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Lok'n Store Group PLC
09 November 2009

9th November 2009
("Lok'nStore" or "the Group")
Preliminary results
for the year ended 31 July 2009

Lok'nStore Group Plc, a leading company in the UK self-storage market announces results for the year ended 31 July 2009.

Financial Highlights

- Revenue £10.01 million down 7.6% (2008: £10.83 million)
- Group EBITDA £2.45 million down 10.4% (2008: £2.73 million)
- Average interest rate 3.37% (2008: 7.28%)
- Adjusted NAV £2.07 per share (31.01.09: £2.00 per share, 2008: £2.44 per share)
  Full year dividend proposed 1pence per share (2008: 1* pence per share)
  * 2008 interim dividend of 0.33 pence per share together with a final dividend of 0.67 pence per share

Operational Highlights

- Occupancy 561,148 sq ft up 1.7% (2008: 551,824 sq ft)
- Prices for self-storage down 2.3%
- Ancillary income up 16.9%
- Operating costs reduced by 6.6%
- Store EBITDA margins (stores over 100 weeks) 42.9% (2008: 43.3%)
- Store EBITDA £3.9 million (2008: £4.61 million) down 15%
- Freehold stores over 250 weeks achieved 58% EBITDA margin (2008: 56%) (same stores)

Property Highlights

- Purpose-built new Harlow store opened and trading well
- Planning permission achieved for Southampton, Portsmouth North Harbour and Maidenhead stores
- Improved planning permission achieved for new Reading store
- Planning permissions now in place on all stores in pipeline (4 stores)
- Property portfolio valued at £78.4 million (31.01.09: £76.8 million, 2008: £86.4 million)
- Loan to value ratio of 31.7%**

** Calculation based on net debt of £24.9 million

Andrew Jacobs, CEO commented:

"Over the last year Lok'nStore's business has adapted and proven to be resilient against a background of unprecedented conditions in the property and financial markets. In response to these conditions we have reduced operating and finance costs and curtailed capital expenditure during the year to improve cash flow. Our management team has responded to the challenging trading conditions and we finished the financial year with occupancy up on last year. Since the beginning of 2009 trading has been encouraging with reservations, enquiries, square feet let and number of customers all increasing.

Since the end of January our asset value has risen and we retain a conservative loan to value of ratio of 31.7%. We now have planning permission for all of our new store sites and we are looking to build these out when the economy stabilises.

Our confidence in the strength of the business is underlined by the payment of the full year dividend for this financial year."

- Ends -

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Chairman's Review

Overview

Lok'nStore's business has been resilient in unprecedented markets. This financial year was very much a "year of two halves" with the first half being set against a virtual collapse in the global financial system, and the second half stabilising as the huge expansionary fiscal and monetary policies took effect.

In the first six months Lok'nStore saw occupancy decline in a difficult trading environment. Our management team responded to this with a series of strong sales, marketing and operational initiatives and business changed markedly from January 2009 with all of our lead indicators turning positive. At the year end we had regained all of our earlier occupancy declines and total occupancy stood at nearly 2% up on the year.

Backed by substantial property assets Lok'nStore has retained good operating margins and solid cash flow throughout the year. We successfully cut costs throughout the year to protect margins and we curtailed capital expenditure to preserve cash. We have carefully managed interest rate exposure and as rates fell we saw an immediate and significant benefit particularly in terms of the additional cash retained within the business.

In January 2009 the management valued the property portfolio resulting in an adjusted net asset value of £2.00 per share. The portfolio has been externally valued at the year end and this has resulted in an adjusted net asset value of £2.07 per share a 3.5% increase from January (down 15.2% year on year).

During the year we comfortably complied with all banking covenants and continue to do so. Our existing bank facility runs until 2012.

Conditions in the Economy and Self-storage Market

Historically the self-storage market has been considered to be highly correlated to the housing market. This is not the case. Lok'nStore earns 38% of its revenue from the corporate sector. Of the 62% of its revenues from the household sector, there are many reasons why our customers store such as births, marriages, divorce and death, that are not directly related to moving house.

To the extent that the housing market does have an impact the demand for storage is affected more by the number of house moves than by the level of house prices. Transactions in the UK housing market collapsed from a peak of 158,000* in December 2006 to 74,000 in July 2008, and dropped to a low of 41,000 transactions in January 2009. For the financial year under review housing transactions dropped 40.7% from the previous year. Against these startling declines in housing transactions Lok'nStore has proved its resilience against low housing market volumes with revenue declining only 7.6% compared to last year.

* Government Office for National Statistics

During the year we reduced operating costs by 6.6%. This is a particularly good outcome given that we were operating 2 more stores during the course of the year than in the previous year. We will continue to be vigilant on costs.

Our new Harlow store opened on 2 January 2009 and is trading well achieving cash breakeven by month 7. The Harlow store valuation is an uplift of 24.4% on its cost.

Importantly, with the opening of Harlow the Group has no further new build capital commitments. As a result of the work that we have done during the year we now have existing planning permissions on all of our sites (see Property Review). As trading conditions continue to improve we will consider conditions in the wider economy and the UK self-storage market in particular as we look to build out the pipeline.

Net Asset Value

Our 12 freehold stores are held in the balance sheet at fair value, and have been valued externally by Cushman and Wakefield. (Refer to note 8a – property, plant and equipment and also to the accounting policies in relation to the fair value of trading properties). The leasehold stores are held as 'operating leases' and are not taken onto the balance sheet. However seven of these have also been externally valued and these external valuations have been used to calculate the net asset value position of the Group. The adjusted net asset value per share has decreased from £2.44 last year to £2.07 this year (see Financial Review). Notably this is up 3.5% from the £2.00 per share from the management valuation in January 2009. The year end valuation equates to a total value of properties held of £78.4 million (2008: £86.4 million).

The self-storage market in the UK

The self-storage market in the UK has grown rapidly over the last decade and continues to offer a great opportunity, particularly to major operators such as Lok'nStore. The 2008 UK Self-Storage Association Industry report prepared by Mintel estimated that the industry had grown by between 8 and 15% annually over the past five years. There are now over 300 separate companies operating self-storage facilities in the UK with around 45% of the available space in the hands of the larger operators. Lok'nStore is the fourth largest and one of three quoted storage operators in the UK. The industry now generates revenues of about £360 million per annum, has over 235,000 customers and employs over 2,700 people directly in the business.

The more mature US market grew from 2.9 sq ft per head of population in 1994 to 7.2 sq ft in 2008 with nearly 52,700 facilities throughout the US. There are also 1,300 facilities in Australia and New Zealand representing around 1.1 sq ft per member of the population. This compares with 0.44 sq ft in the UK spread across around 750 facilities. This lower penetration in the UK contrasts with the difference in population density which is only 32 per sq km in the US against 246 per sq km in the UK. This creates far more pressure to use property resources efficiently in the UK, which is a notable driver of demand for self-storage. Combined with this, the restrictive town planning regime in the UK is a strong barrier to entry in the industry, although in the short to medium term more property will become available to the self-storage industry as competitive uses for sites struggle economically. Therefore despite the current economic environment we believe that the UK self-storage market offers excellent medium and long-term potential and Lok'nStore is well positioned to capitalise on this.

Directors

Robert Jackson retires by rotation and will not be seeking re-election. The Board wish to thank Robert for his valued contribution to the business throughout nearly six years of tenure. Having strengthened the non executive team in recent years it is not the intention of the Board to replace Robert. Edward Luker, the senior independent non executive will become Chairman of the Audit Committee.

Dividend

In the light of the challenging trading conditions in the first half of this financial year, the Directors prudently decided to defer a decision on payment of the interim dividend until the trading outlook was clearer. With the second half of the year seeing a sustained improvement in trading and total occupancy standing at nearly 2% up on the year overall, the Directors propose, in respect of the current year, that a full year dividend of 1 pence per share will be paid on 18 December 2009 to shareholders on the register on 20 November 2009. This compares to a total annual dividend of 1.0 pence in the previous financial year (comprising 0.33 pence by way of an interim dividend and 0.67 pence by way of a final dividend).

Going forward, the Directors anticipate that the Group's dividend policy will be consistent with its policy in previous years with the interim dividend being paid in, or about, June and the final paid in, or about, December of each year and the interim dividend will represent approximately one third of the expected total annual dividend.

The total estimated dividend to be paid in the current financial year is £249,946 based on the number of shares currently in issue as adjusted for shares held in the Employee Benefit Trust and for shares held on Treasury. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Outlook

Lok'nStore's flexible business model has allowed it to ride out comfortably the current turbulent economic conditions. Since the beginning of 2009 trading has been consistently encouraging with reservations, enquiries, square feet let and number of customers all turning upwards. Turnover is now increasing with lower operating costs and lower financing costs boosting cash flow.

With Lok'nStore's robust business model we will maximise the cash flow from the existing portfolio. When economic conditions stabilise we are planning to build out our new stores as well as looking for new opportunities. All of our new sites now have planning permission.

Lok'nStore remains well positioned within the growing UK self-storage market. Your Board are recommending a full year dividend of 1 pence per share. This maintains the 2008 total dividend payout and demonstrates our confidence in the future of the Group.

Simon G Thomas
Chairman
6 November 2009

Chief Executive's Operating Review

Sales and Earnings Performance

Lok'nStore's strong business model and responsive management have insulated the business against the worst effects of the recession. Against the difficult economic backdrop revenue for the year was £10.01million (2008: £10.83 million) a decrease of 7.6% year-to-year.

At the beginning of the financial year we positioned the business for an economic downturn by cutting costs and largely eliminating capital expenditure. With costs down 6.6% the cash flow of the operating business has remained resilient with store earnings before interest, tax, depreciation and amortisation (store EBITDA) at £3.92 million (2008: £4.61 million). This is a key performance indicator for the business and reflects both efficient operational management against a difficult backdrop and the increasingly established nature of the existing portfolio.

During the year Lok'nStore had 17 established stores (over 250 weeks old) including two leasehold stores which joined this category during the year. These 17 stores made EBITDA margins of 41.5% this year compared to 41.9% last year. Overall EBITDA margins of the freehold stores were 54% and the leasehold stores achieved 22.2%.

At the end of July 2009 38.1% of Lok'nStore's revenue was from business customers (2008: 40.5%) and 61.9% was from household customers (2008: 59.5%). By number of customers this breakdown was 23.4% business customers (2008: 25.1 %) and 76.6% household customers (2008: 74.9%).

Our average price achieved for self-storage space was £17.60 per sq ft per annum at 31 July 2009 down 2.3% (2008: £18.01 per sq ft per annum). This compares with the average of £21.08 for the UK industry (source: Self-Storage Association Survey 2008). This positions Lok'nStore as the price competitive operator in a value conscious market, but with room to increase prices as economic conditions continue to stabilise.

Our sales and marketing team responded to the economic circumstances with a series of measures. One element of this was an emphasis on our ancillary sales As a result packing materials, insurance and other sales increased by 16.9% over the year (2008: 0.5%) accounting for 9.5% of revenue (2008: 7.5%). Overall occupancy was up over the year by 1.7%.

Lok'nStore takes an active but pragmatic approach to yield management balancing pricing with the drive for occupancy growth. Average prices achieved for self-storage units decreased by 2.3% over the year (2008: increased 4.2%) as we introduced various offers. This has proved to be an effective strategy as occupancy has grown and pricing is now returning towards its level of last year. We are confident that with our yield management system we will be able to increase prices by more than inflation over the medium term, while retaining our competitive pricing position in the market.

Our central sales team continue to run frequent sales training courses using the facilities in our flagship store in Farnborough. In addition, we regularly review the bonus scheme to link performance and reward more directly to revenue growth and consistently high quality customer service.

Operational Performance of Stores

Store analysis Weeks old	July 2009 Over 250	100 to 250	Under 100	Pipeline	Total
Year-ended 31 July 2009					
Revenue* (£'000)	8,560	1,171	171	–	9,902
Stores EBITDA (£'000)	3,550	626	(257)	–	3,919
EBITDA margin (%)	41.5	53.5	n/a	–	39.6
As at 31 July 2009					
Maximum Area ('000 sq ft)	846	128	109	143	1,226
Freehold and long leasehold ('000 sq ft)	439	128	69	143	779
Short leasehold ('000 sq ft)	407	0	40	0	447
No. of Stores					
Freehold and long leasehold	8	2	1	2	13
Short leasehold	9	0	1	0	10
Total stores	17	2	2	2	23

* In respect of the Farnborough store revenue includes a contribution receivable from Group Head Office in respect of the space and facilities the store provides for the Head Office function. This income to the store and the corresponding charge to Head Office is netted down in the Group revenue figures. Revenue from sites under development is excluded.

Marketing
During the year our marketing budget was slimmed down and focussed on the most productive media with approximately 4.3% of revenue spent on advertising and marketing (including postage, printing and stationery), down from 5.8% in 2008.

The Internet produces an increasing proportion of our enquiries and physical directories a decreasing proportion and we continue to allocate more of our marketing budget towards the Internet. For this year Internet enquiries were up 58% and Internet customers up 51% on last year. Current business conditions mean that we continue to operate with a strong focus on cost control.

Enquiries from the Internet have a lower conversion ratio of around 27% (2008: 29%). Our overall conversion rate is 42% (2008: 44%).

As a reflection of the strength of our customer service 22% of our business is from referrals and previous and existing customers. 43% of our business comes from passing traffic so work on the visibility of our stores is also improving response to our marketing. Our new stores with their prominent positions, distinctive design and orange elevations help the profile of the whole Lok'nStore brand.

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

Systems
Centralisation of our store management computer system continues to yield marketing and other management information benefits and we remain committed to continuing systems centralisation, greater audit capability and the delivery of efficient and timely data.

We continue to enhance analysis and reporting of our core financials. This also integrates our stores and head office via a web-enabled system to deliver more automated and integrated processes in areas of petty cash and expenses handling as well as stock reporting. We continue to increase the penetration of our internal audits which is effective in terms of improved security, credit control and store presentation and is continually monitored and upgraded to ensure its effectiveness.

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

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

Our Customers
We believe in clarity and transparency. Brochures and literature are written in plain English, explaining clearly our terms of business without hiding anything in the 'small print'. We are open and honest about our products and services and do not employ pressure selling techniques or attempt to take advantage of any vulnerable groups. If we make a mistake we acknowledge it, deal with the problem quickly, and learn from our error. We listen to our customers as we know that they can help us improve our service to them. In return 22% of our business comes from previous customers, existing customers taking more space, and customer referrals.

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

Our People
At 31 July 2009, we had 105 employees (2008: 103).

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

All employees are eligible to participate in share ownership plans and 20% of our employees have employee benefit trust shares (scheme now closed) (2008: 24%) and 21% hold options (2008: 18%). 37% of the personnel are members of the contributory pension scheme (2008: 24%). Lok'nStore operates a Share Incentive Plan with 67% of employees participating in the Scheme (2008: 55%). This high level of participation is testament to the loyalty and commitment of our staff.

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

Andrew Jacobs
Chief Executive Officer
6 November 2009

Property Review

Property Assets and Net Asset Value

Lok'nStore's freehold and operating leasehold properties have been independently valued by Cushman & Wakefield ('C&W') at £67.6 million as of 31 July 2009 (July 2008: £72.1 million) compared to a historic cost value of £34.8 million (2008: £34.2 million). This is referred to further in the Financial Review and is detailed in note 8 of the notes to the financial statements. Adding our stores under development at cost, our total property valuation of £78.4 million (historic cost value £46.3 million) (2008: £45.5 million) translates into an adjusted net asset value of 207 pence per share, a decrease of 15% compared to last year. The value of the properties which were also valued in July 2008 and therefore on a comparable "same store" basis showed a decrease of 12.1%. This represents an 11% decrease in capital growth (yield increase) and 1.1% decrease from operational performance.

We opened our new purpose-built store in Harlow in January 2009. This modern freehold store is located in an attractive market and is highly branded and prominent. It provides 69,000 sq ft of space, and increases the Group's total trading area when fully fitted to 1,067,000 sq ft. We are pleased with its trading to date and at the end of July 2009 it had already moved into a cash break-even position after only seven months.

During the year we obtained planning permission for the new Southampton store, the new Portsmouth North Harbour store and the Maidenhead store. We also renewed and improved the previous planning permission on our Reading site.

Development sites

Lok'nStore has a freehold site in North Harbour, Portsmouth. The site extends to almost two acres and has planning permission to build a new self-storage centre of around 60,000 sq ft. The site fronts the A27 to the north of Portsmouth, is opposite a busy retail area and is prominent to the M27.

We also have a long leasehold site of 1.6 acres in Maidenhead which may ultimately provide up to 83,000 sq ft of self-storage space when completed. It is prominently located opposite a busy retail park. Total investment in the purpose-built store will be up to £7 million. The lease term runs until April 2076.

The exact timing of store openings will largely depend on market availability of sites and obtaining planning permission. We will retain our disciplined but flexible approach to site acquisition and view the current property investment market as a potential opportunity to acquire new stores. However with the current uncertain economic environment we are monitoring market conditions carefully before making further capital expenditures.

Improvement of existing stores

On 8 January 2008, Lok'nStore obtained planning permission for high-density residential development on the freehold site of its existing Reading store. The local planning committee originally rejected the application but our appeal has been upheld and permission has been granted. The permission is for 112 flats on the 0.66 hectare site.

The Group has planning permission for a new larger 53,500 sq ft store on its site opposite the existing store, an increase in space of 29%. The prominence and modern look of the new store with its distinctive orange livery will position Lok'nStore in a highly visible and easily accessible location adjacent to the A33 at the gateway to Reading. The existing self-storage business will be moved into the new store once it is complete.

When market circumstances are appropriate the site of the existing store may be sold with the benefit of its permission for residential development and the proceeds will be reinvested in our new store pipeline. The two properties in Reading were valued by C&W at £4.9 million (NBV £2.3 million).

We reported previously that we had acquired a freehold site on Third Avenue, Millbrook, Southampton through the acquisition in May 2007 of the entire share capital of Southern Engineering and Machinery Company Ltd. The site of 2.16 acres fronts the main access road to Southampton city centre. It will replace the existing Southampton Lok'nStore, which is located a few hundred metres away and currently provides up to 84,000 sq ft in a freehold property. On 30 September 2008, we secured planning permission on this new site and it can provide up to 100,000 sq ft of self-storage space.

The purpose-built store will capitalise on the prominent main roadside position using the strong Lok'nStore branding similar in design to the successful flagship Farnborough store. The increased prominence and modern look of the building will allow the business to leverage off the existing business which is trading well, increasing both the volume of space rented and the rates achieved on those rentals. The store fronts the busy main access road to the city centre, and will carry the distinctive orange livery and neon lighting which is proving an effective generator of business at our other stores. The total investment in the new store will be up to £8 million.

Notwithstanding our current caution to committing to capital projects at this time, these projects are part of our strategy of continually reviewing and actively managing our operating portfolio, to ensure we are maximising its value. This includes strengthening our distinctive brand, increasing the size and number of our stores and moving or selling stores or sites when it will increase shareholder value.

Portfolio
With the opening of our new Harlow store, we currently have 21 stores open with capacity of around 1.08 million sq ft of storage space when fully fitted. Eleven stores are held freehold and ten are leasehold. With the new freehold sites at Portsmouth North Harbour, Southampton and Maidenhead total capacity rises to around 1.23 million sq ft. Of this 64% will be held freehold and 36% leasehold. We prefer to acquire 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.

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

Andrew Jacobs
Chief Executive Officer
6 November 2009

Financial Review

Trading
Total revenue for the year was £10.01 million (2008: £10.83 million), a decrease of 7.6%.

Total store EBITDA was £3.92 million, down 15% from last year (2008: £4.61 million) and Group EBITDA, before exceptional items, was £2.45 million (2008: £2.73 million). Operating profit for the year was £318,591, down 52% compared with £662,732 in 2008. The pre-tax loss for the year was reduced to £656,051 (2008: £741,446 loss).

There is no corporation tax liability to pay due to the availability of tax losses. Tax losses available to carry forward for offset against future profits amount to £5.23 million.

Basic and diluted loss per share was 2.39 pence per share (2008: 3.27 pence per share).

Borrowings and Cash Flow
Lok'nStore's self-storage business model is a robust one with security deposits taken from customers. Customers also pay four weekly in advance. Therefore credit control remains tight with only £45,600 of bad debts during the year representing around 0.45% of revenue (2008: 0.42%). There was £6,138 of additional costs associated with recovery (2008: £3,702).

The Group is cash generative and cash flows have increased. The business utilises cash generated from operations to fund some of the store capital expenditure rather than draw against its revolving credit facility. Net cash from operating activities before interest and capital expenditure was £1.7 million (2008: £1.4 million).

The Group also draws from its five year revolving credit facility with Royal Bank of Scotland Plc to finance new site acquisitions, construction and store fit-outs. This provides sufficient additional liquidity for the Group's immediate expansion plans. Interest is payable on the loan at a rate of between 1.25% and 1.35% over LIBOR. Non-utilisation charges are 0.25% on the value of the undrawn facility. Undrawn committed facilities at the year-end amounted to £11.9 million. The facility is secured on the existing property portfolio.

Interest on Bank Borrowings
The background to this financial year was unprecedented turbulence in the capital and debt markets and a deteriorating economic landscape. In the first half this has caused LIBOR rates to spike up and then to reduce significantly during the second half as base rate was cut aggressively. Interest charges on the Group's loans decreased by £553,304 from £1,608,587 in 2008 to £1,055,283 in 2009. The net interest charge decreased from £1,278,928 to £990,957, reflecting both an increase in gross borrowing of 10.4% but offset by the average cost of borrowing falling substantially during the year from 7.28% to 3.37%. £89,623 of additional interest was incurred due to the increased average borrowings which was more than offset by the £642,927 decrease from lower interest rates. The Group's average interest rate has continued to fall since the year end which if sustained will result in a much reduced charge for next year and beyond.

The interest cost to the Group is increased by the £10.8 million of development pipeline costs that the Group is currently carrying. The interest against this cost has not been capitalised. If interest had been capitalised, the Group's adjusted profit would have been approximately £365,451 higher for the year. From 1 August 2009, in accordance with changes to International Financial Reporting Standards we will capitalise interest against our development pipeline.

At 31 July 2009, the Group had cash balances of £3.23 million (2008 £2.48 million) and £28.1 million (2008: £25.4 million) of gross bank borrowings representing gearing of 67.2% on net debt of £24.9 million (2008: 53.5%). After adjusting for the uplift in value of leaseholds which are stated at depreciated historic cost in the balance sheet, gearing is 59.8% (2008: 47.3%). After adjusting for the deferred tax liability carried at year-end of nearly £10.2 million gearing drops to 48% (2008: 38%). During the year the Group complied with all debt covenants.

Share Buy-back Authority

At the Company's AGM on 12 December 2008 shareholders approved renewal of the existing share buyback authority. This authority will be sought at the Company's Annual General Meeting again this year. The authority is restricted to a maximum of 5,845,299 Ordinary Shares, which is equivalent to 21.8% of the Company's issued share capital and is equal to the number of shares available for purchase under the previous authority. The buy-back authority will only be exercised in circumstances where the Directors regard such purchases to be in the best interests of shareholders as a whole and is subject to the waiver of Rule 9 by the Panel of Takeovers and Mergers being approved by the shareholders.

The total number of Ordinary Shares in issue is 26,758,865 (2008:26,758,865).

Balance Sheet

The Group addressed the difficult economic circumstances by curtailing capital expenditure. During the year capital expenditure totalled £2.4 million, down from £14.3 million in 2008. The additions of £1.0 million to land and buildings include the costs of completing Harlow, retention releases on the Portsmouth Central store and planning and other professional costs incurred in progressing the planning permissions on the Portsmouth North Harbour, Southampton and Reading sites. The additions of £1.07 million to fixtures and fittings relate principally to the fit-out at Harlow as well as the new leasehold store at Northampton Central. £0.26 million was expended on progressing the planning permissions on the Maidenhead site which is included in property lease prepayments (refer note 8b).

Balance sheet net assets at the year-end decreased to £36.9 million (2008: £42.9 million) mainly as a result of the 2009 independent property valuation which reduced total non-current assets from £80.9 million to £73.9 million. This valuation translates into an adjusted net asset value per share of £2.07 (2008: £2.44) as reported below.

The Employee Benefit Trust owns 623,212 (2008: 624,947) shares, the costs of which are shown as a deduction from shareholders' funds.

The Group holds a total of 1,142,000 of its own Ordinary Shares of 1 pence each (2008: 1,142,000) with an aggregate nominal value of £11,420 (2008: £11,420) and an average buy-in cost of 182 pence per share. These shares represent 4.27% (2008: 4.27%) of Lok'nStore Group plc's issued share capital. No shares were purchased for Treasury during this year.

Market Valuation of Freehold and Operating Leasehold Land and Buildings

On 31 July 2009, professional valuations were prepared by external valuers Cushman & Wakefield (C&W) in respect of eleven freehold and seven operating leasehold properties. All of these leasehold properties are classified as operating leases and not revalued in the financial statements. The valuation was prepared in accordance with RICS Appraisal and Valuation Standards 6th Edition. The valuation has been provided for accounts purposes and, as such, is a Regulated Purpose Valuation as defined in the Red Book. The external valuation methodology provides for a purchaser acquiring a centre incurring purchase costs of 5.75% initially and sale plus purchaser's costs totalling 7.75% are assumed on the notional sales in the tenth year in relation to the freehold stores. In practice we believe that it is unlikely that the bulk of Lok'nStore's properties would be acquired other than in a corporate structure in which case transaction costs would likely be lower (see note 8a in the notes to the accounts for a more detailed description of the valuation methodology).

The valuation report indicates a total for properties valued of £67.6 million (NBV £34.8 million) (2008: £72.1 million: NBV £34.2 million). In relation to the existing store at Reading there is a prospect of redevelopment for residential use and the valuation reflects this. Accordingly, the Lok'nStore Reading site across the road which has planning permission for a store has been valued as an operating self-storage site including an additional uplift to reflect the move of customers from the existing Reading store in due course. The valuations do not account for any further investment in existing stores since 31 July 2009. The sites at Maidenhead, Portsmouth North Harbour and Southampton have not been valued and their asset value (stated at cost) of £10.8 million (2008: £14.4 million) combined with the C&W valuation provides an aggregate property value of £78.4 million (2008: £86.4 million).

This translates into a net asset value of 166 pence per share after making full provision for deferred tax arising on the revaluations (2008: 194 pence).

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

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

Both historically and currently we have valued our freehold and our leasehold property assets. Under IFRS, the valuations of our freehold property assets are now formally included in the Balance Sheet at their fair value, but the IFRS rules do not permit the inclusion of any valuation in respect of our leasehold stores to the extent that they are classified as operating leases. The value of our operating leases in the valuation totals £9.97 million (2008: £11.57 million). Instead we have reported by way of a note the underlying value of these leasehold stores in future revaluations and adjusted our Net Asset Value ('NAV') calculation accordingly to include their value. This will ensure comparable NAV calculations.

Analysis of Total Property Value

	No. of stores	31 July 2009 Valuation £	No. of stores	31 July 2008 Valuation £
Freehold valued by C&W	12	57,610,000	11	60,510,000
Leasehold valued by C&W	7	9,970,000	7	11,570,000
Sub total	19	67,580,000	18	72,080,000
Sites in development at cost	3	10,779,948	4	14,366,321
Total	22*	78,359,948	22*	86,446,321

*Three Leasehold stores were not valued (2008: three) as their remaining unexpired terms were insufficient to yield a value under the Cushman & Wakefield valuation methodology.

Adjusted Net Asset Value per Share

Analysis of net asset value (NAV)	31 July 2009 £	31 July 2008 £
Total non-current assets	73,867,028	80,950,612
Adjustment to include leasehold stores at valuation		
Add: C&W leasehold valuation	9,970,000	11,570,000
Deduct: leasehold properties and their fixtures and fittings at NBV	(5,357,762)	(5,939,842)
	78,479,266	86,580,770
Add: current assets	4,496,731	4,864,958
Less: current liabilities	(3,141,589)	(5,162,205)
Less: non-current liabilities (excluding deferred tax provision)	(28,001,865)	(25,311,225)
Adjusted net assets before deferred tax provision	51,832,543	60,972,298
Deferred tax	(10,248,297)	(12,431,474)
Adjusted net assets	41,584,245	48,540,824
Shares in issue	Number	Number
Opening shares	26,758,865	26,731,365
Shares issued for the exercise of options	-	27,500
Closing shares in issue	26,758,865	26,758,865
Shares held in Treasury	(1,142,000)	(1,142,000)
Shares held in EBT	(623,212)	(624,947)
Closing shares for NAV purposes	24,993,653	24,991,918
Adjusted net asset value per share after deferred tax provision	166 pence	194 pence
Adjusted net asset value per share before deferred tax provision	207 pence	244 pence

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

The seven leaseholds valued by Cushman & Wakefield are all within the terms of the Landlord and Tenant Act (1954) giving a degree of security of tenure. The average length of the leases on the leasehold stores valued was 11.32 years at the date of the 2009 Valuation (source: C&W) (2008 valuation: 12.32 years).

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

Administration Expenses
Administration expenses are analysed into property costs, staff costs and overhead expenses.

Administration expenses amounted to £7.28 million for the year (2008: £7.80 million) a reduction of 6.6%. Premises costs accounted for 46.9% of these costs (2008: 41.0%), staff costs 37.3% (2008: 39.4%) and overheads 15.8% (2008: 19.6%).

	Increase /(decrease) in costs	2009 £	2008 £
Property costs	6.7%	3,416,305	3,201,190
Staff costs	(11.5%)	2,715,381	3,068,866
Overheads	(24.9%)	1,146,415	1,526,787
	(6.6%)	7,278,101	7,796,343

Ray Davies
Finance Director
6 November 2009

Consolidated Income Statement
For the year ended 31 July 2009

	Notes	**Year ended 31 July 2009 £**	Year ended 31 July 2008 £
Revenue	1	**10,008,678**	10,827,064
Cost of sales		**(282,664)**	(298,089)
Gross profit		**9,726,014**	10,528,975
Administrative expenses		**(7,278,101)**	(7,796,343)
EBITDA		**2,447,913**	2,732,632
Depreciation based on historic cost		**(1,571,658)**	(1,210,502)
Additional depreciation based on revalued assets		**(267,800)**	(231,692)
	2	**(1,839,458)**	(1,442,194)
Impairment of goodwill	2	**-**	(310,559)
Share based payments	18	**(289,864)**	(317,146)
		2,129,322	(2,069,899)
Operating profit*		**318,591**	662,733
Settlement of Harlow build costs		**23,637**	-
Costs of relocation of Portsmouth store		**-**	(125,814)
(Loss)/profit on sale of motor vehicle		**(7,322)**	563
		16,315	(125,251)
Profit before interest		**334,906**	537,482
Finance income		**64,326**	329,659
Finance cost		**(1,055,283)**	(1,608,587)
Loss before taxation		**(656,051)**	(741,446)
Income tax credit / (expense)	4	**58,092**	(98,201)
Loss for the financial year attributable to equity shareholders	20	**(597,959)**	(839,647)
Loss per share			
Basic	6	**(2.39p)**	(3.27p)
Fully diluted	6	**(2.39p)**	(3.27p)

Consolidated Statement of Changes in Equity
For the year ended 31 July 2009

	Share capital £	Share premium £	Other reserves £	Revaluation reserve £	Retained earnings £	Total £
1 August 2007	**267,314**	**667,731**	**12,719,975**	**31,106,701**	**6,146,366**	**50,908,087**
Decrease in asset valuation	–	–	–	(7,677,505)	–	(7,677,505)
Deferred tax recognised in equity	–	–	–	2,355,296	162,880	2,518,176
Income and expense recognised directly in equity	–	–	–	(5,322,209)	162,880	(5,159,329)
Loss for the year	–	–	–	–	(839,647)	(839,647)
Total recognised income and expense	–	–	–	(5,322,209)	(676,767)	(5,998,976)
Transfer	–	–	–	(166,818)	166,818	–
Share based remuneration	–	–	317,146	–	–	317,146
Exercise of share options	275	30,313	–	–	–	30,588
Purchase of shares for Treasury	–	–	–	–	(2,092,902)	(2,092,902)
Movement on EBT (ESOP)	–	–	–	–	3,970	3,970
Dividend paid	–	–	–	–	(257,247)	(257,247)
31 July 2008	**267,589**	**698,044**	**13,037,121**	**25,617,674**	**3,290,238**	**42,910,666**
Decrease in asset valuation	–	–	–	(7,589,590)	–	(7,589,590)
Deferred tax recognised in equity	–	–	–	2,125,085	–	2,125,085
Income and expense recognised directly in equity	–	–	–	(5,464,505)	–	(5,464,505)
Loss for the year	–	–	–	–	(597,959)	(579,959)
Total recognised income and expense	–	–	–	(5,464,505)	(597,959)	(6,062,464)
Transfer	–	–	–	(394,855)	394,855	–
Share based remuneration	–	–	289,864	–	–	289,864
Movement on EBT (ESOP)	–	–	–	–	1,388	1,388
Dividend paid	–	–	(167,446)	–	–	(167,446)
31 July 2009	**267,589**	**698,044**	**13,159,539**	**19,758,314**	**3,088,522**	**36,972,008**

Company Statement of Changes in Equity
For the year ended 31 July 2009

	Retained earnings £	Share capital £	Share premium £	Other reserves £	Total £
1 August 2007	–	**267,314**	**667,731**	**6,424,680**	**7,359,725**
Exercise of share options		275	30,313	–	30,588
Profit for the year	257,247	–	–	–	257,247
Dividend paid	(257,247)	–	–	–	(257,247)
Share based remuneration (options)	–	–	–	317,146	317,146
31 July 2008	–	**267,589**	**698,044**	**6,741,826**	**7,707,459**
Share based remuneration (options)	–	–	–	289,864	289,864
Dividend paid	–	–	–	(167,466)	(167,466)
31 July 2009	–	**267,589**	**698,044**	**6,864,244**	**7,829,877**

Balance Sheets
31 July 2009

Company Registration No. 4007169

	Notes	**Group 31 July 2009 £**	Group 31 July 2008 £	**Company 31 July 2009 £**	Company 31 July 2008 £
Non-current assets					
Property, plant and equipment	8a	**71,040,829**	78,338,778	-	–
Property lease premiums	8b	**2,826,199**	2,611,834	-	–
Investments	9	**-**	-	**1,309,046**	1,019,182
Amounts due from subsidiary		**-**	-	**6,520,831**	–
		73,867,028	80,950,612	**7,829,877**	1,019,182
Current assets					
Inventories	10	**67,104**	92,712	**-**	–
Trade and other receivables	11	**1,200,896**	2,291,420	**-**	6,688,277
Cash and cash equivalents		**3,228,731**	2,480,826	**-**	–
		4,496,731	4,864,958	**-**	6,688,277
Total assets		**78,363,759**	85,815,570	**7,829,877**	7,707,459
Current liabilities					
Trade and other payables	12	**(3,141,589)**	(5,077,541)	**-**	–
Provisions	13	-	(84,664)	**-**	–
		(3,141,589)	(5,162,205)	**-**	–
Non-current liabilities					
Bank borrowings	15	**(28,001,865)**	(25,311,225)	**-**	–
Deferred tax	16	**(10,248,297)**	(12,431,474)	**-**	–
		(38,250,162)	(37,742,699)	**-**	–
Total liabilities		**(41,391,751)**	(42,904,904)	**-**	–
Net assets		**36,972,008**	42,910,666	**7,829,877**	7,707,459
Equity					
Called up share capital	17	**267,589**	267,589	**267,589**	267,589
Share premium		**698,044**	698,044	**698,044**	698,044
Other reserves	19	**13,159,539**	13,037,121	**6,864,244**	6,741,826
Retained earnings	20	**3,088,522**	3,290,238	**-**	–
Revaluation reserve		**19,758,314**	25,617,674	**-**	–
Total equity attributable to equity holders of the parent		**36,972,008**	42,910,666	**7,829,877**	7,707,459

Approved by the Board of Directors and authorised for issue on 6 November 2009 and signed on its behalf by:

A Jacobs
Chief Executive

R Davies
Finance Director

Cash Flow Statements
For the year ended 31 July 2009

	Notes	**Group Year ended 31 July 2009 £**	Group Year ended 31 July 2008 £
Operating activities			
Cash generated from operations	22	**1,729,068**	1,397,710
Income tax paid		-	(195)
Net cash from operating activities		**1,729,068**	1,397,515
Investing activities			
Purchase of property, plant and equipment and property lease premiums		**(2,354,541)**	(14,318,171)
Sale of property, plant and equipment		**1,755**	4,002,025
Interest received		**64,326**	329,659
Net cash used in investing activities		**(2,288,460)**	(9,986,487)
Financing activities			
Issue of new ordinary shares		-	30,588
Increase in borrowings – bank loans		**2,690,639**	9,818,619
Interest paid		**(1,215,896)**	(1,626,682)
Purchase of shares for Treasury & ESOP (net)		**-**	(2,084,614)
Equity dividends paid		**(167,446)**	(257,247)
Net cash from financing activities		**1,307,297**	5,880,664
Net increase/(decrease) in cash and cash equivalents in the period		**747,905**	(2,708,308)
Cash and cash equivalents at beginning of the year		**2,480,826**	5,189,134
Cash and cash equivalents at end of the year		**3,228,731**	2,480,826

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

Accounting Policies

General information
Lok'nStore plc is an AIM listed company incorporated and domiciled in the United Kingdom under the Companies Act 1985. The address of the registered office is One London Wall, London EC2Y 5AB, UK.

Significant accounting policies
Basis of accounting

The financial information in this announcement does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. Statutory financial statements for the previous financial year ended 31 July 2008 have been delivered to the Registrar of Companies. The auditors' report on those financial statements was unqualified and did not contain any statement under section 237 (2) or (3) of the Companies Act 1985. The auditors have reported on the statutory financial statements for the year ended 31 July 2009 and their report was not qualified and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006. Copies of the Company's report and financial statements will be sent to shareholders following the Company's Annual General Meeting on 11 December 2009 and will be available 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 Group has applied in its financial statements 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 2008.

The financial statements have been prepared on the historic cost basis except that certain trading properties are stated at fair value. The principal accounting policies adopted are set out below.

Adoption of new and revised standards

In the current year, there have been no new Standards or Interpretations adopted by the Group which have any effect on the Group's accounting policies or disclosures.

The Group has considered the impact of IAS 23 (Revised) Borrowing Costs (effective for accounting periods beginning on or after 1 January 2009). The principal change to the Standard is to eliminate the previously available option to expense all borrowing costs as incurred. The Group does not currently capitalise interest on its development properties, which will become compulsory under the Standard. The Group intends to adopt this accounting policy for the year ended 31 July 2010.

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

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

a) Estimate of fair value of trading properties
The Group values its self-storage stores using a discounted cash flow methodology which is based on projections of net operating income. Principal assumptions underlying management's estimation of the fair value are those relating to stabilised occupancy levels; expected future growth in storage rents and operating costs, maintenance requirements, capitalisation rates and discount rates. A more detailed explanation of the background and methodology adopted in the valuation of the Group's trading properties is set out in note 8 to the accounts. The carrying value of properties held at valuation at the balance sheet date was £57.6 million (2008: £60.5 million).

Market Uncertainty
The global banking crisis and consequent reduction in the availability of debt, coupled with the economic downturn, have caused UK property values to experience sharp falls in value and liquidity since mid 2007, with fewer transactions being completed.

As a consequence, there has been a significant reduction in market evidence for Cushman & Wakefield LLP (C&W) to base their valuation on.

C&W report that in relation to the self storage sector specifically, there were a number of transactions in 2007 but there have been no significant transactions in 2008 or the first half of 2009 other than the sale of a 51% stake in Shurgard Europe which was announced in January 2008 and completed on 31 March 2008. Due to the absence of comparable market information C&W have therefore had to exercise more than the usual degree of judgement in arriving at their opinion of value.

In order to provide a rational opinion of value at the present time it is necessary to assume that the property market will continue to trade in an orderly fashion. In this regard C&W have assumed that the self storage sector will continue to perform in a way not greatly different from that being anticipated prior to the "credit crunch", however they have reflected negative sentiment in their capitalisation rates and have reflected current trading conditions in their cashflow projections for the properties.

C&W confirm that because they are having to exercise a greater degree of judgement than is usual in a more active market, there is greater uncertainty attached to their opinion of value than during more normal market conditions.

The Board concur with this view.

b) Assets in the course of construction and land held for pipeline store development. ('Development property assets')

The Group's development property assets are held in the balance sheet at historic cost and are not valued externally. In acquiring sites for redevelopment into self-storage facilities, the Group estimates and makes judgements on the potential net lettable storage space that it can achieve in its planning negotiations, together with the time it will take to achieve maturity occupancy level. In addition, assumptions are made on the storage rent that can be achieved at the store by comparing 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, revised construction costs or capacity of the new facility, for example, to make an assessment of the carrying value of the development property at historic cost. The Group reviews all development property assets for impairment at each balance sheet date in the light of the results of these reviews. Once a store is opened, then it is valued as a trading store. Freehold stores are carried at valuation in the Group's balance sheet. Stores with short leasehold properties are held under operating leases and are carried at cost rather than valuation in accordance with IFRS.

The Group has been fully engaged during the course of the year with the four sites in progressing all of the painstaking and detailed work necessary to complete the pre–planning and planning phases in order to obtain appropriate planning permissions for self-storage sites. As a result of this work LNS now hold Planning permissions on all of its pipeline sites. The principal movement of assets in this category was Harlow which commenced trading during the year. Once opened Harlow moved from being classified as a 'development site' into a trading store and was valued by 'C&W' accordingly. Harlow's valuation was materially higher than its carrying cost as a 'development site'.

The carrying value of development property assets at the balance sheet date was £10.8 million (2008: £14.4 million) of which £2.83 million relating to the long lease at Maidenhead was classified as a property lease premium in the balance sheet (2008: £2.61 million).

c) Dilapidations

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

The carrying value of the provision for dilapidations at the balance sheet date was £nil (2008: £84,664).

Notes to the Financial Statements
For the year ended 31 July 2009

1 Revenue and segmental information

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

	2009 **£**	2008 £
Stores trading		
Self-storage income	**8,879,536**	9,854,216
Other storage related income	**927,498**	793,343
Store rental income	**5,217**	5,218
Management fees	**20,795**	21,374
Sub-Total	**9,833,046**	10,674,151
Stores under development		
Non-storage income (refer note 23)	**175,632**	152,913
Total revenue	**10,008,678**	10,827,064

2 Loss before taxation

	2009 **£**	2008 £
Loss before taxation is stated after charging:		
Depreciation and amounts written off property, plant and equipment:		
– owned assets	**1,839,458**	1,442,194
Impairment of goodwill	**-**	310,559
Operating lease rentals:		
– land and buildings	**1,369,587**	1,421,888

Amounts payable to Baker Tilly UK Audit LLP and their associates for audit and non-audit services		
Audit services		
– UK statutory audit of the Company and consolidated accounts	**47,250**	45,000
– further audit services-IFRS transition	**-**	20,000
Other services		
The auditing of accounts of associates of the Company pursuant to legislation		
– audit of subsidiaries where such services are provided by Baker Tilly UK Audit LLP or its associates	**6,250**	6,250
Other services supplied pursuant to such legislation		
– interim review	**22,500**	35,000
Tax services		
– compliance services	**25,150**	11,952
– advisory services	**46,131**	24,395
Other services		
– work in respect of Company Share Incentive Plan (SIP)/Directors' remuneration	-	11,348
	147,281	153,945
Comprising		
Audit services	**53,500**	71,250
Non-audit services: Company and UK subsidiaries	93,781	82,695
	147,281	153,945

3 Employees

	2009 No.	2008 No.
The average monthly number of persons (including Directors) employed by the Group during the year was:		
Store management	**84**	85
Administration	**19**	18
	103	103

	2009 £	2008 £
Costs for the above persons:		
Wages and salaries	**2,159,425**	2,379,808
Social security costs	**206,769**	228,212
Pension costs	**27,245**	26,539
	2,393,428	2,634,559
Share-based remuneration	**289,864**	317,146
	2,683,303	2,951,705

Share-based remuneration is separately disclosed in the income statement. Wages and salaries of £103,899 (2008: £110,804) have been capitalised as additions to property, plant and equipment as they are directly attributable to the acquisition of these assets. All other employee costs are included in administrative expenses in the income statement.

In relation to pension contributions, there was £3,765 (2008: £3,331) outstanding at the year-end.

4 Taxation

	2009 £	2008 £
Income Tax Expense		
Current tax:		
UK corporation tax at 28% (2008: 30%)	**-**	-
Adjustments in respect of prior year	**-**	195
Total current tax	**-**	195
Deferred tax:		
Origination and reversal of temporary differences	**14,128**	98,006
Adjustments in respect of prior year	**(72,220)**	-
Total deferred tax	**(58,092)**	98,006
Income tax (credit)/expense for the year	**(58,092)**	98,201

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

	2009 £	2008 £
Loss before tax	**(656,051)**	(741,446)
Tax on ordinary activities at the standard rate of corporation tax in the UK of 28% (2008: 30%)	**(183,694)**	(222,434)
Expenses not deductible for tax purposes	**116,660**	183,837
Share based payment charges in excess of corresponding tax deduction	**81,162**	95,144
Amount not recognised in deferred tax	**-**	41,459
Adjustments in respect of prior periods – deferred tax	**(72,220)**	-
Adjustments in respect of prior periods – current tax	**-**	195
Income tax (credit)/expense for the year	**(58,092)**	98,201
Effective tax rate	**9%**	(13%)

A tax charge has arisen in the year due to certain expenses which are not deductible for tax purposes. Non deductible expenses consist mainly of depreciation charges on the Group's properties which do not qualify for tax allowances. No deferred tax asset arises in relation to the share-based payment charge for the year as the share price at the year-end is below the exercise price of the options as at 31 July 2009.

In addition to the amount charged to the income statement, deferred tax relating to the revaluation of the Group's properties amounting to £2,125,085 (2008: £2,149,702) and deferred tax of £nil (2008: £205,594) in respect of rolled over gains have been charged directly to equity (refer note 16 – deferred tax).

5 Dividends

	2009 £	2008 £
Amounts recognised as distributions to equity holders in the year:		
Final dividend for year ended 31 July 2007 (0.67 pence per share)	**-**	170,464
Final dividend for year ended 31 July 2008 (0.67 pence per share)	**167,446**	-
Interim dividend for the six months to 31 January 2008 (0.33 pence per share)	**-**	86,783
	167,446	257,247

In respect of the current year, the Directors propose that a final dividend of 1 pence per share will be paid to the shareholders. The total estimated dividend to be paid is £249,946 based on the number of shares currently in issue as adjusted for shares held in the Employee Benefit Trust and for shares held on Treasury. This is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The ex-dividend date will be 18 November 2009; the record date 20 November 2009; with an intended payment date of 18 December 2009.

6 Loss per Share

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

	2009 £	2008 £
Loss for the financial year	**(597,959)**	(839,647)

	2009 No. of shares	2008 No. of shares
Weighted average number of shares		
For basic earnings per share	**24,993,653**	25,678,141
Dilutive effect of share options	-	314,232
For diluted earnings per share	**24,993,653**	25,992,373

623,212 shares held in the Employee Benefit Trust and 1,142,000 Treasury shares are excluded from the above.

	2009 £	2008 £
Loss per share		
Basic	**(2.39p)**	**(3.27p)**
Diluted	**(2.39p)**	**(3.27p)**

There is no dilutive effect of the options in 2009 due to the loss arising in the year (2008: nil).

7 Intangible Assets – Goodwill

Group	**Purchased goodwill 2009 £**	Purchased goodwill 2008 £
Cost		
1 August and 31 July	**334,813**	334,813
Impairment		
1 August	**334,813**	24,254
Impairment charge	**–**	310,559
31 July	**334,813**	334,813
Net book value	**–**	–

8 (a) Property, plant and equipment

Group	Land and buildings £	Short leasehold improvements at cost £	Fixtures, fittings and equipment at cost £	Motor vehicles at cost £	Total £
Cost or valuation					
1 August 2007	66,967,426	1,903,314	11,249,936	89,406	80,210,082
Additions	8,047,694	569,779	3,007,329	83,684	11,708,486
Transfers	–	(2,150)	–	–	(2,150)
Disposals	–	–	–	(5,745)	(5,745)
Revaluations	(8,058,809)	–	–	–	(8,058,809)
31 July 2008	**66,956,311**	**2,470,943**	**14,257,265**	**167,345**	**83,851,864**
Depreciation					
1 August 2007	–	769,008	3,643,170	44,301	4,456,479
Depreciation	381,304	164,683	886,691	9,516	1,442,194
Transfers	–	–	–	(4,283)	(4,283)
Revaluations	(381,304)	–	–	–	(381,304)
31 July 2008	–	933,691	4,529,861	49,534	5,513,086
Net book value at 31 July 2008	**66,956,311**	**1,537,252**	**9,727,404**	**117,811**	**78,338,778**
Cost or valuation					
1 August 2008	**66,956,311**	**2,470,943**	**14,257,265**	**167,345**	**83,851,864**
Additions	1,001,588	21,395	1,074,285	42,908	2,140,176
Disposals	-	-	-	(48,279)	(48,279)
Revaluations	(8,058,101)	-	-	-	(8,058,101)
31 July 2009	**59,899,798**	**2,492,338**	**15,331,550**	**161,974**	**77,885,660**
Depreciation					
1 August 2008	-	933,691	4,529,861	49,534	5,513,086
Depreciation	468,510	222,867	1,117,508	30,573	1,839,458
Revaluations	(468,510)	-	-	-	(468,510)
Disposals	-	-	-	(39,203)	(39,203)
31 July 2009	-	1,156,558	5,647,369	40,904	6,844,831
Net book value at 31 July 2009	**59,899,798**	**1,335,780**	**9,684,181**	**121,070**	**71,040,829**

The carrying value of land and buildings includes development property assets (assets in course of construction) of £8.0 million (2008: £11.8 million) held at cost and £57.6 million (2008: £60.5 million) held at valuation.

If all property, plant and equipment was stated at historic cost the carrying value would be £46.4 million (2008: £43.1 million).

The additions of £1.0 million to land and buildings include the costs of completing Harlow, retention releases on Portsmouth Central and planning and other professional costs incurred in progressing the planning permissions on the acquisition of the Portsmouth North Harbour, Southampton and Reading sites.

The additions of £1.07 million to fixtures and fittings relate principally to the fit-out at Harlow as well as the new leasehold store at Northampton Central.

Property, plant and equipment (non-current assets) with a carrying value of £71.0 million (2008: £78.3 million) is pledged as security for bank loans (see note 15). The Maidenhead property (see note 8b) is also pledged as security for the bank loans.

The Swindon East and Swindon West units are leasehold stores, under common management, and are held at a combined carrying cost of £299,732. The Swindon East / West stores remain under-performing relative to its peer group of stores over 250 weeks and all goodwill attaching to these stores was fully written off in 2008. Management has made an assessment of the current carrying value of its leasehold assets based on the likely cash flows generated by the stores over the next twenty years (the recoverable amount of a leasehold cash-generating unit based on a typical occupational lease term) as recorded in the Group's budgets and forecasts and based on a discount rate of 8% and an annual growth rate of 3%. Revenue and cost inflation was ignored. Accordingly it was determined that the carrying value of the Swindons' property plant & equipment is not impaired. Management will continue to keep this matter under review.

Market Valuation of Freehold and Operating Leasehold Land and Buildings
On 31 July 2009, a professional valuation was prepared by external valuers Cushman & Wakefield LLP (C&W) in respect of twelve freehold and seven leasehold properties. All of the leasehold properties are classified as operating leases and not revalued in the financial statements. The valuation was prepared in accordance with the RICS Valuation Standards, 6th Edition, published by The Royal Institution of Chartered Surveyors ('the Red Book'). The valuations were prepared on the basis of Market Value or Market Value as a fully equipped operational entity having regard to trading potential, as appropriate. The valuation was provided for accounts purposes and as such, is a Regulated Purpose Valuation as defined in the Red Book. In compliance with the disclosure requirements of the Red Book C&W have confirmed that:

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

The valuation report indicates a total valuation for all properties valued of £67.6 million (2008: £72.1 million) of which £57.6 million (2008: £60.5 million) relates to freehold properties, and £10.0 million (2008: £11.6 million) relates to properties held under operating leases.

Land and buildings are carried at valuation in the balance sheet. Short leasehold improvements at properties held under operating leases are carried at cost rather than valuation in accordance with IFRS.

The valuation methodology explained in more detail below, is based on market value as fully equipped operational entities, having regard to trading potential. The total valuation of trading properties has therefore been allocated by the Directors between freehold properties and the fixtures, fittings and equipment in the valued properties which are held at cost. Of the £57.6 million valuation of the freehold properties £5.5 million relates to the net book value of fixtures, fittings and equipment, and the remaining £52.1 million relates to freehold properties.

The 2009 valuation includes and reflects movements in value which have resulted from the operational performance of the stores and movements in the investment environment. In relation to the existing store at Reading, although it currently remains an operating self-storage facility, the site has been valued to reflect its residential development potential following the grant of planning permission for 112 apartments with associated car parking and landscaping. Additionally the freehold development land site in Reading situated opposite the existing store, which has the benefit of an appropriate planning consent for a self-storage facility, has been valued accordingly, and reflecting an additional uplift based on the assumption that a substantial number of the existing store's customers will transfer to the new store when built. The valuations do not account for any further investment in existing stores since July 2009.

Valuation Methodology
Background
The USA has around 50,000 self-storage facilities trading in a highly fragmented market with the largest five operators accounting for less than 20% of market share-based on net rentable square footage. The vast majority of stores are owned and managed individually or in small portfolios. These properties have a well established track record of being traded and are therefore considered as liquid property assets.

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

The UK self-storage sector differs from the USA in that the larger multiples control almost 50% of the market by net rentable storage space. The scope for active trading of these property assets is therefore likely to be less, however there was evidence of an increased number of transactions in 2007, albeit as corporate transactions rather than individual property sales. However, there have been very few transactions in 2008 and 2009 to date.

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

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

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

Assumptions
a. Net operating income is based on projected revenue received less projected operating costs together with a central administration charge representing 6% of the estimated annual revenue subject to a cap and a collar. The initial net operating income is calculated by estimating the net operating income in the first 12 months following the valuation date.
b. The net operating income in future years is calculated assuming straight-line absorption from day one actual occupancy to an estimated stabilised/mature occupancy level. In the valuation the assumed stabilised occupancy level for the 17 trading stores (both freeholds and leaseholds) averages 75.49% (2008: 77.71%). The two Reading properties are excluded from the group of 19 stores. The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth.
c. The capitalisation rates applied to existing and future net cash flow have been estimated by reference to underlying yields for industrial and retail warehouse property, bank base rates, 10-year money rates, inflation and the available evidence of transactions in the sector. On average for the 17 stores the yield (net of purchaser's costs) arising from the first year of the projected cash flow is 5.15% (2008: 4.77%). This rises to 12.47% (2008: 10.75%) based on the projected cash flow for the first year following estimated stabilisation in respect of each property.
d. The future net cash flow projections (including revenue growth and cost inflation) have been discounted at a rate that reflects the risk associated with each asset. The weighted average annual discount rate adopted (for both freeholds and leaseholds) is 12.46% (2008: 11.37%).
e. Purchaser's costs of 5.75% have been assumed initially and sale plus purchaser's costs totalling 7.75% are assumed on the notional sales in the 10th year in relation to the freehold stores.

The 2008 comparative figures are based on a group of 16 stores which excluded the two Reading properties and Harlow.

Leasehold property
The same methodology has been used as for freehold property, except that no sale of the assets in the 10th year is assumed, but the discounted cash flow is extended to the expiry of the lease. The average unexpired term of the Group's operating leaseholds is approximately 11 years and 4 months as at 31 July 2009 (12 years and four months as at 31 July 2008).

Market Uncertainty
C&W's valuation report comments on valuation uncertainty resulting from the recent global banking crisis and consequent reduction in the availability of debt, coupled with the economic downturn, which have caused UK property values to experience sharp falls in value and liquidity since mid 2007, with fewer transactions being completed. C&W note that although there were a number of self storage transactions in 2007, the only significant transaction since 2007 was the sale of a 51% share in Shurgard Europe which was announced in January 2008 and completed on 31 March 2008. C&W observe that in order to provide a rational opinion of value at the present time it is necessary to assume that the self storage sector will continue to perform in a way not greatly different from that being anticipated prior to the "credit crunch", however they have reflected negative sentiment in their capitalisation rates and they have reflected current trading conditions in their cash flow projections for each property. C&W state that there is therefore greater uncertainty attached to their opinion of value than would be anticipated during more normal market conditions. (Refer also to the note on critical accounting estimates and judgements in relation to fair value of trading properties).

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

8 b) Property lease premiums

The carrying value of development property assets at the balance sheet date was £10.8 million (2007: £14.4 million) of which £2.83 million relating to the long lease at Maidenhead was reclassified as an other non-current asset in the balance sheet (2008: £2.61m). This represents a lease premium paid on entering the lease and other related costs. The lease runs until 31 March 2076. A peppercorn rent is payable until 2027 and a market rent thereafter.

Group	**2009** **£**	2008 £
Property lease premiums	**2,826,199**	2,611,834

9 Investments

Investment in subsidiary undertakings	£
Cost and net book value	
1 August 2007	**702,036**
Capital contributions arising from share-based payments	317,146
31 July 2008	**1,019,182**
1 August 2008	
Capital contributions arising from share-based payments	289,864
31 July 2009	**1,309,046**

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

		% of shares and voting rights held		
	Class of shareholding	Directly	Indirectly	Nature of business
Lok'nStore Limited	Ordinary	100	–	Self-storage
Lok'nStore Trustee Limited	Ordinary	–	100	Trustee
Southern Engineering and Machinery Company Limited	Ordinary	100	–	Land
Semco Machine Tools Limited*	Ordinary	–	100	Dormant
Semco Engineering Limited*	Ordinary	–	100	Dormant

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

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

10 Inventories

	Group 2009 £	Group 2008 £	**Company 2009 £**	Company 2008 £
Consumables and goods for resale	**67,104**	92,712	**–**	–

The amount of inventories recognised as an expense during the year was £181,725 (2008: £190,377).

11 Trade and other receivables

	Group 2009 £	Group 2008 £	**Company 2009 £**	Company 2008 £
Trade receivables	**684,630**	734,431	**–**	–
Other receivables	**78,073**	354,841	**–**	–
Prepayments and accrued income	**438,193**	1,202,148	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**–**	6,688,277
	1,200,896	2,291,420	**–**	6,688,277

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

12 Trade and other payables

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Trade payables	**460,917**	2,212,960	**–**	–
Taxation and social security costs	**245,449**	99,026	**–**	–
Other payables	**932,319**	879,308	**–**	–
Accruals and deferred income	**1,502,904**	1,886,247	**–**	–
	3,141,589	5,077,541	**–**	–

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

13 Provisions

In 2008, following the decision of the Group not to renew its lease at its leasehold store in Portsmouth, it provided for potential repairing and decoration liabilities ('dilapidations') based on the tenant's obligation to the landlord to keep the leasehold premises in good repair and decorative condition. Such evaluations of actual liabilities and the timing of their settlement are always a critical judgement and any sums provided to be set aside can only be an estimate until a settlement is concluded. A final settlement was reached during the year.

	2009 £	2008 £
Provisions		
Liability at start of year	**84,664**	65,082
Amounts paid during the year	**(47,404)**	-
(Release) / increase in provision for the year	**(37,260)**	19,582
Liability at end of year	**-**	84,664

14 Financial instruments

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debts, which includes the borrowings disclosed in note 15, cash and cash equivalents and equity attributable to equity holders 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 ongoing basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. The Group seeks to have a conservative gearing ratio (the proportion of net debt to equity). The Board considers at each review the appropriateness of the current ratio in light of the above. The Board is currently satisfied with the Group's gearing ratio.

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

	Group 2009 £	Group 2008 £
Debt	**(28,089,416)**	(25,433,797)
Cash and cash equivalents	**3,228,731**	2,480,826
Net Debt	**(24,860,685)**	(22,952,971)
Balance sheet equity	**36,972,008**	42,910,666
Net debt to equity ratio	**67.2%**	53.5%

The increase in the Group's gearing ratio arises through the combined effect of an increase in bank borrowings and a decrease in the valuation of its freehold properties. The Group facility was used to fund the completion of the new Harlow store as well as the final costs relating to the leasehold store at Northampton Central and retention releases at the Portsmouth Central store. At 31 July 2009 the Group was carrying £10.8 million of development assets at cost compared to £14.4 million at 31 July 2008.

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

A Derivative financial instruments and hedge accounting

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

B Debt management

Debt is defined as non-current and current borrowings, as detailed in note 15. Equity includes all capital and reserves of the Group attributable to equity holders of the parent. The Group is not subject to externally imposed capital requirements.

The Group borrows through a senior five year term revolving credit facility, secured on its existing store portfolio with a net book value of £73.7 million. Borrowings are arranged to ensure the Group fulfils its strategy of growth and development of its store portfolio and to maintain short-term liquidity. Funding is arranged through The Royal Bank of Scotland plc, with whom the Group has a strong working relationship. As at the balance sheet date the Group has a committed revolving credit facility of £40 million (2008: £40 million). This facility expires on 5 February 2012. Undrawn committed facilities at the year-end amounted to £11,910,584 (2008: £14,566,203).

C Interest rate risk management

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

The following interest rates applied:

1 LIBOR plus a 1.25%–1.35% margin for the revolving advances amounting to £28.1 million.

2 0.25% for non-utilisation (i.e. that part of the facility which remains undrawn from time to time).

Cash balances held in current accounts attract no interest but surplus cash is transferred daily to 'one-day' or 'two-day' Treasury deposits which attract interest at the prevailing money market rates. All amounts are denominated in Sterling. The balances at 31 July 2009 are as follows:

	Group 2009 £	Group 2008 £
Variable rate Treasury deposits*	**3,128,243**	2,342,625

* Money market rates as at 31 July 2009 attributable to variable rate deposits were 0.44% to 0.73%.

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

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

D Interest rate sensitivity analysis

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

At 31 July 2009, it is estimated that an increase of one percentage point in interest rates would have increased the Group's annual loss before tax by £312,691 (2008: £219,110) and conversely a decrease of one percentage point in interest rates would have decreased the Group's annual loss before tax by £312,691 (2008: £219,110). There would have been no effect on amounts recognised directly in equity. The sensitivity has been calculated by increasing by 1% the average variable interest rate applying to the variable rate borrowings in the year.

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 Group has no significant concentration of credit risk, with exposure spread across 6,900 customers in our stores and no individual customer accounts for more than 1% of revenue.

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

The Group's maximum exposure to credit risk at 31 July 2009 was £754,519 (2008: £801,580) on receivables and £3,228,731 (2008:£2,480,826) on cash and cash equivalents.

H Maturity analysis of financial liabilities

The undiscounted contractual cash flow maturities are as follows:

2009 – Group

	Trade and other payables £	Borrowings £	Interest on borrowings £
From two to five years	–	28,089,416	490,869
From one to two years	–	–	947,961
Due after more than one year	–	28,089,416	1,438,830
Due within one year	3,141,589	–	947,961
Total contractual undiscounted cash flows	3,141,589	28,089,416	2,386,791

2008 – Group

	Trade and other payables £	Borrowings £	Interest on borrowings £
From two to five years	–	25,433,797	2,810,933
From one to two years	–	–	1,851,962
Due after more than one year	–	25,433,797	4,662,895
Due within one year	5,077,541	–	1,851,962
Total contractual undiscounted cash flows	5,077,541	25,433,797	6,514,857

The Group's only borrowings are through a senior five year term revolving credit facility of £40 million secured on its existing store portfolio. This facility expires on 5 February 2012.

I Fair values of financial instruments

Categories of financial assets and financial liabilities	2009 £000	2008 £000
Financial assets		
Trade and other receivables	**762,703**	1,089,272
Cash and cash equivalents	**3,228,731**	2,480,826
Financial liabilities		
Trade and other payables	**(3,141,589)**	(5,077,541)
Bank loans	**(28,001,685)**	(25,311,225)

The fair values of the Group's cash and short-term deposits and those of other financial assets equate to their carrying amounts. The Group's receivables are all classified as loans and receivables and carried at amortised cost. Further details are set out in note 11. The amounts are presented net of provisions for doubtful receivables and allowances for impairment are made where appropriate. Trade and other payables and bank borrowings are all classified as financial liabilities measured at amortised cost.

J Company's financial instruments

The Company's only financial assets are amounts owed by subsidiary undertakings amounting to £6.52 million (2008: £6.69 million) which are classified as loans and receivables. These amounts are denominated in Sterling, are non-interest bearing, are unsecured and fall due for repayment within one year. No amounts are past due or impaired. The Company has no financial liabilities.

15 Bank borrowings

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Bank loans repayable in more than two years but not more than five years				
Gross	**28,089,416**	25,433,796	**–**	–
Deferred financing costs	**(87,551)**	(122,571)	**–**	–
Bank loans repayable in more than two years but not more than five years				
Net	**28,001,865**	25,311,225	**–**	–

The bank loans are secured by legal charges and debentures over the freehold and leasehold properties and other assets of the business with a net book value of £79.1 million together with cross-company guarantees of Lok'nStore Limited. The revolving credit facility is for a five-year term and expires on 5 February 2012. The Group is not obliged to make any repayments prior to expiration. The loans bear interest at the London Inter Bank Offer Rate (LIBOR) plus 1.25%–1.35% Royal Bank of Scotland plc margin.

16 Deferred tax

Deferred tax liability	2009 £	2008 £
Liability at start of year	**12,431,474**	14,851,644
Income statement (credit)/charge	**(58,092)**	98,006
Tax credited directly to equity	**(2,125,085)**	(2,518,176)
Liability at end of year	**10,248,297**	12,431,474

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

	Accelerated capital allowances £	Tax losses £	Other temporary differences £	Revaluation of properties £	Rolled over gain on disposal £	Total £
At 1 August 2007	1,226,697	(1,251,223)	24,526	12,098,282	2,753,362	14,851,644
Charge/(credit) to income for the year	299,096	(134,374)	(1,842)	(64,874)	–	98,006
Credit to equity for the year	–	(162,880)	–	(2,149,702)	(205,594)	(2,518,176)
At 31 July 2008	**1,525,793**	**(1,548,477)**	**22,684**	**9,883,706**	**2,547,768**	**12,431,474**
(Credit)/charge to income for the year	(64,393)	85,144	(3,859)	(74,984)	–	(58,092)
Credit to equity for the year	–	–	–	(2,125,085)	–	(2,125,085)
At 31 July 2009	**1,461,400**	**(1,463,333)**	**18,825**	**7,683,637**	**2,547,768**	**10,248,297**

At the balance sheet date, the Group has unused revenue tax losses of approximately £5.23 million (2008: £5.53 million) available to carry forward against future profits of the same trade. A deferred tax asset of £1.46 million (2008: £1.55 million) has been recognised in respect of such losses. This asset offsets against the deferred tax liability position in respect of accelerated capital allowances and other temporary differences. The losses can be carried forward indefinitely.

A potential deferred tax asset of £nil (2008: £72,000) arises in respect of the share options in existence at 31 July 2009. A deferred tax asset was not recognised in the 2008 accounts on the basis that the recoverability of the asset was not considered to be probable. No deferred tax asset arises in relation to the share based payment charge as at 31 July 2009 as the share price at the year end is below the exercise price of the options.

17 Share Capital

	2009 £	2008 £
Authorised:		
35,000,000 ordinary shares of 1 pence each (2008: 35,000,000)	**350,000**	350,000

	£	£
Allotted, issued and fully paid ordinary shares	**267,589**	267,589

	Number	Called up, allotted and fully paid £
Movement in issued share capital		
Number of shares at 31 July 2007	26,731,365	267,314
Exercise of share options – share option scheme	27,500	275
Number of shares at 31 July 2008 and 31 July 2009	26,758,865	267,589

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

Following approval by shareholders of a special resolution at the AGM on 12 December 2008, the Company has authority to make market purchases of up to 5,845,299 shares. The authority expires at the conclusion of the next AGM, but is expected to be renewed at the next AGM.

18 Equity settled share-based payment plans

The Group operates 2 equity-settled share-based payment plans, an approved and an unapproved share option scheme, the rules of which are similar in all material respects. The Enterprise Management Initiative Scheme ('EMI') is closed to new grants of options as the Company no longer meets the HMR&C small company criteria.

The Company has the following share options:

Summary	As at 31 July 2008	Granted	Exercised	Lapsed/ surrendered	**As at 31 July 2009**
Enterprise Management Initiative Scheme	501,901	–	–	(10,000)	**491,901**
Approved Share Options Scheme	19,458	–	–	-	**19,458**
Unapproved Share Options	1,775,906	343,000	–	(32,000)	**2,086,906**
Total	2,297,265	343,000	–	(42,000)	**2,598,265**
Options held by Directors	1,270,000	220,000	–	–	**1,490,000**
Options not held by Directors	1,027,265	123,000	–	(42,000)	**1,108,265**
Total	2,297,265	343,000	–	(42,000)	**2,598,265**

Summary	As at 31 July 2007	Granted	Exercised	Lapsed/ surrendered	**As at 31 July 2008**
Enterprise Management Initiative Scheme	633,994	–	(27,500)	(104,593)	**501,901**
Approved Share Options Scheme	22,377	–	–	(2,919)	**19,458**
Unapproved Share Options	1,460,759	433,554	–	(118,407)	**1,775,906**
Total	2,117,130	433,554	(27,500)	(225,919)	**2,297,265**
Options held by Directors	1,075,000	195,000	–	–	**1,270,000**
Options not held by Directors	1,042,130	238,554	(27,500)	(225,919)	**1,027,265**
Total	2,117,130	433,554	(27,500)	(225,919)	**2,297,265**

The grant of options to Executive Directors and senior management is recommended by the Remuneration Committee on the basis of their contribution to the Group's success. The options vest after three years. No options have been granted under the EMI approved scheme in the year (2008: nil).

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

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

The total charge for the year relating to employer share-based payment schemes was £289,864 (2008: £317,146), all of which relates to equity-settled share-based payment transactions. In total a 'Share-based payments reserve' at 31 July 2009 of £1,094,483 results (2008: £804,619).

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

The total fair value of the options granted in the year was £70,291 (2008: £232,277).

19 Other reserves

Group	Merger reserve £	Other distributable reserve £	Capital redemption reserve £	Share-based payment reserve £	Total £
1 August 2007	**6,295,295**	**5,903,002**	**34,205**	**487,473**	**12,719,975**
Share based remuneration (options)	–	–	-	317,146	317,146
1 August 2008	**6,295,295**	**5,903,002**	**34,205**	**804,619**	**13,037,121**
Share based remuneration (options)	-	-	-	289,864	289,864
Dividend paid	-	(167,446)	-	-	(167,446)
31 July 2009	**6,295,295**	**5,735,556**	**34,205**	**1,094,483**	**13,159,539**

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.

Company	Other distributable reserve £	Capital redemption reserve £	Share-based payment reserve £	Total £
1 August 2007	**5,903,002**	**34,205**	**487,473**	**6,424,680**
Share based remuneration (options)	–	–	317,146	317,146
1 August 2008	**5,903,002**	**34,205**	**804,619**	**6,741,826**
Share based remuneration (options)	**-**	**-**	**289,864**	**289,864**
Dividend paid	**(167,446)**	**-**	**-**	**(167,446)**
31 July 2009	**5,735,556**	**34,205**	**1,094,483**	**6,864,244**

20 Retained earnings

Group	Retained earnings before deduction of own shares £	Own shares (note 21) £	Retained earnings Total £
1 August 2007	**6,655,952**	**(509,586)**	**6,146,366**
Loss for the financial year	(839,647)	–	(839,647)
Income and expense recognised directly in equity	162,880	–	162,880
Transfer from revaluation reserve	166,818	–	166,818
Transfer to employee leaver	–	3,970	3,970
Dividends	(261,565)	4,318	(257,247)
Purchase of shares	–	(2,092,902)	(2,092,902)
1 August 2008	**5,884,438**	**(2,594,200)**	**3,290,238**
Loss for the financial year	(597,959)	–	(597,959)
Transfer from revaluation reserve	394,855	–	394,855
Transfer to employee leaver	–	1,388	1,388
31 July 2009	**5,681,334**	**(2,592,812)**	**3,088,522**

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 Groups share incentive plan and shares purchased separately by Lok'nStore Limited for Treasury Account. These Treasury shares have not been cancelled and were purchased at an average price considerably lower than the Group's adjusted net asset value. These shares may in due course be released back into the market to assist liquidity of the Company's stock and to provide availability of a reasonable line of stock to satisfy investor demand as and when required.

21 Own Shares

	ESOP shares Number	ESOP shares £	Treasury shares Number	Treasury shares £	Own shares total £
1 August 2007	**627,500**	**509,586**	**–**	**–**	**509,586**
Transfer out of scheme	(2,553)	(3,970)	–	–	(3,970)
Purchase of shares	–	–	1,142,000	2,092,902	2,092,902
Dividends received	–	(4,318)	–	–	(4,318)
31 July 2008	**624,947**	**501,298**	**1,142,000**	**2,092,902**	**2,594,200**
Transfer out of scheme	(1,735)	(1,388)	–	–	(1,388)
31 July 2009	**623,212**	**499,910**	**1,142,000**	**2,092,902**	**2,592,812**

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

Distributable reserves are reduced by £2,092,902 reflecting the purchase cost of these shares (See note 20).

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 2009, the Trust held 623,212 (2008: 624,947) ordinary shares of 1 pence each with a market value of £352,115 (2008: £815,556). In accordance with the scheme rules, 1,388 shares (2008: 2,553) were transferred out of the scheme due to two employees leaving during the year.

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

22 Cash flows

(a) Reconciliation of loss before tax to net cash inflow from operating activities

	2009 £	2008 £
Loss before tax	**(656,051)**	(741,446)
Depreciation	**1,839,458**	1,442,194
Impairment of goodwill	**-**	310,559
Share-based employee remuneration	**289,864**	317,146
Loss / (profit) on sale of fixed assets	**7,322**	(563)
Interest receivable	**(64,326)**	(329,659)
Interest payable	**1,055,283**	1,608,587
Decrease / (Increase) in inventories	**25,607**	(18,168)
Decrease / (Increase) in receivables	**1,095,138**	(302,787)
Decrease in creditors	**(1,778,563)**	(888,153)
Decrease in provisions	**(84,664)**	-
Net cash inflow from operating activities	**1,729,068**	1,397,710

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

Net debt is defined as debt on non-current and current borrowings, as detailed in note 15 less cash balances held in current accounts and surplus cash transferred daily to 'one-day' or 'two-day' Treasury deposits.

	31 July 2009 £	31 July 2008 £
Increase/(Decrease) in cash in the period	**747,905**	(2,708,308)
Change in net debt resulting from cash flows	**(2,655,619)**	(9,783,599)
Movement in net debt in period	**(1,907,714)**	(12,491,907)
Net debt brought forward	**(22,952,971)**	(10,461,064)
Net debt carried forward	**(24,860,685)**	(22,952,971)

23 Commitments under operating leases

At 31 July 2009 the total future minimum lease payments under non-cancellable operating leases were as follows:

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

	Group 2009 £	Group 2008 £	**Company 2009 £**	Company 2008 £
Land and buildings				
Amounts due:				
Within one year	**1,399,692**	1,389,692	**–**	–
Between two and five years	**5,378,768**	5,338,768	**–**	–
After five years	**5,886,795**	6,981,973	**–**	–
	12,665,255	13,710,433	**–**	–

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

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

The Group as lessor:
Property rental income earned during the year was £175,632 (2008: £152,913). This income is considered as ancillary and relatively short-term to the Group's trading activities as these properties are sites held for their development potential as self storage centres and the rental income ceases when the buildings are demolished. These tenancies are therefore of a short term nature since tenants are served notice to vacate pending redevelopment of the site or if very short the leases run off to the end of their term.

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

	Group 2009 £	Group 2008 £	**Company 2009 £**	Company 2008 £
Within one year	**91,185**	86,078	**–**	–
Between one and five years	**–**	11,383	**–**	–
	91,185	97,461	**–**	–

24 Events after the balance sheet date
There are no post-balance sheet events to report.

25 Related party transactions
The following balances existed between the Company and its subsidiaries at 31 July:

	2009 £	2008 £
Net amount due from Lok'nStore Limited	**6,520,831**	6,688,277

The amount due from Lok'nStore Limited is interest free. The balance is repayable on demand, however the company has no present intention to demand repayment within one year and so the amount has been presented as a non-current asset as at 31 July 2009.

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 9.

The aggregate remuneration of the Directors, who are the key management personnel of the Group, is set out below.

	2009 £	2008 £
Short term employee benefits	**453,479**	562,432
Post employment benefits	**3,255**	3,233
Share-based payments	**138,571**	99,651
Total	**595,305**	665,316

The Group maintains a service agreement for strategic services with Value Added Services Limited, a company in which Andrew Jacobs and Simon Thomas have a beneficial interest. The total fees payable to Value Added Services Limited are as shown in note 3. Fees are settled monthly and there were no outstanding amounts due to Value Added Services Limited at the year-end (2008: £nil). The maximum balance outstanding at any time during the year was £24,100 (ex VAT) (2008: £24,100).

The Group uses Trucost PLC, an environmental research company, to provide information and undertake performance assessment of the environmental effect of its business activities. Trucost PLC is a company in which Andrew Jacobs and Simon Thomas have a beneficial interest. The total fees payable to Trucost PLC in respect of its environmental assessment and reporting for the year was £6,000 (2008: £5,525). The balance outstanding to Trucost PLC at year-end was £nil (2008: £nil).

The Group maintains a retainer agreement for investor relations services with h2glenfern Consulting Limited, a company in which Robert Jackson has a beneficial interest. The total fees payable to h2glenfern Consulting Limited are £2,000 per month (2008: £2,000 per month). There were no outstanding amounts due to h2glenfern Consulting Limited at the year-end. The maximum balance outstanding at any time during the year was £6,000 (ex VAT) (2008: £6,000 ex VAT).

During the year the Company entered into an agreement with Keith Jacobs, a brother of Andrew Jacobs and Colin Jacobs, for the provision of marketing services and support on a consultancy basis. The fees payable to Keith Jacobs during the year under this arrangement were £19,790. There was £138 outstanding due to Keith Jacobs at the year-end. The maximum balance outstanding at any time during the year is £nil (ex VAT).

26 a) Capital commitments and guarantees

The Group has capital expenditure contracted but not provided for in the financial statements of £49,020 (2008: £1,646,885) relating to minor works.

26 b) Bank borrowings

The Company has guaranteed the bank borrowings of Lok'nStore Limited. As at the year-end, that company had gross bank borrowings of £28.09 million (2008: £25.43 million).

26 c) Contingent Liability – Value added tax

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

Lok'nStore has advanced a number of other proposals and arguments in a bid to resolve this now long-running dispute. Again, these have been rejected. Following the formal rejection of the various proposals which were submitted for a PESM, a local review of the decision was requested which upheld the rejection of a PESM.

Following an informal approach to Tax Counsel, their opinion on the chances of a successful outcome of an appeal to the Tax Tribunal was encouraging subject to the usual caveats. Lok'nStore intends to progress matters with a formal conference with Counsel.

Position at Year End

On a worst case scenario, the overall liability in relation to input tax claimed up to the end of July 2009 which may become repayable to HMRC totals £294,975 based on the standard method restriction. Of this £187,947 relates to capital expenditure inputs (Balance Sheet) and £107,028 relates to income statement items. If a special method is agreed, this may give a restriction of around 1%, in which case the total amount of VAT (plus interest) to be assessed by HMRC would on the figures above give a special method restriction of £71,540.

On a pro rate basis this potential liability between restricted inputs gives a liability of £48,248 relating to capital expenditure inputs (Balance Sheet) and £23,291 relating to profit & loss items.

Interest would be added to both totals

It is not impossible that there should be no restriction of input tax incurred on the basis that the de minimis limits would not be breached on any agreed PESM.

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