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LOK'NSTORE GROUP PLC
("Lok'nStore" or "the Group")

Preliminary results
for the year ended 31 July 2015

Lok'nStore Group Plc, a leading company in the UK self-storage market announces results for the year ended 31 July 2015.

Highlights

"Full year results up strongly - more growth from new stores and more new stores to come"

Record financial results ahead of expectations on all measures

- Revenue £15.42 million up 10.9% (2014: £13.91 million)
- Adjusted EBITDA[1] £5.68 million up 23.1% (2014: £4.62 million)
- Operating profit[2] £3.66 million up 18.7% (2014 normalised: £3.08m)
- Profit before taxation[2] £2.65 million up 34.6% (2014 normalised: £1.97 million)
- Cost ratio reduced to 61.2%[3] (2014: 64.7%).

Strong cash flow supports 14.3% dividend increase – progressive dividend policy

- Annual dividend 8 pence per share up 14.3% (2014: 7 pence per share)
- Funds from Operations (FFO)[4] £4.98 million up 25.2% (2014: £3.97 million)
- FFO per share of 19.6 pence per share up 22.1% (2014: 16.1 pence per share)

Asset backed: Adjusted Net Asset Value per share[5] up 11.4% to £3.02 (2014: £2.71)

- Total assets now circa £100 million

Strong balance sheet, efficient use of capital, low debt

- Net debt down to £25.3 million (2014: £25.5 million)
- Loan to value ratio down to 25.8%[6] (2014: 28.2%)

Self-storage business performing strongly

- Store EBITDA £7.19[7] million up 18.6% (2014: £6.06 million)
- Store EBITDA margins up 3 percentage points to 53.7% (2014: 50.7%)
- Unit Pricing up 4.2%
- Total occupancy up 0.6% with 57,203 sq. ft. of new units fitted
- Ancillary sales up 6.3%

Document storage showing good volume growth

- Year-end boxes stored up 36.2%
- Revenue £1.96 million up 6.5% (2014: £1.84 million)

Growth from new stores and more new stores to come

- New and purpose built stores lettable space will represent 59% of owned store portfolio
- New Reading store opened October 2014
- New Aldershot store opened May 2015
- New Chichester store due to open by end 2015
- New Southampton and Bristol stores due to open spring 2016
- Constantly reviewing new store opportunities

Post Balance sheet

- Additional £2 million received on sale of old Reading store
- Sale of Swindon store for £3.5 million (2014 NBV £1.4 million)

[1] Adjusted EBITDA is defined as profits before depreciation, amortisation, losses or profits on disposal, share-based payments, acquisition costs, non-recurring professional costs, finance income, finance costs and taxation
[2] 2014 comparatives normalised for 2014 property impairment charge of £1.6 m
[3] Group operating costs as a percentage of Group revenue
[4] Funds from Operations (FFO) calculated as EBITDA minus net finance cost on operating assets
[5] Adjusted net asset value per share is the net assets adjusted for the valuation of leasehold stores and deferred tax divided by the number of shares at the year end. The shares held in the Group's employee benefits trust and treasury are excluded from the number of shares.
[6] Calculation based on net debt of £25.3 million (2014: £25.5 million) and total property value of £97.8 million (2014: £90.5 million) set out in the Financial Review section of the Strategic Report.
[7] Store adjusted EBITDA is Adjusted EBITDA (see above[1]) before central and head office costs

Commenting on the Group's results, Andrew Jacobs CEO of Lok'nStore Group said,

"Trading this year has been strong with turnover, profits and assets increasing rapidly.

Our new store development programme continues to change the balance of our store portfolio. New and purpose built stores will account for around 59% of the portfolio once this is completed. We opened new stores in Reading in October 2014 and Aldershot in May 2015. Both are trading well. New stores in Chichester, Southampton and Bristol opening in the coming year will add further impetus to sales and earnings growth.

The strong growth of the business and Lok'nStore's low level of debt means that this rapid development programme can be financed from cash flow and existing bank facilities, while progressively increasing the dividend."

Press Enquiries

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Chairman's Review

Strong growth and robust capital structure

Lok'nStore Group has traded strongly over the last year with turnover, profits and assets moving ahead rapidly. This has been and will continue to be reinforced by improvements to our existing stores combined with our programme of opening new, modern, purpose-built stores. This will result in a substantial increase in the proportion of our store space which is new or purpose built and will add further momentum to the growth of sales and profits with plenty of new capacity contributing to growth over the coming years.

The growth of sales, profit and asset values combined with innovative asset management has combined to achieve a reduction in the loan-to-value (LTV) ratio from 28.2% to 25.8% while we invested £3.6 million in stores this year and are proposing to increase the annual dividend pay-out by 14.3%.

Two other key performance indicators (KPI's), Funds from Operations (FFO) per share which guides the dividend pay-out and Net Asset Value (NAV) per share which demonstrates the underlying asset value have moved smartly ahead.

Trading positive

Revenue for the year was £15.42 million, up 10.9% year on year (2014: £13.91 million) driven by prices achieved for rented self-storage units which are up 4.2%. This strong turnover growth led to a 23.1% increase in Group Adjusted EBITDA. With low debt and interest costs this translates into Funds from Operations (FFO) per share growing by 22.1%. Tight control over operating costs has pushed the Group's margins and profits to record levels.

Properties and Net Asset Value

The year-end property valuation equates to a total value of properties held of £97.8 million (2014: £90.5 million) an 8% increase in value. (Note that these values are not fully reflected in the statement of financial position which states the operating leasehold stores at cost less accumulated depreciation).

Dividend

It is intended that the Company's future dividend payments will reflect the growth in the underlying cash generated by the business as reflected in the FFO. The interim dividend will represent approximately one-third of the total for the year and final dividend two-thirds. This year we are recommending a full year dividend of 8 pence per share. This is up 14.3% from 7 pence for the full year last year. The Group will therefore pay a final dividend of 5.67 pence per share on 21 December 2015 following the payment of an interim dividend of 2.33 pence per share in June 2015.

Outlook

The objective of our strategy is to continue to increase EBITDA per share over the coming years. We have created a strong platform for significant further growth and continue to focus our efforts on five key areas:

- Filling existing stores and improving pricing
- Developing new stores on a self-funded basis
- New site acquisitions
- Increasing the number of stores we manage for third parties
- Growing our document storage business

Lok'nStore is a progressive business with a record of consistent profit growth and cash generation and has built a firm base for the coming years. Recent strong trading has been, and will continue to be, reinforced by our programme of new, modern, purpose-built store openings and upgrades. This will result in a substantial increase in the proportion of our stores which are new or purpose built combined with a significant increase in our trading space.

Given the strong growth of sales, profits and asset values combined with the benefits of innovative asset management we believe we can achieve this without significantly increasing the loan-to-value (LTV) ratio or borrowings while continuing to increase the dividend pay-out.

Our dedicated and dynamic executive management team have capitalised on the improved economy and are well placed to continue our growth over the coming years. With the high barriers to entry created by the strong demand for property in South-East England and the difficulties of the local planning process, Lok'nStore's growing portfolio of high quality self-storage assets is set to deliver solid and increasing returns to investors over the coming years.

Simon G Thomas
Chairman
16 October 2015

The Strategic Report

The Strategic Report covers the following areas of our business:-

- Our Strategy and business model
- The UK Self-Storage Market
- The Performance of our Stores
- An Operational and Marketing Review
- A Property Review
- A Financial Review
- Principal Risks and Uncertainties in operating our Business

Our Strategy and business model

Introduction

Lok'nStore Group Plc is one of the leading companies in the fast growing UK self-storage market. We opened our first self-storage centre in Horsham, Sussex in February 1995 and have grown consistently over the last 20 years, currently operating 24 self-storage centres and two serviced document stores in Southern England. One replacement store and another new store will open in the coming year. We have been listed on the AIM Market since June 2000 and the board accounts for 35% of the Total Voting Rights (TVR) in the ordinary shares of the Company.

We offer self-storage, serviced document storage and management services to third party self-storage owners. Self-storage is available to both household and business customers at our highly branded Lok'nStore centres. Each centre is prominently located mainly in the affluent South-East of England in large towns and cities.

Our serviced document storage service offers businesses anything from secure storage of one media tape to full management of their business documentation with 24 hour retrieval. We excel in offering the best customer service at competitive prices for our customers.

Strategy

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

Demand for self-storage by both business and domestic customers is driven by a combination of specific need based on changing circumstances but also linked to local economic activity and prevailing consumer and business confidence.

People and business are more space constrained in the relatively expensive areas of the South East. Barriers to entry in terms of competition for suitable sites and the difficulties in securing appropriate planning consents are also correspondingly higher.

The strengths of our business model are summarised in table form below:

The UK self-storage market

There remains significant opportunity in the UK self-storage market where there are an estimated 863 self-storage facilities providing approximately 35.7 million square feet of storage space. With a population estimated at 64.1 million people in the UK this equates to 0.56 square feet per person, compared to 7.3 square feet per person in the USA (Self-Storage Association 2015 UK Annual Survey).

The sector remains in good health. The Cushman & Wakefield 2015 Report for the Self-Storage Association says, "After a period of limited new store openings following the recession the self-storage sector is definitely beginning to grow, putting on around 1.3 million sq. ft. of space in 2014."The Report estimates that…." total annual turnover for the UK self-storage industry in 2014 was around £402 million from approximately 440 different operators, and they employed in excess of 2,100 staff (full time equivalent) As awareness of self-storage continues to grow, more businesses and individuals will use self-storage in a market that is supply constrained. The Report also states that the five largest operators (which includes Lok'nStore) manage 29.5% of the self-storage stores while in the US the top five own or manage only 11.5%.

Our Business Model

Attractive market dynamics	➢ UK self-storage penetration in key urban conurbations remains relatively low ➢ Limited new supply coming onto the market - Lok'nStore is bucking the trend with significant new store development - Reading, Aldershot, Southampton, Bristol and Chichester ➢ The specific property requirements of self-storage coupled with challenging local planning regimes create significant barriers to entry, especially in Southern England where Lok'nStore operates ➢ Resilient through economic downturns ➢ Sector is growing
Our competitive strength	➢ Recognised brand ➢ Newer stores are prominent on arterial or main roads, with extensive frontage and high visibility ➢ Strong internet marketing delivering:- - traffic from mobile phones and desktop computers - online booking and reservation; click and collect for retail boxes and packaging ➢ Excellent customer service, customer feedback programme with store level customer satisfaction surveys, mystery shopper programme and quality control procedures ➢ Stores concentrated in the affluent South East England ➢ Newer stores have larger average store capacity - economies of scale, higher operating margins ➢ Secure financing structure with strong balance sheet ➢ Strong and increasing store asset base ➢ Experienced and committed board and executive management team with clear strategic direction, operational skills and a proven and robust business model
Stable and rising income streams and strong credit risk model	➢ Over 8,100 customers ➢ Mix of business and domestic customers ➢ High profit margins ➢ Low bad debt expense (0.25% of revenue in the year) ➢ Strong credit risk model (security deposits; customers pay in advance; lien on goods) ➢ Limited local competition
Strong growth opportunities	➢ Yield management as occupancy increases ➢ Demand increasing ➢ Site development out of strong operational cash flow and innovative financing solutions
Translation of the business model into high quality earnings	➢ The self-storage business is strongly cash generative with high profit margins on established stores and all customers paying on a rolling 28 day basis ➢ Low technology & product obsolescence ➢ Maintenance fully expensed through profit and loss ➢ Lok'nStore has a track record of strong and growing cash generation driving a progressive dividend policy

The objective of our strategy is to continue to increase adjusted EBITDA per share over the coming years and we believe there is the opportunity for significant further growth.

The Performance of our Stores

Growing Sales and Profits, Increasing Margins

Self-storage revenue for the year was £13.47 million up 11.6% (2014: £12.07 million).

Our total self-storage occupancy was up 0.6% and this was combined with strong unit price increases of 4.2%. During the year we fitted 57,203 sq. ft. of new self-storage units.

With costs firmly under control this revenue growth translates into rapid profit growth. We again managed to increase the overall adjusted EBITDA margin across all stores by 3 percentage points from 50.7% to 53.7%. The adjusted Store EBITDA margins of the freehold stores were 63.4% (2014: 62.7%) and the leasehold stores 40.7% (2014: 36.6%).

Total store EBITDA in the self-storage business, a key performance indicator of profitability and cash flow of the business, increased 18.6% to £7.19 million (2014: £6.06 million).

At the end of July 2015 33.5% of Lok'nStore's self-storage revenue was from business customers (2014: 33.3%) and 66.5% was from household customers, (2014: 66.7%). By number of customers 18.9% of our customers were business customers (2014: 19.0%) and 81.1% household customers (2014: 81.0%).

Portfolio Analysis and Performance Breakdown	Number of stores	% of Valuation	% of Store EBITDA	Store EBITDA margin (%)	% lettable space Lok Owned	Total % lettable space
As at 31 July 2015						
Freehold and long leasehold	12	79.4	67.9	63.4	60.6	53.5
Operating Leaseholds [1]	8	15.8	32.1	40.7	39.4	34.8
Pipeline (Freehold)	2	4.8	–	–	–	–
Managed Stores (trading)	4	–	–	–	–	11.7
Managed Stores (under development)	1	–	–	–	–	–
Total	**27**	**100**	**100**	**53.7**	**100**	**100**

[1] The average unexpired term of the Group's operating leaseholds is approximately 12 years and 8 months as at 31 July 2015 (13 years and 8 months: 31 July 2014).

Ancillary Sales

Ancillary sales which consist of boxes and packaging materials, insurance and other sales increased 6.3% over the year accounting for 10.8% of self-storage revenues (2014: 11.4%).

We continue to promote our insurance to new customers with the result that 92% (2014: 93%). of our new customers purchased our insurance over the year and this has resulted in an increase in the percentage of our customers who are insured through Lok'nStore to 81% (2014: 78%).

Document storage business

Revenue and adjusted EBITDA have increased in our document storage business as operating metrics improve in response to the Company's more customer facing marketing stance. This approach has resulted in excellent customer feedback and puts us in a good position to win new business, with boxes stored increasing 36.2% and tapes stored up 12.4%. Revenue and profit will follow these volume metrics upwards.

Last year we consolidated our serviced document warehouse capacity, closing one of the three storage sites. This year we have undertaken a further fit-out of new warehouse racking in our site in Olney and we now have the capacity to significantly increase the number of boxes stored within our existing premises. As part of this strategy, additions of £0.46 million were made in the current year to fixtures, fittings and equipment (2014: £0.21 million).

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. Importantly all of our stores are manned during opening hours.

Strategic Report (continued)
Operational and Marketing Review

Marketing
During the year our marketing efforts have been focused on the internet and the presentation of our buildings to attract passing traffic.

Printed directories account for a decreasing proportion of business over recent years and are now at a de minimis level. For the year total internet enquiries were up 31.4% on last year and total enquiries were up 0.4% across all stores. We will continue to manage our marketing budget with a strong focus on cost control and value for money.

The internet has rapidly taken over as the main media channel for our advertising and Lok'nStore has adapted to accommodate this change. Our website at www.loknstore.co.uk is one of the most established self-storage websites in the UK, having been operational since 2001. The website was significantly upgraded in February 2012 and has been extremely successful in driving online traffic. We continue to improve our work in search optimisation and are using social networks to reinforce our various messages.

This is a very dynamic area and we are committed to its continued development. New features this year include an online chat facility and a 'click and collect' box shop. We believe the internet provides a strong competitive advantage for the major operators such as Lok'nStore with large marketing budgets compared with those of the smaller self-storage operators.

Despite the inexorable rise of internet marketing, around 37% of our business still comes from passing traffic and signage, so the visibility of our stores remains very important to our marketing efforts. With their prominent positions, distinctive design and bright orange elevations, our stores raise the profile of the Lok'nStore brand. We continue to invest in new signage and lighting at our existing stores as well as creating striking designs for our new stores to promote and enhance their visual prominence.

During the year we spent 5.2% of self-storage revenue on marketing.

Stores Property Review

Strong cash flows and solid asset base create opportunities
Lok'nStore's strong operating cash flow, solid asset base, and tactical approach to its store property portfolio provide the Group with opportunities to improve the terms of its property usage in all stages of the economic cycle. Our focus on the trading business gives us many opportunities and our property decisions are always driven by the requirements of the trading business. Lok'nStore has 24 freehold, leasehold and managed stores trading. Of these, 20 stores are owned with 12 freehold or long leasehold, 8 leasehold and 4 further sites operate under management contracts following the opening of Aldershot in May 2015 Lok'nStore is attracting a steady stream of investment partners to help drive the growth of the operating business.

Bristol
In January 2014 Lok'nStore acquired a site in Longwell Green, Bristol. The site of approximately 0.9 acres is in a busy retail park and has planning permission to build a 50,000 sq. feet self-storage centre in Lok'nStore's modern and distinctive design. The total cost of the store when built and fitted-out, will be around £4 million and will add to Lok'nStore's high-quality portfolio of freehold, purpose built self-storage centres in prominent trading locations.

Sale of previous Reading store and opening new Reading store
In October 2014 Lok'nStore completed the sale of its store in Reading for an initial consideration of £2.9 million. After the year-end, on 2 August 2015, Lok'nStore also received an additional £2 million taking the total consideration to £4.9m. Refer Note 28a -Events after the Reporting Date. These additional proceeds will be recycled into the Group's opening programme of highly visible purpose-built new stores.

In October 2014 Lok'nStore completed the building, the transfer of its customers and opened its new Reading store on the site opposite the old store. The new store has 48,000 square feet of self-storage space, a 20% increase. The highly prominent location is directly accessible from the busy main road which connects Reading town centre to the M4 motorway. The cost of constructing and fitting the new store was funded from the sale proceeds of the old store demonstrating the Group's ability to expand its operating footprint out of existing financial resources.

Management contract – Aldershot
In May 2015 Lok'nStore opened a new managed store in Aldershot, Hampshire. The store is located in a prominent location on the main Aldershot roundabout above the A331, is visually striking and benefits from significant levels of passing traffic.

The store is managed for outside investors under the Lok'nStore brand. Lok'nStore has managed the building and subsequent operation of the store. Lok'nStore will generate a return on £2.5 million of the total development capital committed to the project, and a management fee for the construction, operation and branding of the store. This project is consistent with Lok'nStore's strategy of expanding the operating footprint of the business while maintaining its strong balance sheet.

Chichester
Lok'nStore has also signed a Management Services Agreement with an external investor to manage a new storage facility in Chichester, West Sussex which will open at the end of 2015. Lok'nStore will manage the construction, operation and branding of the store. Construction and refitting of the building is currently underway.

Portsmouth North
On 24 November 2014 the Company announced the sale of the Company's undeveloped site at Portsmouth North Harbour for £3 million. The disposal is conditional on the buyer achieving appropriate planning permission. The planning application has been filed and validated on 28 July 2015. If a planning determination is made as expected within the statutory period a decision should be expected by the end of 2015.

Sale and manage back of Swindon store

After the year-end, on 30 September 2015, Lok'nStore completed the sale of its Swindon store for £3.5 million in cash to an investment fund. Historically, Lok'nStore has operated two stores in Swindon, one leasehold and one freehold. Following the completion of £0.5m of capital expenditure to increase capacity the two stores were consolidated into one. This freehold store has now been sold. The two stores were valued at a total of £1.4 million at 31 July 2014. Lok'nStore will continue to manage the store as a branded Lok'nStore operation on behalf of the investor, and will receive management and performance fees. Refer Note 28b - Events after the Reporting Date.

Store portfolio
These projects are part of our strategy of actively managing our store operating portfolio to ensure we are maximising both trading potential and asset value. This includes strengthening our distinctive brand, increasing the size and number of our stores and replacing stores or sites where it will increase shareholder value. We prefer to own freeholds if possible, and where opportunities arise we will seek to acquire the freehold of our leasehold stores. However we are happy to take leases on appropriate terms and benefit from the advantages of a lower entry cost, with further options to create value later in the site's development. Our most important consideration is always the trading potential of the store rather than the type of property tenure.

We currently have 24 stores trading. Of these 20 stores are owned with 12 freehold or long leasehold and 8 leasehold and 4 further sites operating under individual management contracts. With Chichester and Bristol opening in 2016 this will increase the number of stores we operate to 26 and will capitalise on our efficient operating systems and growing internet marketing presence. These arrangements demonstrate Lok'nStore's ability to attract investment partners and create innovative ownership to drive the growth of the operating business.

At the year end the average length of the 7 leases which were valued at July 2015 decreased by 12 months to 12 years and 8 months (2014: 13 years and 8 months). 7 out of 8 of our leasehold stores are inside the Landlord and Tenant Act providing us with a strong security of tenure. The leasehold sites produced 32.1% of the store EBITDA in the year (2014: 33.1%).

Store property assets and Net Asset Value
Lok'nStore's freehold and operating leasehold stores have been independently valued by Cushman & Wakefield (C&W) at £88.9 million (NBV £28.1 million) as at 31 July 2015 (2014: £79.1 million: NBV £30.1 million). Property valuation is referred to further in the Financial Review section of the Strategic Report and is detailed in note 10b of the notes to the financial statements.

Adding our stores under development at cost, our total property valuation is £97.8 million (2014: £90.5 million). This translates into an adjusted net asset value of £3.02 per share up 11.4% on last year (2014: £2.71 per share).

Strategic Report (continued)
Financial Review

Trading
Total revenue for the year grew 10.9% to £15.42 million (2014: £13.91 million). Group operating profit for the year is up 18.7% to £3.66 million (2014: £3.08 million) after adjusting 2014 by adding back last year's impairment of a development land asset charged to the Income Statement. Document storage revenue was up 6.5% to £1.96 million (2014: £1.84 million). Document storage adjusted EBITDA, before inter-company management charges, was £0.26 million (2014: £0.24 million).

Taxation
The Group will pay tax on the majority of its earnings this year and has made a tax provision of £0.54 million.

Earnings per share
Basic earnings per share (EPS) were 7.84 pence (2014: 0.81 pence per share). Diluted earnings per share were 7.64 pence (2014: 0.79 pence per share). If 2014 comparatives are normalised for the 2014 property impairment charge of £1.6 million added back to earnings, the 2014 EPS is adjusted to 7.39 pence per share and the 2014 diluted EPS to 7.21 pence per share.

Treasury shares
Although the Group did not purchase any Treasury shares during the year we are proposing to renew our on-going authority to buy back shares at this year's AGM to ensure the Group continues to have flexibility to make further purchases should it be considered to be in the best interests of shareholders to do so.

Management of interest rate risk
Lok'nStore has £27.7 million of debt currently drawn against its £40 million revolving credit facility. £20 million is at a fixed interest rate with £10 million fixed rate swap at a fixed 1 month sterling LIBOR rate of 1.2% and £10 million swap at a fixed 1 month sterling LIBOR rate of 1.15%. With 1 month LIBOR around 0.5%, this leaves a balance of £7.7 million floating at a current all-in rate of around 2.85% and results in an overall weighted average rate of 3.34%. The £20 million fixed rate is treated as an effective cash flow hedge and its fair value on a mark-to-market basis has fluctuated historically. Its current fair value of £0.12 million is currently stated as a non-current liability (2014: non-current asset: £0.05 million). (See Note 16).

Operating costs
This year through disciplined management we have again reduced overhead costs and contained overall cost growth to 4.8% despite staff costs increasing by 5.5% through a combination of strong sales bonuses and additional national insurance costs arising on the exercise of employee share options. Group operating costs amounted to £9.4 million for the year, a 4.8% increase from last year (2014: £9.0 million). Overall operating costs as a percentage of revenue have decreased and represent 61.2% as a cost ratio. (2014: 64.7%). This disciplined approach to costs ensures that as much as possible of the revenue growth contributes to increasing our profits.

Group	Increase/ (Decrease) in costs %	**2015 £'000**	2014 £'000
Property costs	8.7	**4,010**	3,689
Staff costs	5.5	**4,188**	3,971
Overheads	(9.1)	**1,049**	1,153
Distribution costs	0.7	**190**	189
Total	4.8	**9,437**	9,002

Cash flow and financing
At 31 July 2015 the Group had cash balances of £2.4 million (2014: £2.2 million). Cash inflow from operating activities before investing and financing activities was up 17.0% to £6.1 million (2014: £5.2 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 £12.3 million (2014: £12.3 million).

Gearing
There was £27.7 million of gross borrowings (2014: £27.7 million) representing gearing of 47.7% (2014: 56.5%) on net debt of £25.3 million (2014: £25.5 million). If leaseholds, which are stated at depreciated historic cost in the statement of financial position, are stated at their C&W valuation, gearing drops to 39.2% (2014: 45.4%). If the deferred tax liability carried at year-end of £12.2 million is ignored gearing drops further to 33.0% (2014: 38.0%).

Funds from Operations (FFO)
By excluding £0.3 million (2014: £0.5 million) of the interest costs of carrying the development sites from the total net interest charge of £1.0 million (2014: £1.1 million) the interest on the operating portfolio is £0.7 million for the year (2014: £0.6 million). Funds from operations (FFO) represented by adjusted EBITDA minus interest on the operating portfolio is therefore £4.98 million (2014: £3.97 million) up 25.2% equating to 19.6 pence per share, up 22.1% on last year (2014: 16.1 pence per share).

A component of the interest cost incurred by the Group arises from the £8.9 million (2014: £11.4 million) of development sites that the Group is currently carrying. The interest against this cost has not been capitalised but if it was the Group's adjusted profit would have been approximately £0.3 million higher for the year (2014: £0.5 million) on the assumption that the £8.9 million is fully funded by borrowings.

Analysis of Funds from Operations (FFO)	Year ended 31 July 2015 £	Year ended 31 July 2014 £'000
Group adjusted EBITDA	5,682	4,616
Net finance Costs	1,003	1,110
Interest costs relating to holding development assets	(297)	(467)
Net finance cost based on operations	706	643
Funds from Operations	4,976	3,973
Increase in Funds from Operations	25.2%	17.5%
	No.	No.
Adjusted shares in issue	25,356,668	24,719,027
FFO per share (annualised)	19.6 pence	16.1 pence
Increase in FFO per share	22.1%	14.4%

Capital expenditure and capital commitments

The Group has grown through a combination of new site acquisition, existing store improvements and relocations, and has concentrated on extracting value from its existing assets and developing through collaborative projects and management contracts. Capital expenditure during the year totalled £3.58 million (2014: £6.5 million). This was primarily the building at Bristol and Southampton, the expansion of capacity at our Swindon East Store and also limited expenditures at our other existing stores. Further expenditure on racking at the Saracen Olney store also increased capacity in our document storage business.

The Group has capital expenditure contracted but not provided for in the financial statements of £3.03 million (2014: £3.85 million) relating to new commitments on the Bristol and Southampton sites now under construction, remaining commitments on the fitting at Reading and various other minor works.

Statement of Financial Position

Net assets at the year-end were £53.0 million (2014: £45.2 million). Freehold and long leasehold property values at 31 July 2015 were £74.1 million (2014: £64.5 million). Refer to the table of property values below.

Market Valuation of Freehold and Operating Leasehold Land and Buildings

Our eleven freehold properties and one long leasehold are held in the statement of financial position at fair value and have been valued by Cushman and Wakefield LLP (C&W). Refer to note 10b) – property, plant and equipment and also to the accounting policies for details of the fair value of trading properties. The valuations of the leasehold stores held as 'operating leases' are not taken onto the statement of financial position. However seven of these have also been valued and these valuations have been used to calculate the adjusted net asset value position of the Group.

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 sites in 2007 and Reading this year. It is not envisaged that any tax will become payable in the foreseeable future on these disposals due to the availability of rollover relief. The proceeds from the sale of the Reading store sold with the benefit of its permission for residential development have been reinvested into new store development. It is not the intention of the Directors to make any other significant disposals of operational stores, although individual disposals may be considered where it is clear that added value can be created by recycling the capital into other opportunities. (refer Note 28b – events after the reporting date)

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

Under IFRS the valuations of our freehold property assets are included in the Statement of Financial Position at their fair value, but the IFRS rules do not permit the inclusion of any valuation in respect of our leasehold stores to the extent that they are classified as operating leases. The value of our operating leases in the valuation totals £14.8 million (2014: £14.6 million). Instead we have reported by way of a note the underlying value of these leasehold stores in future revaluations and adjusted our Net Asset Value (NAV) calculation accordingly to include their value. This ensures comparable NAV calculations.

Analysis of Total Property Value

	No of stores/sites	**31 July 2015 Valuation £'000**	No of stores/sites	31 July 2014 Valuation £'000
Freehold & Long Leasehold valued by C & W[1 *]	12	**74,110**	12	64,510
Short Leasehold valued by C & W[2]	7	**14,760**	7	14,570
Subtotal	19	**88,870**	19	79,080
Sites in development at cost[1]	3	**8,888**	4	11,409
Total	22	**97,758**	23	90,489

[1]Total freeholds account for 84.9% of property values (2014:83.9%).

* Includes related fixtures and fittings (refer note 10b)

Adjusted Net Asset Value per Share

Adjusted net assets per share is the net assets of the Group business adjusted for the valuation of leasehold stores and deferred tax divided by the number of shares at the year-end. The shares currently held in the Group's employee benefits trust (own shares held) and in treasury are excluded from the number of shares.

At July 2015 the adjusted net asset value per share increased 11.4% to £3.02 from £2.71 last year. This increase is a result of higher property values, cash generated from operations, offset in part by an increase in the shares in issue due to the exercise of share options by management and staff during the year.

Analysis of net asset value (NAV)	**31 July 2015 £'000**	31 July 2014 £'000
Net assets	**52,969**	45,210
Adjustment to include operating/short leasehold stores at valuation		
Add: C & W leasehold valuation[2]	**14,760**	14,570
Deduct: leasehold properties and their fixtures and fittings at NBV	**(3,339)**	(3,555)
	64,390	56,225
Deferred tax arising on revaluation of leasehold properties[3]	**(2,284)**	(2,203)
Adjusted net assets	**62,106**	54,022
Shares in issue	**Number**	Number
Opening shares	**27,809**	27,141
Shares issued for the exercise of options	**638**	668
Closing shares in issue	**28,447**	27,809
Shares held in treasury	**(2,467)**	(2,467)
Shares held in EBT	**(623)**	(623)
Closing shares for NAV purposes	**25,357**	24,719
Adjusted net asset value per share after deferred tax provision	**£2.45**	£2.18
Adjusted net asset value per share before deferred tax provision		
Adjusted net assets	**62,106**	54,022
Deferred tax liabilities and assets recognised by the Group	**12,252**	10,870
Deferred tax arising on revaluation of leasehold properties[3]	**2,284**	2,203
Adjusted net assets before deferred tax	**76,642**	67,095
Closing shares for NAV purposes	**25,357**	24,719
Adjusted net asset value per share before deferred tax provision	**£3.02**	£2.71

[2] The seven leaseholds valued by Cushman & Wakefield are all within the terms of the Landlord and Tenant Act (1954) giving a degree of security of tenure. The average length of the leases on the leasehold stores valued was 12 years and 8 months at the date of the 2015 valuation (2014 valuation: 13 years and 8 months). One leasehold store is not valued by C&W due to the relatively short unexpired period of its lease.

[3] 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.

Summary

Lok'nStore is a progressive business which generates a rapidly growing cash flow from its strong asset base. With a low LTV of 25.8% and strong cash flow we have a firm base for growth. The value of the Group's property assets continue to increase underpinning a flexible trading model with low credit risk and tightly controlled operating costs.

Principal Risks and Uncertainties in operating our Business

Finance
Lok'nStore finances its current needs through a combination of strong operational cash flows and debt.

Cash deposits are placed with Lloyds Bank plc on a no-notice treasury deposit account which tracks base rate and currently yields 0.5% p.a. on all deposited balances. The Group's cash position is reviewed daily and cash is transferred daily between these accounts and the Group's operational current accounts as required.

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The policies for managing these risks are regularly reviewed and agreed by the Board. Historically, no trading in financial instruments had been undertaken but during 2012 the Group entered into two separate swap arrangements. Full details are set out in the Financial Review. Further information on our treasury arrangements is set out in note 16.

The financial risk management objectives and policies of the Group, along with details of exposure to liquidity and cash flow risk are set out below and in note 16 (Financial Instruments) to the financial statements.

Risk Management
Risk management has been a fundamental part of the development of Lok'nStore. We maintain a risk register which identifies and categorises our risks and provides an assessment of risk based on a combination of 'likelihood' and 'consequences and impact' on the business. This is reviewed regularly by management and the Board and underpins our structured approach to identifying, assessing and controlling risks that emerge during the course of operating the business. Its purpose is to support better decision-making through understanding the risks inherent in both the day-to-day operations and the strategic direction of the Group and their likely impact. This is a continuing and evolving process as we review and monitor the underlying risk elements relevant to the business.

Market Risk
Self-storage is a developing market with further opportunities for significant growth. Awareness of self-storage and how it can be used by customers is well understood in the United States, but historically has been relatively low throughout the UK. Survey and anecdotal evidence suggest this awareness is now rising in the UK. The rate of growth in branded self-storage operations in good trading locations continues to be limited by the challenge of acquiring sites at appropriate prices and obtaining planning permission.

Lok'nStore invests in prime locations where its criteria for site selection are met and which will enable it to develop high quality stores which are prominent with high visibility and strong branding. We believe this will place us in a strong trading position and may discourage competitors from entering that local market. However it is possible that Lok'nStore may be unable to execute this strategy which will inhibit its growth. Further it is possible that an increasing number of competitors in the industry may negatively impact Lok'nStore's existing operations.

We have a large customer base spread across 24 stores including those customers who have used Lok'nStore regularly over the years. Many of these periodically return as their circumstances and their storage needs change. Our self-storage customers are a broad mix of both domestic and business, generating around 66.5% and 33.5% respectively of our revenue (2014: 66.7% :33.3%).

Property Risk
The acquisition of new sites for development into self-storage centres is a key strategic objective of the business. We will continue to face significant competition for site locations from other uses such as hotels, car showrooms and offices as well as from the other self-storage operators.

The process of gaining planning permissions remains challenging. Lok'nStore may take on the risk of obtaining planning permission when acquiring sites in the face of competitive bids. In these cases we are obliged to undertake the planning, environmental and other property due diligence under tight timescales which creates greater risk in the process.

Nevertheless Lok'nStore's management has gained significant experience in operating in this property environment, acquiring sites on main roads in prominent locations and obtaining appropriate planning permissions.

We manage the construction of our properties carefully. The building of each store is handled through a design and build contract with established contractors. We employ an external team of professionals to monitor the progress of each development. The fitting of mezzanine floors and steel units is generally managed in-house using an established external professional team of sub-contractors who understand Lok'nStore's particular specifications.

Credit Risk
Lok'nStore's self-storage credit model is strong with customers paying four weekly in advance in addition to an initial four weeks rental deposit. We retain a legal lien over customers' goods which can be sold to cover their unpaid bills. Credit control remains tight with only £38,891 (2014: £34,692) of bad debts recognised during the year representing around 0.25% of revenue (2014: 0.20%). There was £8,714 of additional costs associated with recovery (2014: £5,603). Given the tight credit conditions in the wider economy our own credit control indicators are resilient, showing no appreciable signs of weakening during the year with the number of 'late letters' issued declining year-on-year and bad debts remaining at low levels.

Tax Risk
We regularly monitor proposed and actual changes in legislation in the tax regime affecting principally corporation tax, capital gains tax, VAT and Stamp Duty Land Tax (SDLT). We work with our professional advisors and through trade bodies to understand and mitigate or benefit from their effects.

Corporate Social Responsibility and Employee Risk
The Corporate Social Responsibility and Employee Risk within the business are discussed within the Corporate Responsibility Report.

Reputational Risk
Lok'nStore's business reputation is very important to the Group. Our management and staff work hard to protect and develop it. We always try to communicate clearly with our customers, suppliers, local authorities and communities, employees and shareholders and to listen and take account of their views. The Lok'nStore Group websites (www.loknstore.co.uk www.loknstore.com and www.saracendatastore.co.uk) are important avenues of communication and a source of information for employees, customers and investors. Employee communication is augmented by quarterly staff newsletters.

Approved by the Board of Directors and authorised for issue on 16 October 2015 and signed on its behalf by:

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

Consolidated Statement of Comprehensive Income
For the year ended 31 July 2015

	Notes	2015 £'000	2014 £'000
Revenue	1a	**15,424**	13,910
Total property, staff, distribution and general costs	2a	**(9,742)**	(9,294)
Adjusted EBITDA[1]		**5,682**	4,616
Amortisation of intangible assets		**(165)**	(165)
Depreciation and loss on sale of motor vehicles		**(1,440)**	(1,251)
Equity settled share based payments		**(211)**	(119)
Impairment of development land asset	10b	**–**	(1,604)
Irrecoverable property costs		**(209)**	–
		(2,025)	(3,139)
Operating profit[1]		**3,657**	1,477
Finance income	3	**141**	26
Finance cost	4	**(1,144)**	(1,136)
Profit before taxation	5	**2,654**	367
Income tax expense	7	**(686)**	(170)
Profit for the year		**1,968**	197
Profit attributable to:			
Owners of the parent	22	**1,968**	197
Other Comprehensive Income			
Items that will not be reclassified to profit and loss			
Increase in property valuation		**8,009**	6,281
Deferred tax relating to change in property valuation		**(1,578)**	(1,261)
		6,431	5,020
Items that may be subsequently reclassified to profit and loss			
(Decrease)/increase in fair value of cash flow hedges		**(170)**	322
Deferred tax relating to cash flow hedges		**38**	(72)
		(132)	250
Other comprehensive income		**6,299**	5,270
Total comprehensive income for the year		**8,267**	5,467
Attributable to:			
Owners of the parent		**8,267**	5,467
Earnings per share			
Basic	9	**7.84p**	0.81p
Diluted	9	**7.64p**	0.79p

[1] Adjusted EBITDA and operating profit are defined in the accounting policies section of the notes to the financial statements.

Consolidated Statement of Changes in Equity
For the year ended 31 July 2015

	Share capital £'000	Share premium £'000	Other reserves £'000	Revaluation reserve £'000	Retained earnings £'000	Attributable to owners of the parent £'000	Non controlling interest £'000	Total equity £'000
1 August 2013	**272**	**1,013**	**10,511**	**21,665**	**6,631**	**40,092**	**280**	**40,372**
Profit for the year	–	–	–	–	197	197	–	**197**
Other comprehensive income:								
Increase in property valuation net of deferred tax	–	–	–	5,020	–	5,020	–	**5,020**
Increase in fair value of cash flow hedges net of deferred tax	–	–	250	–	–	250	–	**250**
Total comprehensive income for the year	–	–	250	5,020	197	5,467	–	**5,467**
Transactions with owners:								
Dividend paid	–	–	(1,543)	–	–	(1,543)	–	**(1,543)**
Share based payments	–	–	119	–	–	119	–	**119**
Transfers in relation to share based payments	–	–	(742)	–	742	–	–	**–**
Acquisition of non-controlling interests	–	–	–	–	280	280	(280)	–
Exercise of share options	7	788	–	–	–	795	–	**795**
Total transactions with owners	7	788	(2,166)	–	1,022	(349)	(280)	**(629)**
Transfer additional dep'n on revaluation net of deferred tax	–	–	–	(207)	207	–	–	–
1 August 2014	**279**	**1,801**	**8,595**	**26,478**	**8,057**	**45,210**	**–**	**45,210**
Profit for the year	–	–	–	–	1,968	1,968	**–**	**1,968**
Other comprehensive income:								
Increase in property valuation net of deferred tax	–	–	–	6,431	–	6,431	–	**6,431**
Increase in fair value of cash flow hedges net of deferred tax	–	–	(132)	–	–	(132)	–	**(132)**
Total comprehensive income for the year	–	–	(132)	6,431	1,968	8,267	–	**8,267**
Transactions with owners:								
Dividend paid	–	–	–	–	(1,847)	(1,847)	–	**(1,847)**
Share based payments	–	–	211	–	–	211	–	**211**
Transfers in relation to share based payments	–	–	(298)	–	298	–	–	–
Deferred tax credit relating to share options[1]	–	–	309	–	–	309	–	**309**
Exercise of share options	6	813	–	–	–	819	–	**819**
Total transactions with owners	6	813	222	–	(1,549)	(508)	–	**(508)**
Transfer realised gain on asset disposal	–	–	–	(421)	421	–	–	–
Transfer additional dep'n on revaluation net of deferred tax	–	–	–	(249)	249	–	–	–
31 July 2015	**285**	**2,614**	**8,685**	**32,239**	**9,146**	**52,969**	**–**	**52,969**

Company Statement of Changes in Equity
For the year ended 31 July 2015

	Share capital £'000	Share premium £'000	Retained deficit £'000	Other reserves £'000	Total £'000
1 August 2013	**272**	**1,013**	**(735)**	**4,433**	**4,983**
Total comprehensive income	–	–	(174)	–	**(174)**
Dividend paid	–	–	–	(1,543)	**(1,543)**
Share based payments	–	–	–	119	**119**
Transfers in relation to share based payments	–	–	742	(742)	–
Exercise of share options	7	788	–	–	**795**
31 July 2014	**279**	**1,801**	**(167)**	**2,267**	**4,180**
Total comprehensive income	–	–	(139)	–	**(139)**
Share based payments	–	–	–	211	**211**
Transfers in relation to share based payments	–	–	298	(298)	**–**
Exercise of share options	6	813	–	–	**819**
31 July 2015	**285**	**2,614**	**(8)**	**2,180**	**5,071**

Statements of Financial Position

31 July 2015

Company Registration No. 04007169

	Notes	**Group 2015 £'000**	Group 2014 £'000	**Company 2015 £'000**	Company 2014 £'000
Assets					
Non-current assets					
Intangible assets	10a	**3,758**	3,923	**–**	–
Property, plant and equipment	10b	**87,802**	77,679	**–**	–
Investments	11	**–**	–	**2,106**	1,895
Development loan capital	12	**2,779**	–	**–**	–
Amounts due from subsidiary undertakings	26	**–**	–	**2,965**	2,285
Derivative financial instruments	17b	**–**	51	**–**	–
		94,339	81,653	**5,071**	4,180
Current assets					
Inventories	13	**141**	131	**–**	–
Trade and other receivables	14	**2,479**	2,901	**–**	–
Cash and cash equivalents	16	**2,435**	2,178	**–**	–
Total current assets (excluding non-current assets classified as held for sale)		**5,055**	5,210	**–**	–
Non-current assets classified as held for sale	10d	**–**	2,900	**–**	–
Total assets		**99,394**	89,763	**5,071**	4,180
Liabilities					
Current liabilities					
Trade and other payables	15	**(5,971)**	(5,900)	**–**	–
Current tax liabilities	7	**(535)**	(338)	**–**	–
		(6,506)	(6,238)	**–**	–
Non-current liabilities					
Borrowings	17a	**(27,548)**	(27,445)	**–**	–
Derivative financial instruments	17b	**(119)**	–	**–**	–
Deferred tax	18	**(12,252)**	(10,870)	**–**	–
		(39,919)	(38,315)	**–**	–
Total liabilities		**(46,425)**	(44,553)	**–**	–
Net assets		**52,969**	45,210	**5,071**	4,180
Equity					
Equity attributable to owners of the parent					
Called up share capital	19	**285**	279	**285**	279
Share premium		**2,614**	1,801	**2,614**	1,801
Other reserves	21	**8,685**	8,595	**2,180**	2,267
Retained earnings / (deficit)	22	**9,146**	8,057	**(8)**	(167)
Revaluation reserve		**32,239**	26,478	–	–
Total equity attributable to owners of the parent		**52,969**	45,210	**5,071**	4,180

Approved by the Board of Directors and authorised for issue on 16 October 2015 and signed on its behalf by:

Andrew Jacobs
Chief Executive Officer

Ray Davies
Finance Director

Consolidated Statement of Cash Flows
For the year ended 31 July 2015

	Notes	**2015 £'000**	2014 £'000
Operating activities			
Cash generated from operations	24a	**5,984**	5,241
Income tax paid		**(338)**	–
Net cash generated from operations		**5,646**	5,241
Investing activities			
Development loan capital		**(2,650)**	–
Purchase of property, plant and equipment		**(3,583)**	(6,485)
Proceeds from disposal of property, plant and equipment		**2,901**	19
Interest received		**12**	26
Net cash used in investing activities		**(3,320)**	(6,440)
Financing activities			
Proceeds from new borrowings		**–**	919
Repayment of borrowings		**–**	(5)
Finance costs paid		**(1,041)**	(1,033)
Equity dividends paid		**(1,847)**	(1,543)
Proceeds from issue of ordinary shares (net)		**819**	795
Net cash used in financing activities		**(2,069)**	(867)
Net increase/(decrease)in cash and cash equivalents in the year		**257**	(2,066)
Cash and cash equivalents at beginning of the year		**2,178**	4,244
Cash and cash equivalents at end of the year		**2,435**	2,178

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

Accounting Policies

General Information
Lok'nStore Group plc is an AIM listed company incorporated and domiciled in England and Wales. The address of the registered office is One London Wall, London EC2Y 5AB, UK.

The preliminary financial information does not constitute full statutory accounts within the meaning of section 434 of the Companies Act 2006 but is derived from statutory accounts for the years ended 31 July 2015 and 31 July 2014, both of which are audited. The preliminary announcement is prepared on the same basis as set out in the statutory accounts for the year ended 31 July 2015. While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), this announcement does not in itself contain sufficient information to comply with IFRSs.

The statutory accounts for the year ended 31 July 2015 will be delivered to the Registrar of Companies following the Company's Annual General Meeting and can be obtained from the investor section of the Company's website at http://www.loknstore.co.uk. Statutory accounts for the year ended 31 July 2014 have been filed with the Registrar of Companies. The auditor's report for the year ended 31 July 2015 was unqualified, did not include a reference to any matter to which the auditor drew attention by way of emphasis without qualifying their report and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

Basis of accounting
The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) Interpretations as adopted by the European Union and comply with those parts of the Companies Act 2006 that are applicable to companies reporting under IFRS. The Group has applied all accounting standards and interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretation Committee relevant to its operations and effective for accounting periods beginning on or after 1 August 2014.

The financial statements have been prepared on the historic cost basis except that certain trading properties and derivative financial instruments are stated at fair value.

Adoption of new and revised standards
The following relevant new standards, interpretations and amendments have been adopted in the year but have no significant impact.

IFRS 10: Consolidated Financial Statements
IFRS 11: Joint Arrangements
IFRS 12: Disclosure of Interest in Other Entities
Amendment to IAS 19: Employee Benefits
Amendment to IAS 27: Separate Financial Statements
Amendment to IAS 28: Investments in Associates and Joint Ventures
Amendment to IAS 32: Offsetting Financial Assets and Financial Liabilities
Amendment to IAS 36: Impairment of Assets
Amendment to IAS 39: Financial Instruments: Recognition and Measurement

Standards in issue but not yet effective
At the date of approval of these financial statements, the following principal standards and interpretations which were in issue but not yet effective:

Standards, interpretations and amendments ***Not Yet Endorsed***		**Effective date: Periods commencing on or after**
IFRS 9	Financial Instruments	1 Jan 18
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 Jan 16
IFRS11	Accounting for Acquisitions of Interests in Joint Operations	1 Jan 16
IFRS15	Revenue from Contracts with Customers	1 Jan 18
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 Jan 16

IAS 27	Equity Method in Separate Financial Statements	1 Jan 16
IAS 1	Disclosure Initiative	1 Jan 16

The Directors do not anticipate that the adoption of these Standards will have a significant impact on the financial statements of the Group.

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

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

Intra-group transactions, balances, and unrealised gains and losses on transactions between Group companies are eliminated on consolidation, except to the extent that intra-group losses indicate an impairment.

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

a) Estimate of fair value of trading properties
The Group values its self-storage stores using a discounted cash flow methodology which is based on current and projected net operating income. Principal assumptions underlying management's estimation of the fair value are those relating to stabilised occupancy levels; expected future growth in storage rents and operating costs, maintenance requirements, capitalisation rates and discount rates. A more detailed explanation of the background and methodology adopted in the valuation of the Group's trading properties is set out in note 10b. The carrying value of land and buildings held at valuation at the reporting date was £61.0 million (2014: £51.4 million) as shown in the table in note 10b.

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 revised construction costs or capacity of the new facility, for example, to make an assessment of the recoverable amount of the development property. The Group reviews all development property assets for impairment at each reporting date in the light of the results of these reviews. Once a store is opened, it is valued as a trading store.

The carrying value of development property assets at the reporting date was £8.9 million (2014: £11.4 million). Please see note 10b for more details.

c) Estimate of fair value of intangible assets acquired in business combination
The relative size of the Group's intangible assets, excluding goodwill, makes the judgements surrounding the estimated useful lives important to the Group's financial position and performance. At 31 July 2015 intangible assets, excluding goodwill, amounted to £2.65 million (2014: £2.81 million). The valuation method used and key assumptions are described in note 10a.

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 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 relatively 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) Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

Notes to the Financial Statements
For the year ended 31 July 2015

1a Revenue

Analysis of the Group's revenue is shown below:

Stores trading	2015 £'000	2014 £'000
Self-storage revenue	**11,851**	10,510
Other storage related revenue	**1,434**	1,349
Ancillary store rental revenue	**4**	4
Management fees	**176**	128
Sub-total	**13,465**	11,991
Stores under development		
Non-storage income	**3**	79
Sub-total	**13,468**	12,070
Document storage revenue	**1,956**	1,840
Total revenue	**15,424**	13,910

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. 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 document storage 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 and other non-recurring set-up 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 basis of revenues earned. 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 document storage expose 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 year ended 31 July 2015 is as follows:

2015	Self-storage 2015 £'000	Serviced archive & records management 2015 £'000	Total 2015 £'000
Revenue	**13,468**	**1,956**	**15,424**
Adjusted EBITDA	5,420	262	**5,682**
Management charges	25	(25)	**–**
Segment Adjusted EBITDA	5,445	237	**5,682**
Depreciation	(1,340)	(100)	**(1,440)**
Amortisation of intangible assets	–	(165)	**(165)**
Equity settled share based payments	(211)	–	**(211)**
Irrecoverable property costs	(209)	–	**(209)**
Segment profit/(loss)	3,685	(28)	**3,657**
Central costs not allocated to segments:			
Finance income			**141**
Finance costs			**(1,144)**
Profit before taxation			**2,654**
Income tax expense			**(686)**
Consolidated profit for the financial year			**1,968**

2014	Self-storage 2014 £'000	Serviced archive & records management 2014 £'000	Total 2014 £'000
Revenue	12,070	1,840	13,910
Adjusted EBITDA	4,378	238	4,616
Management charges	25	(25)	–
Segment Adjusted EBITDA	4,403	213	4,616
Depreciation and loss on sale	(1,135)	(116)	(1,251)
Amortisation of intangible assets	–	(165)	(165)
Equity settled share based payments	(119)	–	(119)
Impairment of development land asset	(1,604)	–	(1,604)
Segment profit/(loss)	1,545	(68)	1,477
Central costs not allocated to segments:			
Finance income			26
Finance costs			(1,136)
Profit before taxation			367
Income tax expense			(170)
Consolidated profit for the financial year			197

Corporate transactions and the treasury function are managed centrally and therefore are not allocated to segments. Sales between segments are carried out at arm's length. The serviced archive segment with over 360 customers has a greater customer concentration with its ten largest corporate customers accounting for 34.6% (2014: 31.4%) of revenue, its top 50 customers accounting for 63.3% (2014: 59.3%) and its top 100 customers accounting for 79.9% (2014: 74.7%) of revenue. The self-storage segment with over 7,750 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.

2015	**Self-storage 2015 £'000**	**Serviced archive & records management 2015 £'000**	**Total 2015 £'000**
Segment assets	93,296	6,098	**99,394**
Segment liabilities	(18,341)	(536)	**(18,877)**
Borrowings			**(27,548)**
Total liabilities			**(46,425)**
Capital expenditure	**3,126**	**457**	**3,583**

2014	**Self-storage 2014 £'000**	**Serviced archive & records management 2014 £'000**	**Total 2014 £'000**
Segment assets	83,803	5,960	89,763
Segment liabilities	(16,379)	(729)	(17,108)
Borrowings			(27,445)
Total liabilities			(44,553)
Capital expenditure[1]	6,269	215	6,484

[1] Capital expenditure includes fixed asset additions (note 10b) and additions to property lease premiums (note 10c)

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. Borrowings are managed centrally on a Group basis and are therefore not allocated to segments.

2a Property, staff, distribution and general costs

	2015	2014
	£'000	£'000
Property and premises costs	**4,010**	3,689
Staff costs	**4,188**	3,971
General overheads	**1,049**	1,153
Distribution costs	**190**	189
Retail products cost of sales (see note 2b)	**305**	292
	9,742	9,294

2b 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.

	2015	2014
	£'000	£'000
Retail	**130**	149
Insurance	**33**	32
Van hire/other	**2**	6
	165	187
Serviced archive consumables and direct costs	**140**	105
	305	292

2c Other costs

	2015	2014
	£'000	£'000
Impairment of development land asset (see note 10b)	**–**	1,604
Irrecoverable property costs[1]	**209**	–
	209	1,604

1 Site demolition costs not recoverable from the prospective purchaser of the Portsmouth North site.

3 Finance income

	2015	2014
	£'000	£'000
Bank interest	**141**	26

All interest receivable arises on cash and cash equivalents (see note 16).

4 Finance costs

	2015	2014
	£'000	£,000
Bank interest	**925**	912
Non-utilisation fees and amortisation of bank loan arrangement fees	**219**	223
Other interest	**–**	1
	1,144	1,136

5 Profit before taxation

	2015 £'000	2014 £'000
Profit before taxation is stated after charging:		
Depreciation and amounts written off property, plant and equipment	**1,440**	1,224
Amortisation of intangible assets	**165**	165
Operating lease rentals – land and buildings	**1,562**	1,529

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

	2015 £'000	2014 £'000
Audit services		
– UK statutory audit of the Company and consolidated accounts	**45**	43
Other services		
–the auditing of accounts of associates of the Company pursuant to legislation	**14**	17
Other services supplied pursuant to such legislation		
– interim review	**7**	8
Tax services		
– compliance services	**26**	48
– advisory services	**13**	16
	105	132
Comprising:		
Audit services	**59**	60
Non-audit services	**46**	72
	105	132

6 Employees

	2015 No.	2014 No.
The average monthly number of persons (including Directors) employed by the Group during the year was:		
Store management	**113**	107
Administration	**30**	30
	143	137

	2015 £'000	2014 £'000
Costs for the above persons:		
Wages and salaries	**3,451**	3,336
Social security costs	**443**	426
Pension costs	**87**	54
	3,981	3,816
Share based remuneration (options)	**211**	119
	4,192	3,935

Share based remuneration is separately disclosed in the statement of comprehensive income. Wages and salaries of £132,543 (2014: £129,068) have been capitalised as additions to property, plant and equipment as they are directly attributable to the acquisition of these assets. All other employee costs are included in staff costs in the statement of comprehensive income.

In relation to pension contributions, there was £9,260 (2014: £3,913) outstanding at the year-end.

Directors' remuneration

2015	**Emoluments**	**Bonuses**	**Benefits**	**Sub total**	**Gains on share options**	**Total**
	£	**£**	**£**	**£**	**£**	**£**
Executive:						
A Jacobs	**204,000**	**38,000**	**4,055**	**246,055**	**156,399**	**402,454**
SG Thomas	**51,000**	**9,500**	**3,724**	**64,224**	**50,975**	**115,199**
RA Davies	**110,000**	**15,500**	**3,063**	**128,563**	**55,437**	**184,000**
CM Jacobs	**57,834**	**6,500**	**3,177**	**67,511**	**152,865**	**220,376**
Non-Executive:						
RJ Holmes	**20,033**	**–**	**–**	**20,033**	**–**	**20,033**
ETD Luker	**25,500**	**–**	**–**	**25,500**	**–**	**25,500**
CP Peal	**20,400**	**–**	**–**	**20,400**	**–**	**20,400**
	488,767	**69,500**	**14,019**	**572,286**	**415,676**	**987,962**

2014	Emoluments	Bonuses	Benefits	Sub total	Gains on share options	Total
	£	£	£	£	£	£
Executive:						
A Jacobs	200,000	34,000	3,328	237,328	–	237,328
SG Thomas	50,000	8,500	3,702	62,202	222,773	284,975
RA Davies	100,000	18,250	2,789	121,039	19,822	140,861
CM Jacobs	56,700	7,701	3,143	67,544	879	68,423
Non-Executive:						
RJ Holmes	20,000	–	–	20,000	13,286	33,286
ETD Luker	25,000	–	–	25,000	–	25,000
CP Peal	20,000	–	–	20,000	–	20,000
D Hampson	11,667	–	–	11,667	–	11,667
	483,367	68,451	12,962	564,780	256,760	821,540

Pension contributions of £30,475 (2014: £30,475) were paid by the Group on behalf of RA Davies and are not included in the Directors' emoluments table above. The highest paid Director did not accrue any pension rights during the year. The benefits in kind all relate to medical insurance premiums paid on behalf of the Directors.

The number of Directors to whom retirement benefits are accruing under money purchase pension schemes in respect of qualifying service is one (2014: one).

7 Taxation

	2015	2014
	£'000	£'000
Current tax:		
UK corporation tax at 20.7% (2014: 22.4%)	**535**	338
Deferred tax:		
Origination and reversal of temporary differences	**100**	(311)
Adjustments in respect of prior periods	**51**	143
Total deferred tax charge / (credit)	**151**	(168)
Income tax expense for the year	**686**	170

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

	2015	2014
	£'000	£'000
Profit before tax	**2,654**	368
Tax on ordinary activities at the standard rate of corporation tax in the UK of 20.7% (2014: 22.4%)	**549**	82
Expenses not deductible for tax purposes	**2**	3
Depreciation of non-qualifying assets	**85**	41
Share based payment charges in excess of corresponding tax deduction	**–**	26
Adjustments in respect of prior periods – deferred tax	**51**	143
Other timing differences	**(1)**	–
Impact of change in rate on timing differences	**–**	7
Sale of Reading recognised for tax purposes	**–**	(132)

Income tax expense for the year	**686**	170
Effective tax rate	**26%**	46%

The UK's main rate of corporation tax has reduced to 20% from 1 April 2015. The applicable rate for this period is 20.7%.

In addition to the amount charged to profit or loss for the year, deferred tax relating to the revaluation of the Group's properties of £1,577,896 (2014: £1,261,062) and the movement in the fair value of cash flow hedges of £(37,549) (2014: £72,051) has been recognised as a debit/credit directly in other comprehensive income (see note 18 on deferred tax).

8 Dividends

	2015 £'000	2014 £,000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 July 2013 (4.33 pence per share)	**–**	1,053
Interim dividend for the six months to 31 January 2014 (2.00 pence per share)	**–**	490
Final dividend for the year ended 31 July 2014 (5.0 pence per share)	**1,258**	–
Interim dividend for the six months to 31 January 2015 (2.33 pence per share)	**589**	–
	1,847	1,543

In respect of the current year the Directors propose that a final dividend of 5.67 pence per share will be paid to the shareholders. The total estimated dividend to be paid is £1,444,693 based on the number of shares in issue at 6 October 2015 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 financial statements. The ex-dividend date will be 19 November 2015; the record date 20 November 2015; with an intended payment date of 21 December 2015.

9 Earnings per share

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

	2015 £'000	2014 £,000
Profit for the financial year attributable to owners of the parent	**1,968**	197

	2015 No. of shares	2014 No. of shares
Weighted average number of shares		
For basic earnings per share	**25,102,032**	24,392,144
Dilutive effect of share options[1]	**654,598**	589,427
For diluted earnings per share	**25,756,630**	24,981,571

623,212 (2014: 623,212) shares held in the Employee Benefit Trust and 2,466,869 (2014: 2,466,869) Treasury shares are excluded from the above (see note 23).

	2015	2014
Earnings per share		
Basic	**7.84p**	7.39p[2]
Diluted	**7.64p**	7.21p[2]

[1] Further options that could potentially dilute EPS in the future are excluded from the above because they are not dilutive in the period presented. Full details of share options are included in note 20.

[2] 2014 comparatives normalised for 2014 property impairment charge of £1.6 m added back to earnings

10a Intangible assets

Group	Goodwill £'000	Contractual customer relationships £'000	Total £'000
Cost at 1 August 2013	1,110	3,309	4,419
Amortisation at 1 August 2013	–	(331)	(331)
Amortisation charge	–	(165)	(165)
Amortisation at 31 July 2014	–	(496)	(496)
Net book value at 31 July 2014	**1,110**	**2,813**	**3,923**
Cost at 1 August 2014	1,110	3,309	4,419
Amortisation at 1 August 2014	–	(496)	(496)
Amortisation charge	–	(165)	(165)
Amortisation at 31 July 2015	–	(661)	(661)
Net book value at 31 July 2015	**1,110**	**2,648**	**3,758**

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

The remaining amortisation period of the contractual customer relationships at 31 July 2015 is 15 years and 11 months (2014: 16 years 11 months).

The values for impairment purposes are based on past and current experience of trading, estimated future cash flows and external information where relevant and derived from the following key assumptions:

- a discount rate of 11%
- estimated useful lives of customer relationships (20 years)
- short term sustainable growth rates of 5% (next 5 years)
- thereafter long term sustainable growth rates of 2.0%
- sensitivity: the Group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value. A cut in projected sales growth by around 7% would result in the carrying value of goodwill being reduced to its recoverable amount.

10b Property, plant and equipment

Group	Development Property assets at cost £'000	Land and buildings at valuation £'000	Long Leasehold land and buildings at valuation £'000	Short leasehold improvements at cost £'000	Fixtures, fittings and equipment at cost £'000	Motor vehicles at cost £ '000	Total £'000
Cost or valuation							
1 August 2013	**8,716**	**50,774**	**–**	**2,544**	**16,148**	**145**	**78,327**
Additions	4,297	17	148	16	2,007	–	6,485
Transfer from lease premium (note 10c)	–	–	2,800	–	–	–	2,800
Non-current assets classified as held for sale	–	(2,900)	–	–	–	–	(2,900)
Disposals	–	–	–	–	–	(154)	(154)
Reclassification	–	–	(87)	–	87	–	–
Revaluations	–	3,521	2,260	–	–	–	5,781
31 July 2014	**13,013**	**51,412**	**5,121**	**2,560**	**18,242**	**(9)**	**90,339**
Depreciation							
1 August 2013	–	–	–	**1,509**	**8,855**	**77**	**10,441**
Depreciation	–	487	13	90	623	11	1,224
Impairment	1,604	–	–	–	–	–	1,604
Disposals	–	–	–	–	–	(109)	(109)
Revaluations		(487)	(13)	–	–	–	(500)
31 July 2014	**1,604**	**–**	**–**	**1,599**	**9,478**	**(21)**	**12,660**
Net book value at 31 July 2014	**11,409**	**51,412**	**5,121**	**961**	**8,764**	**12**	**77,679**
Cost or valuation							
1 August 2014	**13,013**	**51,412**	**5,121**	**2,560**	**18,242**	**32**	**90,380**
Additions	1,504	525	–	3	1,551	–	3,583
Disposals	–	–	–	–	(289)	(2)	(291)
Reclassification	(4,025)	2,958	–	–	1,067	–	–
Revaluations	–	6,140	1,304	–	–	–	7,444
31 July 2015	**10,492**	**61,035**	**6,425**	**2,563**	**20,571**	**30**	**101,116**
Depreciation							
1 August 2014	**1,604**	**–**	**–**	**1,599**	**9,478**	**19**	**12,700**
Depreciation	–	572	23	91	751	3	1,440
Disposals	–	–	–	–	(230)	(1)	(231)
Revaluations	–	(572)	(23)	–	–	–	(595)
31 July 2015	**1,604**	**–**	**–**	**1,690**	**9,999**	**21**	**13,314**
Net book value at 31 July 2015	**8,888**	**61,035**	**6,425**	**873**	**10,572**	**9**	**87,802**

If all property, plant and equipment were stated at historic cost the carrying value would be £47.5 million (2014: £44.5 million).

Capital expenditure during the year related to the ongoing building at Bristol and Southampton, the expansion of capacity at our Swindon East Store and also limited expenditures at our other existing stores. Further expenditure on racking at the Saracen Olney store also increased capacity in our serviced document storage business.

Property, plant and equipment (non-current assets) with a carrying value of £87.8 million (2014: £77.7 million) are pledged as security for bank loans.

Market Valuation of Freehold and Operating Leasehold Land and Buildings
On 31 July 2015, a professional valuation was prepared by Cushman & Wakefield LLP (C&W) in respect of eleven freehold, one long leasehold and seven operating leasehold properties. The valuation was prepared in accordance with the RICS Valuation - Professional Standards, published by The Royal Institution of Chartered Surveyors ("the Red Book"). The valuations were prepared on the basis of Fair Value as a fully equipped operational entity having regard to trading potential. The valuation was

provided for accounts purposes and as such, is a Regulated Purpose Valuation as defined in the Red Book. In compliance with the disclosure requirements of the Red Book C&W have confirmed that:

- One of the members of the RICS who has been a signatory to the valuation provided to the Company for the same purposes as this valuation have been a signatory since January 2004. The second member has been a signatory since 2014.
- C&W have prepared eleven previous valuations for the same purpose as this valuation on behalf of the Company.
- C&W do not provide other significant professional or agency services to the Company.
- In relation to the preceding financial year of C&W the proportion of the total fees payable by the Company to the total fee income of the firm is less than 5%.

The valuation report indicates a total valuation for all properties valued of £88.9 million (2014: £79.1 million) of which £74.1 million (2014: £64.5 million) relates to freehold and long leasehold properties, and £14.8 million (2014: £14.6 million) relates to properties held under operating leases.

Freehold and long leasehold land and buildings are carried at valuation in the statement of financial position. Short leasehold improvements at properties held under operating leases are carried at cost rather than valuation in accordance with IFRS.

For the trading properties the valuation methodology explained in more detail below is based on fair value as fully equipped operational entities, having regard to trading potential. Of the £74.1 million valuation of the freehold and long leasehold properties £6.7 million (2014: £5.1 million) relates to the net book value of fixtures, fittings and equipment, and the remaining £67.4 million (2014: £59.4 million) relates to freehold and long leasehold properties.

The 2015 valuation includes and reflects movements in value which have resulted from the operational performance of the stores and movements in the investment environment.

Market uncertainty

C&W's valuation report comments on valuation uncertainty resulting from low liquidity in the market for self-storage property. C&W note that in the UK since Q1 2013 there have only been four transactions involving multiple assets and 10 single asset transactions. C&W state that due to the lack of comparable market information in the self-storage sector, there is greater uncertainty attached to their opinion of value than would be anticipated during more active market conditions.

Valuation Methodology

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

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

Assumptions

a. Net operating income is based on projected revenue received less projected operating costs together with a central administration charge representing 6% of the estimated annual revenue subject to a cap and a collar. The initial net operating income is calculated by estimating the net operating income in the first 12 months following the valuation date.
b. The net operating income in future years is calculated assuming either straight-line absorption from day one actual occupancy or variable absorption over years 1 to 4 of the cash flow period, to an estimated stabilised/mature occupancy level. In the valuation the assumed stabilised occupancy level for the 19 trading stores (both freeholds and leaseholds) averages 68.4% (2014: 67.9%). The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth.
c. The capitalisation rates applied to existing and future net cash flows have been estimated by reference to underlying yields for industrial and retail warehouse property, yields for other trading property types such as hotels and student housing, bank base rates, 10-year money rates, inflation and the available evidence of transactions in the sector. On average for the 19 stores the yield (net of purchaser's costs) arising from the first year of the projected cash flow is 7.76% (2014: 8.11%). This rises to 10.02% (2014: 10.64%) based on the projected cash flow for the first year following estimated stabilisation in respect of each property.
d. The future net cash flow projections (including revenue growth and cost inflation) have been discounted at a rate that reflects the risk associated with each asset. The weighted average annual discount rate adopted (for both freeholds and leaseholds) is 11.25% (2014: 12.0%).
e. Purchaser's costs of 5.8% have been assumed initially and sale plus purchaser's costs totalling 7.8% are assumed on the notional sales in the 10th year in relation to the freehold and long leasehold stores.

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

Property held under Operating Leaseholds
The same methodology has been used as for freehold property, except that no sale of the assets in the 10th year is assumed, but the discounted cash flow is extended to the expiry of the lease. The average unexpired term of the Group's operating leaseholds is approximately 12 years and 8 months as at 31 July 2015 (13 years and 8 months: 31 July 2014). Valuations for stores held under operating leases are not reflected in the statement of financial position and the assets in relation to these stores are carried at cost less accumulated depreciation.

In 2011, one of the Group store's leases were renegotiated and includes a ten year option to renew the leases from March 2026 to March 2036. The option to extend is only operable in the event that all four of the leases applicable to this store are extended and this option is personal to Lok'nStore or another "major self-storage operator", to be approved by the landlord (approval not to be unreasonably withheld). The C&W valuation on this store is based on this Special Assumption that the option to extend the lease for 10 years is exercised. This is consistent with the approach taken in previous years.

10c Property lease premiums

The Maidenhead site opened as a new trading store in December 2013. Following the opening of this store the amounts being held under lease premium were transferred in 2014 to property plant and equipment in order to keep all costs associated with the store in one asset category.

Group	**2015 £'000**	2014 £'000
Balance at start of year	**–**	2,800
Transfer to property plant and equipment	**–**	(2,800)
Balance 31 July	**–**	–

10d Non-current assets held for sale

£2.9 million of the asset relating to the existing trading store at Reading was presented as held for sale in the comparative figures. This follows the agreement to sell the site for residential development for £2.9 million. The sale completed in this financial year on 31 October 2014.

11 Investments

Company Investments in subsidiary undertakings	**£'000**
31 July 2012	**1,682**
Capital contributions arising from share-based payments	94
31 July 2013	**1,776**
Capital contributions arising from share-based payments	119
31 July 2014	**1,895**
Capital contributions arising from share-based payments	211
31 July 2015	**2,106**

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

	Class of shareholding	% of shares and voting rights held: Directly	Indirectly	Nature of entity
Lok'nStore Limited *	Ordinary	100	–	Self-storage
Lok'nStore Trustee Limited[1 *]	Ordinary	–	100	Trustee
Southern Engineering and Machinery Company Limited[1 *]	Ordinary	–	100	Land
Semco Machine Tools Limited[2 *]	Ordinary	–	100	Dormant
Semco Engineering Limited[2 *]	Ordinary	–	100	Dormant
Saracen Datastore Limited[1]	Ordinary	–	100	Serviced Document Storage

[1] These companies are subsidiaries of Lok'nStore Limited.

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

[*] The company has taken the exemption from audit under Section 479A of the Companies Act 2006

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

12 Development capital

In May 2015 Lok'nStore opened a new managed store in Aldershot, Hampshire. The store is managed for outside investors under the Lok'nStore brand. Lok'nStore has managed the building and subsequent operation of the store. Lok'nStore will generate a return on £2.5 million of the total development capital committed to the project, and a management fee for the construction, operation and branding of the store.

	Group 2015	Group 2014

	£’000	£’000
Development capital	**2,779**	–

13 Inventories

	Group 2015 £’000	Group 2014 £’000
Consumables and goods for resale	**141**	131

The amount of inventories recognised as an expense during the year was £184,716 (2014: £208,587) and is included as an expense in cost of sales.

14 Trade and other receivables

	Group 2015 £’000	Group 2014 £’000
Trade receivables	**1,302**	1,542
Other receivables	**640**	666
Prepayments and accrued income	**537**	693
	2,479	2,901

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

Trade receivables
In respect of its self-storage business the Group does not typically offer credit terms to its customers and hence the Group is not exposed to significant credit risk. All customers are required to pay in advance of the storage period. Late charges are applied to a customer’s account if they are more than 10 days overdue in their payment. The Group provides for receivables based upon sales levels and estimated recoverability. There is a right of lien over the customers’ goods, so if they have not paid within a certain time frame, the Company has the right to sell the items they store to cover the debt owed by the customer. Trade receivables that are overdue are provided for based on estimated irrecoverable amounts, determined by reference to past default experience.

For individual self-storage customers the Group does not perform credit checks. However this is mitigated by the fact that all customers are required to pay in advance, and also to pay a deposit of four weeks’ storage income. Before accepting a new business customer who wishes to use a number of the Group’s stores, the Group uses an external credit rating to assess the potential customer’s credit quality and defines credit limits by customer. There are no customers who represent more than 5% of the total balance of trade receivables.

In respect of its document storage business, customers are invoiced typically monthly in advance for the storage of their boxes, tapes and files. The provision of additional services, such as document boxes or tape collection and retrieval from archive, typically are invoiced monthly in arrears. The serviced archive segment with over 360 customers has a greater customer concentration – refer note 1(b) segmental analysis.

Included in the Group’s trade receivables balance are receivables with a carrying amount of £202,546 (2014: £235,470) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group holds a right of lien over its self-storage customers’ goods if these debts are not paid. The average age of these receivables is 39 days past due (2014: 39 days past due).

Ageing of past due but not impaired receivables

	Group 2015 £’000	Group 2014 £’000
0–30 days	**119**	132
30–60 days	**43**	63
60+ days	**41**	40
Total	**203**	235

Movement in the allowance for bad debts

	Group 2015 £’000	Group 2014 £’000
Balance at the beginning of the year	**163**	149
Impairment losses recognised	**39**	34

Amounts written off as uncollectible	**(28)**	(20)
Balance at the end of the year	**174**	163

The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further provision required.

Ageing of impaired trade receivables

	Group 2015 £'000	Group 2014 £'000
0–30 days	**–**	–
30–60 days	**–**	–
60+ days	**174**	163
Total	**174**	163

15 Trade and other payables

	Group 2015 £'000	Group 2014 £'000
Trade payables	**1,901**	2,031
Taxation and social security costs	**464**	149
Other payables	**1,173**	1,139
Accruals and deferred income	**2,433**	2,581
	5,971	5,900

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

16 Financial instruments

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debts, which include the borrowings disclosed in note 17a, cash and cash equivalents and equity attributable to the owners of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity. The Group's banking facilities require that management give regular consideration to interest rate hedging strategy. The Group has complied with this during the year.

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

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

Capital Management	**Group 2015 £'000**	Group 2014 £'000
Gross borrowings	**(27,701)**	(27,701)
Cash and cash equivalents	**2,435**	2,178
Net debt	**(25,266)**	(25,523)
Total equity	**52,968**	45,210
Net debt to equity ratio	**47.7%**	56.4%

The decrease in the Group's gearing ratio arises principally through the combined effect of an increase in the C&W valuation of its properties, and cash generated from operations.

Exposure to credit and interest rate risk arises in the normal course of the Group's business.

A Derivative financial instruments and hedge accounting
The Group's activities expose it primarily to the financial risks of interest rates. The Group currently has two interest rate swaps with Lloyds Bank plc which run until October 2016. These have been maintained and are reported fully in the Financial Review and in note 17(b).

B Debt management
Debt is defined as non-current and current borrowings, as detailed in note 17a. Equity includes all capital and reserves of the Group. The Group is not subject to externally imposed capital requirements.

The Group borrows through a senior five year term revolving credit facility, arranged through Lloyds Bank Group plc secured on its store portfolio and other Group assets with a net book value of £99.4 million (2014: £89.8 million). Borrowings are arranged to ensure the Group fulfils its strategy of growth and development of its stores and to maintain short-term liquidity. As at the reporting date the Group has a committed revolving credit facility of £40 million (2014: £40 million). This facility expires on 19 October 2016. Undrawn committed facilities at the year-end amounted to £12.3 million (2014: £12.3 million).

C Interest rate risk management

The Group's policy on interest rate management is agreed at Board level and is reviewed on an on-going basis. All borrowings are denominated in Sterling and are detailed in note 17a. The Group has a number of revolving loans within its overall revolving credit facility and as such is exposed to interest rate risks at the time of renewal arising from any upward movement in the LIBOR rate. The Group continues its two cash flow hedging interest rate swap arrangements in order to reduce the risk of such upward movements in LIBOR rate. These instruments and the movement in their fair values are detailed in note 17b.

The following interest rates applied during the financial year:

a) London Inter-Bank Offer Rate (LIBOR) plus 2.35%–2.65% Lloyds Bank plc margin based on a loan to value covenant test for the revolving advances amounting to £27.7 million (2014: £27.7 million).
b) 40% of the applicable margin in 1 above for non-utilisation (i.e. that part of the facility which remains undrawn from time to time). As at 31 July 2015 the prevailing non-utilisation charge is calculated at a rate of 0.94%.
c) Rates prevailing on the Group's Interest rate swaps. See note 17b.

Cash balances held in current accounts attract no interest but surplus cash is transferred daily to a treasury deposit account which earns interest at the prevailing money market rates[1]. All amounts are denominated in Sterling. The balances at 31 July 2015 are as follows:

	Group 2015 £'000	Group 2014 £'000
Variable rate treasury deposits[1]	**1,744**	1,927
SIP trustee deposits	**46**	56
Cash in operating current accounts	**602**	113
Other cash and cash equivalents	**43**	82
Total cash and cash equivalents	**2,435**	2,178

[1] Money market rates for the Group's variable rate treasury deposit track Lloyds Bank plc base rate. The rate attributable to the variable rate deposits at 31 July 2015 was 0.5%.

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

D Interest rate sensitivity analysis

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

At 31 July 2015, it is estimated that an increase of one percentage point in interest rates would have reduced the Group's annual profit before tax by £77,005 (2014: £77,005) and conversely a decrease of one percentage point in interest rates would have increased the Group's annual profit before tax by £77,005 (2014: £77,005). There would have been no effect on amounts recognised directly in other comprehensive income. The sensitivity has been calculated by increasing by 1% the average variable interest rate of 2.85% applying to the variable rate borrowings of £7.7 million in the year (2014: £7.7 million / 2.84%).

E Cash management and liquidity

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

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

F Foreign currency management

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

G Credit risk
The credit risk management policies of the Group with respect to trade receivables are discussed in note 14.
The credit risk on liquid funds is limited because the counterparty is a bank with high credit ratings assigned by international credit-rating agencies, in line with the Group's policy which is to borrow from major institutional banks when arranging finance.

The Group's maximum exposure to credit risk at 31 July 2015 was £1,468,261 (2014: £1,711,258) on receivables and £2,435,399 (2014: £2,177,630) on cash and cash equivalents. Additionally, the Group has provided development loan capital in respect of the Aldershot store development, a managed contract. The current balance outstanding at 31 July 2015 was £2,778,824. These amounts are secured by way of a fixed priority first charge and a debenture over all of the Aldershot assets.

H Maturity analysis of financial liabilities
The undiscounted contractual cash flow maturities are as follows:

2015 – Group

	Trade and other payables £'000	Borrowings £'000	Interest on borrowings £'000
From two to five years	**–**	**–**	**–**
From one to two years	**–**	**27,701**	**205**
Due after more than one year	**–**	**–**	**205**
Due within one year	**3,857**	**–**	**925**
Total contractual undiscounted cash flows	**3,857**	**27,701**	**1,130**

2014 – Group

	Trade and other payables £'000	Borrowings £'000	Interest on borrowings £'000
From two to five years	**–**	**27,701**	**205**
From one to two years	**–**	**–**	**924**
Due after more than one year	**–**	**–**	**1,129**
Due within one year	**3,656**	**–**	**923**
Total contractual undiscounted cash flows	**3,656**	**27,701**	**2,052**

I Fair values of financial instruments

	2015 £'000	2014 £'000
Categories of financial assets and financial liabilities		
Financial assets		
Trade and other receivables	**1,468**	1,711
Cash and cash equivalents	**2,435**	2,178
Development loan capital	**2,779**	–
Financial liabilities		
Trade and other payables	**(3,857)**	(3,656)
Bank loans	**(27,548)**	(27,445)

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

J Company's financial instruments
The Company's financial assets are amounts owed by subsidiary undertakings amounting to £3.0 million (2014: £2.3 million) which are classified as loans and receivables, and the investment in its subsidiary undertaking of £0.2 million (excluding capital contributions). These amounts are denominated in Sterling, are non-interest bearing, are unsecured and fall due for repayment within one year. No amounts are past due or impaired. The Company has no financial liabilities.

17a Borrowings

	Group 2015 £'000	Group 2014 £'000
Non-current		
Bank loans repayable in one to two years – Gross	**27,701**	–

Bank loans repayable in more than two years but not more than five years –		
Gross	**–**	27,701
Deferred financing costs	**(153)**	(256)
Net bank borrowings	**27,548**	27,445
Non-current borrowings	**27,548**	27,445

The £40 million revolving credit facility with Lloyds Bank plc is secured by legal charges and debentures over the freehold and leasehold properties and other tangible assets of the business with a net book value of £95.6 million together with cross-company guarantees from Group companies. 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% Lloyds Bank plc margin based on a loan to value covenant test.

17b Derivative financial instruments

The Group continues to operate two separate £10 million interest rate swaps as a cash flow hedge with Lloyds Bank plc, both effective from 31 May 2012, the first at a fixed 1 month sterling LIBOR rate of 1.2% and the second at a fixed one-month sterling LIBOR rate of 1.15%. Both swaps run up to the expiration of the current banking facility in October 2016. The balance of the drawn facility of £7.7 million (2014: £7.7 million) remains at a floating rate.

		Currency	Principal £	Maturity date	Fair value 2015 £'000	Fair value 2014 £'000
3032816LS	Interest rate swap	GBP	10,000,000	20/10/2016	(63)	20
3047549LS	Interest rate swap	GBP	10,000,000	20/10/2016	(56)	31
			20,000,000		**(119)**	**51**

The movement in fair value of the interest rate swaps of £169,925 (2014: £321,654) has been recognised in other comprehensive income in the year.

18 Deferred tax

Deferred tax liability	**Group 2015 £'000**	Group 2014 £'000
Liability at start of year	**10,870**	9,705
Charged / (credited) to income for the year	**151**	(168)
Tax debited directly to other comprehensive income	**1,540**	1,333
Credit to share based payment reserve	**(309)**	**–**
Liability at end of year	**12,252**	10,870

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

	Accelerated Capital Allowances £'000	Tax losses £'000	Intangible assets £'000	Other temporary differences £'000	Revaluation of properties £'000	Rolled over gain on disposal £'000	Share options £'000	Total £'000
At 1 August 2013	**1,075**	**(6)**	**596**	**(35)**	**6,242**	**1,833**	**–**	**9,705**
Charge/ (credit) to income for the year	366	6	(33)	(8)	(495)	(4)	–	(168)
Charge to other comprehensive income	–	–	–	72	1,261	–	–	1,333
At 31 July 2014	**1,441**	**–**	**563**	**29**	**7,008**	**1,829**	**–**	**10,870**
Charge/ (credit) to income for the year	267	–	(33)	1	–	(42)	(42)	151
Charge /(credit) to other comprehensive income	–	–	–	(38)	1,578	–	–	1,540
Credit to share based payment reserve	–	–	–	–	–	–	(309)	(309)
At 31 July 2015	**1,708**	**–**	**530**	**(8)**	**8,586**	**1,787**	**(351)**	**12,252**

A deferred tax asset of £350,706 arises in respect of the share options in existence at 31 July 2015 and due to its material size has now been recognised in the accounts. No deferred tax asset arises in relation to the remainder of the share options as at 31 July 2015 as the share price at the year-end is below the exercise price of the options.

19 Share capital

Authorised:	**2015 £'000**	2014 £'000
35,000,000 ordinary shares of 1 pence each (2014: 35,000,000)	**350**	350

Allotted, issued and fully paid ordinary shares	**£'000**	£'000
Balance 1 August	**279**	272
Options exercised 637,641 shares (2014: 667,915 shares)	**6**	7
Balance 31 July	**285**	279

	Called up, allotted and fully paid Number	Called up, allotted and fully paid Number
Number of shares at 31 July	**28,446,749**	27,809,108

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

20 Equity settled share-based payment plans

The Group operates two 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:

2015 Summary	**As At 31 July 2014 No of options**	Granted	Exercised	Lapsed/ surrendered	**As at 31 July 2015 No of options**
Enterprise Management Initiative Scheme	**41,414**	–	(41,414)	–	–
Unapproved Share Options	**2,276,111**	–	(535,321)	(23,611)	**1,717,179**
Approved CSOP Share Options	**246,286**	18,653	(60,906)	(26,389)	**177,644**
Total	**2,563,811**	18,653	(637,641)	(50,000)	**1,894,823**

2014 Summary	As At 31 July 2013 No of options	Granted	Exercised	Lapsed/ surrendered	As at 31 July 2014 No of options
Enterprise Management Initiative Scheme	163,368	–	(121,954)	–	41,414
Unapproved Share Options	2,156,583	587,939	(468,411)	–	2,276,111
Approved CSOP Share Options	233,775	93,061	(77,550)	(3,000)	246,286
Total	2,553,726	681,000	(667,915)	(3,000)	2,563,811

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

				At 31 July 2015			
	Total at 31 July 2014	**Options granted**	**Options exercised**	**EMI Scheme**	**Unapproved Scheme**	**Approved CSOP Share options**	**Total at 31 July 2015**
2015							
Executive Directors							
A Jacobs – Unapproved	**580,000**	**–**	**(200,000)**	**–**	**380,000**	**–**	**380,000**
SG Thomas – Unapproved	**220,000**	**–**	**(50,000)**	**–**	**170,000**	**–**	**170,000**
RA Davies – Unapproved	581,977	–	(50,000)	–	531,977	**–**	531,977
RA Davies – CSOP	14,493	–	–	–	–	14,493	14,493
RA Davies total	**596,470**	**–**	**(50,000)**	**–**	**531,977**	**14,493**	**546,470**

CM Jacobs – EMI	31,414	–	(31,414)	–	–	–	–
CM Jacobs – Unapproved	259,509	–	(113,841)	–	145,668	–	145,668
CM Jacobs – CSOP	29,077	–	(8,500)	–	–	20,577	20,577
CM Jacobs total	**320,000**	**–**	**(153,755)**	**–**	**145,668**	**20,577**	**166,245**
Non-Executive Directors							
ETD Luker – Unapproved	15,000	–	–	–	15,000	–	15,000
C P Peal – Unapproved	10,000	–	–	–	10,000	–	10,000
Non-Executive total	**25,000**	**–**	–	**–**	**25,000**	**–**	**25,000**
All Directors total	**1,741,470**	**–**	**(453,755)**	**–**	**1,252,645**	**35,070**	**1,287,715**

The grant of options to Executive Directors and senior management is recommended by the Remuneration Committee on the basis of their contribution to the Group's success. The options vest after two and a half or three years. No options have been granted under the EMI approved scheme in the year (2014: nil) and no options remain in this scheme.

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 six and a half to 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 (two and a half to three years after grant) and lapse (10 years after grant). The risk free rate of return is the UK gilt rate at date of grant commensurate with the expected term (i.e. six years).

The total charge for the year relating to employer share-based payment schemes was £210,558 (2014: £118,586), all of which relates to equity-settled share-based payment transactions.

21a Other reserves

Group	Cash flow hedge reserve £'000	Merger reserve £'000	Other reserve £'000	Capital redemption reserve £'000	Share-based payment reserve £'000	Total £'000
1 August 2013	**(217)**	**6,295**	**2,837**	**34**	**1,562**	**10,511**
Share based payments	–	–	–	–	119	119
Transfer to retained earnings in relation to share based payments	–	–	–	–	(742)	(742)
Cash flow hedge reserve net of tax	250	–	–	–	–	250
Dividends paid	–	–	(1,543)	–	–	(1,543)
31 July 2014	**33**	**6,295**	**1,294**	**34**	**939**	**8,595**
Share based payments	–	–	–	–	211	211
Transfer to retained earnings in relation to share based payments	–	–	–	–	(298)	(298)
Cash flow hedge reserve net of tax	(132)	–	–	–	–	(132)
Tax credit relating to share options	–	–	–	–	309	309
31 July 2015	**(99)**	**6,295**	**1,294**	**34**	**1,161**	**8,685**

The merger reserve represents the excess of the nominal value of the shares issued by Lok'nStore Group plc over the nominal value of the share capital and share premium of Lok'nStore Limited as at 31 July 2001.

The other distributable reserve and the capital redemption reserve arose in the year ended 31 July 2004 from the purchase of the Company's own shares and a cancellation of share premium.

Share based payment reserve
Under IFRS2 there is the option to make transfers from the share based payment reserve to retained earnings in respect of accumulated share option charges where the options have either been exercised or have lapsed post-vesting. The total amounts calculated and accordingly transferred to retained earnings amounted to £298,268 (2014: £741,806).

21b Other reserves

	Other	Share-based

Company	reserve £'000	payment reserve £'000	Total £'000
1 August 2013	**2,657**	**1,776**	**4,433**
Share based payments	–	119	119
Transfer to retained earnings in relation to share based payments	–	(742)	(742)
Dividends paid	(1,543)	–	(1,543)
31 July 2014	**1,114**	**1,153**	**2,267**
Share based payments	–	211	211
Transfer to retained earnings in relation to share based payments	–	(298)	(298)
31 July 2015	**1,114**	**1,066**	**2,180**

22 Retained earnings

Group	Retained earnings before deduction of own shares £'000	Own shares (note 23) £'000	Retained earnings Total £'000
1 August 2013	**10,872**	**(4,241)**	**6,631**
Profit attributable to owners of			
Parent for the financial year	197	–	197
Transfer from revaluation reserve			
(Additional depreciation on revaluation)	207	–	207
Transfer from share based payment reserve (Note 21a)	742	–	742
Transfer from non-controlling interest	280	–	280
31 July 2014	**12,298**	**(4,241)**	**8,057**
Profit attributable to owners of			
Parent for the financial year	1,968	–	1,968
Transfer from revaluation reserve			
(Additional depreciation on revaluation)	249	–	249
Transfer from share based payment reserve (Note 21a)	298	–	298
Transfer realised gain on asset disposal	421	–	421
Dividend paid	(1,847)	–	(1,847)
31 July 2015	**13,387**	**(4,241)**	**9,146**

The transfer from revaluation reserve represents the additional depreciation charged on revalued assets net of deferred tax.

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

The Company has taken advantage of the exemption available under the Companies Act 2006 not to present the Company income statement of Lok'nStore Group plc. The Company loss for the year was £139,354 (2014: £173,882).

23 Own shares

	ESOP shares Number	ESOP shares £	Treasury shares Number	Treasury shares £	Own shares total £
31 July 2014 and 31 July 2015	**623,212**	**499,910**	**2,466,869**	**3,741,036**	**4,240,946**

Lok'nStore Limited holds a total of 2,466,869 of Lok'nStore Group plc ordinary shares of 1p each for treasury with an aggregate nominal value of £24,669 purchased for an aggregate cost of £3,741,036 at an average price of £1.503 per share. These shares represent 8.7% (2014: 8.9%) of the Parent Company's called-up share capital. The maximum number of shares held by Lok'nStore Limited in the year was 2,466,869. No shares were disposed of or cancelled in the year.

The Group operates an Employee Benefit Trust (EBT) under a settlement dated 8 July 1999 between Lok'nStore Limited and Lok'nStore Trustee Limited, constituting an employees' share scheme.

Funds are placed in the trust by way of deduction from employees' salaries on a monthly basis as they so instruct for purchase of shares in the Company. Shares are allocated to employees at the prevailing market price when the salary deductions are made.

As at 31 July 2015, the Trust held 623,212 (2014: 623,212) ordinary shares of 1 pence each with a market value of £1,791,735 (2014: £1,290,049). No shares were transferred out of the scheme during the year (2014: nil).

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

24 Cash flows

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

	2015 £'000	2014 £'000
Profit before tax	**2,654**	367
Depreciation	**1,440**	1,224
Amortisation of intangible assets	**165**	165
Impairment of development land asset	**–**	1,604
Equity settled share based payments	**211**	119
Interest receivable	**(141)**	(27)
Interest payable	**1,144**	1,136
(Increase) / decrease in inventories	**(10)**	7
Decrease / (increase) in receivables	**423**	(484)
Increase in payables	**98**	1,102
Cash generated from operations	**5,984**	5,241

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

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

	2015 £'000	2014 £'000
Increase / (decrease) in cash in the year	**257**	(2,066)
Change in net debt resulting from cash flows	**–**	(914)
Movement in net debt in year	**257**	(2,980)
Net debt brought forward	**(25,523)**	(22,543)
Net debt carried forward	**(25,266)**	(25,523)

25 Commitments under operating leases

At 31 July 2015 the total future minimum lease payments as a lessee under non-cancellable operating leases were as follows:

	Group 2015 £'000	Group 2014 £'000
Land and buildings		
Amounts due:		
Within one year	**1,546**	1,543
Between two and five years	**5,725**	5,732
After five years	**8,054**	8,740
	15,325	16,015

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

26 Related party transactions

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

	2015 £'000	2014 £,000
Net amount due from Lok'nStore Limited	**2,965**	2,285

The amount due from Lok'nStore Limited is interest free. The balance is repayable on demand, however the Company has no present intention to demand repayment within one year and so the amount has been presented as a non-current asset as at 31 July 2015.

The Company provides share options for the employees of Lok'nStore Limited. The capital contributions arising from these share-based payments are separately disclosed under investments in note 11.

The aggregate remuneration of the Directors, who are the key management personnel of the Group, is set out below. Further information on the remuneration of individual Directors is found in note 6.

	2015 £'000	2014 £'000
Short term employee benefits	**988**	822
Post-employment benefits	**30**	30
Share-based payments	**211**	68
Total	**1,229**	920

The Group uses Trucost plc, an environmental research company, to provide information and undertake performance assessment of the environmental effect of its business activities. Trucost plc is a company in which Andrew Jacobs and Simon Thomas have a beneficial interest. The total fees payable to Trucost plc in respect of its environmental assessment and reporting for the year was £6,000 (2014: £6,000). The balance outstanding to Trucost plc at year-end was £nil (2014: £nil).

During the year the Group had an agreement with Keith Jacobs, a brother of Andrew Jacobs and Colin Jacobs, for the provision of marketing services and support on a consultancy basis. The fees payable to Keith Jacobs during the year under this arrangement were £25,663 (2014: £23,256). This agreement has now been terminated. There were no amounts outstanding due to Keith Jacobs at the year-end (2014: £nil). The maximum balance outstanding at any time during the year is £4,774 (ex VAT) (2014: £3,789).

27a Capital commitments and guarantees

The Group has capital expenditure contracted but not provided for in the financial statements of £3.03 million (2014: £3.85 million) relating to commitments on the Bristol and Southampton stores now under construction, remaining commitments on the fitting at Reading and various other minor works.

27b Bank borrowings

The Company has guaranteed the bank borrowings of Lok'nStore Limited, a subsidiary company. As at the year-end, that company had gross bank borrowings of £27.7 million (2014: £27.7 million).

28 Events after the reporting date

a) Additional £2 million received for sale of Reading site

The Group has received an additional £2 million from the purchaser of the original Reading store site in return for relinquishing any remaining rights to receive further payments in connection with the sale of the property. This sum is in addition to the £2.9 million received from the purchaser on 31 October 2014, taking the total consideration to £4.9m.

These additional proceeds will be recycled into the Group's opening programme of highly visible purpose-built new stores.

b) Sale and manage back of Swindon store

On 30 September 2015 the Group completed the sale of its Swindon East store for £3.5 million in cash to an investment fund. Historically, the Group has operated two stores in Swindon, one leasehold and one freehold. Following the completion of £0.5m of capital expenditure to increase capacity at its freehold store the two stores were consolidated into one. The Swindon East store has now been sold. The two stores were valued at a total of £1.4 million at 31 July 2014.

The Group will continue to manage the store as a branded Lok'nStore operation on behalf of the investor, and will receive management and performance fees.

The proceeds of this transaction will be recycled into projects such as the new stores currently under construction in Southampton and Bristol.

Our Stores

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