Lok'n Store Group

Interim Results

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LOK'NSTORE GROUP PLC
("Lok'nStore" or "the Group")
Interim Results
for the six months to 31 January 2010

Lok'nStore Group Plc, a leading company in the UK self-storage market announces interim results for the six months ended 31 January 2010.

Financial Highlights

- Revenue up 1.8% to £5.19 million – (£5.09 million: six months to 31.01.09)
- Group EBITDA up 14.5% to £1.45 million – (£1.27 million: six months to 31.01.09)
- Operating profit up 77.0% to £438,058 – (£247,547: six months to 31.01.09)
- Existing £40 million bank facility until 2012. £11.9 million undrawn
- Adjusted NAV* £2.10 per share up 1.5% over period and up 5% year-to-year(31.01.09: £2.00 per share, 31.07.09: £2.07 per share)

  *Based on Directors' valuation, before deferred taxation.

- Interim dividend proposed 0.33 pence per share (2009: Nil** pence per share)

** 2009 interim dividend waived but a final dividend of 1 pence per share paid to maintain total annual dividend at 1 pence per share.

Operational Highlights

- Store EBITDA up 4.9% to £2.16 million (£2.06 million: six months to 31.01.09)
- Store EBITDA margin 41.8% (six months to 31.01.09: 40.7%)
- Occupancy 558,514 sq ft up 10.2% over last year (31.01.09: 506,704 sq ft)
- Self-storage prices up 2.8% over period
- Ancillary income up 24.6%
- Operating costs reduced by 1.5% year-to-year
- Store EBITDA margin (same stores over 100 weeks) 43.9% (six months to 31.01.09: 43.5%)

Property Highlights

- Property portfolio valued at £78.4 million (31.01.09: £76.8 million)
- Loan to value ratio of 30.9%***(31.01.09:33.2%)

  *** Calculation based on net debt of £24.2 million (31.01.09: £25.5 million)

- Planning permissions in place on all stores in pipeline (4 stores)

Andrew Jacobs, Chief Executive, said:

'Lok'nStore has performed well in the first half of this year. We have increased turnover, and driven ancillary revenues markedly higher. Store EBITDA and Group EBITDA are sharply higher and we have converted a loss before tax last year into a profit before tax. Occupancy has grown 10.2% year-on-year and we have increased overall margins with a combination of price increases and reduced operating costs.

We have a flexible business model backed by substantial and increasing property assets which generate cash. While economic conditions appear to have stabilised we will continue to focus on driving the cash flow from the existing portfolio by increasing occupancy, revenues, and controlling costs. We are continually reviewing our building and acquisition strategy in light of market and economic conditions.

The UK self-storage remains an attractive growth market and Lok'nStore is well positioned within it.'

- Ends -

Press Enquiries:

Andrew Jacobs, CEO	Lok'nStore	Tel: 01252 521010
Ray Davies, Finance Director	Lok'nStore	
Jonathon Brill/Billy Clegg/Ed Westropp	Financial Dynamics	Tel: 020 7831 3113
Nick Tulloch/Ben Wells	Arbuthnot	Tel: 020 7597 4000

Overview

Lok'nStore has performed well in the first six months of this year. We have increased turnover and driven ancillary revenues markedly higher. Store EBITDA and Group EBITDA are sharply higher and we have converted a loss before tax last year into a profit before tax. Occupancy has grown 10.2% year-on-year and we have increased overall margins with a balanced combination of price increases and reduced operating costs. Our prices for self-storage unit are up 2.8% over the period.

Backed by substantial property assets Lok'nStore has achieved an overall margin improvement year-on-year. Cash flow has increased and we have made additional cost savings of 1.5% year-on-year which further underpin the margin improvement. Capital expenditure remains curtailed for the time being and we will continue to manage the business on a conservative basis but have the flexibility to respond quickly in line with a recovery in the wider economy.

At 31 January 2010 the management valued the property portfolio resulting in an adjusted net asset value of £2.10 per share (31.01.09: £2.00 per share). The portfolio will be externally valued at the July 2010 year end.

We continue to comply comfortably with all banking covenants on our existing bank facility which runs until February 2012. We currently have £11.9 million of the facility undrawn and £3.9 million of cash.

Sales and Earnings Performance

Revenue for the period was £5.19 million up 1.8% year-on-year (£5.09 million: six months to 31.01.09). Total store EBITDA has increased 4.9% to £2.16 million (31.01.09: £2.06 million). Group EBITDA was up 14.5% at £1.45 million (31.01.09: £1.27 million).

Operating profit for the period was up 77% to £438,058 compared with £247,547 for the corresponding period, and £318,591 for the year ended 31.07.09. Pre-tax profit for the period was £190,626 compared with a loss of £480,162 for the corresponding 2009 period. Basic profit per share was 0.24 pence per share (31.01.09: 1.92 pence loss per share). On a diluted basis profit per share was 0.24 pence per share (31.01.09: 1.92 pence loss per share).

The cash flow of the operating business has remained strong, with store earnings before interest, tax, depreciation and amortisation (Store EBITDA) up 14.9% at £2.16 million (£2.06 million: six months to 31.01.09).

Breakdown of Performance of Stores

		January 2010			
Store analysis Weeks old	Pipeline**	Under 100	100 to 250	Over 250	Total
Six months ended 31 January 2010					
Sales (£'000)	-	250	646*	4,268	5,164
Stores EBITDA (£'000)	-	0	386	1,771	2,157
EBITDA margin (%)	-	0	59.7	41.5	41.8
As at 31 January 2010 ('000 sq ft)					
Freehold and long leasehold	143	69	128	439	779
Leasehold	-	40	-	407	447
Maximum Net Area	143	109	128	846	1,226
Total Number of stores					
Freehold and long leasehold	2	1	2	8	13
Leasehold	-	1	-	9	10
Total stores	2	2	2	17	23

* In respect of the Farnborough store (100 to 250 weeks) total 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 are netted down in the Group revenue figures.

** Ancillary revenues from pipeline sites is not reported here (refer note 3 revenue and segmental information).

Overall EBITDA margins across all stores improved to 41.8% from 40.7%.

Pricing
Over the period Lok'nStore has increased average prices for self-storage units by 2.8% (0.5% year-on-year). In the current environment achieving both occupancy growth and price increases remains a key objective for the Group and we will focus on maintaining the right balance while continuing to be vigilant with operating costs. We believe that we will be able to increase prices by more than inflation over the medium term although we are conscious of the challenges the current economic environment presents.

Lok'nStore's average price for self-storage was £18.09 per sq ft per annum at 31 January 2010 (£18.00: 31.01.09) compared with the average of £20.49 for the UK industry (source: Self-Storage Association Industry Report 2009). Over the medium term we believe that there is room to continue to increase our prices while retaining our competitive pricing position in the market.

Despite the economic background we have increased revenue from our ancillary product lines with packing materials, insurance and other sales increasing 24.6% year-on-year accounting for 10.2% of revenue in the period (six months ended 31.01.2009: 8.4%).

We continue to heavily promote our insurance to new customers with the result that 79% of new customers over the period took our insurance. This compares with 62% of our total customer base who buy our insurance, and so this provides us with built-in growth in our insurance sales as the customer base rolls over.

Marketing
During the period our marketing budget was increasingly focused on the most productive media with approximately 3.7% of revenue spent on advertising and marketing (including postage, printing and stationery) (4.25%: y/e 31.07.09). The Internet produces an increasing proportion of our enquiries (29% in the period) and printed directories a decreasing proportion. We continue to allocate more of our marketing budget towards the Internet with 31% of direct marketing spend now Internet based (y/e 31.07.09: 21%) and have recently appointed a leading specialist digital marketing agency. For this period Internet enquiries were up 61% year-on-year and total enquiries up 17%. We will continue to manage our marketing budget with a strong focus on cost control and value for money.

While continuing to increase, enquiries from the Internet have a lower conversion ratio of around 29% (y/e 31.07.09: 27%) than the traditional methods of telephone and walk-in enquiries and the challenge and the opportunity is to continue to increase this level. A reflection of the strength of our customer service is that around 21% of our business is from referrals and from previous and existing customers. Around 45% of our business comes from passing traffic so work on the visibility of our stores is also improving response to our marketing. With their prominent positions, distinctive design and orange elevations our stores help the profile of the whole Lok'nStore brand. Our store management are closely involved with sales and marketing initiatives and work with our Head Office to ensure our marketing expenditure remains targeted and effective.

Customers
Lok'nStore's business is underpinned by a diverse cross section of both business and household customers. At the end of January 2010, 36.6% of Lok'nStore's revenue was from business customers (Jan 2009: 41.2%) and 63.4% was from household customers (Jan 2009: 58.8%). By number of customers this breakdown was 23% business customers (Jan 2009: 26%) and 77% household customers (Jan 2009: 74%).

Given the tight credit conditions in the wider economy our own credit control indicators are resilient showing no signs of weakening during the period with the number of late letters declining and bad debts remaining at very low levels.

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. In its 2009 update Mintel reported that despite the tough economic climate, the industry had grown by around 4% over the past year in terms of available rentable space.

In the UK there are now about 800 primary facilities (not including container self-storage facilities) and around 28 million rentable square feet - an increase of more than one million square feet (4%) of space in the last year. There is 0.5 sq ft of rentable space for each person in the UK. There are 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 in the UK generates revenues of about £360 million per annum and has over 235,000 customers currently storing.
The more mature US market grew from 2.9 sq ft per head of population in 1994 to 7.4 sq ft in 2009 with over 50,000 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. The 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.

Property Assets and Net Asset Value

Adjusted net asset value per share at 31 January 2010 was £2.10. This is an increase of 1.5% over the period and an increase of 5% over the previous year. The increase over the period was due to accumulating operational surpluses.

It is our policy to undertake external independent property valuations of its trading properties at every 31 July financial year-end; accordingly, the freehold and leasehold properties have not been externally valued at this interim period-end. The market for self-storage assets, which is a sub-sector characterised by a relative scarcity of prime sites, has remained comparatively resilient to the downturn in commercial property values generally.

The Board remains mindful of the need to accord with the measurement principles of International Financial Reporting Standards as adopted by the European Union. After consultation with our external valuers, the Directors considered that there had been a negligible movement in market yields since the July 2009 year end and therefore no market yield shift assumption has been applied at 31 January 2010 to our properties externally valued at 31 July 2009. The Directors therefore consider that it is appropriate to maintain the portfolio valuation without modification.

As a result, on a same store basis Lok'nStore's freehold and operating leasehold properties which were independently valued by Cushman & Wakefield ('C&W') at £67.6 million as at 31 July 2009 have been maintained at 31 January 2010 at £67.6 million. Together with our stores under development at cost and our Maidenhead site (included in non-current property lease premiums), our total property is valued at £78.4 million (31 July 2009: £78.4 million: 31 January 2009: £76.8 million).

The leasehold properties are carried at historic cost less accumulated depreciation in the balance sheet. Our development sites are held at cost, less provision for any impairment, of £10.8 million. No impairment charges have been made. Progress has been made in enhancing this value through a combination of planning permissions secured and there exists potential for more imaginative collaborative schemes on certain of our development sites.

This property valuation translates into a net asset value of 210 pence per share, (31.07.09: 207 pence per share 31.01.09: 200 pence per share), and a net asset value of 168 pence per share after making full provision for deferred tax arising on the revaluations (31.07.09: 166 pence per share, 31.01.09: 162 pence per share).

The deferred tax liability arises on the revaluation of the properties and rolled over gains arising on historic property disposals. 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 may 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 in the foreseeable future. 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.

Historically we have valued both our freehold and our leasehold property assets. Our freehold property assets are formally included in the Balance Sheet at their fair value, but International Financial Reporting Standards as adopted by the European Union ('EU') 'IFRS' do not permit the inclusion of any valuation in respect of our leasehold properties to the extent that they are classified as operating leases. The value of our operating leases in the valuation totals £9.97 million (31.07.09: £9.97 million) (31.01.09: £10.64 million). Instead, we have reported by way of a note the underlying value of these leaseholds and adjusted our Net Asset Value ('NAV') calculation accordingly to include their value. This ensures consistent and comparable NAV calculations.

Analysis of total property value	No of Stores	**31 January 2010 Valuation £**	31 January 2009 Valuation £	31 July 2009 Valuation £
Freehold valued by 'C&W'	12	57,610,000*	55,370,000*	57,610,000
Leasehold valued by 'C&W'	7	9,970,000*	10,640,000*	9,970,000
Sub total	19	67,580,000	66,010,000	67,580,000
Sites in development at cost	3	10,787,686***	10,779,794	10,779,948
Total	22**	78,367,686	76,789,794	78,359,948

* Directors' valuation at 31 January 2010 and 31 January 2009.

** Three leasehold stores were not valued as their remaining unexpired terms were insufficient to yield a value under the Cushman & Wakefield valuation methodology.

***Under IAS 17 payments made of £2.8 million to secure a long lease in Maidenhead as a development site are classified as an operating lease and are shown as a non-current asset property lease premium in the balance sheet rather than within Property, Plant and Equipment. Where reference is made elsewhere to £10.8 million of development sites this is a combination of the £2.8 million Maidenhead site and the £8 million of sites in development at cost included in Property, Plant and Equipment.

Adjusted Net Asset Value Per Share (adjusted NAV)	**31 January 2010 £**	31 January 2009 £	31 July 2009 £
Analysis of net asset value (NAV)			
Total non-current assets	**73,556,422**	71,988,001	73,867,028
Adjustment to include leasehold stores at valuation			
Add: C&W leasehold valuation	**9,970,000**	10,640,000	9,970,000
Deduct: leasehold properties and their fixtures and fittings at NBV	**(5,056,381)**	(5,687,160)	(5,357,762)
Add: current assets	**5,364,457**	3,664,292	4,496,731
Less: current liabilities	**(3,268,821)**	(2,959,607)	(3,141,589)
Less: non-current liabilities (excluding deferred tax provision)	**(28,019,375)**	(27,537,355)	(28,001,865)
Adjusted net assets before deferred tax provision	**52,546,302**	50,108,171	51,832,543
Deferred tax	**(10,482,196)**	(9,643,545)	(10,248,297)
Adjusted net assets	**42,064,106**	40,464,626	41,584,245
Shares in issue	**Number**	Number	Number
Opening shares	**26,758,865**	26,758,865	26,758,865
Shares issued for the exercise of options	**–**	-	-
Closing shares in issue	**26,758,865**	26,758,865	26,758,865
Shares held in treasury	**(1,142,000)**	(1,142,000)	(1,142,000)
Shares held in EBT	**(623,212)**	(624,947)	(623,212)
Closing shares for NAV purposes	**24,993,653**	24,991,918	24,993,653
Adjusted net asset value per share after deferred tax provision	**168 pence**	162 pence	166 pence
Adjusted net asset value per share before deferred tax provision	**210 pence**	200 pence	207 pence

Net asset values per share are based upon net assets adjusted for the valuation of the freehold and operating leasehold stores divided by the number of shares at the year-end. The shares currently held in the Group's employee benefits trust (own shares held) and in treasury are excluded from the number of shares.

Corporation Tax
There is no corporation tax liability to pay due to the availability of tax losses. Period-end tax losses available to carry forward for offset against future profits amount to some £4.63 million (31.01.09: £5.7 million).

Borrowings, cash flow and interest costs
At 31 January 2010, the Group had cash balances of £3.88 million (31.01.09: £2.14 million). The £28.1 million of borrowings at 31.01.10 represents gearing of 65.2% on net debt of £24.2 million (31.01.09: 71.8%). After adjusting for the uplift in value of leaseholds which are stated at depreciated historic cost in the balance sheet, gearing is 57.6% (31.01.09: 63%). After adjusting for the deferred tax liability carried at period-end of £10.5 million gearing drops to 46% (31.01.09: 51%).

Lok'nStore's cash flow is strong with security deposits taken from customers who pay four weekly in advance. We retain a legal lien over customers' goods which can then be sold to cover any unpaid bills. Credit control remains tight with only £21,414 (31.01.09: £25,870) of bad debts written off during the period, down 17.2% from already low levels on the same period last year representing around 0.4% of revenue (31.01.09: 0.5%).

Cash inflow from operating activities before interest and capital expenditure was £1.3 million (31.01.09: £7,887). As well as using cash generated from operations to fund some capital expenditure, the Group has a five year revolving credit facility with Royal Bank of Scotland Plc. This provides sufficient liquidity for the Group's current needs. Period-end borrowings were £28.1 million (31.01.09: £27.6 million). Net debt was £24.2 million (31.01.09: £25.5 million). 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 period-end amounted to £11.9 million (31.01.09: £12.3 million). The facility is secured on the existing property portfolio. The loan facility runs until February 2012 and during the period the Group comfortably complied with all debt covenants.

Prevailing economic conditions have caused LIBOR rates to fall significantly and remain at low levels. Lok'nStore has managed its debt aggressively against this and the average interest rate paid for the six month period since July 2009 was 1.79% compared to 3.37% for the year to 31 July 2009 and 5.05% for the corresponding six months ended 31 January 2009. Interest on bank borrowings for the period decreased to £253,364 from £769,211 in 2009. The net interest charge decreased from £720,387 to £246,980. This will result in a similarly reduced charge for the second half of our financial year and beyond if these rates are sustained.

From 1 August 2009 under IAS 23 ('Borrowing Costs') we are required to capitalise interest against our development pipeline in accordance with changes to International Financial Reporting Standards. The Group's date of adoption was 1 August 2009, (the first annual period commencing after the IAS 23 effective date of 1 January 2009). All of the Groups current qualifying assets predate the date of adoption and accordingly under the transitional adoption arrangements no borrowing costs have been capitalised against them in the period. A component of the interest cost incurred by the Group arises from the £10.8 million of development sites 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 £98,250 higher for the period.

While the Group has grown its business through a combination of new site acquisition, existing store improvements and relocations, it has placed any further site acquisition and development on hold while the current economic conditions persist. Consequently, capital expenditure during the period totalled only £0.2 million, which relates to minor works at some stores and planning and preparatory expenditures at the Reading SGB, Portsmouth North Harbour, Southampton and Maidenhead sites. Capital expenditure is likely to be limited over the remainder of the financial year. The Company has no further capital commitments beyond minor works to existing properties. We will consider conditions in the wider economy and the UK self-storage market in particular before committing to any further new developments.

Balance Sheet

Balance sheet net assets at the period-end increased to £37.2 million (31.07.09 £36.9 million) (31.01.09: £35.5 million) mainly as a result of the profits earned during the period. Freehold property values were unchanged at £57.6 million compared to £57.6 million at 31 July 2009. (Jan 2009: £55.4 million). This valuation translates into an adjusted net asset value per share of £2.10 before deferred tax provision (July 2009: £2.07) (Jan 2009: £2.00) as reported above.

The Employee Benefit Trust owns 623,212 shares (Jan 2009: 624,947), the costs of which are shown as a deduction from shareholders' funds. The Company is holding in Treasury a total of 1,142,000 of its own Ordinary Shares of 1 pence each with an aggregate nominal value of £11,420 for an aggregate cost of £2,092,902. At 31 January 2010 these treasury shares represent 4.27% of the Company's issued share capital (31.01.09 4.27%). The total number of Ordinary Shares in issue is 26,758,865 (Jan 2009: 26,758,865).

Costs

Administrative expenses amounted to £3.62 million for the period (Jan 2009: £3.67 million) a decrease of 1.5%. Premises costs which are the least variable cost accounted for 48.1% of these costs (Jan 2009: 45.7%), staff costs 36.3% (Jan 2009: 38.8%) and overheads 15.6% (Jan 2009: 15.5%).

Administration Expenses

	Increase/ (decrease) in costs(y-y)	**31 January 2010 £**	31 January 2009 £	31 July 2009 £
Property costs	3.7%	**1,739,834**	1,677,965	3,416,305
Staff costs	(8.0%)	**1,312,784**	1,426,695	2,715,381
Overheads	(0.5%)	**565,237**	568,130	1,146,415
Total	(1.5%)	**3,617,855**	3,672,790	7,278,101

Dividend
In respect of the current year, the directors propose an interim dividend of 0.33 pence per share which will be paid to shareholders on 7 June 2010 to shareholders on the register on 7 May 2010. The ex-dividend date is 5 May 2010. The total estimated dividend to be paid is £82,479 based on the number of shares currently in issue as adjusted for net shares held in the Employee Benefit Trust and held on treasury. This Interim dividend is consistent and compares to a 2008 total annual dividend of 1 pence per share (comprising 0.33 pence per share by way of an interim dividend and 0.67 pence by way of a final dividend).

People
At 31 January 2010 we had 106 employees (2009: 105). They 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 continued hard work.

Outlook
Lok'nStore has performed well in difficult economic conditions and we are encouraged by current business.

We have a flexible business model which generates cash from an increasing asset base. While economic conditions appear to have stabilised we will continue to focus on growing the cash flow from the existing portfolio by increasing occupancy, revenues, and controlling costs. In the near future we will maintain our position of constraining new capital expenditure commitments but will adapt our building and acquisition strategy when we see economic recovery gaining traction. Self-storage remains an attractive growth market in the UK and Lok'nStore remains well positioned within it.

Simon Thomas
Chairman

23 April 2010

Consolidated Statement of Comprehensive Income
For the six months ended 31 January 2010

	Notes	**Six months 31 January 2010 Unaudited £**	Six months 31 January 2009 Unaudited £	Year ended 31 July 2009 Audited £
Revenue	3	**5,187,234**	5,094,018	10,008,678
Cost of sales		**(115,463)**	(151,268)	(282,664)
Gross profit		**5,071,771**	4,942,750	9,726,014
Administrative expenses		**(3,617,855)**	(3,672,790)	(7,278,101)
EBITDA		**1,453,916**	1,269,960	2,447,913
Depreciation based on historic cost		**(781,749)**	(735,320)	(1,571,658)
Additional depreciation based on revalued assets		**(138,145)**	(141,787)	(267,800)
		(919,894)	(877,107)	(1,839,458)
Share based payments		**(95,964)**	(145,306)	(289,864)
		(1,015,858)	(1,022,413)	(2,129,322)
Operating profit		**438,058**	247,547	318,591
Settlement of Harlow build costs		-	-	23,637
Loss on sale of motor vehicles		**(452)**	(7,322)	(7,322)
		(452)	(7,322)	(16,315)
Profit before net finance cost		**437,606**	240,255	334,906
Finance income		**6,384**	48,824	64,326
Finance cost		**(253,364)**	(769,211)	(1,055,283)
Profit/ (loss) before taxation		**190,626**	(480,162)	(656,051)
Income tax expense	5	**(129,469)**	-	58,092
Profit/ (loss) for the financial period				
Attributable to owners of the parent		**61,157**	(480,162)	(597,959)
Other comprehensive income before tax				
Increase/(decrease) in asset valuation		**375,727**	(9,684,507)	(7,589,590)
Income tax relating to (decrease)/increase in asset valuation		**(104,430)**	2,787,929	2,125,085
Total comprehensive income for the year, net of tax		**271,297**	(6,896,578)	(5,464,505)
Total comprehensive income for the year				
Attributable to owners of the parent		**332,454**	(7,376,240)	(6,062,464)
Earnings / (loss) per share	6			
Basic		**0.24p**	(1.92p)	(2.39p)
Fully diluted		**0.24p**	(1.92p)	(2.39p)

Consolidated Statement of Changes in Equity
For the six months ended 31 January 2010

	Share capital £	Share premium £	Other reserves £	Revaluation reserve £	Retained earnings £	Total £
31 July 2008 Audited	**267,589**	**698,044**	**13,037,121**	**25,617,674**	**3,290,238**	**42,910,666**
Decrease in asset valuation	–	–	–	(9,684,507)	–	(9,684,507)
Income tax relating to decrease in asset valuation	–	–	–	2,787,929	–	2,787,929
Other comprehensive income	–	–	–	(6,896,578)	–	(6,896,578)
Loss for the period	–	–	–	–	(480,162)	(480,162)
Total comprehensive income	–	–	–	(6,896,578)	(480,162)	(7,376,740)
Transfer	–	–	–	(141,787)	141,787	–
Share based remuneration	–	–	145,306	–	–	145,306
Dividend paid	–	–	(167,446)	–	–	(167,446)
31 January 2009 Unaudited	**267,589**	**698,044**	**13,014,981**	**18,579,309**	**2,951,863**	**35,511,786**
Increase in asset valuation	–	–	–	2,094,917	–	2,094,917
Income tax relating to increase in asset valuation	–	–	–	(662,844)	–	(662,844)
Other comprehensive income	–	–	–	1,432,073	–	1,432,073
Loss for the period	–	–	–	–	(117,797)	(117,797)
Total comprehensive income	–	–	–	(1,432,073)	(117,797)	(1,314,276)
Transfer	–	–	–	(253,068)	253,068	–
Share based remuneration	–	–	144,558	–	–	144,558
Movement on EBT (ESOP)	–	–	–	–	1,388	1,388
31 July 2009 Audited	**267,589**	**698,044**	**13,159,539**	**19,758,314**	**3,088,522**	**36,972,008**
Increase in asset valuation	–	–	–	375,727	–	375,727
Income tax relating to increase in asset valuation	–	–	–	(104,430)	–	(104,430)
Income and expense recognised directly in equity	–	–	–	271,297	–	271.297
Profit for the period	–	–	–	–	61,157	61,157
Total comprehensive income	–	–	–	271,297	61,157	332,454
Transfer	–	–	–	(100,348)	100,348	–
Share based remuneration	–	–	95,964	–	–	95,964
Dividend paid	–	–	(249,937)	–	–	(249,937)
31 January 2010 Unaudited	**267,589**	**698,044**	**13,005,566**	**19,929,263**	**3,250,027**	**37,150,489**

All amounts are attributable to owners of the parent.

Consolidated Balance Sheet
31 January 2010

	Notes	**Unaudited 31 January 2010 £**	Unaudited 31 January 2009 £	Audited 31 July 2009 £
Non-current assets				
Property, plant and equipment	8a	**70,714,671**	69,190,741	71,040,829
Property lease premiums	8b	**2,841,752**	2,797,260	2,826,199
		73,556,423	71,988,001	73,867,028
Current assets				
Inventories		**70,091**	99,264	67,104
Trade and other receivables	9	**1,413,378**	1,423,242	1,200,896
Cash and cash equivalents		**3,880,989**	2,141,786	3,228,731
		5,364,458	3,664,292	4,496,731
Total assets		**78,920,881**	75,652,293	78,363,759
Current liabilities				
Trade and other payables	10	**(3,268,821)**	(2,922,347)	(3,141,589)
Provisions		**-**	(37,260)	-
		(3,268,821)	(2,959,607)	(3,141,589)
Non-current liabilities				
Bank borrowings	11	**(28,019,375)**	(27,537,355)	(28,001,865)
Deferred tax	12	**(10,482,196)**	(9,643,545)	(10,248,297)
		(38,501,571)	(37,180,900)	(38,250,162)
Total liabilities		**(41,770,392)**	(40,140,507)	(41,391,751)
Net assets		**37,150,489**	35,511,786	36,972,008
Equity				
Called up share capital		**267,589**	267,589	267,589
Share premium		**698,044**	698,044	698,044
Other reserves	14	**13,005,566**	13,182,427	13,159,359
Retained earnings	15	**3,250,027**	2,784,417	3,088,522
Revaluation surplus		**19,929,263**	18,579,309	19,758,314
Total equity attributable to owners of the parent		**37,150,489**	35,511,786	36,972,008

Consolidated Cash Flow Statement
For the six months ended 31 January 2010

	Notes	**Unaudited Six months 31 January 2010 £**	Unaudited Six months 31 January 2009 £	Audited Year 31 July 2009 £
Operating Activities				
Cash generated from operations	17a	**1,309,291**	7,887	1,729,068
Income tax paid		**–**	–	–
Net cash from operating activities		**1,309,291**	7,887	1,729,068
Investing activities				
Purchase of property plant and equipment		**(221,360)**	(1,422,653)	(2,140,176)
Property lease premiums		**(15,553)**	(185,426)	214,365
Sale of property, plant and equipment		**2,900**	1,755	1,755
Interest received		**6,384**	48,824	64,326
Net cash used in investing activities		**(227,629)**	(1,557,500)	(2,288,460)
Financing activities				
Increase in borrowings – bank loans		**17,510**	2,226,129	2,690,639
Interest paid		**(196,977)**	(848,110)	(1,215,896)
Equity dividends paid		**(249,937)**	(167,446)	(167,446)
Net cash (used in)/generated from financing activities		(**429,404)**	1,210,573	1,307,297
Net increase/(decrease) in cash and cash equivalents in the period		**652,258**	(339,040)	747,905
Cash and cash equivalents at beginning of the period		**3,228,731**	2,480,826	2,480,826
Cash and cash equivalents at end of the period		**3,880,989**	2,141,786	3,228,731

Notes to the Interim Results

1 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 1 London Wall, London EC2Y 5AB, UK. Copies of this Interim Statement may be obtained from the Company's head office at 112, Hawley Lane, Farnborough, Hants. GU14 8JE or the investor section of the Company's website at http://www.loknstore.com

2 Basis of preparation

The interim results for the half year ended 31 January 2010 have been prepared on the basis of the accounting policies expected to be used in the 2010 Lok'nStore Group Plc Annual Report and Accounts and in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union ('EU') ('IFRS').

The same accounting policies, presentation and methods of computation are followed in these interim condensed set of financial statements as have been applied in the Group's latest annual audited financial statements, except for changes in presentation in respect of the comprehensive revision to IAS1 "Presentation of Financial Statements" and a change in accounting policy in respect of IAS 23 "Borrowing Costs". The Group's revised finance costs accounting policy is as follows:

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

The Group's date of adoption was 1 August 2009, (the first annual period commencing after the IAS 23 effective date of 1 January 2009). All of the Groups current qualifying assets predate the date of adoption and accordingly, under the transitional adoption arrangements, no borrowing costs have been capitalised against them in the period and no prior year restatement has been made as a result of this change in accounting policy.

In accordance with the requirements of IFRS8, the Group has reviewed its identifiable business segments and the information used and provided internally to the Board in order to make decisions about resource allocation and performance management. It considers that it operates as one unified business, and is engaged in one principal activity based entirely within the United Kingdom. Accordingly this has not required any modification to the presentation of the segmental information as disclosed under note 3.

The interim results, which were approved by the Directors on 23 April 2010, are unaudited. The interim results do not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006.

Comparative figures for the year ended 31 July 2009 have been extracted from the statutory accounts for the Group for that period, which carried an unqualified audit report, did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter, did not contain a statement under section 498(2) or (3) of the Companies Act 2006 and have been delivered to the Registrar of Companies.

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 the annual financial statements. The carrying value of properties held at valuation at the balance sheet date was £57.6 million (31.07.09: £57.6 million: 31.01.09: £55.4 million).

Market Uncertainty
UK property values experienced 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 in 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 cash flow 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.

Although the Board did not commission an external valuation at this interim it is mindful of the need to accord with the measurement principles of International Financial Reporting Standards as adopted by the European Union. Accordingly the property valuations at the half-year are directors' valuations. After consultation with our external valuers, the Directors considered that there had been a negligible movement in market yields since the July year-end and therefore no market yield shift assumption has been applied at 31 January 2010 to our properties externally valued at 31 July 2009. The Directors therefore consider that it is appropriate to maintain the portfolio valuation without modification. Also no yield shift has been applied to the Reading site valued for its residential development potential as this value was substantially reduced at 31 July 2008, to a value which remains appropriate at 31 January 2010.

As a result, on a same store basis Lok'nStore's freehold and operating leasehold properties which were independently valued by Cushman & Wakefield ('C&W') at £67.6 million as at 31 July 2009 have been maintained at 31 January 2010 at £67.6 million. Together with our stores under development at cost including our Maidenhead site (included in non-current property lease premiums), our total property is stated at £78.4 million (31 July 2009: £78.4 million).

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 judgments 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 any impairment to the carrying value of the development property held 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. The carrying value of development property assets at the balance sheet date was £10.8 million (31.01.09: £10.8 million) of which £2.8 million relating to the long lease at Maidenhead was classified as a property lease premium in the balance sheet (31.01.09: £2.8 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 judgment 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 (31.01.09: £37,260).

3 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 profit before tax are attributable to one principal activity, the provision of self-storage accommodation and related services. These all arise in the United Kingdom.

	Six months ended 31 January 2010 (unaudited) £	Six months ended 31 January 2009 (unaudited) £	Year ended 31 July 2009 (audited) £
Stores trading			
Self-storage income	**4,593,016**	4,577,142	8,879,536
Other storage related income	**521,739**	418,846	927,498
Ancillary store rental income	**2,609**	2,609	5,218
Management fees	**11,116**	10,455	20,795
Sub-Total	**5,128,480**	5,009,052	9,833,046
Stores under development			
Non-storage income	**58,754**	84,966	175,632
Total revenue	**5,187,234**	5,094,018	10,008,678

4 Cost of sales

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

	Unaudited Six months Ended 31 January 2009 £	Unaudited Six months Ended 31 January 2008 £	Audited Year Ended 31 July 2009 £
Retail	**76,580**	92,027	181,725
Insurance	**10,247**	17,942	31,080
Van Hire	**28,636**	41,299	69,859
	115,463	151,268	282,664

5 Taxation

	Unaudited Six months Ended 31 January 2010 £	Unaudited Six months Ended 31 January 2009 £	Audited Year Ended 31 July 2009 £
Deferred tax charge / (credit) for the period	**129,469**	–	(58,092
Total tax charge/(credit) for the period	**129,469**	–	(58,092)

No current tax charge arises due to the availability of excess tax losses brought forward.

6 Earnings/ (loss) per ordinary share

The calculation of earnings per ordinary share is based on the following profit and on the following weighted average number of shares in issue.

	Unaudited Six months Ended 31 January 2010 £	Unaudited Six months Ended 31 January 2009 £	Audited Year Ended 31 July 2009 £
Profit/ (loss) for the financial period	**61,157**	(480,162)	(597,959)
	No of shares	No of shares	No of shares
Weighted average number of shares			
For basic earnings per share	**24,993,653**	24,991,918	24,993,653
Dilutive effect of share options	**45,882**	–	–
	25,039,535	24,991,918	24,993,653
Earnings/(Loss) per share			
Basic	**0.24p**	(1.92p)	(2.39p)
Diluted	**0.24p**	(1.92p)	(2.39p)

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

7 Dividends

	Unaudited Six months Ended 31 January 2010 £	Unaudited Six months ended 31 January 2009 £	Audited Year Ended 31 July 2009 £
Amounts recognised as distributions to equity holders in the period:			
Final dividend for year ended 31 July 2008 (0.67 pence per share)	–	167,446	167,446
Final dividend for year ended 31 July 2009 (1.00 pence per share)	**249,937**	–	–
	249,937	**167,446**	**167,446**

8a Property, plant and equipment

	Land and Buildings £	Short Leasehold improvements £	Fixtures, Fittings and equipment at cost £	Motor Vehicles at cost £	Total £
Group					
Net book value at 31 July 2008	66,956,311	1,537,252	9,727,404	117,811	78,338,778
Net book value at 31 January 2009	57,344,015	1,455,930	10,256,389	134,407	69,190,741
Net book value at 31 July 2009	59,899,798	1,335,780	9,684,181	121,070	71,040,829
Cost or valuation					
1 August 2009	59,899,798	2,492,338	15,331,550	161,974	77,885,660
Additions	79,537	12,225	129,048	550	221,360
Disposals	–	–	–	(5,000)	(5,000)
Revaluations	123,615	–	–	–	123,615
31 January 2010	60,102,950	2,504,563	15,460,598	157,524	78,225,635
Depreciation					
1 August 2009	–	1,156,558	5,647,369	40,904	6,844,831
Depreciation	252,113	98,171	555,448	14,162	919,894
Disposals	–	–	–	(1,648)	(1,648)
Revaluations	(252,113)	–	–	–	(252,113)
31 January 2010	–	1,254,729	6,202,817	53,418	7,510,964
Net book value at 31 January 2010	**60,102,950**	**1,249,834**	**9,257,781**	**104,106**	**70,714,671**

The capital expenditure during the period was £0.22 million, which relates to minor works at some stores and planning and preparatory expenditures at the Reading, Portsmouth North Harbour, Southampton and Maidenhead development sites.

Market valuation of freehold and leasehold land and buildings

Following the Company's comprehensive external valuation at 31 July 2009 by C&W which indicated a total for freehold properties valued of £57.6 million (NBV £29.8 million), the freehold and leasehold properties have not been externally valued at 31 January 2010, although in accordance with the Company's established policy it is the intention to do so at the next year end at 31 July 2010. Although the Board did not commission an external valuation at this interim it is mindful of the need to accord with the measurement principles of International Financial Reporting Standards as adopted by the European Union. Accordingly after consultation with our external valuers, the Directors considered that there had been a negligible movement in market yields and therefore no market yield shift assumption has been applied at 31 January 2010 to our properties externally valued at 31 July 2009. The Directors therefore consider that it is appropriate to maintain the portfolio valuation without modification. Also no yield shift has been applied to the Reading site valued for its residential development potential as this value was substantially reduced at 31 July 2008, to a value which remains appropriate at 31 January 2010.

As a result, on a same store basis, Lok'nStore's freehold and operating leasehold properties which were independently valued by Cushman & Wakefield ('C&W') at £67.6 million as at 31 July 2009 have been maintained at 31 January 2010 at £67.6 million. Together with our stores under development at cost and our Maidenhead site (included in non-current property lease premiums), our total property is stated at £78.4 million (31 July 2009: £78.4 million).

Land and buildings are carried at valuation in the balance sheet. Short leasehold properties held under operating leases are carried at cost rather than valuation in accordance with IFRS. Significant progress has been made in enhancing the value of development sites which are held at cost of £10.8 million, through a combination of planning permissions secured and the potential for more imaginative collaborative schemes on certain of our development land sites.

Market Uncertainty

The Directors consider, based on opinion available that the market for self-storage assets has remained relatively resilient to the downturn in property values generally and increasing yields seen in the wider property market. The market conditions generally and the lack of transactions, particularly since the full extent of the banking and wider credit crisis manifested itself, only serve to increase the degree of uncertainty that must attach to any opinion of value given at the present time. (Refer also to note 2a on critical accounting estimates and judgements in relation to fair value of trading properties).

8b Property lease premiums

The carrying value of development property assets at the balance sheet date was £10.8 million (31.01.09: £10.8 million) of which £2.8 million relating to the long lease at Maidenhead is classified as other non-current asset in the balance sheet (31.01.09: £2.8 million). This represents a lease premium paid on entering the lease and other related costs. The lease runs until 31 March 2076. A peppercorn rent is payable until 2027 and a market rent thereafter.

9 Trade and other receivables

	Unaudited Six months Ended 31 January 2010 £	Unaudited Six months Ended 31 January 2009 £	Audited Year Ended 31 July 2009 £
Due within one year:			
Trade receivables	**835,667**	705,737	684,630
Other receivables	**76,594**	119,457	78,073
Prepayments and accrued income	**501,116**	598,048	438,193
	1,413,377	1,423,242	1,200,896

10 Trade and other payables

	Unaudited Six months ended 31 January 2010 £	Unaudited Six months Ended 31 January 2009 £	Audited Year Ended 31 July 2009 £
Trade payables	**486,725**	381,365	460,917
Taxation and social security costs	**315,172**	182,723	245,449
Other payables	**896,846**	804,484	932,319
Accruals and deferred income	**1,570,078**	1,553,775	502,904
	3,268,821	2,922,347	3,141,589

11 Bank borrowings

	Unaudited Six months Ended 31 January 2010 £	Unaudited Six months Ended 31 January 2009 £	Audited Year Ended 31 July 2009 £
Bank loans repayable in more than two years but not more than five years			
Gross	**28,089,416**	27,642,416	28,089,416
Deferred financing costs	**(70,041)**	(105,061)	(87,551)
Net bank loans repayable in more than two years but not more than five years	**28,019,375**	27,537,355	28,001,865

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 £80.6 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.

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

	Unaudited 31 January 2010 £	Unaudited 31 January 2009 £	Audited 31 July 2009 £
Debt	**(28,089,416)**	(27,642,416)	(28,089,416)
Cash and cash equivalents	**3,880,989**	2,141,786	3,228,731
Net debt	**(24,208,427)**	(25,500,630)	(24,860,685)
Balance sheet equity	**37,150,489**	35,511,786	36,972,008

Net debt to equity	**65.2%**	71.8%	67.2%

12 Deferred tax

	Unaudited 31 January 2010 £	Unaudited 31 January 2009 £	Audited 31 July 2009 £
Provision at start of period	**10,248,297**	12,431,474	12,431,474
Charge/(credit) to income in the period	**129,469**	-	(58,092)
Charge/ (credit) to equity in period	**104,430**	(2,787,929)	(2,125,085)
Provision at end of period	**10,482,196**	9,643,545	10,248,297

The deferred tax liability arises predominantly 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 in the foreseeable future. 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.

13 Equity settled share-based payment plans

The Group operates three equity settled share-based payment plans, an Enterprise Management Initiative ('EMI') approved and an unapproved share option scheme, the rules of which are similar in all material respects. 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.

The Company has the following share options:

Summary	As at 31 July 2009	Granted	Exercised	Lapsed/ surrendered	**As at 31 January 2010**
Enterprise Management Initiative Scheme	491,901	–	–	-	**491,901**
Approved Share Options Scheme	19,458	–	–	(13,621)	**5,837**
Unapproved Share Options	2,086,906	–	–	(10,000)	**2,076,906**
Total	2,598,265	–	–	(23,261)	**2,574,644**
Options held by Directors	1,490,000	–	–	(10,000)	**1,480,000**
Options not held by Directors	1,108,265	–	–	(13,621)	**1,094,644**
Total	2,598,265	–	–	(23,621)	**2,574,644**

Summary	As at 31 July 2009	Granted	Exercised	Lapsed/ surrendered	As at 31 January 2009
Enterprise Management Initiative Scheme	491,901	–	–	–	491,901
Approved Share Options Scheme	19,458	–	–	–	19,458
Unapproved Share Options	1,743,906	343,000	–	–	2,086,906
Total	2,255,265	343,000	–	–	2,598,265
Options held by Directors	1,270,000	220,000	–	–	1,490,000
Options not held by Directors	985,265	123,000	–	–	1,108,265
Total	2,255,265	343,000	–	–	2,598,265

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 the meeting of performance criteria geared primarily to sales growth with the key non-market performance condition being the achievement of £10 million annual turnover. 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 period relating to employer share-based payment schemes was £95,964 (31.01.09: £145,306), all of which relates to equity-settled share-based payment transactions.

14 Other reserves

Group	Merger reserve £	Other Distributable reserve £	Capital Redemption reserve £	Share-based Payment reserve £	Total £
1 August 2008	**6,295,295**	**5,903,002**	**34,205**	**804,619**	**13,037,121**
Share-based remuneration (options)	–	–	–	145,306	145,306
31 January 2009	**6,295,295**	**5,903,002**	**34,205**	**949,925**	**13,182,427**
Share-based remuneration (options)	–	–	–	144,558	144,558
Dividend paid	–	(167,446)	–	–	(167,446)
31 July 2009	**6,295,295**	**5,735,556**	**34,205**	**1,094,483**	**13,159,539**
Share-based remuneration (options)	–	–	–	95,964	95,964
Dividend paid	–	(249,937)	–	–	(249,937)
31 January 2010	**6,295,295**	**5,485,619**	**34,205**	**1,190,447**	**13,005,566**

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.

15 Retained earnings

Group	Retained earnings before deduction of own shares £	Own shares (note 16) £	Retained Earnings Total £
1 August 2008	**5,884,438**	**(2,594,200)**	**3,290,238**
Loss for the financial period	(480,162)	–	(480,162)
Transfer from revaluation reserve	141,787	–	141,787
Dividends	–	–	–
31 January 2009	**5,546,063**	**(2,594,200)**	**2,951,863**
Loss for the financial period	(117,797)	–	(117,797)
Transfer from revaluation reserve	253,068	–	253,068
Transfer to employee leavers	–	1,388	1,388
1 August 2009	**5,681,334**	**(2,592,812)**	**3,088,522**
Profit for the financial period	61,157	–	61,157
Transfer from revaluation reserve	100,348	–	100,348
31 January 2010	**5,842,839**	**(2,592,812)**	**3,250,027**

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 Company's adjusted net asset value. These shares may in due course be released back into the market to assist liquidity of the Company's stock and to provide availability of a reasonable line of stock to satisfy investor demand as and when required.

The Company has taken advantage of the exemption available under the Companies Act 2006 not to present the Company income statement. The Company profit for the year was £nil (2009: £nil).

16 Own Shares

	ESOP shares Number	ESOP shares £	Treasury shares Number	Treasury shares £	Own shares total £
31 July 2008	**624,947**	**501,298**	**1,142,000**	**2,092,902**	**2,594,200**
31 January 2009	**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 and 31 January 2010	**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 1 pence 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 period was 1,142,000. No shares were disposed of or cancelled in the period.

Distributable reserves have been reduced by £2,092,902 for the purchase cost of these shares.

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 January 2010, the Trust held 623,212 (Jan 2009: 624,947) Ordinary Shares of 1 pence each with a market value of £584,427 (31.01.09: £218,731).

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

17 Cash flows

(a) Reconciliation of profit/(loss) to net cash flows from operating activities

	Unaudited Six months ended 31 January 2010 £	Unaudited Six months ended 31 January 2009 £	Audited Year Ended 31 July 2009 £
Profit/ (loss) before tax	**190,626**	(480,162)	(656,051)
Depreciation	**919,894**	877,107	1,839,458
Share-based employee remuneration	**95,964**	145,306	289,864
Loss on disposal of fixed assets	**452**	7,322	7,322
Interest receivable	**(6,384)**	(48,824)	(64,326)
Interest payable	**253,364**	769,211	1,055,283
(Increase)/decrease in inventories	**(2,986)**	(6,552)	25,607
Decrease/ (increase) in receivables	**568,030**	785,238	1,095,138
(Decrease) in payables	**(709,669)**	(2,040,759)	(1,778,563)
Decrease in provisions	–	-	(84,664)
Net cash flow from operating activities	**1,309,291**	7,887	1,729,068

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

	Unaudited Six months ended 31 January 2010 £	Unaudited Six months ended 31 January 2009 £	Audited Year ended 31 July 2009 £
Increase/ (decrease) in cash in the period	**652,258**	(339,040)	747,905
Change in net debt resulting from cash flows	**–**	(2,208,619)	(2,655,619)
Movement in net debt in period	**652,258**	(2,547,659)	(1,907,714)
Net debt brought forward	**(24,860,685)**	(22,952,971)	(22,952,971)
Net debt carried forward	**(24,208,427)**	(25,500,630)	(24,860,685)

18 Commitments under operating leases
At 31 January 2010, 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:

	Unaudited Six months ended3 1 January 2010 £	Unaudited Six months ended 31 January 2009 £	Audited Year ended 31 July 2009 £
Land and buildings			
Amounts due:			
Within one year	**1,454,692**	1,389,692	1,399,692
Between two and five years	**5,818,768**	5,338,768	5,378,768
After five years	**6,169,480**	6,309,142	5,886,795
	13,442,940	13,037,602	12,665,255

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

Typically leases are negotiated for a term of 20 years and rentals are fixed for an average of five years.

19 Events after the reporting period
There were no reportable events after the balance sheet date.

20 Related party transactions
The following balances existed between the Company and its subsidiaries at 31 January.

	January 2010 £	January 2009 £	July 2009 £
Net amount due from Lok'nStore Limited	**6,520,831**	6,520,831	6,520,831

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.

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. Fees are settled monthly and there were no outstanding amounts due to Value Added Services Limited at the period-end (2008: £nil). The maximum balance outstanding at any time during the period was £24,100 (ex VAT) (2009: £24,100).

The Group maintains a retainer agreement for investor relations services with h2glenfern Consulting Limited, a company in which Robert Jackson (who retired from the Company on 11 December 2009) 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 period-end. The maximum balance outstanding at any time during the period was £6,000 (ex VAT) (2009: £6,000 ex VAT).

The Company has an agreement with Keith Jacobs, a brother of Andrew Jacobs and Colin Jacobs, for the provision of marketing services and support to the Company on a consultancy basis. The fees payable to Keith Jacobs during the period under this arrangement were £10,624 (2009:£9,185). There were no outstanding amounts due to Keith Jacobs at the period-end.

21a Capital commitments and guarantees
The Group has capital expenditure contracted but not provided for in the financial statements of £182,214 (Jan 2009: £558,770) relating to minor works at existing stores.

21b Bank borrowings
The Company has guaranteed the bank borrowings of Lok'nStore Limited. As at the period-end, that company had gross bank borrowings of £28.1 million (January 2009: £27.6 million).

21c Contingent Liability – Valued added tax
As an ancillary activity, Lok'nStore acts as an intermediary in relation to supplies of exempt insurance to customers for which it receives a commission. In November 2007, Lok'nStore originally approached HMRC, on a purely voluntary and unprompted basis, to request the implementation of a Partial Exemption Special

Method (PESM). Lok'nStore, advised by Baker Tilly Tax & Accounting Limited, maintained that the standard partial exemption method, i.e. one based on the values of the various different income streams, resulted in a wholly distortive restriction of input tax. Lok'nStore remains of the view that revenue is a poor proxy for the 'use' of the majority of the input tax incurred by Lok'nStore and, as a consequence, the standard method does not provide a fair result.

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(s) 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 period-end
On a worst case scenario, the overall liability in relation to input tax claimed up to the end of January 2010 which may become repayable to HMRC totals £306,681 based on the standard method restriction. Of this £189,582 relates to capital expenditure inputs (Balance Sheet) and £117,098 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 £74,091.

On a pro rate basis this potential liability between restricted inputs gives a liability of £49,836, relating to capital expenditure inputs (Balance Sheet) and £24,255 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.