits and those of other financial assets equate to their carrying amounts.

The amounts are presented net of provisions for doubtful receivables and allowances for impairment are made where appropriate.

J Company's financial instruments

The Company's financial assets are amounts owed by subsidiary undertakings amounting to £27.1 million (2020: £25.9 million) which are classified as loans and receivables, and the investment in its subsidiary undertaking of £2.67 million (2020: £2.55 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.

17 Borrowings

Bank borrowings	Group 2021 £'000	Group 2020 £'000
Non-current		
Bank loans repayable in more than two years but not more than five years		
Gross	65,399	51,322
Deferred financing costs	(458)	(617)
Net bank borrowings	64,941	50,705
Non-current borrowings	64,941	50,705

Post Balance Sheet:

- £25 million accordion executed and increases bank facility from £75 million to £100 million
- Bank facility extended by one year to April 2026
- Migration from LIBOR to an alternative risk-free reference rate (SONIA)

On 20 October 2021, the Group executed the accordion arrangement embedded within the Revolving Credit Facility which increases the facilities available to the Group from £75 million to £100 million.

In addition, the Group has also agreed a one-year extension on its existing joint banking facility with National Westminster Bank/Royal Bank of Scotland plc and ABN AMRO Bank N V. The facility which was due to expire in April 2025, will now run until April 2026 providing funding for more landmark site acquisitions.

The two principal bank covenants (LTV and Senior interest) and margin are unaffected by the execution of the accordion and this extension of term. Margin/pricing is also unaffected.

Amendments to the Facility Agreement dealing with the transition from LIBOR to SONIA (Sterling Over Night Indexed Average) have also been made, fulfilling UK regulator's requirements ahead of LIBOR's phasing out after 31 December 2021.

The Group currently has £65.4 million drawn against its facility which is secured with RBS and ABN AMRO 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 £255.7 million (2020 £187.8 million) together with cross-company guarantees from Group companies.

With current facility utilisation at £65.4 million and combined with cash balances the £100 million facility provides over £43 million of available headroom.

18 Lease Liabilities

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 incremental borrowing rate 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 are shown below.

Lease liabilities attributable to right of use assets	Group 2021 £'000	Group 2020 £'000
Current lease liabilities		
Amounts due within one year	**1,258**	1,298
Non-current lease liabilities		
Amounts due in one to two years	**1,085**	1,326
Amounts due in three to five years	**2,585**	2,881
Amounts due in more than five years	**6,238**	6,950
Non-current lease liabilities	**9,908**	11,157
Total lease liabilities	**11,166**	12,455

Lease liabilities attributable to right of use assets	Group 2021 £'000	Group 2020 £'000
Balance brought forward	**12,455**	13,626
Lease repayments	**(1,559)**	(1,467)
Lease interest (non-cash)	**270**	296
Total lease liabilities	**11,166**	12,455

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 29 (Commitments under property leases).

19 Deferred Tax

Deferred tax liability	Group 2021 £'000	Group 2020 £'000
Liability at start of year	**26,760**	22,385
Total charge to income for the year	**2,367**	796
	29,127	23,181
Tax charged directly to other comprehensive income	**18,224**	3,602
(Credit) to share-based payment reserve	**(591)**	(23)
Liability at end of year	**46,760**	26,760

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

	Accelerated Capital Allowances £'000	Other Temporary Differences £'000	Revaluation of Properties £'000	Rolled over Gain on Disposal £'000	Share Options £'000	Total £'000
At 31 July 2019	**3,215**	**369**	**16,337**	**2,704**	**(240)**	**22,385**
Charge/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)
At 31 July 2020	**3,649**	**479**	**19,939**	**2,956**	**(263)**	**26,760**
Charge to income for the year	1,479	130	–	758	–	2,367
Charge to other comprehensive income	–	–	18,224	–	–	18,224
Charge to share-based payment reserve	–	–	–	–	(591)	(591)
At 31 July 2021	**5,128**	**609**	**38,163**	**3,714**	**(854)**	**46,760**

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 last year was calculated at forward corporation tax rates of 19% and is now calculated at the substantively enacted corporation tax rate of 25%.

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 £46.8 million (2020: £26.8 million), the crystallisation of which is within the Board's control.

20 Share Capital

Authorised:	2021 £'000	2020 £'000
35,000,000 Ordinary Shares of 1 pence each (2019: 35,000,000)	**350**	350
Allotted, issued and fully paid Ordinary Shares	**£'000**	£'000
Balance at start of year	**297**	296
Options exercised during the year 53,497 (2020: 85,171)	**1**	1
Balance at end of year	**298**	297

	Called up, Allotted and Fully Paid Number	Called up, Allotted and Fully Paid Number
Number of shares at start of the year	**29,633,290**	29,583,786
Options exercised during the year	**53,497**	49,504
Number of shares at end of the year	**29,686,787**	29,633,290

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

21 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 granted the following share options:

2021 Summary	As at 31 July 2020 No. of Options	Granted	Exercised	Lapsed/ Surrendered	As at 31 July 2021 No. of Options
Unapproved Share Options (refer Note 23(a))	715,104	8,608	(39,762)	–	**683,950**
Unapproved Share Options (PPP Scheme) – refer Note 23(b))	830,000	280,000	–	(120,000)	**990,000**
Approved CSOP Share Options (refer Note 24)	97,935	2,276	(13,735)	–	**86,476**
Total	1,643,039	290,884	(53,497)	(120,000)	**1,760,426**

2020 Summary	As at 31 July 2019 No. of Options	Granted	Exercised	Lapsed/ Surrendered	As at 31 July 2020 No. of Options
Unapproved Share Options (refer Note 23(a))	750,851	8,945	(44,692)	–	**715,104**
Unapproved Share Options (PPP Scheme) – refer Note 23(b))	540,000	290,000	–	–	**830,000**
Approved CSOP Share Options (refer Note 24)	94,939	11,079	(4,812)	(3,271)	**97,935**
Total	1,385,790	310,024	(49,504)	(3,271)	**1,643,039**

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

	Total at 31 July 2020	Options Granted	Options Exercised/ lapsed	Unapproved Scheme	Approved CSOP Share Options	Total at 31 July 2021
2021						
Executive Directors						
A Jacobs – Unapproved	206,087	–	–	206,087	–	**206,087**
A Jacobs – PPP	120,000	40,000	–	160,000	–	**160,000**
A Jacobs – total	326,087	40,000	–	366,087	–	**366,087**
RA Davies – Unapproved	246,977	–	–	246,977	–	**246,977**
RA Davies – CSOP	7,742	–	–	–	7,742	**7,742**
RA Davies – PPP	120,000	40,000	–	160,000	–	**160,000**
RA Davies – total	374,719	40,000	–	406,977	7,742	**414,719**
N Newman-Shepherd – Unapproved	135,599	–	–	135,599	–	**135,599**
N Newman-Shepherd – CSOP	8,618	–	–	–	8,618	**8,618**
N Newman-Shepherd – PPP	180,000	60,000	–	240,000	–	**240,000**
N Newman-Shepherd – total	324,217	60,000	–	375,599	8,618	**384,217**
Non-Executive Directors						
SG Thomas – Unapproved	5,217	–	(5,217)	–	–	**–**
All Directors – total	**1,030,240**	**140,000**	**(5,217)**	**1,148,663**	**16,360**	**1,165,023**

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

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 24) and the Unapproved Share Options scheme (Note 23(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 23(b).

Under the CSOP Approved Share Option scheme (Note 24) and the Unapproved Share Options scheme (Note 23(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 (ten 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 23(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 2021, the expected term is assumed to be 11.76 years, which is halfway between vesting and lapse. 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. 11.76 years).

The total charge for the year relating to employer share-based payment schemes was £117,586 (2020: £87,990), all of which relates to equity-settled share-based payment transactions.

22 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.

23(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 2021 Number	Weighted Average Exercise Price 2021 Pence	Options 2020 Number	Weighted Average Exercise Price 2020 Pence
Outstanding at 1 August	**715,104**	**179.08**	750,851	178.76
Granted during the year	**8,608**	**735.00**	8,945	570.00
Exercised during the year	**(39,762)**	**143.29**	(44,692)	130.22
Outstanding at 31 July	**683,950**	**188.16**	715,104	179.08
Exercisable at 31 July	**663,093**	**174.22**	698,514	171.04

The options outstanding at 31 July 2021 had a weighted average remaining contractual life of 5.8 years (2020: 6.7 years). The exercise prices for shares exercisable at 31 July 2021 ranged from 56.5 pence per share to 402.50 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 31 July 2020	Granted	Exercised/ Lapsed	As at 31 July 2021	Exercise Price (Pence)	Date from which Exercisable	Expiry Date
A Jacobs	**206,087**	–	–	**206,087**	1.085 – 2.855	31/7/15 – 6/8/18	31/7/22 – 6/8/25
S Thomas	**5,217**	–	(5,217)	**–**	2.070 – 2.855	31/7/17 – 6/8/18	31/1/24 – 6/8/25
R Davies	**246,977**	–	–	**246,977**	0.850 – 2.135	31/7/10 – 31/7/17	31/7/17 – 31/7/27
N Newman-Shepherd	**135,599**	–	–	**135,599**	1.360 – 3.875	31/7/16 – 31/7/20	31/7/18 – 31/7/27
Total	**593,880**	**–**	**(5,217)**	**588,633**			

23(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 £6 per share, well above the market price at inception 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 2018 to July 2022.
- Participants will have ten 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 or exercise and sell – paying tax arising
  - Group delivers net profit to participants in cash or shares

Main Rules and Conditions

- Conditional on participants remaining in employment with the Group.
- 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 2020	**830,000**	600.00
Granted during the year	**280,000**	600.00
Lapsed during the year	**(120,000)**	600.00
Outstanding at 31 July 2021	**990,000**	**600.00**
Exercisable at 31 July 2021	**–**	–

23(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 31 July 2020	Granted	As at 31 July 2021	Exercise Price Pence	Date from which Exercisable	Expiry Date	Performance Conditions Met
A Jacobs	40,000	–	**40,000**	600.00	31/07/2023	31/07/2033	Yes
A Jacobs	40,000	–	**40,000**	600.00	31/07/2024	31/07/2034	Yes
A Jacobs	40,000	–	**40,000**	600.00	31/07/2025	31/07/2035	
A Jacobs	–	40,000	**40,000**	600.00	31/07/2026	31/07/2036	
A Jacobs – Total	120,000	40,000	**160,000**				
R Davies	40,000	–	**40,000**	600.00	31/07/2023	31/07/2033	Yes
R Davies	40,000	–	**40,000**	600.00	31/07/2024	31/07/2034	Yes
R Davies	40,000	–	**40,000**	600.00	31/07/2025	31/07/2035	
R Davies	–	40,000	**40,000**	600.00	31/07/2026	31/07/2036	
R Davies – Total	120,000	40,000	**160,000**				
N Newman–Shepherd	60,000	–	**60,000**	600.00	31/07/2023	31/07/2033	Yes
N Newman–Shepherd	60,000	–	**60,000**	600.00	31/07/2024	31/07/2034	Yes
N Newman–Shepherd	60,000	–	**60,000**	600.00	31/07/2025	31/07/2035	
N Newman–Shepherd	–	60,000	**60,000**	600.00	31/07/2026	31/07/2036	
N Newman–Shepherd – Total	180,000	60,000	**240,000**				

24 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 2021 Number	Weighted Average Exercise Price 2021 Pence	Options 2020 Number	Weighted Average Exercise Price 2020 Pence
Outstanding at 1 August	**97,935**	**376.83**	94,939	261.68
Granted during the year	**2,276**	**735.00**	11,079	570.00
Forfeited/surrendered during the year	**–**	**–**	(3,271)	489.17
Exercised during the year	**(13,735)**	**327.59**	(4,812)	264.51
Outstanding at 31 July	**86,476**	**372.48**	97,935	376.83
Exercisable at 31 July	**59,725**	**315.37**	55,942	294.58

The options outstanding at 31 July 2021 had a weighted average remaining contractual life of 8.8 years (2020: 9.9 years). The exercise prices for shares exercisable at 31 July 2021 ranged from 207.0 pence per share to 402.5 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 2020	9.90	570.00	570.00	33.52	2.16	0.00	141.00
31 July 2021	**8.80**	**735.00**	**735.00**	**34.05**	**1.81**	**0.38**	**199.00**

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

	As at 31 July 2020	Granted	Exercised/ Lapsed	As at 31 July 2021	Exercise Price Pence	Date from which Exercisable	Expiry Date
R Davies	7,742	–	–	**7,742**	3.875	31/7/20	31/7/27
N Newman-Shepherd	8,618	–	–	**8,618**	1.360 – 3.875	31/7/14 – 31/7/20	31/7/21 –31/7/27
	16,360	–	–	**16,360**			

25(a) Other Reserves

Group	Merger Reserve £'000	Other Reserve £'000	Capital Redemption Reserve £'000	Share-based Payment Reserve £'000	Total £'000
31 July 2019	**6,295**	**1,294**	**34**	**734**	**8,357**
Share-based remuneration (options)	–	–	–	88	88
IFRS 2 – transfer retained earnings	–	–	–	(14)	(14)
Tax charge relating to share options	–	–	–	24	24
31 July 2020	**6,295**	**1,294**	**34**	**832**	**8,455**
Share-based remuneration (options)	–	–	–	118	118
IFRS 2 – transfer retained earnings	–	–	–	(26)	(26)
Tax charge relating to share options	–	–	–	591	591
31 July 2021	**6,295**	**1,294**	**34**	**1,515**	**9,138**

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. The revaluation reserves is a non-cash non-distributable reserve that reflects the uplift between market (fair) value of the Group's store assets and their historic book value.

Share-based payment reserve

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 £26,419 (2020: £13,760).

25(b) Other Reserves

Company	Other Reserve £'000	Share-based Payment Reserve £'000	Total £'000
31 July 2019	**1,114**	**724**	**1,838**
Share-based remuneration (options)	–	88	88
IFRS 2 – transfer to/from retained earnings	–	(14)	(14)
31 July 2020	**1,114**	**798**	**1,912**
Share-based remuneration (options)	–	118	118
IFRS 2 – transfer to/from retained earnings	–	(26)	(26)
31 July 2021	**1,114**	**890**	**2,004**

26(a) Retained Earnings

Group	Retained Earnings before Deduction of Own Shares £'000	Own Shares (Note 27) £'000	Retained Earnings Total £'000
31 July 2019	**26,801**	**(500)**	**26,301**
Profit attributable to owners of Parent for the financial year	2,974	–	2,974
Transfer from revaluation reserve			
(Additional depreciation on revaluation)	378	–	378
Transfer from share-based payment reserve (Note 25a)	14	–	14
Dividend paid	(3,572)	–	(3,572)
31 July 2020	26,595	(500)	26,095
Profit attributable to owners of Parent for the financial year	3,283	–	**3,283**
Transfer from revaluation reserve			
(Additional depreciation on revaluation)	568	–	**568**
Transfer from share-based payment reserve (Note 25a)	26	–	**26**
Reserve Transfer on disposal of assets	165	–	**165**
Dividend paid	(3,865)	–	**(3,865)**
31 July 2021	**26,772**	**(500)**	**26,272**

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.

26(b) Retained Earnings

Company	Retained Earnings before Deduction of Own Shares £'000	Own Shares (Note 27) £'000	Retained Earnings Total £'000
31 July 2019	**4,416**	**–**	**4,416**
Profit attributable to owners of Company for the financial year	14,792	–	14,792
Transfer from share-based payment reserve (Note 25b)	14	–	14
Dividend paid	(3,572)	–	(3,572)
31 July 2020	**15,650**	**–**	**15,650**
Profit attributable to owners of Company for the financial year	4,793	–	**4,793**
Transfer from share-based payment reserve (Note 25b)	26	–	**26**
Dividend paid	(3,865)	–	**(3,865)**
31 July 2021	**16,604**	**–**	**16,604**

27 Own Shares

	EBT Shares Number	EBT Shares £	Treasury Shares Number	Treasury Shares £	Own Shares Total £
31 July 2020 and 31 July 2021	**623,212**	**499,910**	**–**	**–**	**499,910**

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 2021, the Trust held 623,212 (2020: 623,212) Ordinary Shares of 1 pence each with a market value of £4,580,608 (2020: £3,552,308). No shares were transferred out of the scheme during the year (2020: nil).

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

28 Cash flows

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

	Year Ended 31 July 2021 £'000	Year Ended 31 July 2020 £'000
Profit before tax	**6,448**	4,690
Depreciation	**4,149**	3,779
Equity-settled share-based payments	**118**	88
Loss on disposal of land and property	**160**	–
Interest receivable	**(1)**	(29)
Interest payable – bank borrowings	**747**	830
Interest payable – lease liabilities	**270**	296
Increase in financial asset	**(148)**	–
(Increase)/decrease in inventories	**(20)**	28
(Increase)/decrease in receivables	**(645)**	79
Increase/(decrease) in payables	**1,109**	(61)
Cash generated from operations	**12,187**	9,700

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

Net bank debt is defined as non-current and current borrowings, as detailed in Note 17 less cash and cash equivalents.

	Group 2021 £'000	Group 2020 £'000
Decrease in cash in the year	**(3,961)**	(596)
Change in net debt resulting from cash flows	**(14,077)**	(8,350)
Movement in net debt in year	**(18,038)**	(8,946)
Net bank debt brought forward	**(38,256)**	(29,310)
Net bank debt carried forward	**(56,294)**	(38,256)

29 Commitments Under Property Leases

At 31 July 2021 the total future minimum lease payments as a lessee under non-cancellable leases were as follows:

Land and Buildings	Group 2021 £'000	Group 2020 £'000
Amounts due:		
Within one year	**1,612**	1,575
Between two and five years	**4,583**	5,041
After five years	**6,863**	7,811
	13,058	14,427

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.

The Group's property leases on its leased stores are recognised as a right of use asset and as a corresponding liability at the year–end.

30 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 12.

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 2021 £'000	Group 2020 £'000
Short-term employee benefits – Directors	**1,112**	965
Short-term employee benefits – Other key management	**525**	328
Post-employment benefits – Directors	**10**	10
Post-employment benefits – Other key management	**18**	10
Share-based payments	**118**	88
Total	**1,783**	1,401

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.

30 Related Party Transactions continued

Group Director shareholdings – dividends received

In respect of the total dividends paid during the year of £3.87 million (2020: £3.57 million), the Group Directors received the amounts set out in the table below:

Directors' Dividend Income	Holding No.	Final 2020 9 pence per Share £	Interim 2021 4.33 pence per Share £	Total 2021 £	Total 2020 £
Executive:					
A Jacobs	5,203,600	433,460	225,316	**658,776**	641,644
Ray Davies	65,334	5,571	2,829	**8,400**	7,332
N Newman-Shepherd	30,739	2,767	1,331	**4,098**	1,996
Non-Executive:					
SG Thomas	1,525,000	137,700	66,033	**203,733**	188,673
RJ Holmes	307,606	27,685	13,319	**41,004**	33,744
ETD Luker	35,000	3,150	1,516	**4,666**	3,551
CP Peal	636,913	57,219	27,578	**84,797**	78,833
J Woyda	2,419	–	105	**105**	–
	7,806,611	667,552	338,027	**1,005,579**	955,733

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, as in previous years, for transparency and are set out in the table below:

Director	Gypsy Moth (Wolverhampton) No. of Shares	Broadstairs No. of Shares	Exeter 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%**

- These shareholdings relate to the three Managed Stores which have very specific EIS tax advantages. The Directors respective shareholdings have remained unchanged since their initial investment.
- The Lok'nStore Directors have no other shareholdings in any other Managed Stores. The Chichester store was sold in this financial year to Lok'nStore and the sale proceeds within the investment vehicle were recycled to acquire a replacement site in Wolverhampton which is currently being developed. (Detailed particulars are set out below under Project Gypsy Moth). Lok'nStore will earn development fees and operating management fees on the Wolverhampton site.
- Changes in UK Tax legislation mean that these EIS tax advantages no longer exist and these reliefs are not available for Managed Store opportunities that may be undertaken in the future.
- Under UK Takeover Panel protocols in relation to the Rule 9 Waiver agreed each year with Lok'nStore Group plc, necessary to preserve the Group's share buyback authority, Andrew Jacobs cannot, by agreement with the Panel, purchase any more Lok'nStore shares. As such the three EIS investment vehicles represented an opportunity for Mr Jacobs to hold additional self-storage assets in tax efficient vehicles.
- Lok'nStore Group operate 11 Managed Stores, currently trading, and have a further 3 secured Managed Stores in the pipeline making a total of 14 Managed Stores. The Managed Store strategy is a well-developed one which enables the Group to increase the operational footprint of Lok'nStore branded stores without the balance sheet risk of ownership.
- At 31 July 2021, Lok'nStore has a total 50 stores (37 currently trading and a pipeline of 13 secured stores).
- The terms of the Management Services Agreements executed between Lok'nStore and with Chichester, Broadstairs and Exeter were executed at arm's length on normal commercial terms with independent Director(s) who were not directors of Lok'nStore and therefore unconnected. The commercial terms are all similar to, and consistent with, those agreed with other third-party Managed Store owners.
- The Board of Lok'nStore Group plc have governance protocols in place to ensure that there are no conflicts of interest between the Group and the shareholders of Chichester, Broadstairs and Exeter. Specifically, Mr Jacobs could not hold a disproportionate holding in the EIS Managed Stores commensurate with his shareholding in Lok'nStore Group plc.

Project Gypsy Moth

On 29 January 2021, Lok'nStore acquired the managed store in Chichester (the Chichester Store) from Gypsy Moth Storage Limited (GMS – formerly Chichester Storage Limited). On the same date Lok'nStore sold to GMS its freehold development site at Pantheon Park, Wolverhampton.

The five-year old Chichester Store was acquired for £4.025 million as independently valued by JLL. The Group paid in aggregate £4.16 million in cash with associated costs and stamp duty. The acquisition was funded from the Group's existing bank facilities.

Lok'nStore sold its freehold land site at Pantheon Park, Wolverhampton to GMS, with the full benefit of the planning permission and all accumulated planning and design work for a new storage services facility for a total cash consideration of £1.523 million, (excluding VAT) reflecting the purchase price of the Wolverhampton site, plus planning and other costs and fees incurred by the Group through to completion. The sales proceeds were used to offset the cost of the acquisition of the Chichester Store. At the year-end there was a net balance due to Lok'nStore Limited of £325,935.

Following this sale Lok'nStore entered into a new Management Services Agreement (MSA) and Development and Advisory Agreement (DAA) with GMS in respect of the Wolverhampton Site pursuant to which the Group will provide property and construction advice during the building of the Wolverhampton Store as well as ongoing operational management services of the facility once built.

The MSA and DAA are each in substantially the same form and commercial terms as other agreements to which the Group is party in respect of its other managed facilities. Store development is underway and once developed the Wolverhampton facility will comprise a 52,600 sq. ft. purpose-built landmark store featuring Lok'nStore's distinctive branding and is located in an excellent location adjacent to a busy retail park. The store is expected to open by Q1 2022.

This transaction demonstrates the Group's ongoing desire to build a balanced portfolio of owned and managed stores. The sale to GMS is consistent with this strategy and enables the site to be developed in a capital-efficient manner. The acquisition of the Chichester store provides the Group with a mature cash-generative asset which will be a welcome addition to the Group's portfolio of owned stores which are driving Group Cash Available for Distribution (CAD) and dividends. The reduction in ongoing management fees from the Chichester Store will be replaced by fees earned under the new DAA and MSA management and development agreements referred to above.

30 Related Party Transactions continued

Project Gypsy Moth continued

GMS is a private company which was incorporated in 2014 to develop and own the Chichester storage services operation, under the management of the Group. Andrew Jacobs, Executive Chairman of Lok'nStore Group holds 17.6% of the share capital of Lok'nStore and also holds 19.4% of the share capital of GMS. GMS has one director, Ray Davies appointed on 20 September 2019, who is also Group Finance Director of Lok'nStore. Accordingly, GMS is deemed to be a related party of Lok'nStore within the meaning of the AIM Rules and the above transactions constituted related party transactions within the meaning of the AIM Rules. Due process was followed at the time of the transaction with full consideration provided by the Independent Directors of Lok'nStore, being the Board excluding Andrew Jacobs and Ray Davies, having consulted with finnCap (as the Company's nominated adviser) in accordance with the AIM Rules.

31 Capital Commitments and Guarantees

The Group has capital expenditure contracted but not provided for in the financial statements of £6.16 million (2020: £2.97 million) relating to commitments to complete the ongoing construction of our sites in Warrington and Stevenage, replacement of the Horsham roof as well as building retentions outstanding on the completed Wellingborough and Leicester stores.

32 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 £65.4 million (2020: £51.3 million).

33 Events after the Reporting Date

1) Extension of Banking Facilities

- £25 million accordion executed and increases bank facility from £75 million to £100 million
- Bank facility extended by one year to April 2026
- Migration from LIBOR to an alternative risk-free reference rate (SONIA)

On 20 October 2021, the Group executed the accordion arrangement embedded within the Revolving Credit Facility which increases the facilities available to the Group from £75 million to £100 million.

In addition, the Group has also has agreed a one-year extension on its existing joint banking facility with National Westminster Bank/Royal Bank of Scotland plc and ABN AMRO Bank N V. The facility which was due to expire in April 2025, will now run until April 2026 providing funding for more landmark site acquisitions.

The two principal bank covenants (LTV and Senior interest) and margin are unaffected by the execution of the accordion and this extension of term. Margin/pricing is also unaffected.

Amendments to the Facility Agreement dealing with the transition from LIBOR to SONIA (Sterling Over Night Indexed Average) have also been made, fulfilling UK regulator's requirements ahead of LIBOR's phasing out after 31 December 2021.

The Group currently has £65.4 million drawn against its facility which is secured with RBS and ABN AMRO 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 £255.7 million (2020 £187.8 million) together with cross-company guarantees from Group companies.

With current facility utilisation at £65.4 million and combined with cash balances the £100 million facility provides over 43 million of available headroom).

2) Peterborough Site – Grant of planning permission

On 22 October 2021, the Group received planning permission for a new storage facility and associated access and parking at its site at Maskew Avenue, New England, Peterborough.

Glossary

Abbreviation

APM	Alternative performance measures
Adjusted EBITDA	Earnings before all depreciation and amortisation charges, losses or profits on disposal, share-based payments, acquisition costs, and non-recurring professional costs, finance income, finance costs and taxation
Adjusted Store EBITDA	Adjusted EBITDA (see above) but before central and head office costs
AGM	Annual General Meeting
APD	Auditing Practices
Bps	Basis Points
CAC	Contributory asset charges
CAD	Cash available for Distribution
Capex	Capital Expenditure
CGU	Cash-generating units
CO_2e	Carbon Dioxide Equivalents
CSOP	Company Share Option Plan
DRIP	Dividend Reinvestment Plan
EBT	Employee Benefit Trust
EIS	Enterprise Investment Scheme
eKPIs	Environmental key performance indicators
EMI	Enterprise Management Incentive Scheme
ESOP	Employee Share Option Plan
EU	European Union
GHG	Greenhouse gas
HMRC	Her Majesty's Revenue & Customs
IAS	International Accounting Standard
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
JLL	Jones Lang LaSalle
KPI	Key Performance Indicator
LIBOR	London Interbank Offered Rate
LTPPP	Long Term Partnership Performance Plan
LTV	Loan to Value Ratio
MWh	Megawatt Hour
NAV	Net Asset Value
NBV	Net Book Value
Operating Profit	Earnings before interest and tax (EBIT)
PPP	Partnership Performance Plan
PV	Photovoltaic
QCA	Quoted Companies Alliance
RICS	Royal Institution of Chartered Surveyors
RNS	Regulatory News Service
ROU	Right of Use Asset
SIP	Share Incentive Plan
SME	Small and medium sized enterprises
Sq. ft.	Square feet
tCO_2e	Tonnes of carbon dioxide equivalent
TVR	Total voting rights
VAT	Value Added Tax

Our Stores

- Aldershot, Hampshire
- Altrincham, Cheshire
- Ashford, Kent
- Barking, London
- Basildon, Essex
- Basingstoke, Hampshire
- Bedford, Bedfordshire
- Bournemouth, Dorset
- Bristol, Gloucestershire
- Broadstairs, Kent
- Cardiff, Glamorgan
- Cheshunt, Hertfordshire
- Chester, Cheshire
- Chichester, West Sussex
- Crawley, West Sussex
- Crayford, Kent
- Dover, Kent
- Eastbourne, East Sussex
- Exeter, Devon
- Fareham, Hampshire
- Farnborough, Hampshire
- Gillingham, Kent
- Gloucester, Gloucestershire
- Harlow, Essex
- Hedge End, Southampton
- Hemel Hempstead, Hertfordshire
- Horsham, West Sussex
- Ipswich, Suffolk
- Kettering, Northamptonshire
- Leicester, East Midlands
- Luton, Bedfordshire
- Maidenhead, Berkshire
- Milton Keynes, Buckinghamshire
- Northampton Central, Northamptonshire
- Northampton Riverside, Northamptonshire
- Oldbury, West Midlands
- Peterborough, Northamptonshire
- Poole, Dorset
- Portsmouth, Hampshire
- Reading, Berkshire
- Salford, Lancashire
- Southampton, Hampshire
- Staines, Surrey
- Stevenage, Hertfordshire
- Sunbury, Middlesex
- Swindon, Wiltshire
- Tonbridge, Kent
- Warrington, Cheshire
- Wellingborough, Northamptonshire
- Wolverhampton, Staffordshire

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