Lok'nStore Group PLC - LOK Preliminary results for the year ended 31 July 16
Released 07:00 17-Oct-2016

RNS Number : 6186M
Lok'nStore Group PLC
17 October 2016

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

Preliminary results
for the year ended 31 July 2016

Lok'nStore Group Plc, a leading company in the UK self-storage market announces results for the year ended 31 July 2016.

Highlights of Lok'nStore Group plc results 2016

"Impressive performance from landmark stores - with more to come"

Robust growth in asset value and record financial results ahead of expectations

- Adjusted Net Asset Value[1] per share up 27.6% to £3.86 (2015: £3.02)
- Group Revenue £16.06 million up 4.1 % (2015: £15.42 million) - like for like (LFL) [2] up 7.6%
- Group Adjusted EBITDA[3] £6.30million up 10.8% (2015: £5.68 million) - LFL up 14.0%

Strong cash flow supports 12.5% dividend increase - progressive dividend policy

- Annual dividend 9 pence per share up 12.5% (2015: 8 pence per share)
- Cash available for Distribution (CAD) [4] 18.1 pence per share up 17.7% (2015:15.4 pence)

Strong balance sheet, efficient use of capital, low debt

- Net debt down to £23.5 million (2015: £25.3 million)
- Loan to value ratio down to 20.8%[5] (2015: 25.8%)

Self-storage business performing strongly

- Self-storage revenue £13.44 million up 1.2% (2015: £13.28 million) - LFL up 5.1%
- Adjusted Store EBITDA £7.49 [6] million up 4.2 % (2015: £7.19 million) - LFL up 6.6%

- Unit Pricing up 2.2 % LFL
- Unit occupancy up 2.0% LFL

Document storage profit more than doubles

- Revenue £2.17 million up 11.1% (2015: £1.96 million)
- Adjusted EBITDA £0.59million up 125% (2015: £0.26 million)

Growth from new stores and more new stores to come

- 3 Stores opened in Chichester, Bristol and Southampton
- 4 Sites acquired in Wellingborough, Gillingham, Hemel Hempstead and Broadstairs
- New sites will add 14% to trading space

For all of the definitions of the terms used in the highlights above refer to the notes section below

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

"2016 was an exciting year for Lok'nStore executing on all of our objectives across our strategy. Our adjusted net asset value per share has increased by 28% this year as a result of strong trading in existing stores, in combination with new store openings and the market's increasing appetite for well-located landmark self-storage centres.

"Our new store development programme continues to change the balance of our store portfolio with new and purpose built stores accounting for around 63% of the portfolio. During the year we opened three new stores which are all trading well and acquired sites for four further new landmark stores which will increase space a further 14%.

"Lok'nStore's low level of debt, our new banking facility on significantly improved terms and the strong growth of the business means that this rapid development programme can be financed from cash flow and existing bank facilities, while increasing the dividend by 12.5%."

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Notes - What we mean when we say … (and why we use these key performance indicators (KPIs))

1. **NAV - Net Asset Value per share -** 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 shares are excluded from the number of shares.

2. **LFL- Like for like -** This measure is used to give transparency on improvements in the operating business unrelated to the opening of new stores or closure of old stores therefore giving visibility of the true trading picture. On 30 September 2015, Lok'nStore sold its store in Swindon on a sale and manage-back basis. Like-for-like (LFL) growth figures for the period strip out the effect of this sale and the opening of the new Bristol store during the period.

3. **Group EBITDA** - **Earnings before interest, tax, depreciation and amortisiation -** The measure is designed to give clarity on the operating cash flow of the business stripping away non-cash charges, finance charges and tax. Adjusted EBITDA is defined as EBITDA

before losses or profits on disposal, share-based payments, acquisition costs, and exceptional items.

4. **CAD - Cash available for Distribution -** is calculated as Adjusted EBITDA minus total net finance cost, less capitalised maintenance expenses, New Works Team costs and current tax. This measure is designed to give clarity to the capacity of the business to generate net operating cash that can be used to pay dividends to shareholders.

5. **LTV - Loan to value ratio -** measures the debt of the business expressed as a percentage of total property assets giving a perspective on the gearing of the business. The calculation is based on net debt of £23.5 million (2015: £25.3 million) as a percentage of the total properties independently valued by JLL and including development land assets totalling £113.2 million (2015: £97.8 million) as set out in the Business and Financial Review section of the Strategic Report.

6. **Store adjusted EBITDA** is Adjusted EBITDA (see 3 above) before the deduction of central and head office costs.

7. **Exceptional items -** arose during the year from a further £2 million received from the disposal of the old Reading store site and £0.12 million of costs relating to the disposal of the old Swindon site(s).

8. **Gearing -** refers to the level of a company's debt related to its equity capital, usually expressed in percentage form. It is a measure of a company's financial leverage and shows the extent to which its operations are funded by lenders versus shareholders. Gearing can be measured by a number of ratios and we use the debt-to-equity ratio in this document.

9. **Capex - capital expenditure**

Chairman's Review

Strong growth and robust capital structure

Lok'nStore Group has had an exciting year successfully implementing all of our strategy objectives. Revenue, profits and particularly asset values have moved ahead rapidly. A substantial increase in the proportion of our store space which is new or purpose built 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 25.8% to 20.8%. While we invested £7 million in stores this year this was more than covered by £8.5 million (gross) of capital receipts.

To reflect this healthy performance we are proposing to increase the annual dividend pay-out by 12.5%. Cash available for distribution (CAD) per share which guides the dividend pay-out has moved ahead 17.7% to 18.1 pence per share.

Adjusted Net Asset Value (NAV) per share has also moved ahead sharply as our new valuers Jones Lang LaSalle (JLL) have reflected the strength of market demand for prime self-storage assets in their valuations, in addition to the uplift achieved from our new store openings and improved trading at existing stores. The year-end property valuation valued our trading stores at £112.7 million. With other land and property assets this equates to a total value of land and properties held of £116.2 million (2015: £97.8 million), an 18.8% increase in value.

Trading positive

Group revenue for the year was £16.06 million, up 4.1% year on year (2015: £15.42 million). Like for Like Revenue stripping out the effect of the sale of the Swindon operations and the opening of the new Bristol store was up 7.6%.
This strong revenue growth led to a 10.8% increase in Group Adjusted EBITDA profit. Tight control over operating costs which are broadly unchanged has also contributed in pushing the Group's margins and profits to record levels.

New £40 million Banking Facility reflects financial strength of business

In January 2016 the Group agreed a new banking facility with Royal Bank of Scotland plc on significantly improved terms. The new £40 million five year revolving credit facility replaced the existing facility which was due to expire in October 2016, and will provide funding for site acquisitions and working capital. The interest margin, non-utilisation fee and arrangement fee have all been significantly reduced leading to a large saving over the life of the facility.

Appointment of New Director demonstrates operational focus

The Group is pleased to announce the appointment of Neil Newman as an Executive Director. Neil (39) brings significant managerial and operational experience to the Board having worked in the business since 2006. He is currently Group Sales Director and retains this title on the Board. Neil's contribution to Lok'nStore over the recent years has been significant and we look forward to his continuing contribution to our future growth at Board level.

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 cash available for distribution (CAD) which is up 17.7% in the period. 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 9 pence per share. This is up 12.5% from 8 pence for the full year last year. The Group will therefore pay a final dividend of 6.33 pence per share on 21 December 2016 following the payment of an interim dividend of 2.67 pence per share in June 2016.

Performance and Outlook

The table below sets our achievements for the last year against our objectives:

Objective		Achievements in Financial Year 2016
1. Continue to increase EBITDA per share over the coming years	-	Like for like (LFL) Group Adjusted EBITDA up 14% in 2016 and adjusted EBITDA per share 24.2 pence up 8%
2. Fill existing stores and improve pricing	-	LFL Self-storage occupancy up 2% and LFL self-storage pricing up 2.2% in 2016.
3. Develop new stores on a self-funded basis	-	During the year we generated a further £2 million from the disposal of the old Reading store site taking the total proceeds from the sale to well in excess of the cost of the new Reading store. We received £3.5 million for the sale and manage back of the Swindon store and we sold surplus land in Portsmouth for £3 million producing a total of £8.5 million - more than covering the £7 million spent on new store development in the year.
4. Acquire new sites	-	During the financial year to July 2016 we opened new stores in Bristol, Southampton and Chichester and acquired sites in Wellingborough, Gillingham, Hemel Hempstead and Broadstairs.
5. Increase the number of stores we manage for third parties	-	In 2016 we sold our Swindon store on a sale-and-manage back contract, we opened a new managed store in Chichester and we signed contracts to manage further stores to be built in Hemel Hempstead and Broadstairs which will take total managed stores to 8.
6. Grow our document storage business	-	In the financial year 2016 the turnover of our document storage business grew 11.1% with number of boxes up 8.7% and number of tapes stored up 13.4%. Adjusted EBITDA profit was up by 97%.

Following this year of solid successes we have created a strong platform for significant further growth for Lok'nStore.

Our main objective is to steadily increase the cash available for distribution (CAD) enabling a predictable growth of the dividend from a strong asset base and conservatively geared balance sheet.

In order to achieve this our focus will be on four key areas:

1. Fill stores and improve pricing to continue increasing cash flow from the existing stores
2. Acquire more sites to build new landmark stores
3. Increase the number of stores we manage for third parties
4. Grow our document storage business

Finally, I should like to thank all of our employees for the contribution they have made to the Group's success. Lok'nStore is a robust business with a record of consistent profit growth and cash generation. With our experienced and dedicated staff we have built a firm base for the coming years and we are looking to the future with confidence.

Simon G Thomas
Chairman
14 October 2016

The Strategic Report

The Strategic Report covers the following areas of Lok'nStore's business:-

- Ø Strategy
- Ø The UK Self-Storage Market
- Ø Lok'nStore's Business Model
- Ø Operating and Marketing Review
- Ø Property Review
- Ø Financial Review
- Ø Principal Risks and Uncertainties in operating our Business

Strategy

Lok'nStore Group Plc is one of the leading companies in the fast growing UK self-storage market. We opened our first self-storage centre in 1995 and have grown consistently over the last 20 years, currently operating 26 self-storage centres and two serviced document stores in Southern England.

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 and serviced document storage from our own stores, 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.

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.

Lok'nStore aims to build more landmark self-storage centres primarily across South-East England, to steadily increase the cash available for distribution (CAD) enabling a predictable growth of the dividend from a strong asset base and conservatively geared balance sheet. We believe there is the opportunity for significant further growth.

The UK self-storage market

There remains significant opportunity in the UK self-storage market where there are an estimated 882 self-storage facilities providing approximately 37.6 million square feet of storage space. With a population estimated at 64 million people in the UK this equates to only 0.6 square feet per person, compared to 7.7 square feet per person in the USA (Self-Storage Association 2016 UK Annual Survey).

The sector remains in good health. The Cushman & Wakefield 2016 Report for the Self-Storage Association says, "The industry enjoyed a year of healthy growth in 2015 adding around 1.9 million sq. ft. of space on top of 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 £440 million (2014: 402 million) from approximately 490 different operators." When compared to Europe the UK has around 46% of the total space in Europe.

As awareness of self-storage continues to grow, more businesses and individuals will use self-storage in a market that is supply constrained.

Lok'nStore's Business Model

Attractive market dynamics	Ø UK self-storage penetration remains relatively low Ø Limited new supply coming onto the market - Lok'nStore is bucking the trend with significant new store development Ø Resilient through economic downturns Ø Sector is growing
Our competitive strengths	Ø Recognised brand Ø Prominent new stores on main roads Ø Strong internet marketing delivering Ø Excellent customer service Ø Stores concentrated in the affluent South East England Ø Strong balance sheet Ø Experienced board with clear strategic direction Ø Robust business model
Stable and rising income streams and low credit risk	Ø Over 9,200 customers Ø Mix of business and domestic customers Ø Low bad debt expense Ø Strong credit risk model
Strong growth opportunities	Ø Demand increasing Ø Under supplied market
Translation of the business model into high quality earnings	Ø The self-storage business is strongly cash generative on established stores Ø Low technology & product obsolescence Ø Lok'nStore has a track record of strong and growing cash generation driving a progressive dividend policy
Our over-riding objective	Ø To steadily increase the cash available for distribution (CAD) enabling a predictable growth of the dividend from a strong asset base and conservatively geared balance sheet. We believe there is the opportunity for significant further growth.

Strategic Report (continued)

Operating and Marketing Review

Self-storage business performing strongly

- Self-storage revenue £13.44 million up 1.2% (2015: £13.28 million) - LFL up 5.1%
- Adjusted Store EBITDA £7.49 million up 4.2 % (2015: £7.19 million) - LFL up 6.6%
- Management fees from Managed Stores up 150.1% at £439,254 (2015: £175,630)

With costs firmly under control revenue growth translates into healthy profit growth. We again managed to increase the overall adjusted EBITDA margin across all stores by 1.6 percentage points from 53.7% to 55.3%. The adjusted Store EBITDA margins of the freehold stores were 64.6% (2015: 63.4%) and the leasehold stores 41.7% (2015: 40.7%).

Total adjusted store EBITDA in the self-storage business, a key performance indicator of profitability and cash flow of the business, increased 4.2% to £7.49 million (2015: £7.19 million). Like for like growth in store EBITDA was 6.6%.

At the end of July 2016, 34% of Lok'nStore's self-storage revenue was from business customers (2015: 33.5%) and 66% was from household customers, (2015: 66.5%). By number of customers 18.5% of our customers were business customers (2015: 18.9%) and 81.5% household customers (2015: 81.1%).

						When fully developed	
Portfolio Analysis and Performance Breakdown	**Number of stores**	**% of Valuation**	**% of Adjusted Store EBITDA**	**Adjusted Store EBITDA margin (%)**	**% lettable space Lok owned**	**Number of stores**	**Total % lettable space**
As at 31 July 2016							
Freehold and long leasehold	12	85.0	69.5	60.7	62.6	14	54.2
Operating Leaseholds [1]	8	14.7	30.5	41.7	37.4	8	26.3
Pipeline (Freehold)	2	0.3	-	-	-	-	-
Managed Stores (trading)	6	-	-	-	-	8	19.5
Managed Stores (under development)	2	-	-	-	-	-	-
Total	**30**	**100**	**100**	**55.3**	**100**	**30**	**100**

1 The average unexpired term of the Group's operating leaseholds is approximately 11 years and 8 months as at 31 July 2016
(12 years and 8 months: 31 July 2015).

Ancillary Sales
Ancillary sales which consist of boxes and packaging materials, insurance and other sales increased 5.3 % over the year accounting for 11.2 % of self-storage revenues (2015: 10.8%).

We continue to promote our insurance to new customers with the result that 91% (2015: 92%) 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 80% (2015: 78%).

Document storage profit more than doubles

- Revenue £2.17 million up 11.1% (2015: £1.96 million)
- Adjusted EBITDA £0.59 million up 124.3% (2015: £0.26 million)
- Year-end boxes stored up 8.7%
- Year-end tapes stored up 13.4%

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 8.7% and tapes stored up 13.4%.

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 £0.34 million were made in the current year to fixtures, fittings and equipment (2015: £0.46 million).

Managed Store Service
Over recent years we have been developing our management services to third party storage owners. In the year we sold one store to a third party owner on a sale-and-manage back basis, we opened a new managed store and we acquired two new sites for management contract clients taking our total managed stores to eight.

For managed stores we receive a standard monthly fee, a performance fee based on certain objectives and a fee on successful exit. In some cases we charge acquisition, planning and branding fees. This allows us to earn revenue from our expertise and knowledge of the self-storage industry without having to commit our capital, to amortise various fixed central costs over a wider operating base, and to drive more visits to our website moving it up the rankings and benefitting all the stores we both own and manage.

In 2016 we earned £439,254 (2015: £175,630) from our managed stores in management fees, a substantial contribution to our profit.

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.

Marketing
During the year our marketing efforts have been focused on the internet and the presentation of our buildings to attract passing traffic. Total enquiries were up 6.6% across all stores.

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 landmark stores to promote and enhance their visual prominence.

The internet continues to be the main media channel for our advertising. Our website at www.loknstore.co.uk is one of the most established self-storage websites in the UK. The website was significantly upgraded during the year to further improve customer experience across desktop, tablet and smartphone devices. This is a very dynamic area and we are committed to its continued development. We believe the internet provides a strong competitive advantage for the major operators such as Lok'nStore with large marketing budgets compared with those of the smaller self-storage operators.

Property Review

Growth from new stores and more new stores to come

- New Bristol, Southampton and Chichester stores opened - early trading strong
- 4 new sites acquired adding 14% more space
- New and purpose built stores lettable space 63.5% of portfolio
- Continually reviewing new store opportunities

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 26 freehold, leasehold and managed stores trading. Of these, 20 stores are owned with 12 freehold or long leasehold, 8 leasehold and 6 further sites operate under management contracts.

Acquisition of two landmark sites for new stores
Located in Wellingborough and Gillingham, the two sites are in prominent retail locations with large catchment areas and little established competition. The total capital investment of approximately £10 million will be financed from cash flow and the new banking facility signed in January 2016. The stores are scheduled to be open at the end of 2017. When developed these stores will add around 110,000 sq. ft. to the trading portfolio increasing the company's capacity of owned stores by 10%. They will take the proportion of Lok'nStore's space which is new or purpose built to 63.5%.

Two new stores to be developed under management contracts
Two new management contracts were signed in July 2016 to develop and operate two new stores. The new sites are in prominent retail locations in Hemel Hempstead and Broadstairs. Opening for both stores is scheduled for 2017. When developed, these Managed Stores will add around 70,000 sq. ft. to the trading portfolio.

Efficient use of capital

- Additional £2 million received for sale of old Reading store
- £3 million received for sale of Portsmouth development land
- Sale and manage-back of Swindon store for £3.5 million
- Total disposal proceeds of £8.5 million (gross)

These capital receipts, combined with the managed store model enable Lok'nStore to continue to rapidly grow the operating footprint of the business while firmly capping borrowing and leverage.

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 property tenure.

With Wellingborough, Gillingham, Hemel Hempstead and Broadstairs set to open in 2017 this will increase the number of stores we operate to 30 and will capitalise on our efficient operating systems and growing internet marketing presence.

At the year end the average length of the 7 leases which were valued at July 2015 decreased by 12 months to 11 years and 8 months (2015: 12 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 leaseholds produced 30.5% of the total store EBITDA in the year (2015: 32.1%).

Store property assets and Net Asset Value

- Total assets now circa £134 million (2015: £111 million)
- Adjusted net asset value of £3.86 per share up 27.6% on last year

Lok'nStore's freehold and operating leasehold stores have been independently valued by Jones Lang LaSalle (JLL) (2015 : Cushman & Wakefield) at £112.7 million (NBV £ 46.9 million) as at 31 July 2016 (2015: £88.9 million: NBV £28.1 million). The change in 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 and land and buildings held at Director valuation, our total property valuation is £116.2 million (2015: £97.8 million). This translates into an adjusted net asset value of £3.86 per share up 27.6% on last year (2015: £3.02 per share).

The increase in the property values of properties which were also valued last year was 19.2%

Strategic Report (continued)
Financial Review

Record financial results on all measures

- Group Revenue £16.06 million up 4.1 % (2015: £15.42 million) - like for like (LFL) up 7.6%
- Group Adjusted EBITDA £6.30million up 10.8% (2015: £5.68 million) - LFL up 14.0%
- Operating profit (pre-exceptional items[7]) £4.41 million up 14.1% (2015: £3.86 million) LFL 18.3%
- Operating profit £6.23 million up 70.3% (2015: £3.66 million)
- Profit after taxation £4.28 million up 117% (2015 : £1.97 million)

Trading
Total revenue for the year grew 4.1% to £16.1 million (2015: £15.42 million). Group operating profit for the year is up 70% to £6.23 million (2015: £3.66 million).

Taxation
The Group will pay tax on its earnings at an effective tax rate of 20% and has made a tax provision of £0.6 million. (2015: £0.54 million)

Earnings per share
Basic earnings per share (EPS) were 16.60 pence (2015: 7.84 pence per share). Diluted EPS were 16.24 pence (2015: 7.64 pence per share). If 2016 figures are adjusted to eliminate the 2016 property sale gain of £1.94 million, the 2016 EPS is adjusted to 9.08 pence per share and the 2016 diluted EPS to 8.88 pence per share.

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

Operating costs
Through disciplined management we have again reduced property costs and contained overall cost growth to less than 0.1% despite staff costs increasing by 1.1% 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 0.1% increase from last year (2015: £9.4 million). Overall operating costs as a percentage of revenue have decreased and represent 58.9% as a cost ratio. (2015: 61.2%).

Group	Increase/ (Decrease) in costs %	**2016 £'000**	2015 £'000
Property costs	(4.6)	**3,913**	4,101
Staff costs	1.0	**4,232**	4,188
Overheads	7.6	**1,128**	1,049
Distribution costs	(10.4)	**170**	190
Total	0.1%	**9,443**	9,437

Strong balance sheet, efficient use of capital, low debt

- New £40 million Bank facility on lower interest margin
- Net debt down to £23.5 million (2015: £25.3 million)
- Loan to value ratio (LTV) down to 20.8% (2015: 25.8%)
- Gearing down

New £40 million Bank facility on improved terms

Following the agreement of new facilities with Royal Bank of Scotland on improved terms the new £40 million five year revolving credit facility replaced the existing facility which was due to expire in October 2016, and will provide funding for site acquisitions as well as working capital for the development of the business over the medium term.

Under this new five year facility the Group is not obliged to make any repayments prior to its expiration in January 2021 and further provides during the term of the facility for the possibility of an optional extension of the five year term by a maximum of a further two years. The facility also provides for the possibility of an additional accordion of up to £10 million which if taken up during the term of the facility will increase facilities available to £50 million.

The following interest rates applied during the financial year:

	Up to 14 January 2016	From 15 January 2016
	Lloyds Bank plc	Royal Bank of Scotland plc (RBS)
Interest margin	2.35%-2.65%	1.40%-1.65%
Non-utilisation charge	0.94%.	0.56%.

At current levels of borrowing this translates into a 0.95% points saving on outstanding borrowings and 0.38% saving on the unborrowed balance of the facility. At current borrowing levels this would equate to a £316,249 saving on an anualised basis.

Management of interest rate risk
Lok'nStore has £28.8 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% for the year, this leaves a balance of £8.8 million floating at a current all-in rate of around 2.56% and results in an overall weighted average rate over the financial year of 2.88.%. The £20 million fixed rate swap is an interest rate hedge and its fair value on a mark-to-market basis fluctuates. Its current fair value of £0.037 million is currently stated as a current liability (2015: non-current liability: £0.12 million). Both swaps run up to 20 October 2016 whereupon they lapse and the Groups all-in floating rate will drop to (currently) 1.67%.

Cash flow and financing
At 31 July 2016 the Group had cash balances of £5.3 million (2015: £2.4 million). Cash inflow from operating activities before investing and financing activities was £3.8 million (2015: £6.0 million). As well as using cash generated from operations to fund some capital expenditure, the Group has a five year revolving credit facility. This provides sufficient liquidity for the Group's current needs. Undrawn committed facilities at the year-end amounted to £11.2 million (2015: £12.3 million).

Gearing
There was £28.8 million of gross borrowings (2015: £27.7 million) representing gearing of 32.9 % (2015: 47.7%) on net debt of £23.5 million (2015: £25.3 million). If leaseholds, which are stated at depreciated historic cost in the statement of financial position, are stated at their Jones Lang LaSalle (JLL) valuation, gearing drops to 27.6% (2015: 39.2%). If the deferred tax liability carried at year-end of £15.4 million is excluded gearing drops further to 23.4% (2015: 33.0%).

Strong cash flow supports 12.5% dividend increase

- Annual dividend 9 pence per share up 12.5% (2015: 8 pence per share)
- Cash available for Distribution (CAD) from operations £4.71 million up 20.8% (2015: £4.98 million)
- Cash available for Distribution (CAD) of 18.1 pence per share up 17.7% (2015: 15.4 pence per share)

Cash available for Distribution (CAD)
Cash available for Distribution (CAD) provides a clear picture of ongoing cash flow available for dividends. To illustrate this fully the table below shows the calculation of CAD.

Analysis of Cash Available for Distribution (CAD)

	CAD	
	Year ended 31 July 2016	Year ended 31 July 2015
Group Adjusted EBITDA	**6,295**	5,682
Less: Net finance costs (per Income Statement)	**(735)**	(1,003)
Capitalised maintenance expenses	**(110)**	(113)
New Works Team	**(134)**	(133)
Current tax	**(606)**	(535)
Total deductions	**(1,585)**	(1,784)
Cash Available for Distribution	**4,710**	3,898
Increase over last year	**20.8%**	
	Number	
Adjusted shares in issue	**26,019,241**	25,356,688
CAD per share (annualised)	**18.1p**	15.4p
Increase in CAD per share	**17.7%**	

Strategic Report (continued)
Financial Review

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 £6.99 million (2015: £3.58 million). This capital expenditure was more than fund by the capital receipts of £8.5 million.

The Group has capital expenditure contracted but not provided for in the financial statements of £1.10 million (2015: £3.03 million) . The Company was also committed to complete on its new Wellingborough site following completion of all relevant planning matters.

Statement of Financial Position

Net assets at the year-end were £71.5 million (2015: £53.0 million). Freehold and long leasehold properties independently valued at 31 July 2016 were £96.1 million (2015: £74.1 million). Refer to the table of property values below.

Market Valuation of Freehold and Operating Leasehold Land and Buildings

It is the Group's policy to commission an independent external valuation of its properties at each year-end. In previous years this work had been undertaken by Cushman & Wakefield (C&W). This year the Group selected Jones Lang LaSalle Limited (JLL) to undertake this work due to their greater exposure to the transactions undertaken in the market.

Our eleven freehold properties and one long leasehold are held in the statement of financial position at fair value and have been valued by JLL. 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. The value of our operating leases in the valuation totals £16.6 million (2015: £14.8 million) and we have reported by way of a note the underlying value of these leasehold stores in our revaluations and adjusted our Net Asset Value (NAV) calculation accordingly to include their value. This ensures comparable NAV calculations.

A deferred tax liability arises on the revaluation of the properties and on the rolled-over gain arising from the disposal of some trading stores. It is not envisaged that any tax will become payable in the foreseeable future on these disposals due to the availability of rollover relief. 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.

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

Analysis of Total Property Value

	No of stores/sites	**31 July 2016 Valuation £**	No of stores/sites	31 July 2015 Valuation £
Freehold & Long Leasehold valued by JLL (2015 C&W) [1]	12	**96,125,000**	12	74,110,000
Short Leasehold valued by JLL (2015 C&W) [2]	7	**16,575,000**	7	14,760,000
Freehold land and buildings at Director valuation [3]	1	**3,000,000**		-
Subtotal	20	**115,700,000**	19	88,870,000
Sites in development at cost	2	**457,826**	4	8,887,858
Total	22	**116,157,826**	23	97,757,858

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

2 The seven leaseholds valued by JLL are all within the terms of the Landlord and Tenant Act (1954) giving a degree of security of tenure. The average length of the leases on the leasehold stores valued was 11 years and 8 months at the date of the 2016 valuation (2015 valuation: 12 years and 8 months). One leasehold store is not valued by JLL due to the relatively short unexpired period of its lease.

3 For more details (refer note 10b - Directors valuation)

Total freeholds account for 85.7% of property values (2015:84.9%).

Adjusted Net Asset Value per Share

- **Adjusted Net Asset Value per share up 27.6% to £3.86 (2015: £3.02)**

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 2016 the adjusted net asset value per share (before deferred tax) increased an impressive 27.6% to £3.86 from £3.02 last year. This substantial increase is a result of higher property values as our new valuers recognised the strength of our landmark stores, cash generated from operations and additional sale proceeds from the disposal of our Reading site, 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 2016 £'000	31 July 2015 £'000
Net assets	**71,475**	52,969
Adjustment to include operating/short leasehold stores at valuation	**16,575**	14,760
Add: JLL leasehold valuation (2015: C & W)	**(3,065)**	(3,339)
Deduct: leasehold properties and their fixtures and fittings at NBV		
	84,985	64,390
Deferred tax arising on revaluation of leasehold properties[1]	**(2,432)**	(2,284)
Adjusted net assets	**82,553**	62,106
Shares in issue	**Number**	Number
Opening shares in issue	**28,447**	27,809
Shares issued for the exercise of options	**662**	638
Closing shares in issue	**29,109**	28,447
Shares held in treasury	**(2,467)**	(2,467)
Shares held in EBT	**(623)**	(623)
Closing shares for NAV purposes	**26,019**	25,357
Adjusted net asset value per share after deferred tax provision	**£3.17**	£2.45
Adjusted net asset value per share before deferred tax provision		
Adjusted net assets	**82,553**	62,106
Deferred tax liabilities and assets recognised by the Group	**15,361**	12,252
Deferred tax arising on revaluation of leasehold properties[1]	**2,432**	2,284
Adjusted net assets before deferred tax	**100,346**	76,642
Closing shares for NAV purposes	**26,019**	25,357
Adjusted net asset value per share before deferred tax provision	**£3.86**	£3.02

1 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 robust business with low debt and gearing which generates a rapidly growing cash flow from its substantial asset base. The UK self-storage market is still immature and presents an excellent opportunity for further growth of the business.

Strategic Report (continued)

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 Royal Bank of Scotland plc on a no-notice treasury deposit account which tracks base rate and yields a rate equivalent to RBS bank base rate 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. 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 the 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. Across all of the stores we operate self-storage customers are a broad mix of both domestic and business.

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 £33,210 (2015: £38,891) of bad debts recognised during the year representing around 0.21% of Group revenue (2015: 0.25%). There was £8,116 of additional costs associated with recovery (2015: £8,714). 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.

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 14 October 2016 and signed on its behalf by:

Andrew Jacobs
Chief Executive Officer

Ray Davies
Finance Director

Consolidated Statement of Comprehensive Income
For the year ended 31 July 2016

	Notes	**2016 £'000**	2015 £'000
Revenue	1a	**16,056**	15,424
Total property, staff, distribution and general costs	2a	**(9,761)**	(9,742)
Adjusted EBITDA[1]		**6,295**	5,682
Amortisation of intangible assets		**(165)**	(165)
Depreciation and loss on sale		**(1,537)**	(1,440)
Equity settled share based payments		**(182)**	(211)
Irrecoverable property costs		**-**	(209)
Property disposal costs	2c	**(123)**	-
Net settlement proceeds	2c	**1,940**	-
		(67)	(2,025)
Operating profit[1]		**6,228**	3,657
Finance income	3	**313**	141
Finance cost	4	**(1,048)**	(1,144)
Profit before taxation	5	**5,493**	2,654
Income tax expense	7	**(1,211)**	(686)
Profit for the year		**4,282**	1,968
Profit attributable to:			
Owners of the parent	22	**4,282**	1,968
Other Comprehensive Income			
Items that will not be reclassified to profit and loss			
Increase in property valuation		**17,651**	8,009
Deferred tax relating to change in property valuation		**(2,387)**	(1,578)

		15,264	6,431
Items that may be subsequently reclassified to profit and loss			
Increase / (decrease) in fair value of cash flow hedges		**83**	(170)
Deferred tax relating to cash flow hedges		**(21)**	38
		62	(132)
Other comprehensive income		**15,326**	6,299
Total comprehensive income for the year		**19,608**	8,267
Attributable to owners of the parent		**19,608**	8,267
Earnings per share			
Basic	9	**16.60p**	7.84p
Diluted	9	**16.24p**	7.64p

[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 2016

	Share capital £'000	Share premium £'000	Other reserves £'000	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
1 August 2014	**279**	**1,801**	**8,595**	**26,478**	**8,057**	**45,210**
Profit for the year	-	-	-	-	1,968	**1,968**
Other comprehensive income:						
Increase in property valuation net of deferred tax	-	-	-	6,431	-	**6,431**
Increase in fair value of cash flow hedges net of deferred tax	-	-	(132)	-	-	**(132)**
Total comprehensive income for the year	-	-	(132)	6,431	1,968	**8,267**
Transactions with owners:						
Dividend paid	-	-	-	-	(1,847)	**(1,847)**
Share based payments	-	-	211	-	-	**211**
Transfers in relation to share based payments	-	-	(298)	-	298	-
Deferred tax credit relating to share options	-	-	309	-	-	**309**
Exercise of share options	6	813	-	-	-	**819**
Total transactions with owners	6	813	222	-	(1,549)	**(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**
Profit for the year	-	-	-	-	4,282	**4,282**
Other comprehensive income:						
Increase in property valuation net of deferred tax	-	-	-	15,264	-	**15,264**
Decrease in fair value of cash flow hedges net of deferred tax	-	-	62	-	-	**62**
Total comprehensive income for the year	-	-	62	15,264	4,282	**19,608**
Transactions with owners:						
Dividend paid	-	-	-	-	(2,147)	**(2,147)**
Share based payments	-	-	182	-	-	**182**
Transfers in relation to share based payments	-	-	(401)	-	401	**-**
Deferred tax credit relating to share options	-	-	(96)	-	-	**(96)**
Exercise of share options	6	953	-	-	-	**959**
Total transactions with owners	6	953	(315)	-	(1,746)	**(1,102)**
Transfer realised gains on asset disposal	-	-	-	(1,639)	1,639	**-**
Transfer additional dep'n on revaluation net of deferred tax	-	-	-	(262)	262	**-**
31 July 2016	**291**	**3,567**	**8,432**	**45,602**	**13,583**	**71,475**

Company Statement of Changes in Equity
For the year ended 31 July 2016

	Share capital £'000	Share premium £'000	Retained reserves (deficit) £'000	Other reserves £'000	Total £'000
31 July 2014	**279**	**1,801**	**(167)**	**2,267**	**4,180**
Loss for the year	-	-	(139)	-	**(139)**
Equity settled share based payments	-	-	-	211	**211**
Transfer 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**
Loss for the year	-	-	(276)	-	**(276)**

Equity settled share based payments	-	-	-	182	**182**
Transfer in relation to share based payments	-	-	401	(401)	**-**
Exercise of share options	6	953	-	-	**959**
31 July 2016	**291**	**3,567**	**117**	**1,961**	**5,936**

Consolidated Statements of Financial Position

31 July 2016

Company

Registration No. 04007169

	Notes	**Group 2016 £'000**	Group 2015 £'000	**Company 2016 £'000**	Company 2015 £'000
Assets					
Non-current assets					
Intangible assets	10a	**3,593**	3,758	**-**	-
Property, plant and equipment	10b	**104,363**	87,802	**-**	-
Investments	11	**-**	-	**2,288**	2,106
Development loan capital	12	**3,159**	2,779	**-**	-
Amounts due from subsidiary undertakings	26	**-**	-	**3,648**	2,965
		111,115	94,339	**5,936**	5,071
Current assets					
Inventories	13	**165**	141	**-**	-
Trade and other receivables	14	**4,952**	2,479	**-**	-
Cash and cash equivalents	16	**5,335**	2,435	**-**	-
Total current assets		**10,452**	5,055	**-**	-
Total assets		**121,567**	99,394	**5,936**	5,071
Liabilities					
Current liabilities					
Trade and other payables	15	**(5,794)**	(5,971)	**-**	-
Current tax liabilities		**(173)**	(535)	**-**	-
Derivative financial instruments	17b	**(37)**	-	**-**	-
		(6,004)	(6,506)	**-**	-
Non-current liabilities					
Borrowings	17a	**(28,727)**	(27,548)	**-**	-
Derivative financial instruments	17b	**-**	(119)	**-**	-
Deferred tax	18	**(15,361)**	(12,252)	**-**	-
		(44,088)	(39,919)	**-**	-
Total liabilities		**(50,092)**	(46,425)	**-**	-
Net assets		**71,475**	52,969	**5,936**	5,071
Equity attributable to owners of the parent					
Called up share capital	19	**291**	285	**291**	285
Share premium		**3,567**	2,614	**3,567**	2,614
Other reserves	21a	**8,432**	8,685	**1,961**	2,180
Retained earnings / (deficit)	22	**13,583**	9,146	**117**	(8)
Revaluation reserve		**45,602**	32,239	**-**	-

Total equity attributable to owners of the parent	**71,475**	52,969	**5,936**	5,071

Approved by the Board of Directors and authorised for issue on 14 October 2016 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 2016

	Notes	**2016 £'000**	2015 £'000
Operating activities			
Cash generated from operations	24a	**3,774**	5,984
Income tax paid		**(961)**	(338)
Net cash generated from operations		**2,813**	5,646
Investing activities			
Development loan capital		**(380)**	(2,650)
Purchase of property, plant and equipment		**(6,988)**	(3,583)
Proceeds from disposal of property, plant and equipment		**8,399**	2,901
Interest received		**14**	12
Net cash generated from investing activities		**1,045**	(3,320)
Financing activities			
Proceeds from new borrowings		**28,816**	-
Repayment of borrowings		**(27,701)**	-
Finance costs paid		**(885)**	(1,041)
Equity dividends paid		**(2,147)**	(1,847)
Proceeds from issue of ordinary shares (net)		**959**	819
Net cash used in financing activities		**(958)**	(2,069)
Net increase in cash and cash equivalents in the year		**2,900**	257
Cash and cash equivalents at beginning of the year		**2,435**	2,178
Cash and cash equivalents at end of the year		**5,335**	2,435

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 2016 and 31 July 2015, 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 2016. 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 2016 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 2015 have been filed with the Registrar of Companies. The auditor's report for the year ended 31 July 2016 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 2015.

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 2018
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 Jan 2016
IFRS11	Accounting for Acquisitions of Interests in Joint Operations	1 Jan 2016
IFRS15	Revenue from Contracts with Customers	1 Jan 2018
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 Jan 2016
IAS 27	Equity Method in Separate Financial Statements	1 Jan 2016
IAS 1	Disclosure Initiative	1 Jan 2016
IFRS 16	Leases	1 Jan 2019

Subject to the adoption in due course of IFRS 16, The directors do not anticipate that the adoption of these Standards will have a significant impact on the financial statements of the Group. With regard to IFRS 16, the Directors are currently assessing the impact on the financial statements.

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.

Going concern
The Directors can report that, based on the Group's budgets and financial projections, they have satisfied themselves that the business is a going concern. The Board has a reasonable expectation that the Company and the Group have adequate resources and facilities to continue in operational existence for the foreseeable future based on Group cash balances and cash equivalents of £5.3 million (2015: £2.4 million), undrawn committed bank facilities at 31 July 2016 of £11.2 million (2015: £12.3 million), and cash generated from operations in the year to 31 July 2016 of £3.8 million (2015: £6.0 million).

Following the agreement of new facilities with Royal Bank of Scotland on improved terms, the Group now operates a five year £40 million revolving credit facility with RBS plc. The facility has been in place since 15 January 2016 and runs until 14 January 2021. The Group is fully compliant with all bank covenants and undertakings and is not obliged to make any repayments prior to expiration. The financial statements are therefore prepared on a going concern basis.

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 £81 million (2015: £61.0 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 £0.5 million (2015: £8.9 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 2016 intangible assets, excluding goodwill, amounted to £2.48 million (2015: £2.65 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.

1a Revenue

Analysis of the Group's revenue is shown below:

Stores trading	2016 £'000	2015 £'000
Self-storage revenue	**11,931**	11,851
Other storage related revenue	**1,510**	1,434
Ancillary store rental revenue	**3**	7
Management fees	**439**	176
Sub-total	**13,883**	13,468
Document storage revenue	**2,173**	1,956
Total revenue per statement of comprehensive income	**16,056**	15,424

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 2016 is as follows:

	Self-storage 2016 £'000	Serviced archive & records management 2016 £'000	Total 2016 £'000
Revenue from external customers	13,883	2,173	**16,056**
Adjusted EBITDA	5,708	587	**6,295**
Management charges	72	(72)	**-**
Segment Adjusted EBITDA	5,780	515	**6,295**
Depreciation	(1,436)	(101)	**(1,537)**
Amortisation of intangible assets	-	(165)	**(165)**
Equity settled share based payments	(182)	-	**(182)**
Net settlement proceeds - Reading site	1,940	-	**1,940**
Disposal costs - Swindon store(s)	(123)	-	**(123)**
Segment profit	5,979	249	**6,228**

Central costs not allocated to segments:

Finance income

Finance costs	**(1,048)**
Profit before taxation	**5,493**
Income tax expense	**(1,211)**
Consolidated profit for the financial year	**4,282**

The segment information for the year ended 31 July 2015 is as follows:

	Self-storage	**Serviced archive & records management**	**Total**
	2015	**2015**	**2015**
	£'000	**£'000**	**£'000**
Revenue from external customers	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**

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 430 customers has a greater customer concentration with its ten largest corporate customers accounting for 34.6% (2015: 34.6%) of revenue, its top 50 customers accounting for 61.7% (2015: 63.3%) and its top 100 customers accounting for 77.0 % (2015: 79.9%) of revenue. The self-storage segment with over 9,200 customers has no individual self-storage customer accounting for more than 1% of total revenue and no group of entities under common control (e.g. Government) accounts for more than 10% of total revenues.

	Self-storage	**Serviced archive & records management**	**Total**
	2016	**2016**	**2016**
	£'000	**£'000**	**£'000**
Segment assets	114,334	6,314	**120,648**
Segment liabilities	(19,807)	(601)	**(20,408)**
Borrowings			**(28,727)**
Derivative financial instruments not allocated to segments			**(37)**
Total liabilities			**(49,172)**
Capital expenditure (note 10b).	6,629	359	**6,988**

	Self-storage	Serviced archive & records management	Total
	2015	2015	2015
	£'000	£'000	£'000
Segment assets	93,296	6,098	99,394
Segment liabilities	(18,222)	(536)	(18,758)

Borrowings			(27,548)
Derivative financial instruments not allocated to segments			(119)
Total liabilities			(46,425)
Capital expenditure (note 10b).	3,126	457	3,583

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

	2016	2015
	£'000	£'000
Property and premises costs	**3,913**	4,010
Staff costs	**4,232**	4,188
General overheads	**1,128**	1,049
Distribution costs	**170**	190
Retail products cost of sales (see note 2b)	**318**	305
	9,761	9,742

2b Cost of sales of retail products

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

	2016	2015
	£'000	£'000
Retail	**118**	130
Insurance	**51**	33
Other	**2**	2
	171	165
Serviced archive consumables and direct costs	**147**	140
	318	305

2c Other Income and costs

	2016	2015
	£'000	£'000
Property disposal costs[1]	**123**	-
Net settlement proceeds[2]	**(1,940)**	-
Irrecoverable property costs[3]	**-**	209
	(1,817)	209

1 Property disposal costs relate to the sale and manage back of the Swindon store.
2 Net settlement proceeds relate to an additional £2 million received for sale of old Reading store net of costs.
3 Irrecoverable property costs relate to site demolition costs not recoverable from the prospective purchaser of the Portsmouth North site.

3 Finance income

	2016	2015
	£'000	£'000
Bank interest	**14**	12
Other interest	**299**	129
	313	141

Interest receivable arises on cash and cash equivalents (see note 16) and on development loan capital deployed.

4 Finance costs

	2016 £'000	2015 £'000
Bank interest	**797**	925
Non-utilisation fees and amortisation of bank loan arrangement fees	**251**	219
	1,048	1,144

5 Profit before taxation

	2016 £'000	2015 £'000
Profit before taxation is stated after charging:		
Depreciation and amounts written off property, plant and equipment:		
Owned assets	**1,535**	1,440
Amortisation of intangible assets	**165**	165
Operating lease rentals - land and buildings	**1,529**	1,562

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

	2016	2015
Audit services		
- UK statutory audit of the Company and consolidated accounts	**48**	45
Other services		
-the auditing of accounts of associates of the Company pursuant to legislation	**14**	14
Other services supplied pursuant to such legislation		
- interim review	**7**	7
Tax services		
- compliance services	**26**	26
- advisory services	**2**	13
	97	105
Comprising:		
Audit services	**62**	59
Non-audit services	**35**	46
	97	105

6 Employees

	2016 No.	2015 No.
The average monthly number of persons (including Directors) employed by the Group during the year was:		
Store management	**121**	113
Administration	**29**	30
	150	143

	2016 £'000	2015 £'000
Costs for the above persons:		
Wages and salaries	**3,425**	3,451
Social security costs	**532**	443
Pension costs	**92**	87
	4,049	3,981
Share based remuneration (options)	**182**	211
	4,231	4,192

Share based remuneration is separately disclosed in the statement of comprehensive income. Wages and salaries of £133,669 (2015: £132,543) 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 £11,705 (2015: £9,260) outstanding at the year-end.

Directors' remuneration

2016	**Emoluments**	**Bonuses**	**Benefits**	**Sub total**	**Gains on share options**	**Total**
	£	**£**	**£**	**£**	**£**	**£**
Executive:						
A Jacobs	208,080	24,000	3,460	235,540	408,600	**644,140**
SG Thomas	52,020	-	3,315	55,335	132,146	**187,481**
RA Davies	116,750	12,000	3,492	132,242	409,245	**541,487**
CM Jacobs	59,021	14,000	2,711	75,732	43,601	**119,333**
N Newman *	42,556	21,154	1,299	65,009	-	**65,009**
Non-Executive:						
RJ Holmes	20,808	-	-	20,808	-	**20,808**
ETD Luker	26,010	-	-	26,010	-	**26,010**
CP Peal	20,808	-	-	20,808	22,900	**43,708**
	546,053	**71,154**	**14,277**	**631,484**	**1,016,492**	**1,647,976**

*Appointed 26 November 2015

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	50,399	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

Pension contributions of £30,775 (2015: £30,475) were paid by the Group on behalf of R A 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 (2015: one).

7 Taxation

	2016	2015
	£'000	£'000
Current tax:		
UK corporation tax at 20% (2015: 20.7%)	**606**	535
Deferred tax:		
Origination and reversal of temporary differences	**976**	100
Adjustments in respect of prior periods	**75**	51
Impact of change in tax rate on closing balance	**(446)**	-
Total deferred tax	**605**	151
Income tax expense for the year	**1,211**	686

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

	2016	**2015**
	£'000	**£'000**
Profit before tax	**5,493**	2,654

Tax on ordinary activities at the effective standard rate of corporation tax in the UK of 20% (2015: 20.7%)	**1,099**	549
Expenses not deductible for tax purposes	**3**	2
Depreciation of non-qualifying assets	**85**	85
Share based payment charges in excess of corresponding tax deduction	**36**	-
Impact of change in tax rate on closing deferred tax balance	**(69)**	-
Adjustments in respect of prior periods - deferred tax	**75**	51
Other	**4**	(1)
Share option scheme	**(22)**	-
Income tax expense for the year	**1,211**	686
Effective tax rate	**22 %**	26%

The UK's main rate of corporation tax and the applicable rate for this period is 20.0%. 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 £2,387,114 (2015: £1,577,896) and the movement in the fair value of cash flow hedges of (£20,834) (2015: (£37,549)) has been recognised as a debit/credit directly in other comprehensive income (see note 18 on deferred tax).

8 Dividends

	2016 £'000	2015 £'000
Amounts recognised as distributions to equity holders in the year:		
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
Final dividend for the year ended 31 July 2015 (5.67 pence per share)	**1,456**	-
Interim dividend for the six months to 31 January 2016 (2.67 pence per share)	**691**	-
	2,147	1,847

In respect of the current year the Directors propose that a final dividend of 6.33 pence per share will be paid to the shareholders. The total estimated dividend to be paid is £1,689,379 based on the number of shares in issue at 3 October 2016 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 17 November 2016; the record date 18 November 2016; with an intended payment date of 19 December 2016.

9 Earnings per share

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

	2016 £'000	2015 £'000
Profit for the financial year attributable to owners of the parent	**4,282**	1,968

	2016 No. of shares	2015 No. of shares
Weighted average number of shares		
For basic earnings per share	**25,791,821**	25,102,032
Dilutive effect of share options[1]	**577,822**	654,598
For diluted earnings per share	**26,369,643**	25,756,630

[1] Further options that could potentially dilute EPS in the future are excluded from the above because they are not dilutive in the period presented. Full details of share options are included in notes 20 to 23

623,212 (2015: 623,212) shares held in the Employee Benefit Trust and 2,466,869 (2015: 2,466,869) Treasury shares are excluded from the above (see note 26).

	2016	2015
Earnings per share		
Basic	**16.60p**	7.84p
Diluted	**16.24p**	7.64p

10a Intangible assets

Contractual

Group	Goodwill £'000	customer relationships £'000	Total £'000
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**
Cost at 1 August 2015	1,110	3,309	4,419
Amortisation at 1 August 2015	-	(661)	(661)
Amortisation charge	-	(165)	(165)
Amortisation at 31 July 2016	-	(826)	(826)
Net book value at 31 July 2016	**1,110**	**2,483**	**3,593**

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 2016 is 14 years and 11 months (2015: 15 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 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**
Cost or valuation							
1 August 2015	**10,492**	**61,035**	**6,425**	**2,563**	**20,571**	**30**	**101,116**
Additions	3,281	152	1	-	3,554	-	6,988
Disposals	(4,604)	(3,228)	-	-	(701)	(13)	(8,546)
Reclassification	(8,711)	9,377	-	-	(666)	-	-
Revaluations	-	13,617	2,837	-	-	-	16,454

31 July 2016	**458**	**80,953**	**9,263**	**2,563**	**22,758**	**17**	**116,012**
Depreciation							
1 August 2015	**1,604**	**-**	**-**	**1,690**	**9,999**	**21**	**13,314**
Depreciation	-	606	100	91	736	2	1,535
Disposals	(1,604)	-	-	-	(389)	(11)	(2,004)
Reclassification	-	490	-	-	(490)	-	-
Revaluations	-	(1,096)	(100)	-	-	-	(1,196)
31 July 2016	**-**	**-**	**-**	**1,781**	**9,856**	**12**	**11,649**
Net book value at 31 July 2016	**458**	**80,953**	**9,263**	**782**	**12,902**	**5**	**104,363**

If all property, plant and equipment were stated at historic cost the carrying value would be £49.5 million (2015: £47.5 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.

In August 2015, the Group received an additional £2 million (gross) from the purchaser of the original Reading store site in return for relinquishing of all 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.

Property, plant and equipment (non-current assets) with a carrying value of £104.4 million (2014: £87.8 million) are pledged as security for bank loans.

Market Valuation of Freehold and Operating Leasehold Land and Buildings

On 31 July 2016, a professional valuation was prepared by Jones Lang LaSalle Limited (JLL) (2015: Cushman & Wakefield) 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") and the valuation methodology is explained in more detail below. The valuations were prepared on the basis of Fair Value as a fully equipped operational entity having regard to trading potential. The valuation was provided for accounts purposes and as such, is a Regulated Purpose Valuation as defined in the Red Book. In compliance with the disclosure requirements of the Red Book JLL have confirmed that:

- This is the first year that JLL has been appointed to value the properties
- The valuers who prepared the valuation have the necessary skills and experience having been significantly involved in the sector
- JLL do not provide other significant professional or agency services to the Company
- In relation to the preceding financial year of JLL the proportion of the total fees payable by the Company to the total fee income of the firm is less than 5%

The valuation report indicates a total valuation for all properties valued of £112.7 million (2015: £88.9 million) of which £96.1 million (2015: £74.1 million) relates to freehold and long leasehold properties, and £16.6 million (2015: £14.8 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 £96.1 million valuation of the freehold and long leasehold properties £9.0 million (2015: £6.7 million) relates to the net book value of fixtures, fittings and equipment, and the remaining £87.1 million (2015: £ 67.4 million) relates to freehold and long leasehold properties.

The 2016 valuation includes and reflects movements in value which have resulted from the operational performance of the stores and movements in the investment environment.

Valuation Methodology

Jones Lang LaSalle Limited (JLL) have adopted the profits method of valuation, and cross checked with the direct comparison method based on recent transactions in the sector, which is the main method of pricing adopted by purchasers of self storage properties.

JLL have valued the assets on an individual basis and have disregarded any portfolio effect.

The profits method of valuation considers the cash flow generated by the trading potential of the self storage facility. Due to the specialised design and use of the buildings, the value is typically based on their ability to generate a net income from operating as self storage facilities.

JLL have constructed a discounted cash flow model. This sets out their explicit assumptions on the underlying cash flow that they believe could be generated by a Reasonably Efficient Operator at each of the properties, both at the valuation date and in the near future as the properties increase their occupancy and rents charged to customers. Judgements are made as to the trading potential and likely long term sustainable occupancy.

Stable occupancy depends upon the nature of demand, size of property and nearby competition, and allows for a reasonable vacancy rate to enable the operator to sell units to new customers. In the valuation the assumed stabilised occupancy level for the 19 trading stores (both freeholds and leaseholds) averages 81% (2015: 68.4%).

Expenditure is deducted (such as business rates, staff costs, repair and maintenance, utilities, marketing and bad debts) as well as an operator's charge which takes account of central costs. JLL also make an allowance for long term capex requirements where applicable.

- The cash flow for freeholds runs for an explicit period of 10 years, after which it is capitalised at an all risks yield which reflects the implicit future growth of the business, or a hypothetical sale.
- The cash flow for leaseholds continue for the unexpired term of the lease.
- The discount rate applied has had regard to recent transactions, weighted average costs of capital and target return in other asset types with adjustments made to reflect differences in the risk and liquidity profile.
- The weighted average annual discount rate adopted (for both freeholds and leaseholds) is 11.32% (2015: 11.25%). The yield arising from the first year of the projected cash flow is 7.43% (2015: 7.76%), rising to 10.86% in year five
- JLL have assumed purchasers costs of 6.8%
- The average stabilised occupancy is 80.1%
- The average exit yield assumed is 7.9%

The comparison method considers recent transactions where self storage properties have sold, and then adjusts them based on a multiple of current earnings, and a capital value per square foot. They are adjusted to reflect differences in location, physical characteristics, local supply and demand, tenure and trading levels.

For 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 11 years and 8 months as at 31 July 2016 (12 years and 8 months: 31 July 2015). 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 was renegotiated and includes a ten year option to renew the leases from March 2026 to March 2036. The option to extend is only operable in the event that all four of the leases applicable to this store are extended and this option is personal to Lok'nStore or another "major self-storage operator", to be approved by the landlord (approval not to be unreasonably withheld). The JLL valuation on this store is based on this Special Assumption that the option to extend the lease for 10 years is exercised. This is consistent with the approach taken in previous years.

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

Directors' valuation of land and property

The Old Southampton Store: Following the development and opening of the new Southampton store with the corresponding transfer of all customers from the old Southampton store, the vacant building will be redeveloped for alternative use. Accordingly the Directors have placed their valuation on the site at the year-end at £2.5 million.

The New Southampton Store: Following the development and opening of the new Southampton store there remains surplus land to the rear of the building which may be ultimately utilised for an expansion of the store or could be sold or used for alternative use. The Directors have considered the advice given and recommendations of value obtained by local agents and in weighing this with their own view are satisfied to place a value at year-end on this land of £0.5 million.

The total value of land and property carried at Director Valuation at 31 July 2016 is £3 million (2015: nil).

11 Investments

Company Investments in subsidiary undertakings	£'000
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**
Capital contributions arising from share-based payments	182
31 July 2016	**2,288**

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

		% of shares and voting rights held		
	Class of shareholding	Directly	Indirectly	Nature of 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.

* These companies have 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 third party investors under the Lok'nStore brand. Lok'nStore has managed the building and subsequent operation of the store. Lok'nStore generates a 10% annual 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. The capital provided is fully secured by a first fixed charge on the property.

	Group 2016 £'000	Group 2015 £'000
Development capital	**3,159**	2,779

Contingent Asset

When the Aldershot Store is sold by its owners the Group is entitled to receive a capital fee,of 5% of the proceeds of sale (less reasonable selling costs). Due to the uncertainty of the property market, the timing of the ultimate sale, where the general property cycle might be at that time, and the immateriality of the sum, the directors believe that it would not be appropriate to recognise this as an asset at this time. There is a backstop date of 2022 at which time a realisation (or a payment based on an independent valuation) must be made to Lok'nStore and as this date gets nearer, the directors will give due consideration as to when the value of the property can be reliably measured, at which point it will be appropriate to recognise the asset in the financial statements.

13 Inventories

	Group 2016 £'000	Group 2015 £'000
Consumables and goods for resale	**165**	141

The amount of inventories recognised in cost of sales as an expense during the year was £156,121 (2015: £184,716).

14 Trade and other receivables

	Group	Group

	2016	2015
	£'000	£'000
Trade receivables	**2,027**	1,302
Other receivables	**1,910**	640
Prepayments and accrued income	**1,015**	537
	4,952	2,479

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 £269,153 (2015: £202,546) 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 40 days past due (2015: 39 days past due).

Other receivables
The Group has provided bridging finance on normal commercial terms (interest at 4.5% p.a.) to Chichester Storage Limited (CSL) to facilitate the development of the site (including obtaining the requisite planning approvals). As the store approaches breakeven and all conditions precedent have been met the CSL has facilities agreed whereupon it will refinance the bridging loan. The amounts included in other receivables above includes £1.025 million (2015: £Nil) in respect of the Chichester loan.

Ageing of past due but not impaired receivables

	Group 2016 £'000	Group 2015 £'000
0-30 days	**147**	119
30-60 days	**72**	43
60+ days	**50**	41
Total	**269**	203

Movement in the allowance for bad debts

	Group 2016 £'000	Group 2015 £'000
Balance at the beginning of the year	**174**	163
Impairment losses recognised	**34**	39
Amounts written off as uncollectible	**(22)**	(28)
Balance at the end of the year	**186**	174

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 2016 £'000**	Group 2015 £'000
0-30 days	**-**	-
30-60 days	**-**	-
60+ days	**186**	174

Total	**186**	174

15 Trade and other payables

	Group 2016 £'000	Group 2015 £'000
Trade payables	**887**	1,901
Taxation and social security costs	**1,369**	464
Other payables	**1,197**	1,173
Accruals and deferred income	**2,341**	2,433
	5,794	5,971

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 shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debts, which include the borrowings disclosed in note 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 2016 £'000**	Group 2015 £'000
Gross borrowings	**(28,816)**	(27,701)
Cash and cash equivalents	**5,335**	2,435
Net debt	**(23,481)**	(25,266)
Total equity	**71,475**	52,968
Net debt to equity ratio	**32.8 %**	47.7%

The decrease in the Group's gearing ratio arises principally through the combined effect of an increase in the value of its properties and the 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 20 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 during the year with Royal Bank of Scotland plc secured on its store portfolio and other Group assets, excluding intangibles, with a net book value of £118.0 million (2015: £95.6 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 (2015: £40 million). This facility expires on 15 January 2021. Undrawn committed facilities at the year-end amounted to £11.2 million (2015: £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.

Following the agreement of new facilities with Royal Bank of Scotland on improved terms the following interest rates applied during the financial year:

a) Up to 14 January 2016: 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 £28.5 million (2015: £27.7 million).
b) Up to 14 January 2016: 40% of the applicable margin for non-utilisation (i.e. that part of the facility which remains undrawn from time to time). For this period the prevailing non-utilisation charge is calculated at a rate of 0.94%.
c) From 15 January 2016: London Inter-Bank Offer Rate (LIBOR) plus 1.40%-1.65% Lloyds Bank plc margin based on a loan to value covenant test for the revolving advances amounting to £28.5 million (2015: £27.7 million).
d) From 15 January 2016: 40% of the applicable margin for non-utilisation (i.e. that part of the facility which remains undrawn from time to time). For this period the prevailing non-utilisation charge is calculated at a rate of 0.56%.
e) 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 2016 are as follows:

	Group 2016 £'000	Group 2015 £'000
Variable rate treasury deposits[1]	**4,915**	1,744
SIP trustee deposits	**34**	46
Cash in operating current accounts	**339**	602
Other cash and cash equivalents	**47**	43
Total cash and cash equivalents	**5,335**	2,435

1 Money market rates for the Group's variable rate treasury deposit track Royal Bank of Scotland plc base rate. The rate attributable to the variable rate deposits at 31 July 2016 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 2016, it is estimated that an increase of one percentage point in interest rates would have reduced the Group's annual profit before tax by £88,156 (2015: £77,005) and conversely a decrease of one percentage point in interest rates would have increased the Group's annual profit before tax by £88,156 (2015: £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 2.56% applying to the variable rate borrowings of £8.8 million in the year (2015: £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 2016 was £3.70 million (2015: £1.47 million) on receivables and £5.33 million (2015: £2.44 million) 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 2016 was £3.16 million. (2015: £2.78 million). 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:

2016 - Group

	Trade and other payables £'000	**Borrowings £'000**	**Interest on borrowings £'000**
From two to five years	**-**	**28,816**	**1,814**
From one to two years	**-**	**-**	**738**
Due after more than one year	**-**	**28,816**	**2,552**
Due within one year	**2,359**	**-**	**831**
Total contractual undiscounted cash flows	**2,359**	**28,816**	**3,383**

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	-	27,701	205
Due within one year	3,392	-	925
Total contractual undiscounted cash flows	3,392	27,701	1,130

I Fair values of financial instruments

	2016 £'000	2015 £'000
Categories of financial assets and financial liabilities		
Financial assets		
Trade and other receivables	**3,700**	1,468
Cash and cash equivalents	**5,335**	2,435
Development loan capital	**3,159**	2,779
Financial liabilities		
Trade and other payables	**(2,359)**	(3,392)
Bank loans	**(28,728)**	(27,548)

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 £3.8 million (2015: £3.0 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 2016 £'000	Group 2015 £'000
Non-current		
Bank loans repayable in more than two years but not more than five years		
Gross	**28,816**	**27,701**
Deferred financing costs	**(89)**	**(153)**
Net bank borrowings	**28,727**	**27,548**
Non-current borrowings	**28,727**	**27,548**

On 15 January 2016, the Group agreed a new banking facility on improved terms with Royal Bank of Scotland Bank plc (RBS). The new £40 million five year revolving credit facility replaced the existing facility which was due to expire in October 2016, and will provide funding for site acquisitions as well as working capital for the development of the business over the medium term.
Under this new five year facility the Group is not obliged to make any repayments prior to its expiration in January 2021 and further provides during the term of the facility for the possibility of an optional extension of the five year term by a maximum of a further two years. The facility also provides for the possibility of an additional accordion of up to £10 million which if taken up during the term of the facility will increase facilities available to £50 million.

The Group currently has £28.8 million drawn against its existing £40 million facility. The margin on the new facility is at the London Inter-Bank Offer Rate (LIBOR) plus 1.40%-1.65% margin based on a loan to value covenant test (1.40% at Lok'nStore's current LTV level). This is a marked improvement on the previous 2.35%-2.65% margin and the Group will therefore benefit from a lower average cost of debt and thus improved cash flow. Loan to value covenants are in line with the previous facility.

The £40 million revolving credit facility with RBS 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 £118.0 million (2015: £95.6) million together with cross-company guarantees from Group companies.

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 20 October 2016 whereupon they lapse. The balance of the drawn facility of £8.8 million (2015: £7.7 million) remains at a floating rate.

	Currency	Principal £	Maturity date	Fair value 2016 £'000	Fair value 2015 £'000
3032816LS Interest rate swap	GBP	10,000,000	20/10/2016	**(19)**	(63)
3047549LS Interest rate swap	GBP	10,000,000	20/10/2016	**(18)**	(56)
		20,000,000		**(37)**	(119)

The movement in fair value of the interest rate swaps of £82,675 (2015: £169,925) has been recognised in other comprehensive income in the year.

18 Deferred tax

Deferred tax liability	Group 2016 £'000	Group 2015 £'000
Liability at start of year	**12,252**	10,870
Credited to income for the year	**605**	151
Tax credited directly to other comprehensive income	**2,408**	1,540
Debit / (credit) to share based payment reserve	**96**	(309)
Liability at end of year	**15,361**	12,252

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

	Accelerated Capital Allowances £'000	Intangible assets £'000	Other temporary differences £'000	Revaluation of properties £'000	Rolled over gain on disposal £'000	Share options £'000	Total £'000
At 31 August 2014	**1,441**	**563**	**29**	**7,008**	**1,829**	**-**	**10,870**
Charge/ (credit) to income for the year	267	(33)	(1)	-	(42)	(42)	151

(Credit) / charge 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**
Charge/ (credit) to income for the year	147	(83)	11	-	524	6	**605**
Charge to other comprehensive income	-	-	21	2,375	12	-	**2,408**
Charge to share based payment reserve	-	-	-	-	-	96	**96**
At 31 July 2016	**1,855**	**447**	**24**	**10,961**	**2,323**	**(249)**	**15,361**

19 Share capital

Authorised:	**2016 £'000**	2015 £'000
35,000,000 ordinary shares of 1 pence each (2015: 35,000,000)	**350**	350

Allotted, issued and fully paid ordinary shares	**£**	£
Balance 1 August	**285**	279
Options exercised 662,573 shares (2015: 637,641 shares)	**6**	6
Balance 31 July	**291**	285

	Called up, allotted and fully paid Number	Called up, allotted and fully paid Number
Number of shares at 31 July	**29,109,322**	28,466,749

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:

2016 Summary	**As At 31 July 2015 No of options**	Granted	Exercised	Lapsed/ surrendered	**As at 31 July 2016 No of options**
Unapproved Share Options	1,722,361	59,858	(643,894)	(43,841)	1,094,482
Approved CSOP Share Options	172,462	23,137	(18,679)	(10,909)	170,763
Total	1,894,823	82,995	(662,573)	(54,750)	1,260,459

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**	5,182	(535,321)	(23,611)	**1,722,361**
Approved CSOP Share Options	**246,286**	13,471	(60,906)	(26,389)	**172,462**
Total	**2,563,811**	18,653	(637,641)	(50,000)	**1,894,823**

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

	Total at 31 July 2015	Options granted	Options exercised	Unapproved Scheme	Approved CSOP share options	Total at 31 July 2016
2016						
Executive Directors						
A Jacobs - Unapproved	380,000	26,087	(200,000)	206,087	-	206,087
SG Thomas - Unapproved	170,000	5,217	(100,000)	75,217	-	75,217
RA Davies - Unapproved	531,977	-	(250,000)	281,977	-	281,977
RA Davies - CSOP	14,493	-	-	-	14,493	14,493
RA Davies total	546,470	-	(250,000)	281,977	14,493	296,470
CM Jacobs - Unapproved	145,668	3,329	(25,000)	123,997	-	123,997
CM Jacobs - CSOP	20,577	3,594	(5,245)	-	18,926	18,926
CM Jacobs total	166,245	6,923	(30,245)	123,997	18,926	142,923
Neil Newman - Unapproved	180,714	17,028	(10,000)	187,742		187,742
Neil Newman - CSOP	19,939	1,434	(5,178)		16,195	16,195
N Newman total	200,653	18,462	(15,178)	187,742	16,195	203,937
Non-Executive Directors						
ETD Luker - Unapproved	15,000	-	-	15,000	-	15,000
C P Peal - Unapproved	10,000	-	(10,000)	-	-	-
Non-Executive total	25,000	-	(10,000)	15,000	-	15,000
All Directors total	**1,488,368**	**56,689**	**(605,423)**	**890,020**	**49,614**	**939,634**

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.

The exercise price of the options is equal to the closing mid-market price of the shares on the trading day previous to the date of the grant. Exercise of an option is subject to continued employment. 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 £182,124 (2015: £210,558), 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 2014	**33**	**6,295**	**1,294**	**34**	**939**	**8,595**
Share based remuneration (options)	-	-	-	-	211	211
IFRS 2 - transfer to retained earnings	-	-	-	-	(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**
Share based remuneration (options)	-	-	-	-	182	182
IFRS 2 - transfer to retained earnings	-	-	-	-	(401)	(401)
Cash flow hedge reserve net of tax	62	-	-	-	-	62
Tax charge relating to share options	-	-	-	-	(96)	(96)
31 July 2016	**(37)**	**6,295**	**1,294**	**34**	**846**	**8,432**

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 £400,957 (2015: £298,268).

21b Other reserves

Company	**Other reserve £'000**	**Share-based payment reserve £'000**	**Total £'000**
1 August 2014	**1,114**	**1,153**	**2,267**
Share based remuneration (options)	-	211	211
IFRS 2 - transfer to retained earnings	-	(298)	(298)
31 July 2015	**1,114**	**1,066**	**2,180**
Share based remuneration (options)	-	182	182
IFRS 2 - transfer to retained earnings	-	(401)	(401)
31 July 2016	**1,114**	**847**	**1,961**

22 Retained earnings

Group	**Retained earnings before deduction of own shares £'000**	**Own shares (note 23) £'000**	**Retained earnings Total £'000**
1 August 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**
Profit attributable to owners of Parent for the financial year	4,282	-	4,282
Transfer from revaluation reserve (Additional depreciation on revaluation)	262	-	262
Transfer from share based payment reserve (Note 21a)	401	-	401
Transfer realised gain on asset disposal	1,639	-	1,639
Dividend paid	(2,147)	-	(2,147)
31 July 2016	**17,824**	**(4,241)**	**13,583**

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 £276,288 (2015: £139,354).

23 Own shares

	EBT shares Number	EBT shares £	Treasury shares Number	Treasury shares £	Own shares total £
31 July 2015 and 31 July 2016	**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 8.5% (2015: 8.7%) 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 2016, the Trust held 623,212 (2015: 623,212) ordinary shares of 1 pence each with a market value of £2,025,439 (2015: £1,791,735). No shares were transferred out of the scheme during the year (2015: 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

	2016 £'000	2015 £'000
Profit before tax	**5,493**	2,654
Depreciation	**1,535**	1,440
Amortisation of intangible assets	**165**	165
Equity settled share based payments	**182**	211
Net settlement proceeds - Reading site	**(1,940)**	-
Disposal costs- Swindon stores	**123**	-
Interest receivable	**(313)**	(141)
Interest payable	**1,048**	1,144
Increase in inventories	**(24)**	(10)
(Increase) / decrease in receivables	**(2,471)**	423
	(24)	98

(Decrease) / increase in payables		
Cash generated from operations	**3,774**	5,984

(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.

	2016 £'000	2015 £'000
Increase in cash in the year	**2,900**	257
Change in net debt resulting from cash flows	**(1,115)**	-
Movement in net debt in year	**1,785**	257
Net debt brought forward	**(25,266)**	(25,523)
Net debt carried forward	**(23,481)**	(25,266)

25 Commitments under operating leases

At 31 July 2016 the total future minimum lease payments as a lessee under non-cancellable operating leases were as follows:

	Group 2016 £'000	Group 2015 £'000
Land and buildings		
Amounts due:		
Within one year	**1,535**	1,546
Between two and five years	**5,847**	5,725
After five years	**7,468**	8,054
	14,850	15,325

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:

	2016 £'000	2015 £'000
Net amount due from Lok'nStore Limited	**3,648**	2,965

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 2016.

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.

	2016 £'000	2015 £'000
Short term employee benefits	**1,648**	988
Post-employment benefits	**31**	30
Share-based payments	**182**	211
Total	**1,861**	1,229

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 (2015: £6,000). The balance outstanding to Trucost plc at year-end was £nil (2015: £nil).

27a Capital commitments and guarantees

The Group has capital expenditure contracted but not provided for in the financial statements of £1.10 million (2015: £3.03 million) relating to building contract retentions outstanding on the completed Bristol, Southampton and Reading stores and also the strip out works at the old Southampton store . The Company was also committed to complete on its new Wellingborough site following completion of all relevant planning matters.

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 £28.8 million (2015: £27.7 million).

28 Events after the reporting date

a) Legal completion of the purchase of the Wellingborough site

On 14 September 2016 following completion of all relevant planning matters the Group completed its purchase of the Wellingborough site.

b) Planning permission obtained and subsequent completion of the Gillingham site

(i) On 16 September 2016 planning permission was granted for the demolition of existing commercial buildings on the site the and construction of a self-storage unit with associated vehicular access, parking and landscaping works.

(ii) On 14 October 2016 following completion of all relevant planning matters the Group completed its purchase of the Gillingham site.

Our Stores

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Gillingham, Kent
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Under Development (Managed Stores)

Hemel Hempstead
Broadstairs

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