Lok'nStore Group

Interim Results

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LOK'NSTORE GROUP PLC
("Lok'nStore" or "the Group" or "the Company")
Interim Results
for the six months to 31 January 2012

Lok'nStore Group Plc, a leading company in the UK self-storage market announces results for the six months ended 31 January 2012.

Financial Highlights

- Revenue £6.41 million up 18.2% (six months to 31.01.11: £5.42 million)
- Group EBITDA £1.93 million up 12.6% (six months to 31.01.11: £1.71 million)
- Profit £0.99 million up 14.9% (six months to 31.01.11: £0.86 million)
- Interim dividend proposed up 200% to 1 penny per share (six months to 31.01.11: 0.33 pence per share)
- New £40 million five year revolving credit facility with Lloyds TSB

Operational Highlights

- Store EBITDA £2.5 million up 1% (six months to 31.01.11: £2.48 million)
- Store EBITDA profit margins up to 46.2% (six months to 31.01.11: 45.9%)
- Document storage EBITDA £0.21 million (six months to 31.01.11: £Nil-business acquired on 30 June 2011)
- VAT will be extended to include self-storage from 1 October 2012 – if implemented likely to have a beneficial effect on our pricing and volumes as competitors raise prices

Property Highlights

- Planning permission received for new Maidenhead store incorporating Lidl discount food retailer - to open 2013
- Planning permissions renewed at both Reading sites, Southampton and Portsmouth

Key Metrics

- Adjusted Net Asset Value (NAV) £2.30 per share (31.01.11: £2.29 per share)
- Loan to value ratio of 31.9%[1] (31.01.11: 27.0%)
- Annualised funds from operations (FFO)[2] of 13.4 pence per share

1 Calculation based on net debt of £25.4 million (2011: £21.9 million) and total property value of £79.5 million (2011: £81.0 million) as set out in the Analysis of Total Property Value in the Chairman's Statement
2 Funds from Operations ('FFO') calculated as EBITDA minus Net Finance Cost on operating assets

Andrew Jacobs CEO of Lok'nStore Group said:

"Your Board is confident in the outlook for the Company after this record first half of EBITDA and revenue. The integration of the Saracen document storage business is progressing and contributing to our profitability. We have a clear plan and some near term drivers to continue this momentum into the future, including our joint venture in Maidenhead with Lidl that will open in 2013".

"In addition, we are set to be a major beneficiary of the decision to close the VAT loophole in relation to our sector that was announced in the recent Budget as, unlike our major competitors, Lok'nStore has always charged VAT on its services. From this solid base we look to the future with confidence."

-Ends-

For further information:

Lok'nStore Tel: 01252 521010
Andrew Jacobs, CEO
Ray Davies, Finance Director

FTI Consulting Tel: 020 7831 3113
Billy Clegg/ Oliver Winters/ Latika Shah

Panmure Gordon & Co Tel: 020 7459 3600
Dominic Morley/Fred Walsh

Chairman's Review

Strong Performance
We are pleased to report robust results for Lok'nStore Group for the six month period to 31 January 2012 with record revenue and EBITDA. As you will no doubt be aware economic conditions in the UK remain challenging, however we have planned for this situation and have structured the business accordingly. At the onset of the economic crisis in 2008 your Board took the decision to focus on exploiting the potential of the existing stores and sites within our portfolio, to reduce operating and financing costs and to slow down our store opening programme. The success of this strategy has been reflected again in this period with the continuing growth of the Group's EBITDA and operating profit and in the increased net asset value.

Capital expenditure and operating costs remain tightly controlled leading to strong cash generation. In line with our stated strategy we are making significant operational progress as evidenced by the launch of our new state of the art website which is already performing very well.

The acquisition of Saracen document storage at the end of the last financial year has added to turnover and profit in the period. Group turnover, store EBITDA and Group EBITDA are all at record levels. The business continues to perform well even in this weak economy.

Government Budget 2012 & VAT
In the Government's Annual Budget on 21 March 2012, the Chancellor announced proposals to remove loopholes and to correct certain anomalies in the VAT regime including its application to self-storage. . Following consultation, and with effect from 1 October 2012, VAT will be extended to include self-storage.

Unlike most operators in the self- storage industry who have dis-applied VAT and taken themselves outside of the VAT regime, Lok'nStore has always remained within the regime and 'opted to tax' VAT on its storage services. Therefore this proposed Budget change will have no direct impact on the Group or its customers. However most of our larger competitors will have to respond to this change either by increasing prices or reducing margins to help them absorb the VAT. This will have a beneficial effect on Lok'nStore's pricing and volumes.

New £40 million Five Year Facility with Lloyds TSB plc
The Group has signed a new five year £40 million revolving credit facility with Lloyds TSB plc underlining the strength of the cash flow and the assets of the business. The facility has been in place since 20 October 2011 and runs until 19 October 2016 . The Group is not obliged to make any repayments prior to expiration. The loan bears interest at the London Inter-Bank Offer Rate (LIBOR) plus 2.35%-2.65% margin, based on the loan to value (LTV) ratio. At Lok'nStore's current LTV level, this is 2.35%. The interest cover and LTV covenants are broadly in line with the previous facility.

Prevailing economic conditions have caused LIBOR rates to remain at very low levels. Lok'nStore has managed its debt aggressively and the average interest rate paid since July 2011 was 2.17% compared to 1.85% for the year to 31 January 2011. However, since this straddles the period of the new refinancing in October the prevailing interest rate on active loans as at 31 January 2012 is 3.08%. Therefore finance costs for the period increased to £374,600 from £264,014 in 2011. The net interest charge in the coming year will rise to reflect the increase in the margin on this facility. The rise in the interest charge has resulted in an expected decrease in the profit after interest, nevertheless the Group's margin of 2.35% already looks very attractive against the current market, and our all-in cost of funds of around 3% puts us in a very strong competitive position.

Given the current economic climate securing this facility is a strong independent validation of our management, strategy, and record of delivery against our business objectives. This new banking facility allows us to plan with certainty for the next five year period.

Expansion of Document Storage Business
A notable achievement last year was the purchase of Saracen Datastore Limited, ("Saracen"), a serviced document storage company. Lok'nStore has for some years earned around 10% of its revenue from self-serviced document storage, and we are keen to grow this area of the business as it is a stable and profitable area of the business. As previously reported, on 30 June 2011 Lok'nStore

acquired 90.6% of the issued share capital of Saracen. This acquisition broadens the offering to our customers delivering an excellent entry point to a wider market segment complimenting Lok'nStore's existing self-storage activities. In its first full six month period the Saracen business added £0.98 million to turnover and £0.21 million of EBITDA in the period.

There are further costs to be taken out of the Saracen business. The Lok'nStore Head office team have taken on most of the corporate and head office functions of Saracen. The integration of our new document storage business into our existing accounting and reporting systems is nearing completion. Our stores and head office are connected via a web-enabled system to deliver more automated and integrated processes and this has delivered cost efficiencies particularly in areas such as petty cash and expenses handling, as well as invoice processing and stock reporting and these are now also available to our document storage business.

There are further property cost savings to be targeted in 2013 as the business consolidates its warehouse capacity. As part of this strategy, in the current period additions of £0.35 million to fixtures fittings and equipment relates substantially to expenditure at Saracen including increasing the racking capacity at its main warehouse.

Sales and Earnings Performance

Revenue for the period was £6.41 million, up 18.2% on the prior period (2011: £5.42 million), and with costs firmly under control this translated into strong EBITDA growth of 12.6%. Saracen contributed £0.9 million revenue over the six months. Total store EBITDA for self-storage increased 1.0% to £2.5 million (2011: £2.48 million). Saracen's maiden EBITDA contribution for its first six month reporting period was £0.2 million. Operating profit for the period is up 14.9% to £0.99 million (2011: £0.86 million). With new banking facilities in place, interest on bank borrowings for the period increased to £374,600 (2011: £264,014) and coupled with the one-off charges of £148,663 for professional costs of the refinancing, pre-tax profit for the period was lower at £469,501 (2011: £604,130).

Performance of Stores

Year on year we increased the EBITDA margin across all stores from 45.9% to 46.2%. The EBITDA margins of the freehold stores were 58.9% and the leasehold stores achieved 30.7% (2011: 58.2% and 30.0% respectively). The occupancy of the stores was down 0.6% to 55.9% of current lettable area year to year.

At the end of January 2012 38.0% of Lok'nStore's self-storage revenue was from business customers (2011: 36.7%) and 62.0% was from household customers (2011: 63.3%). By number of customers this breakdown was 23.1% business customers (2011: 23.0%) and 76.9% household customers (2011: 77.0%).

Operational Performance of Stores

Store analysis Weeks old at 31 January 2012	Over 250	100 to 250	Under 100	Pipeline	Total
Period-ended 31 January 2012					
Revenue* (£'000)	5,021	396	–	–	5,417
Stores EBITDA (£'000)	2,360	140	–	–	2,500
EBITDA margin (%)	47.0	35.4	–	–	46.2
As at 31 January 2012					
Maximum Area ('000 sq. ft.)	972	111	–	120	1,203
Freehold and long leasehold ('000 sq. ft.)	565	69	–	120	754
Short leasehold ('000 sq. ft.)	407	42	–	–	449
Number of stores					
Freehold and long leasehold	10	1	–	2	13
Short leasehold	9	1	–	–	10
Total stores	19	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.

Pricing

Lok'nStore takes an active approach to yield management, balancing price increases with occupancy growth as we evaluate various customer offers. This has proved to be an effective strategy and 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 average price achieved for self-storage space was £18.51 per sq. ft. per annum at 31 January 2012, down 1.2% (2011: £18.73 per sq. ft. per annum). This compares with the average of £21.97 for the UK industry and £21.87 for the South East region (source Self-Storage Association Survey 2011). This positions Lok'nStore as the price competitive operator in a value conscious market, but with room to continue increasing prices as economic conditions continue to stabilise.

Other storage related revenue, namely packing materials, insurance and other sales, increased by 7.1% year on year accounting for 10.3% of total revenue from trading stores. These ancillary sales are increasingly focused on insurance, which increases the overall margin of these sales. We continue to promote our insurance to new customers with the result that over 89% (2011: 88%) of new customers over the period took our insurance, compared with 69% (2011: 68%) of our total existing customer base who buy our insurance. This approach provides us with built-in growth in our insurance sales as the customer base rolls over.

Website Development

The internet is rapidly taking over as one of the main media channels for advertising and Lok'nStore is determined to respond to this change. In January 2012 for the first time ever over 50% of our enquiries came from the internet resulting in 26% of our new customers for the month.

After six months of development our new website at www.loknstore.co.uk was launched in the last week of February. Enquiries went up 5 times in the four weeks after the new website launch compared to pre-launch and new customers from the website increased 2.8 times.

The new site has a much clearer navigations, making it easier for customers to find their way around the site and customers visiting the site are encouraged to book online to take advantage of our new online reservation system launched last year. Features have been throughout the website allowing us to track the exact terms the customers use for an internet search before contacting us, allowing us to really focus our expenditure on the areas that deliver results. Every page has been re-written and updated so there is more, improved and usable content. We have also added a new "state of the art" space estimator to the site which is a key tool for customers booking online, enabling them to make an informed choice about the size of unit required.

This is a very dynamic area so we are committed to continued development with various projects already planned such as new smart phone site. Our store personnel are closely involved with sales and marketing initiatives and work with our Head Office team to ensure our marketing expenditure remains targeted and effective. We believe the internet particularly provides a strong competitive advantage for the major operators with many stores and their large marketing budgets compared with those of the smaller operators. This also creates a selling point for our third party store management services by driving much greater traffic to the website than can an individual operator at a manageable cost.

Around 41% (2011: 42%) of our business still comes from passing traffic, so work on the visibility of our stores is also important in our marketing effort. With prominent positions, distinctive design and orange elevations, our stores help the profit of the whole Lok'nStore brand.

Property Matters

Asset Management

The Board continues to examine the portfolio for asset management opportunities to create more value in our property holdings and to remove cost where possible.

The average length of the seven leases which have been valued is 14 years and 8 months. Nine out of the ten short leasehold stores are inside the Landlord and Tenant Act providing us with a strong degree of security of tenure. The short leasehold sites produced 30.0% of the store EBITDA in the period to 31 January 2012 (2011: 30.0%).

Development Sites

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

Southampton.

Maidenhead: This is a long leasehold site (the lease term runs until April 2076) of 1.6 acres for which we originally secured a current planning permission for a store of up to 83,000 sq. ft. of self-storage. Following discussions to improve the value of the property further we signed an agreement to share the site with Lidl subject to planning permission. Lok'nStore's application to build a new self-storage facility incorporating a Lidl store received planning consent on 29 December 2011.

Lok'nStore will now build a new state of the art self-storage centre which also provides space on the ground floor for Lidl's store. The new self-storage centre will have around 60,000 sq. ft. of self-storage space. Lidl will share the ground floor space with Lok'nStore's operation, increasing the footfall by an estimated 1,000 cars a day. Lok'nStore will occupy and trade from its share of the ground floor and the entirety of the three floors above. The store will open in 2013.

The site is close to Maidenhead town centre and railway station and is very prominent to the retail park on the main road joining the town centre with the M4 motorway. The store will be of similar style and appearance to other recently opened Lok'nStore sites, with Lok'nStore's strong branding adding to the visual attractiveness of the site. This collaboration will increase the visual prominence, brand recognition, passing traffic and footfall of the storage centre which are key criteria for success. On completion of the new development Lok'nStore will manage 1,143,000 sq. ft. of lettable self-storage space over 23 stores.

The innovative financing of the scheme agreed with Lidl, will require only a small capital input from Lok'nStore and so allows us to continue to expand the Group's operating footprint without stretching our balance sheet. The Maidenhead deal is typical of the type of opportunity your Board is pursuing, and we believe validates our strategy of a prudent but active approach during the current uncertain economic times.

Reading: On 8 January 2008, Lok'nStore obtained planning permission for high-density residential development on the freehold site of its existing Reading store. The permission is for 112 flats on the 0.66 hectare site. On 4 October 2011 this planning permission was renewed providing a further 3 years to execute on this project.

The Group also has planning permission for a new larger 53,500 sq. ft. store on its site opposite the existing store, an increase in space of 29%. On 16 November 2011 this planning permission was also renewed providing a further 3 years to execute on this project. When market circumstances are appropriate the site of the existing store will be sold with the benefit of its permission for residential development and the proceeds will largely fund the development of the new store. The existing business will be transferred to the new store when it is complete. The prominence and modern look of the new store with its distinctive orange livery will position Lok'nStore in a highly visible and easily accessible location adjacent to the A33 at the gateway to Reading.

Portfolio

These projects are part of our strategy of actively managing our operating portfolio to ensure we are maximising its value for shareholders. This includes strengthening our distinctive brand, increasing or decreasing the size and number of our stores and moving or selling stores or sites when it will increase shareholder value.

We currently own 21 stores with capacity of around 1.1 million sq. ft. of storage space when fully fitted. Eleven stores are held freehold or long leasehold and ten are leasehold. One further store is run under a management contract bringing the total to 22 stores under Lok'nStore's management. With the un-developed freehold sites at Portsmouth North Harbour, Southampton and Maidenhead total capacity rises to around 1.2 million sq. ft. Of this 64% will be held freehold and 36% leasehold. By valuation 85% of the total property portfolio is freehold. 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, with further options to create value later in the store's development.

Given the current state of the property market we are carefully monitoring prices. Transactions are few and far between and prices may come down further. We will adapt our acquisition strategy as and when the market stabilises, although we still believe that acquiring land, and building and opening new stores can add to shareholder value. Our property team will continue to pursue further such value creating asset management opportunities to secure our trading operations, to improve cash flow and to lock in lower property costs.

Market Valuation of Freehold and Operating Leasehold Land and Buildings
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 2011 year end and therefore no market yield shift assumption has been applied at 31 January 2012 to our properties externally valued at 31 July 2011. The Directors therefore consider that it is appropriate to maintain the portfolio valuation at the 31 July 2011 valuation of £68.0 million. In relation to the existing store at Reading there is a prospect of redevelopment for residential use although it has been valued as a trading store. The valuations do not account for any further investment in existing stores since 31 January 2012. The development sites at Reading, Maidenhead (included in non-current property lease premiums), Portsmouth North Harbour and Southampton have not been revalued and their asset value is stated at cost of £11.6 million. This combined with the C&W valuation of the other properties provides a total property value of £79.5 million (2011: £81.0 million).

No impairment charges have been made in the period. Progress has been made in enhancing 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 (NAV) of 230 pence per share, (31.01.11: 229 pence), and a Net Asset Value of 179 pence per share after making full provision for deferred tax arising on the revaluations (31.01.11: 178 pence).

We have valued both our freehold and our leasehold property assets. Under IFRS, the valuations of our freehold property assets are now formally included in the Statement of Financial Position at their fair value. But under IFRS rules valuation of our leasehold stores are not included. The value of our operating leases in the valuation totals £12.3 million (31.01.11: £10.8 million) accordingly we have reported by way of a note the value of these leasehold stores and adjusted our Net Asset Value calculation accordingly to include their value. This will ensure comparable NAV calculations.

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

A deferred tax liability arises on the revaluation of the properties and on the rolled over gain arising from the disposal of the Kingston and Woking stores in prior periods. 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.

Analysis of Total Property Value

	No of stores	**31 January 2012 Valuation £**	No of stores	31 Jan 2011 Valuation £	No of stores	31 July 2011 Valuation £
Freehold valued by C&W	11***	**55,670,000**	12**	59,390,000	11***	55,670,000
Leasehold valued by C&W	7	**12,310,000**	7	10,800,000	7	12,310,000
Subtotal	18	**67,980,000**	19	70,190,000	18	67,980,000
Sites in development at cost	4	**11,605,080**	3	10,846,322	4	11,531,582
Total	22*	**79,585,080**	22*	81,036,322	22*	79,511,582

* Three leasehold stores were not valued (2011: three) as their remaining unexpired terms were insufficient to yield a value under the Cushman & Wakefield valuation methodology.

** Includes both the current Reading store with residential planning permission and the Reading site with planning permission for a new store.

*** Includes the current Reading store at its trading store valuation. The Reading site with planning permission for a new store is stated at cost and is included in sites in development at cost.

Adjusted Net Asset Value per Share
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 period/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.

Adjusted Net Asset Value Per Share (NAV)	**31 January 2012 £**	31 January 2011 £	31 July 2011 £
Total non-current assets	**76,568,012**	74,932,721	76,537,369
Adjustment to include leasehold stores at valuation			
Add: C&W leasehold valuation*	**12,310,000**	10,800,000	12,310,000
Deduct: leasehold properties and their fixture and fittings at NBV	**(4,147,399)**	(4,543,887)	(4,338,607)
	84,730,613	81,188,834	84,508,762
Add: current assets	**5,077,591**	7,523,406	5,709,940
Less: current liabilities	**(4,090,329)**	(3,529,460)	(32,839,442)
Less: non-current liabilities (excluding deferred tax position)	**(28,159,432)**	(28,054,395)	(26,342)
	(27,172,170)	(24,060,449)	(27,155,844)
Adjusted net assets before deferred tax provision	**57,558,443**	57,128,385	57,352,918
Deferred tax	**(10,759,123)**	(11,180,037)	(10,555,101)
Deferred tax arising on revaluation of leasehold properties**	**(2,040,650)**	(1,564,028)	(1,992,848)
Adjusted net assets	**44,758,670**	44,384,320	44,804,969
Shares in issue	**Number**	Number	Number
Opening shares	**26,758,865**	26,758,865	26,758,865
Shares issued for 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)**	(623,212)	(623,212)
Closing shares for NAV purposes	**24,993,653**	24,993,653	24,993,653
Adjusted net asset value per share after deferred tax provision	**£1.79**	£1.78	£1.79
Adjust net asset value per share before deferred tax provision	**£2.30**	£2.29	£2.29

* The seven leaseholds valued by Cushman & Wakefield are all within the terms of the Landlord and Tenant Act giving a degree of security of tenure. The average length of the leases on the leasehold stores valued was 15 years and 2 months at the date of the 2011 valuation.

** A deferred tax adjustment in respect of the uplift in the value of the leasehold properties has been included. Although this is a memorandum adjustment as leasehold properties are included in the Group's financial statements at cost and not at valuation, this deferred tax adjustment is included in the adjusted Net Asset Value calculation in order to maintain a consistency of tax treatment between freehold and leasehold properties.

Statement of Financial Position

Net assets at the period-end were £38.6 million (31.01.11: £39.7 million). The movement was mainly as a result of a decline in freehold property values at 31 January 2012 which were £55.7 million compared to £59.4 million at 31 January 2011, the exceptional costs of refinancing the Group's bank facility and enhanced dividend distribution offset by the profits earned during the period.

Corporation Tax

There is no current corporation tax liability due in respect of the self-storage business due to the availability of brought forward accumulated tax losses. There is a small corporation tax charge arising in this period of £16,432 on the data store business which cannot otherwise be relieved by other Group tax losses. Tax losses available to carry forward for offset against future profits amount to £1.84 million.

Earnings per Share

Basic earnings per share were 1.14 pence (2011: 1.55 pence per share). Diluted earnings per share were 1.13 pence per share (2011: 1.53 pence per share). EPS was lower because with new banking facilities in place interest on bank borrowings for the period increased to £374,600 (2011: £264,014) and there was a one-off charge of £148,663 for professional costs incurred on the bank refinancing.

Operating Costs

Self-Storage business

Operating costs (excluding cost of sales of retail products) amounted to £3.62 million for the period, an increase of 0.8% (2011: £3.59 million). Property costs accounted for 47.6% of these costs (2011: 46.5%). Staff costs accounted for 38.3% (2011: 38.9%) and overheads for 14.1% (2011: 14.6%) of the total.

	Six months 31 January	Six months 31 January	Year 31 July

	Increase /(decrease) in costs %	**2012** **£**	2011 £	2011 £
Property costs	3.2	**1,724,039**	1,669,781	3,392,281
Staff costs	(0.7)	**1,384,600**	1,395,055	2,766,792
Overheads	(2.8)	**508,829**	523,440	1,007,128
	0.8	**3,617,468**	3,588,276	7,166,201

Document Storage Business

Saracen Datastore was acquired on 30 June 2011 so a comparative analysis of operating costs (excluding cost of sales of retail products) has obvious limitations.

	Increase /(decrease) in costs %	**Six months 31 January 2012 £**	Six months 31 January 2011 £	Year 31 July 2011 £
Property costs	(n/a)	**230,240**	-	42,277
Staff costs	(n/a)	**405,606**	-	118,632
Overheads	(n/a)	**93,697**	-	9,902
	(n/a)	**729,543**	-	170,811*

* Represents I month of costs only

Total business

	Increase /(decrease) in costs %	**Six months 31 January 2012 £**	Six months 31 January 2011 £	Year 31 July 2011 £
Property costs	17.0	**1,954,279**	1,669,781	3,434,558
Staff costs	28.3	**1,790,206**	1,395,055	2,885,424
Overheads	15.1	**602,526**	523,440	1,017,030
	21.1	**4,347,011**	3,588,276	7,337,012

Borrowings, Cash Flow, and Interest Costs

At 31 January 2012, the Group had cash balances of £3.16 million down from £6.19 million in January 2011. During the intervening period our cash balances were reduced by £3.7 million by the purchase of Saracen Datastore Limited on 30 June 2011.

There was £28.5 million of gross borrowings (2011: £28.1 million) representing gearing of 65.8% on net debt of £25.4 million (2011: 55.2%). After adjusting for the uplift in value of leaseholds which are stated at depreciated historic cost in the statement of financial position, gearing is 54.3% (2011: 47.7%). After adjusting for the deferred tax liability carried at period-end of £10.8 million gearing drops to 44.2% (2011: 38.3%).

Cash inflow from operating activities before interest and capital expenditure was £1.12 million (2011: £1.47 million). As well as using cash generated from operations to fund some capital expenditure, the Group has a five year revolving credit facility. This provides sufficient liquidity for the Group's current needs. Undrawn committed facilities at the year-end amounted to £11.5 million (2011: £11.9 million).

Lok'nStore has managed its debt aggressively and the average interest rate paid since July 2011 was 2.17% compared to 1.85% for the year to 31 January 2011. However since this straddles the period of the new refinancing in October the prevailing interest rate on active loans as at 31 January 2012 is 3.08%. The net finance cost, defined as total finance costs less total finance income, increased from £253,170 to £367,004.

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 year commencing after the IAS 23 effective date of 1 January 2009). All of the Group's current qualifying assets predate the date of adoption and accordingly under the transitional adoption arrangements no borrowing costs have been capitalised against them in the year. A component of the interest cost incurred by the Group arises from the £11.6 million of development sites that the Group is currently carrying. The interest against this cost has not been capitalised but if it were the Group's adjusted profit would have been approximately £125,587 higher for the period on the assumption that the £11.6 million is fully funded by borrowings at Lok'nStore's average interest costs for the period.

Excluding the interest costs of carrying the development sites from the total net interest charge of

£367,004 means that the interest on the operating portfolio is £241,417 for the period. Funds from operations ('FFO') represented by EBITDA minus interest on the operating portfolio is therefore £1.7 million, equating to 6.7 pence per share (annualised 13.4 pence per share), up 8% on last year (2011: 6.3 pence per share; annualised 12.5 pence per share).

While the Group has grown its business through a combination of new site acquisition, existing store improvements and relocations, it has remained cautious on any further site acquisition and development since 2008 and while the current economic conditions persist. Consequently, capital expenditure ("Capex") during the period totalled only £0.75 million (excluding the acquisition of Saracen Datastore Limited), including limited Capex at existing stores, roof renovation with solar power at the Poole store and planning and other professional costs incurred in maximising the potential of the existing planning permissions. The Company has no further capital commitments beyond minor works to existing properties and some fit out of additional racking capacity at Saracen. We will consider conditions in the wider economy and the UK self-storage market in particular before acquiring new sites or committing to any new developments.

Dividend

Over recent years we have maintained a modest dividend pay-out of one penny per share. Last year given the strength and the growth of the cash flow the directors felt it appropriate to implement a rather more substantial dividend pay-out of 3 pence per share, up 200% on the previous year. In respect of the current period the Board recommends an interim dividend of 1 penny per share, up 200% on last year's interim dividend, to be paid on 11 June 2012 to shareholders on the register on 4 May 2012. The ex-dividend date is 2 May 2012.

Our progressive dividend policy aims to balance the growth in earnings against the capital expenditure requirements of the business. The interim will be paid in, or about, June and the final paid in, or about, December of each year. The interim dividend will represent approximately one third of the expected total annual dividend. The total estimated interim dividend to be paid in the current financial year is £249,937 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.

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 our systems, analysis and reporting and the integration of our new document storage business into our existing reporting systems is nearing completion. Our stores and head office are connected via a web-enabled system to deliver more automated and integrated processes and this has delivered cost efficiencies particularly in areas such as petty cash and expenses handling, as well as invoice processing and stock reporting. These are now also available to our document storage business. 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 stores are open 7 days a week with selected late evening openings and are always manned by our staff during opening hours. We do not have unmanned access at any of our stores.

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. At each year-end Lok'nStore commissions a full assessment of the Group's environmental impact.

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, 23% (2011: 22%) of our business comes from previous customers, existing customers taking more space, and customer referrals.

Outlook

Lok'nStore is a robust business with a strong and consistent record of profitability and cash generation, and the business now has opportunities to grow in several areas. With record Group EBITDA for the first half of the financial year of £1.93 million, up 12.6% on 2011, the strength of the Group's business model has been proven in the face of a severe economic downturn. Increasing the interim dividend by 200% and initiating a progressive dividend policy demonstrates the Board's confidence that the Group will continue to generate a growing cash flow. We will continue to grow revenue against tightly controlled costs, and this will provide momentum to EBITDA growth. Your Board firmly believes that its approach in the current uncertain economic times is working very well. There are many opportunities to secure growth with relatively low risk – and we are pursuing these strenuously on your behalf.

Our challenging target is to increase of cash flow (FFO) per share over the coming years without anticipating any significant improvement in the economic environment. We believe further operating improvements can be made in five key areas:

1. Developing new stores on a self-funded basis, as at Reading and Maidenhead
2. Increasing the number of stores we manage for third parties including developing joint ventures with specialist self-storage investors
3. Expanding our document storage activities
4. Developing the other new sites we already own when appropriate
5. Opportunistic site acquisitions (as some banks look to reduce their exposure to property in the future)

These areas represent tangible growth opportunities that we can fund from our existing cash flow and banking facility.

Lok'nStore's flexible operating model along with its strong cash flow, secure asset base and new £40 million bank facility leaves us well placed to grow and achieve our longer term aims. We have a strong, dedicated and dynamic executive management team which remains committed to working for the interest of all shareholders, providing steady growth in the value of Lok'nStore.

Simon G Thomas
Chairman
20 April 2012

Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2012

	Notes	Six months 31 January 2012 Unaudited £	Six months 31 January 2011 Unaudited £	Year ended 31 July 2011 Audited £
Revenue	1a	**6,406,991**	5,419,451	10,845,926
Cost of sales of retail products	2	**(133,373)**	(120,311)	(227,469)
Property and premises costs	3*	**(1,954,279)**	(1,669,781)	(3,434,558)
Staff costs	3*	**(1,790,206)**	(1,395,055)	(2,885,424)
General overheads	3*	**(602,526)**	(523,440)	(1,017,030)
		(4,480,384)	(3,708,587)	(7,564,481)
EBITDA**		**1,926,607**	1,710,864	3,281,445
Amortisation of intangible assets		**(82,721)**	–	–
Depreciation based on historic cost		**(679,231)**	(670,269)	(1,354,088)
Additional depreciation based on revalued assets		**(130,142)**	(133,476)	(261,780)
		(892,094)	(803,745)	(1,615,868)
Loss on sale of motor vehicle		(**3,306)**	–	–
Equity settled share based payments	18	**(46,039)**	(49,819)	(99,639)
		(941,439)	(853,564)	(1,715,507)
Operating profit*		**985,168**	857,300	1,565,938
Professional costs – bank loan refinancing		**(148,663)**	–	–
Professional costs – acquisition of Saracen Datastore Limited		**–**	–	(129,208)
Profit before interest		**836,505**	857,300	1,436,730
Finance income		**7,596**	10,844	24,063
Finance cost	4	**(374,600)**	(264,014)	(522,513)
Profit before taxation	5	**469,501**	604,130	938,280
Income tax expense	6	**(174,819)**	(217,448)	(51,977)
Profit for the financial period		**294,682**	386,682	886,303
Profit attributable to:				
Owners of the parent	20	**284,607**	386,682	892,514
Non-controlling interest		**10,075**	–	(6,211)
		294,682	386,682	886,303
Other comprehensive Income				
Increase / (decrease) in asset valuation		**182,539**	431,351	(2,494,416)
Deferred tax relating to (increase)/decrease in asset valuation		**(45,635)**	(116,466)	1,216,374
Other comprehensive income for the period/year net of tax		**136,904**	314,885	(1,278,042)
Total comprehensive income for the period/year		**431,586**	701,567	(391,739)
Attributable to:				
Owners of the parent		**421,511**	701,567	(385,528)
Non-controlling interest		**10,075**	–	(6,211)
		431,586	701,567	(391,739)
Earnings per share				
Basic	8	**1.14p**	1.55p	3.57p
Diluted	8	**1.13p**	1.53p	3.54p

*The presentation of these figures has been amended as fully explained in note 3.

Consolidated Statement of Changes in Equity

For the six months ended 31 January 2012

	Share capital £	Share premium £	Other reserves £	Revaluation reserve £	Retained earnings £	Attributable to owners of the parent £	Non controlling interest £	Total equity £
1 August 2010	**267,589**	**698,044**	**13,008,559**	**21,636,122**	**3,497,992**	**39,108,306**	**–**	**39,108,306**
Profit for the period	–	–	–	–	386,682	386,682	–	386,682
Other comprehensive income:								
Increase in asset valuation	–	–	–	431,351	–	431,351	–	431,351
Deferred tax relating to increase in asset valuation	–	–	–	(116,466)	–	(116,466)	–	(116,466)
	–	–	–	314,885	–	314,885	–	314,885
Total comprehensive income				314,885	386,682	701,567		701,567
Transactions with owners:								
Non-controlling interest arising on acquisition of subsidiary	–	–	–	–	–	–	–	–
Dividend paid	–	–	(167,457)	–	–	(167,457)	–	(167,457)
Total transactions with owners:	–	–	(167,457)	–	–	(167,457)	–	(167,457)
Transfer additional dep'n on revaluation net of deferred tax	–	–	–	(96,102)	96,102	–	–	–
Equity settled share based payments	–	–	49,819	–	–	49,819	–	49,819
31 January 2011	**267,589**	**698,044**	**12,890,921**	**21,854,905**	**3,980,776**	**39,692,235**	**–**	**39,692,235**
Profit for the period	–	–	–	–	505,832	505,832	(6,211)	499,621
Other comprehensive income:								
Decrease in asset valuation	–	–	–	(2,925,767)	–	(2,925,767)	–	(2,925,767)
Deferred tax relating to decrease in asset valuation	–	–	–	1,332,840	–	1,332,840	–	1,332,840
				(1,592,927)		(1,592,927)		(1,592,927)
Total comprehensive income				(1,592,927)	505,832	(1,087,095)	(6,211)	(1,093,306)
Transactions with owners:								
Non-controlling interest arising on acquisition of subsidiary	–	–	–	–	–	–	260,154	260,154
Dividend paid	–	–	(82,479)	–	–	(82,479)	–	(82,479)
		–	(82,479)	–	–	(82,479)	260,154	177,675
Transfer additional dep'n on revaluation net of deferred tax	–	–	–	(100,233)	100,233	–	–	–
Equity settled share based payments	–	–	49,820	–	–	49,820	–	49,820
1 August 2011	**267,589**	**698,044**	**12,858,262**	**20,161,745**	**4,586,841**	**38,572,481**	**253,943**	**38,826,424**
Profit for the period	–	–	–	–	284,607	284,607	10,076	294,683
Other comprehensive income:								
Increase in asset valuation	–	–	–	182,539		182,539		182,539
Deferred tax relating to decrease in asset valuation	–	–	–	(45,635)		(45,635)		(45,635)
	–	–	–	136,904	–	136,904	–	136,904
Total comprehensive income	–	–	–	136,904	284,607	421,511	10,076	431,587
Transactions with owners:								
Dividend paid	–	–	(667,331)	–	–	(667,331)	–	(667,331)
		–	(667,331)	–	–	(667,331)	10,076	(657,255)
Transfer additional dep'n on revaluation net of deferred tax	–	–	–	(97,607)	97,607	–	–	–
Equity settled share based payments	–	–	46,039	–	–	46,039	–	46,039
31 January 2012	**267,589**	**698,044**	**12,236,970**	**20,201,042**	**4,969,055**	**38,372,700**	**264,019**	**38,636,719**

Consolidated Statement of Financial Position

31 January 2012

Company Registration No. 4007169

	Notes	**Unaudited 31 January 2012 £**	Unaudited 31 January 2011 £	Audited 31 July 2011 £
Non-current assets				
Intangible assets	9a	**4,335,997**	-	4,418,718
Property, plant and equipment	9b	**69,261,287**	72,004,427	69,174,548
Property lease premiums	9c	**2,970,728**	2,928,294	2,944,103
		76,568,012	74,932,721	76,537,369
Current assets				
Inventories	11	**126,292**	67,813	110,414
Trade and other receivables	12	**1,788,197**	1,263,712	1,821,002
Cash and cash equivalents		**3,163,102**	6,191,881	3,778,524
		5,077,591	7,523,406	5,709,940
Total assets		**81,645,603**	82,456,127	82,247,309
Current liabilities				
Trade and other payables	13	**(3,978,159)**	(3,529,460)	(4,658,970)
Current tax liabilities		**(72,863)**	-	(56,431)
Borrowings		**(39,307)**	-	(28,124,041)
		(4,090,329)	(3,529,460)	(32,839,442)
Non-current liabilities				
Borrowings	15	**(28,159,432)**	(28,054,395)	(26,342)
Deferred tax	16	**(10,759,123)**	(11,180,037)	(10,555,101)
		(38,918,555)	(39,234,432)	(10,581,443)
Total liabilities		**(43,008,884)**	(42,763,892)	(43,420,885)
Net assets		**38,636,719**	39,692,235	38,826,424
Equity				
Called up share capital		**267,589**	267,589	267,589
Share premium		**698,044**	698,044	698,044
Other reserves	19	**12,236,970**	12,890,921	12,858,262
Retained earnings	20	**4,969,055**	3,980,776	4,586,841
Revaluation reserve		**20,201,042**	21,854,905	20,161,745
Total equity attributable to owners of the parent		**38,372,700**	39,692,235	38,572,481
Non-controlling interests		**264,019**	-	253,943
Total equity		**38,636,719**	39,692,235	38,826,424

Approved by the Board of Directors and authorised for issue on 20 April 2012 and signed on its behalf by:

A Jacobs
Chief Executive Officer

R Davies
Finance Director

Consolidated Statement of Cash Flows

For the six months ended 31 January 2012

	Notes	**Unaudited Six months 31 January 2012 £**	Unaudited Six months 31 January 2011 £	Audited Year 31 July 2011 £
Operating activities				
Cash generated from operations	22a	**1,119,067**	1,469,376	3,599,559
Net cash from operating activities		**1,119,067**	1,469,376	3,599,559
Investing activities				
Purchase of property plant and equipment and property lease premiums		**(753,308)**	(264,233)	(786,678)
Acquisition of subsidiary (net of cash acquired)		**-**	-	(3,563,254)
Sale of property, plant and equipment		**9,816**	-	-
Interest received		**7,596**	10,844	24,063
Net cash used in investing activities		**(735,896)**	(253,389)	(4,325,869)
Financing activities				
Proceeds from new borrowings		**28,527,206**	-	-
Repayment of borrowings		**(28,089,417)**	-	-
Repayment of borrowings – subsidiary bank loan		**-**	-	(39,458)
Arrangement fees – bank refinancing		**(406,604)**	-	-
Interest paid		**(362,447)**	(220,680)	(569,803)
Equity dividends paid		**(667,331)**	(167,457)	(249,936)
Net cash used in financing activities		**(998,593)**	(388,137)	(859,197)
Net (decrease)/increase in cash and cash equivalents the period		**(615,422)**	827,850	(1,585,507)
Cash and cash equivalents at beginning of the period		**3,778,524**	5,364,031	5,364,031
Cash and cash equivalents at end of the period		**3,163,102**	6,191,881	3,778,524

Accounting Policies

General Information
Lok'nStore plc is an AIM listed company incorporated and domiciled in the England and Wales. The address of the registered office is One London Wall, London EC2Y 5AB, UK. Copies of the Annual Report and Accounts may be obtained from the Company's head office at 112, Hawley Lane, Farnborough, Hants, GU14 8JE, or the investor section of the Company's website at http://www.loknstore.com.

Basis of preparation
The interim results for the six months ended 31 January 2012 have been prepared on the basis of the accounting policies expected to be used in the 2012 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.

The interim results, which were approved by the Directors on 20 April 2012, 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 2011 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.

EBITDA
Earnings before interest, tax, depreciation and amortisation ('EBITDA'), is defined as profits from operations before all depreciation charges, losses or profits on disposal, share-based payments, acquisition costs, costs of refinancing, finance income, finance costs and taxation.

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

Operating profit
Operating profit is defined as profits from operations after all costs except acquisition costs, finance income, finance costs and taxation.

Going concern
The Directors can report that, based on the Group's budgets and financial projections, they have satisfied themselves that the business is a going concern. The Board has a reasonable expectation that the Group has adequate resources and facilities to continue in operational existence for the foreseeable future based on cash balances and cash equivalents of £3.2 million, and undrawn committed bank facilities at 31 January 2012 of £11.5 million and cash generated from operations in the period to 31 January 2012 of £1.1 million (31.01.11: £1.5 million).

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 freehold properties held at valuation at the reporting date was £55.7 million (31.07.11: £55.7 million) as shown in the Analysis of Total Property Value table in the Chairman's Statement.

Cushman & Wakefield's ('C&W's') valuation report comments on valuation uncertainty resulting from the recent global banking crisis coupled with the economic downturn which have caused a low number of transactions in the market for self-storage property.

C&W note that although there were a number of transactions in 2007, the only two significant transactions since 2007 are the sale of a 51% share in Shurgard Europe which was announced in January 2008 and completed on 31 March 2008, the sale of the former Keepsafe portfolio by Macquarie to Alligator Self-Storage which was completed in January 2010 and the purchase by Shurgard Europe of 80% interests held by its joint venture partner (Arcapita) in its two European joint venture vehicles. 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, ('C&W') 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 active 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 statement of financial position at historic cost and are not valued externally. In acquiring sites for redevelopment into self-storage facilities, the Group estimates and makes judgements on the potential net lettable storage space that it can achieve in its planning negotiations, together with the time it will take to achieve maturity occupancy level. In addition, assumptions are made on the storage rent that can be achieved at the store by comparison with other stores within the portfolio and within the local area. These judgements, taken together with estimates of operating costs and the projected construction cost, allow the Group to calculate the potential net operating income at maturity, projected returns on capital invested and hence to support the purchase price of the site at acquisition. Following the acquisition, regular reviews are carried out taking into account the status of the planning negotiations and other factors such as revised construction costs or capacity of the new facility. The Group reviews all development property assets for impairment at each reporting date in the light of the results of these reviews. Once a store is opened it is valued as a trading store. Freehold stores are carried at valuation in the statement of financial position. Stores in short leasehold properties are held under operating leases and are carried at cost rather than valuation in accordance with IFRS.

The Group holds planning permissions on all of its pipeline sites as a result of the painstaking and detailed work undertaken to complete the pre–planning and planning phases required on each site. The Group continues to be engaged with the four sites to see how the potential of the existing permissions could be further maximised.

The carrying value of development property assets at the reporting date was £11.6 million (2011: £10.8 million) of which £2.97 million (2011: £2.93 million) relates to the long lease at Maidenhead, which is shown separately as a property lease premium in the statement of financial position.

c) Estimate of fair value of intangible assets acquired in business combination

At 31 January 2012 intangible assets, excluding goodwill, amounted to £3.2 million (2011: £ nil) and represented 4.0% of the Group's total reported assets.

The useful life used to amortise intangible assets relates to the expected future performance of the assets acquired and management's judgement of the period over which economic benefit will be derived from the asset. The estimated useful life of customer relationships of 20 years principally reflects management's view of the average economic life of the customer base and is assessed by reference to customer churn rates. Typically, the customer base for a serviced archive business is very inert. Corporate customers do not tend to switch service providers and indeed they incur box withdrawal charges should they do so. An increase in churn rates may lead to a reduction in the estimated useful life and an increase in the amortisation charge.

d) 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 surveyors' 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 reporting date was £nil (2011: £nil).

1a Revenue

Analysis of the Group's operating revenue is shown below:

	Six months 31 January 2012 Unaudited £	Six months 31 January 2011 Unaudited £	Year 31 July 2011 Audited £
Stores trading			
Self-storage revenue	**4,813,647**	4,833,876	9,522,818
Other storage related revenue	**552,421**	516,005	1,059,990
Ancillary store rental revenue	**2,609**	2,609	5,217
Management fees	**10,399**	10,717	21,220
Sub-Total	**5,379,076**	5,363,207	10,609,245
Stores under development			
Non-storage income	**44,501**	56,244	92,450
Sub-total	**5,423,577**	5,419,451	10,701,695
Serviced archive and records management revenue	**983,414**	-	144,231
Total revenue per statement of comprehensive income	**6,406,991**	5,419,451	10,845,926

1b Segmental information

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board to allocate resources to the segments and to assess their performance. Historically, there has been one business segment as the Group's net assets, revenue and profit before tax were attributable to one principal activity, the provision of self-storage accommodation and related services.

Following the purchase of Saracen Datastore Limited on 30 June 2011, the Group also provides offsite records storage and document and tape archiving services. The acquisition broadens the offering to clients and is seen as an excellent entry point to a wide market segment complimenting Lok'nStore's existing self-storage activities.

All of the Group's activities occur in the United Kingdom.

Financial information is reported to the Board with revenue and profit analysed between self-storage activity and serviced archive and records management activity.

Segment revenue comprises of sales to external customers and excludes gains arising on the disposal of assets and finance income. Segment profit reported to the Board represents the profit earned by each segment before acquisition costs, finance income, finance costs and tax. For the purposes of assessing segment performance and for determining the allocation of resources between segments, the Board uses a measure of adjusted EBITDA (as defined in the accounting policies) and reviews the non-current assets attributable to each segment as well as the financial resources available. All assets are allocated to reportable segments. Assets that are used jointly by segments are allocated to the individual segments on a case by case basis based on use. All liabilities are allocated to individual segments other than borrowings and tax. Information is reported to the Board of Directors on a product basis as management believe that the activity of self-storage and the activity of serviced archive and records management exposes the Group to differing levels of risk and rewards due to the length, nature seasonality and customer base of their respective operating cycles.

The segment information for the period ended 31 January 2012 is as follows:

	Self storage 31 January 2012 £	Serviced archive & records management 31 January 2012 £	**Total 31 January 2012 £**	Self storage 31 July 2011 £	Serviced archive & records management 31 July 2011 £	Total 31 July 2011 £
Total segment revenue	5,423,577	983,414	**6,406,991**	10,701,695	144,231	10,845,926
Revenue from external customers	5,423,577	983,414	**6,406,991**	10,701,695	144,231	10,845,926

Adjusted EBITDA	1,721,029	205,578	**1,926,607**	3,324,938	(43,493)	3,281,445
Depreciation	(741,468)	(67,905)	**(809,373)**	(1,608,652)	(7,216)	(1,615,868)
Amortisation	-	(82,721)	**(82,721)**	-	-	-
Loss on sale – motor vehicle	(3,306)	-	**(3,306)**			
Equity share based payments	(46,039)	-	**(46,039)**	(99,639)	-	(99,639)
Segment profit	930,216	54,952	**985,168**	1,616,647	(50,729)	1,565,938
Central costs not allocated to segments:						
Acquisition costs			**-**			(129,208)
Professional costs – bank loan refinancing			**(148,663)**			-
Finance income			**7,596**			24,063
Finance costs			**(374,600)**			(522,513)
Income tax expense			**(174,819)**			(51,977)
Consolidated profit for the financial period / year			**294,682**			886,303

Sales between segments are carried out at arm's length. The serviced archive segment with over 300 customers has a greater customer concentration with its ten largest corporate customers accounting for around 40% of revenue. The self-storage segment with approx 6,500 customers has no individual self-storage customer accounting for more than 1% of total revenue and no group of entities under common control (e.g. Government) accounts for more than 10% of total revenues.

	Self storage 31 January 2012 £	Serviced archive & records management 31 January 2012 £	**Total 31 January 2012 £**	Self storage 31 July 2011 £	Serviced archive & records management 31 July 2011 £	**Total 31 July 2011 £**
Total assets	76,012,810	5,632,793	**81,645,603**	76,729,946	5,517,363	82,247,309
Segment liabilities	(13,922,639)	(887,506)	**(14,810,145)**	(14,503,317)	(767,185)	(15,270,502)
Borrowings (not allocated to segment liabilities)	(28,149,617)	(49,122)	**(28,198,739)**	(28,071,905)	(78,478)	(28,150,383)
Total liabilities	(42,072,256)	(936,628)	**(43,008,884)**	(42,575,222)	(845,663)	(43,420,885)
Capital expenditure	403,440	323,254	**726,694**	673,812	29,543	703,355

The amounts presented to the Board with respect to total assets and total liabilities are measured in a manner consistent with the financial statements and are allocated based on the operations of the segment.

The Group's interest bearing liabilities are not considered to be segment liabilities but rather are managed by the treasury function.

2 Cost of sales of retail products

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

	Six months 31 January 2012 Unaudited £	Six months 31 January 2011 Unaudited £	Year 31 July 2011 Audited £
Retail	**52,745**	69,493	132,936
Insurance	**10,726**	21,190	21,639
Van hire	**21,609**	29,628	55,980
	85,080	120,311	210,555
Serviced archive consumables	**48,293**	-	16,914
	133,373	120,311	227,469

3 Other costs

	Six months	Six months	Year

	31 January 2012 Unaudited £	31 January 2011 Unaudited £	31 July 2011 Audited £
Property and premises costs	**1,954,279**	1,669,781	3,434,558
Staff costs	**1,790,206**	1,395,055	2,885,424
General overheads	**602,526**	523,440	1,017,030
	4,347,011	3,588,276	7,337,012

The presentation of these costs in the Consolidated Statement of Comprehensive Income has been amended. In the 2011 interim financial statements these costs were previously grouped in a single line called "administrative expenses". The Directors consider the amended presentation to provide more useful information and to be more appropriate to the business.

4 Finance cost

	Six months 31 January 2012 Unaudited £	Six months 31 January 2011 Unaudited £	Year 31 July 2011 Audited £
Bank interest	**366,463**	264,014	520,599
Hire purchase interest	**8,102**	–	1,906
Other interest	**35**	–	8
	374,600	264,014	522,513

All interest payable arises on bank loans classified as financial liabilities measured at amortised cost.

5 Profit before taxation

	Six months 31 January 2012 Unaudited £	Six months 31 January 2011 Unaudited £	Year 31 July 2011 Audited £
Profit before taxation is stated after charging:			
Depreciation and amounts written off property, plant and equipment:			
– owned assets	**793,154**	803,745	1,612,960
– assets held under finance leases	**16,219**	–	2,908
Amortisation of intangible assets	**82,721**	–	–
Operating lease rentals:			
– land and buildings	**858,352**	677,007	1,397,032

6 Taxation

	Six months 31 January 2012 Unaudited £	Six months 31 January 2011 Unaudited £	Year 31 July 2011 Audited £
Current tax:			
UK corporation tax at 26% (2011: 27%)	**16,432**	–	(13,054)
Deferred tax:			
Origination and reversal of temporary differences	**147,032**	245,999	451,413
Impact of change in tax rate on closing balance	**–**	–	(230,580)

Adjustments in respect of prior periods	**11,355**	(28,551)	(155,802)
Total deferred tax	**158,387**	217,448	65,030
Income tax expense for the period	**174,819**	217,448	51,977

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

	Six months 31 January 2012 Unaudited £	Six months 31 January 2011 Unaudited £	Year 31 July 2011 Audited £
Profit before tax	**469,501**	604,130	938,280
Tax on ordinary activities at the standard rate of corporation tax in the UK of 26% (2011:27%)	**122,071**	163,115	253,336
Expenses not deductible for tax purposes	**3,250**	3,767	3,263
Depreciation of non-qualifying assets	**36,477**	43,112	87,736
Share based payment charges in excess of corresponding tax deduction	**11,970**	13,451	26,903
Impact of change in tax rate	**(5,883)**	–	(230,580)
Small companies relief	**(4,422)**	–	–
Amounts not recognised in deferred tax	**–**	22,554	44,104
Utilisation of loss against pre-acquisition profits	**–**	–	27,653
Adjustments in respect of prior periods – deferred tax	**11,355**	(28,551)	(155,802)
Other	**–**	–	(4,636)
Income tax expense	**174,819**	217,448	51,977
Effective tax rate	**37%**	36%	6%

Non-deductible expenses consist mainly of depreciation charges on the Group's properties which do not qualify for tax allowances.

In addition to the amount charged to profit or loss for the period, deferred tax relating to the revaluation of the Group's properties amounting to £45,635 (31.01.11: £116,466) has been recognised as a debit directly in other comprehensive income (see note 16 on deferred tax).

7 Dividends

	Six months 31 January 2012 Unaudited £	Six months 31 January 2011 Unaudited £	Year 31 July 2011 Audited £
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 July 2010 (0.67 pence per share)	**–**	167,457	167,457
Interim dividend for the six months to 31 January 2011 (0.33 pence per share)	**–**	–	82,479
Final dividend for the year ended 31 July 2011 (2.67 pence per share)	**667,331**	–	–
	667,331	167,457	249,936

In respect of the current financial year 2012, the Directors propose that an interim dividend of 1 penny per share will be paid to the shareholders. The total estimated dividend to be paid is £249,937 based on the number of shares currently in issue as adjusted for shares held in the Employee Benefits Trust and for shares held on treasury. This is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these interim financial statements. The ex-dividend date will be 2 May 2012; the record date 4 May 2012; with an intended payment date of 11 June 2012.

8 Earnings per share

	Six months 31 January 2012 Unaudited £	Six months 31 January 2011 Unaudited £	Year 31 July 2011 Audited £
Profit for the financial period attributable to owners of the parent	**284,607**	386,682	892,514

	No of shares	No of shares	No of shares
Weighted average number of shares			
For basic earnings per share	**24,993,653**	24,993,653	24,993,653
Dilutive effect of share options	**137,375**	238,865	201,741
	25,131,028	25,232,518	25,195,394
Earnings per share			
Basic	**1.14p**	1.55p	3.57p
Diluted	**1.13p**	1.53p	3.54p

623,212 (2011: 623,212) shares held in the Employee Benefit Trust and 1,142,000 (2011: 1,142,000) treasury shares are excluded from the above.

9 a) Intangible assets

The intangible assets were acquired following Lok'nStore Limited's acquisition on 30 June 2011 of 90.6% of the issued share capital of Saracen Datastore Limited ('Saracen'), a company incorporated in England & Wales. Saracen provides serviced archive and records management solutions and has four sites across the South East of England providing over 100,000 sq. ft. of document space complementing Lok'nStore's existing self-storage activities.

Group	Goodwill £	Customer relationships £	Total £
Net book value at 1 August 2010 and 31 January 2011	-	-	-
Acquisition of subsidiary – Saracen Datastore Limited	1,109,879	3,308,839	4,418,718
Amortisation charge *	-	-	-
Net book value at 1 August 2011	**1,109,879**	**3,308,839**	**4,418,718**
Amortisation charge	-	(82,721)	(82,721)
Net book value at 31 January 2012	**1,109,879**	**3,226,118**	**4,335,997**

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

* Due to the proximity of the acquisition to the reporting date no amortisation was provided for in the one-month period from acquisition to 31 July 2011. Amortisation for financial year 2012 is charged based on a 20 year amortisation profile on cost less any impairment.

The fair value of the contractual customer relationships was estimated by using an income based approach and applying principles set down by the International Valuation Standards Council in Guidance Note 4 (Valuation of Intangible Assets).

9 b) Property, plant and equipment

Group	Development property assets at cost £	Land and buildings at valuation £	Short leasehold improvements at cost £	Fixtures, fittings and equipment at cost £	Motor vehicles at cost £	Total £
Net book value at 31July 2010	**7,934,163**	**54,130,943**	**1,189,536**	**8,833,640**	**91,817**	**72,180,099**
Net book value at 31 January 2011	**7,918,028**	**54,479,451**	**1,159,224**	**8,366,737**	**80,987**	**72,004,427**
Net book value at 31 July 2011	**8,587,479**	**51,030,357**	**1,129,883**	**8,270,656**	**156,173**	**69,174,548**
Cost or valuation						
1 August 2011	**8,587,479**	**51,030,357**	**2,596,587**	**16,027,983**	**244,706**	**78,487,112**
Additions	46,883	299,979	24,366	346,517	8,949	726,694
Revaluations	-	(63,586)	-	-	-	(63,586)
Disposals	-	-	-	-	(30,354)	(30,354)
31 January 2012	**8,634,362**	**51,266,750**	**2,620,953**	**16,374,500**	**223,301**	**79,119,866**
Depreciation						
1 August 2011	-	-	1,466,704	7,757,327	88,533	9,312,563
Depreciation	-	246,125	59,299	485,425	18,524	809,373
Revaluations	-	(246,125)	-	-	-	(246,125)
Disposals	-	-	-	-	(17,232)	(17,232)
31 January 2012	**-**	**-**	**1,526,003**	**8,242,752**	**89,825**	**9,858,579**
Net book value at 31 January 2012	**8,634,362**	**51,266,750**	**1,094,950**	**8,131,748**	**133,477**	**69,261,287**

If all property, plant and equipment was stated at historic cost the carrying value would be £45.3 million (2011: £45.0 million).

Additions of £0.30 million to land and buildings include the costs of roof renovation with new solar power to the Poole store. Additions of £0.35 million to fixtures fittings and equipment relates substantially to expenditure at Saracen including increasing the racking capacity at its Olney warehouse.

Property, plant and equipment (non-current assets) with a carrying value of £69.3 million (2011: £72.0 million) is pledged as security for bank loans (see note 15). The Maidenhead property (see note 9c) is also pledged as security for the bank loans.

The net book value of assets held under finance leases at 31 January 2012 was £120,455 (2011: £Nil) and the depreciation charge includes £16,219 in relation to these assets.

Market Valuation of Freehold and Operating Leasehold Land and Buildings
Following the comprehensive external valuation at 31 July 2011 by Cushman and Wakefield (C&W), the freehold and leasehold properties have not been externally valued at 31 January 2012, although in accordance with the Group's established policy it is the intention to do so at the next year end at 31 July 2012. 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 not been a material movement in market yields and therefore no market yield shift assumption has been applied at 31 January 2012 to our properties externally valued at 31 July 2011. The Directors therefore consider that it is appropriate to maintain the portfolio valuation without modification.

Market Uncertainty
'C&W's' valuation report comments on valuation uncertainty resulting from the recent global banking crisis coupled with the economic downturn which have caused a low number of transactions in the wider property market and in particular in the market for self-storage property.

Although there were a number of self-storage transactions in 2007, C&W have noted that the only significant transactions since 2007 are:

1. The sale of a 51% share in Shurgard Europe which was announced in January 2008 and completed on 31 March 2008;

2. The sale of the former Keepsafe portfolio by Macquarie to Alligator Self-Storage which was completed in January 2010; and

3. The purchase by Shurgard Europe of 80% interests held by its joint venture partner (Arcapita) in its two European joint venture vehicles, First Shurgard and Second Shurgard. The price paid was 172 million Euros and the transaction was announced in March 2011. The two joint ventures owned 72 self-storage properties;

Due to the lack of comparable market information in the self-storage sector, C&W have therefore had to exercise more than the usual degree of judgement in arriving at their opinion of value.

It has been held that valuers may properly conclude within a range of values. This range is likely to be greater in an illiquid market where inherent uncertainty exists and a greater degree of judgement must therefore be applied.

9 c) Property lease premiums

£3.0 million of costs relating to the long lease at Maidenhead is classified as a non-current asset in the statement of financial position (2011: £2.9 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.

Property lease premiums	**31 January 2012 £**	31 January 2011 £	31 July 2011 £
Balance at start of period/year	**2,944,103**	2,860,781	2,860,781
Additions during the period/year	**26,625**	67,513	83,322
Balance at end of period/year	**2,970,728**	2,928,294	2,944,103

10 Investments

The parent company, Lok'nStore Group plc 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	Dorman
Semco Engineering Limited**	Ordinary	–	100	Dormant
Saracen Datastore Limited***	Ordinary	–	90.6	Records Management & Document Storage

*This company is a subsidiary of Lok'nStore Limited

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

***This company is a subsidiary of Lok'nStore Limited

11 Inventories

	31 January 2012 £	31 January 2011 £	31 July 2011 £
Consumables and goods for resale	**126,292**	67,813	110,414

The amount of inventories recognised as an expense during the period/year was £101,038 (2011: £69,493).

12 Trade and other receivables

	31 January 2012 £	31 January 2011 £	31 July 2011 £
Trade receivables	**1,130,436**	823,540	1,164,497
Other receivables	**165,438**	52,105	166,734
Prepayments and accrued income	**492,323**	388,067	489,771
	1,788,197	1,263,712	**1,821,002**

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

13 Trade and other payables

	31 January 2012 £	31 January 2011 £	31 July 2011 £
Trade payables	**483,075**	539,002	1,083,889
Taxation and social security costs	**510,639**	347,205	452,233
Other payables	**888,369**	872,697	912,805
Accruals and deferred income	**2,096,076**	1,770,556	2,210,043
	3,978,159	3,529,460	4,658,970

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

14 Capital management and gearing

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 the owners of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity. The Group's activities expose it primarily to the financial risks of interest rates. The Group currently does not undertake any hedging activities or use any derivative financial instruments. The Group's banking facilities require that management give regular consideration to interest rate hedging strategy and has complied with this during the period. There are no foreign currency risks.

The Group's Board reviews the capital structure on an on-going basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. The Group seeks to have a conservative gearing ratio (the proportion of net debt to equity). The Board considers at each review the appropriateness of the current ratio in light of the above. The Board is currently satisfied with the Group's gearing ratio.

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

	31 January 2012 £	31 January 2011 £	31 July 2011 £
Debt	**(28,576,328)**	(28,089,416)	(28,167,894)
Cash and cash equivalents	**3,163,102**	6,191,881	3,778,524
Net Debt	**(25,413,226)**	(21,897,535)	(24,389,370)
Statement of financial position equity	**38,636,719**	39,692,235	38,826,424
Net debt to equity ratio	**65.8%**	55.2%	62.8%

The increase in the Group's gearing ratio arises primarily through the combined effect of a decrease in net cash balances arising from the 3.7 million of cash used for the acquisition off Saracen, partially offset by the cash generated from operations.

15 Borrowings

	31 January 2012 £	31 January 2011 £	31 July 2011 £
Non-current			
Bank loans repayable in one to two years			
Gross	**–**	28,089,416	–
Deferred financing costs	**–**	(35,021)	–
Bank loans repayable in more than two years but not more than five years			
Gross	**28,527,206**	–	–

Deferred financing costs	**(377,589)**	–	–
Net borrowings	**28,149,617**	28,054,395	–
Finance lease liabilities	**9,815**	–	26,342
Non-current borrowings	**28,159,432**	28,054,395	26,342
Current			
Bank loans repayable in less than one year			
Gross	**–**	–	28,089,416
Deferred financing costs	**–**	–	(17,511)
Net borrowings	**–**	–	28,071,905
Finance lease liabilities	**39,307**	–	52,136
Current borrowings	**39,307**	–	28,124,041
Total borrowings	**28,198,739**	28,054,395	28,150,383

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 £81.6 million (31.01.11: £82.5 million) together with cross-company guarantees of Lok'nStore Limited and Saracen Datastore Limited.

Refinancing of banking facilities
In October 2011, the Group completed arrangements for a new five year £40 million revolving credit facility with Lloyds TSB plc. The revolving credit facility is for a five-year term and expires on 19 October 2016. The Group is not obliged to make any repayments prior to expiration. The loans bear interest at the London Inter-Bank Offer Rate (LIBOR) plus 2.35%–2.65% margin based on a loan to value covenant test while the interest cover and loan to value covenants are broadly in line with the previous facility.

16 Deferred tax

	31 January 2012 £	31 January 2011 £	31 July 2011 £
Liability at start of year	**10,555,101**	10,846,123	10,846,123
Charge to income for the period/year	**158,387**	217,448	65,031
Tax credited directly to other comprehensive income	**45,635**	116,466	(1,216,374)
Saracen – Initial recognition Intangible assets on acquisition	**–**	–	827,210
Saracen – other deferred tax recognised on acquisition	**–**	–	33,111
Liability at end of year	**10,759,123**	11,180,037	10,555,101

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

	Accelerated Capital Allowances £	Tax losses £	Intangible Assets £	Other temporary differences £	Revaluation of properties £	Rolled over gain on disposal £	Total £
At 31 July 2010	**1,479,671**	**(1,092,726)**	**-**	**-**	**8,002,401**	**2,456,777**	**10,846,123**
Charge/ (credit) to income for the year	246	227,041	-	26,200	(36,039)	-	217,448
Charge to other comprehensive income	-	-	-	-	116,466	-	116,466
At 31 January 2011	**1,479,917**	**(865,685)**	**-**	**26,200**	**8,082,828**	**2,456,777**	**11,180,037**
Charge/ (credit) to income for the year	(206,319)	267,043		(1,751)	(29,406)	(181,984)	(152,417)
Charge to other comprehensive income	-				(1,332,840)		(1,332,840)
Saracen							
- Initial recognition of intangible assets	-	-	827,210	-	-	-	827,210
- Recognised on acquisition	33,111	-	-	-	-	-	33,111
At 31 July 2011	**1,306,709**	**(598,642)**	**827,210-**	**24,449**	**6,720,582**	**2,274,793**	**10,555,101**
Charge/ (credit) to income for the year	14,193	197,410	(20,680)	-	(32,536)	-	158,387

Charge to other comprehensive income	-	-	-	-	45,635	-	45,635
At 31 January 2012	**1,320,902**	**(401,232)**	**806,530**	**24,449**	**6,733,681**	**2,274,793**	**10,759,123**

At the period-end, the Group has unused revenue tax losses of approximately £1.84 million (2011: £3.4 million) available to carry forward against future profits of the same trade. A deferred tax asset of £0.4 million (2011: £0.87 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.

The UK's main rate of corporation tax reduced from 26% to 24% from 1 April 2012, thereafter tax rates are expected to reduce by 1% per year to 22% in 2014. Due to the difficulty of predicting the amount of capital expenditure over this period, it is not possible to accurately quantify the effect of the rate change on the deferred tax position over this period.

17 Share capital

	2011 Number	2010 Called up, allotted and fully paid £
Number of shares at 31 January 2011, 31 July 2011, and 31 January 2012	**26,758,865**	**267,589**

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

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 HMRC small company criteria.

The Company has the following share options:

Summary	As at 31 July 2011	Granted	Exercised	Lapsed/ surrendered	**As at 31 January 2012**
Enterprise Management Initiative Scheme	349,166	–	–	–	**349,166**
Unapproved Share Options	2,164,386	–	–	–	**2,164,386**
Approved CSOP Share Options	232,002	–	–	–	**232,002**
Total	2,745,554	–	–	–	**2,745,554**
Options held by Directors	1,830,000	–	–	–	**1,830,000**
Options not held by Directors	915,554	–	–	–	**915,554**
Total	2,745,554	–	–	–	**2,745,554**

Summary	As at 31 July 2010	Granted	Exercised	Lapsed/ surrendered	**As at 31 July 2011**
Enterprise Management Initiative Scheme	491,901	–	–	(142,735)	**349,166**
Approved Share Options Scheme	–	–	–	–	**–**
Unapproved Share Options	2,192,213	240,517	–	(268,344)	**2,164,386**
Approved CSOP Share Options	179,019	62,983	–	(10,000)	**232,002**
Total	2,863,133	303,500	–	(421,079)	**2,745,554**
Options held by Directors	1,655,000	175,000	–	–	**1,830,000**
Options not held by Directors	1,208,133	128,500	–	(421,079)	**915,554**
Total	2,863,133	303,500	–	(421,079)	**2,745,554**

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

At 31 January 2012 and 31 July 2011	**EMI Scheme**	**Approved Scheme**	**Unapproved Scheme**	**Approved CSOP share options**	**Total**
Executive Directors					
A Jacobs	–	–	450,000	–	450,000
SG Thomas	–	–	450,000	–	450,000
RA Davies	98,039	–	478,431	23,530	600,000
CM Jacobs	79,173	–	191,082	24,745	295,000
Non-Executive Directors					
RJ Holmes	–	–	10,000	–	10,000
ETD Luker	–	–	15,000	–	15,000
C P Peal	–	–	10,000	–	10,000
I Wright	–	–	–	–	–
	177,212	–	1,604,513	48,275	1,830,000

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 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 period relating to employer share-based payment schemes was £46,039 (31.01.11: £49,819), all of which relates to equity-settled share-based payment transactions.

There were no options granted in the period.

19 Other reserves

	Merger reserve £	Other distributable reserve £	Capital redemption reserve £	Share-based payment reserve £	Total £
1 August 2010	**6,295,295**	**5,403,140**	**34,205**	**1,275,919**	**13,008,559**
Share based remuneration (options)	–	–	–	49,819	49,819
Dividend paid	–	(167,457)	–	–	(167,457)
31 January 2011	**6,295,295**	**5,235,683**	**34,205**	**1,325,738**	**12,890,921**
Share based remuneration (options)	–	–	–	49,820	49,820
Dividend paid	–	(82,479)	–	–	(82,479)
1 August 2011	**6,295,295**	**5,153,204**	**34,205**	**1,375,558**	**12,858,262**
Share based remuneration (options)	–	–	–	46,039	46,039
Dividend paid	–	(667,331)	–	–	(667,331)
31 January 2012	**6,295,295**	**4,485,873**	**34,205**	**1,421,597**	**12,236,970**

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.

20 Retained earnings

Group	Retained earnings before deduction of own shares £	Own shares (note 21) £	Retained earnings Total £
1 August 2010	**6,090,804**	**(2,592,812)**	**3,497,992**
Profit attributable to owners of Parent for the financial period	386,682	–	386,682
Transfer from revaluation reserve (additional dep'n on revalued assets net of deferred tax)	96,102	–	96,102
31 January 2011	**6,573,588**	**(2,592,812)**	**3,980,776**
Profit attributable to owners of Parent for the financial period	505,832		505,832
Transfer from revaluation reserve (additional dep'n on revalued assets net of deferred tax)	100,233		100,233
1 August 2011	**7,179,653**	**(2,592,812)**	**4,586,841**
Profit attributable to owners of Parent for the financial period	284,607	–	284,607
Transfer from revaluation reserve (additional dep'n on revalued assets net of deferred tax)	97,607	–	97,607
31 January 2012	**7,561,867**	**(2,592,812)**	**4,969,055**

The Own Shares reserve represents the cost of shares in Lok'nStore Group plc purchased in the market and held in the Employee Benefit Trust to satisfy awards made under the Group's share incentive plan and shares purchased separately by Lok'nStore Limited for treasury purposes. 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

	EBT shares Number	EBT shares £	Treasury shares Number	Treasury shares £	Own shares total £
1 August 2010, 31 January 2011, 1 August 2011 and 31 January 2012	**623,212**	**499,910**	**1,142,000**	**2,092,902**	**2,592,812**

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

Distributable reserves are reduced by £2,092,902 reflecting the purchase cost of these treasury 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 January 2012, the Trust held 623,212 (31.01.11: 623,212) ordinary shares of 1 penny each with a market value of £716,694 (31.01.11: £780,573). No shares were transferred out of the scheme during the period (31.01.11: nil).

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

22 Cash flows

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

	Unaudited Six months ended 31 January 2012 £	Unaudited Six months ended 31 January 2011 £	Audited Year ended 31 July 2010 £
Profit before tax	**469,501**	604,130	938,280
Depreciation	**809,373**	803,745	1,615,868
Amortisation	**82,721**	-	-
Professional costs – acquisition of Saracen Datastore Limited	**-**	-	129,208
Professional costs – refinancing of bank loan facility	**148,663**	-	-
Equity settled share based payments	**46,039**	49,819	99,639
Loss on sale of fixed assets	**3,306**	-	-

Interest receivable	**(7,596)**	(10,844)	(24,063)
Interest payable	**374,600**	264,014	522,513
(Increase)/decrease in inventories	**(15,878)**	2,271	(40,329)
Decrease/(increase) in receivables	**32,805**	605,695	(630,246)
(Decrease)/Increase in payables	**(824,467)**	(849,454)	988,689
Cash generated from operations	**1,119,067**	1,469,376	3,599,559

(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.

	Unaudited 31 January 2012 £	Unaudited 31 January 2011 £	Audited 31 July 2011 £
(Decrease)/increase in cash in the period	**(615,422)**	827,850	(1,585,507)
Change in net debt resulting from cash flows	**(408,434)**	-	(78,478)
Movement in net debt in the period	**(1,023,856)**	827,850	(1,663,985)
Net debt brought forward	(**24,389,370)**	(22,725,385)	(22,725,385)
Net debt carried forward	**(25,413,226)**	(21,897,535)	(24,389,370)

23 Commitments under operating leases

At 31 January 2012 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 ended 31 January 2012 £	Unaudited Six months ended 31 January 2011 £	Audited Year ended 31 July 2011 £
Land and buildings			
Amounts due:			
Within one year	**1,589,943**	1,277,222	1,578,307
Between two and five years	**5,919,772**	4,668,888	5,919,772
After five years	**7,641,820**	6,455,244	8,404,878
	15,151,535	12,401,354	15,902,957

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.

24 Events after the reporting date

In the Government's Annual Budget on 21 March 2012, the Chancellor announced proposals to remove loopholes and to correct certain anomalies in the VAT regime in so far as it applies to self-storage operators and the self-storage sector generally. Following consultation and with effect from 1 October 2012 VAT will be extended to include all self-storage.

Lok'nStore has always remained within the regime and 'opted to tax' VAT on its storage services. Therefore this proposed Budget change, if implemented, will have no impact on Lok'nStore customers who are already charged VAT, however it is likely to have a beneficial effect on our pricing and volumes in the medium term as competitors who do not currently charge VAT raise prices in response to the change.

25 a) Capital commitments and guarantees

The Group has capital expenditure contracted but not provided for in the financial statements of £341,132 (2011: £132,984) relating to minor works.

25b) 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 £28.5 million (2011: £28.1 million).

25c) 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 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.

Our Stores

Head office
Lok'nStore plc
112 Hawley Lane
Farnborough
Hampshire GU14 8JE
Tel 01252 521010
www.loknstore.com

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

Ashford, Kent
Wotton Road
Ashford
Kent TN23 6LL
Tel 01233 645500
Fax 01233 646000
ashford@loknstore.co.uk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Under development
Maidenhead, Berkshire
Stafferton Way
Maidenhead
Berkshire
SL6 1AY

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

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

Southampton, Hampshire
Third Avenue
Millbrook
Southampton
SO15 0JX