LOK'n STORE

Self Storage

Interim Report

for the six months to 31 January 2014

www.loknstore.com

Stock code: LOK

Welcome to
Lok'nStore Group Plc

Introduction

Lok'nStore Group Plc is one of the leading companies in the fast growing UK self storage market. We have been listed on the Alternative Investment Market (AIM) since June 2000, and before that on the OFEX market from 1997. We opened our first self storage centre in Horsham in February 1995 and we have grown consistently, currently operating 24 stores in Southern England.

Our Business

We offer self storage and serviced document management. Self storage is available to both household and business customers at our highly branded Lok'nStore centres. Each centre is strategically located, mainly in the affluent South East of England in prominent locations within key towns and cities.

In 2011 we acquired Saracen records management, and can now offer businesses anything from secure storage of one media tape, to full management of their business documentation with 24 hour retrieval. We excel in offering the best in customer service at competitive prices for both our Lok'nStore and Saracen customers.

Use your phone's barcode app to go to our website

For more information on Lok'nStore visit our website at www.loknstore.co.uk

Highlights

Financial Highlights

- Group Revenue[1] up 6.1% like-for-like, up 2.5% overall
- Group Adjusted EBITDA[2] up 10.9% like-for-like, up 3.6% overall
- Operating Profit up 20.4% like-for-like, up 9.6% overall
- Interim dividend 2 pence per share up 20%

Operational Highlights

Self-storage:

- Store EBITDA up 12% like-for-like
- Unit pricing up 3.3% y-y
- Like-for-like unit occupancy up 8.1% y-y
- Store EBITDA margins up from 48.3% to 49.6% y-y
- Ancillary sales up 14.2% y-y
- Enquiries up 24% and move-ins up 21.4% like-for-like

Document storage:

- Boxes stored up 15.1% annualised
- Tapes stored up 21.8% annualised

Property Highlights

- Continue to drive store opening programme with five new purpose built stores due to open over the next 18 months
- New Maidenhead store opened in December 2013
- Sale agreed of old Reading store site for residential development for £2.9 million
- Construction of new Reading store underway
- Purchased site in Bristol for new store
- Aldershot and Southampton due to open in 2015

Key Metrics

- Loan to value ratio of 30.9%[3] (31.01.2013: 32.7%)
- Funds from operations ('FFO')[4] £1.84 million up 6.2% y-y
- Annualised FFO per share of 15.1 pence per share up 8.7% (31.01.2013: £1.73 million 13.9 pence per share)
- Adjusted NAV £2.47 per share[5] (31.01.2013: £2.30 per share)

[1] In March 2013 the Company sold an existing trading store in Ashford. For clarity and comprehensiveness we include a table in the Chairman's review below to show all the headline growth figures and like-for-like growth figures which strip out this impact including the small impact of the new Maidenhead store which opened in December 2013.

[2] Adjusted EBITDA is defined as profits before all depreciation and amortisation charges, losses or profits on disposal, share-based payments, acquisition costs and non-recurring professional costs, finance income, finance costs and taxation.

[3] Calculation based on net debt of £25.4 million (31.01.13: £26.2 million) and total property value of £82.3 million (31.01.13:£80.0 million) .

[4] Funds from Operations ('FFO') calculated as EBITDA minus Net Finance Cost on operating assets.

[5] Adjusted net asset 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 period end. The shares currently held in the Group's employee benefits trust and in treasury are excluded from the number of shares.

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

"Trading in our existing stores has been strong in the first half of our financial year and has accelerated in recent months. Our new store pipeline is changing the complexion of our portfolio. The new flagship store in Maidenhead opened in December and early trading is buoyant giving us significant optimism that the new stores in Reading, Aldershot, Southampton and Bristol which are opening over the coming eighteen months will add further impetus to sales and earnings growth. These will all be purpose-built stores with our eye-catching modern design in highly prominent positions.

"The strong growth of the business, good asset management and Lok'nStore's low level of debt means that this major expansion can be financed out of our existing bank facilities, and will be achieved while progressively increasing profits and dividends."

Chairman's Review

Simon G Thomas

"Following a strong performance in 2013, trading in the first half of 2014 has remained buoyant for the Lok'nStore Group with a further acceleration in recent months. We are seeing clear signs that the economy is now growing."

Simon G Thomas, Chairman

Continued Momentum & Sales Growth

Strong Growth overlaid with rapid new store opening programme

Following a strong performance in 2013, trading in the first half of 2014 has remained buoyant for the Lok'nStore Group with a further acceleration in recent months. In January 2014, traditionally a slower period of the year for our trading, we saw the biggest monthly gain in our business since June 2006. We are seeing clear signs that the economy is now growing, and the measures that the Company has taken to improve our operating efficiency over recent years give us a robust platform to build on.

Like-for-like* self-storage unit occupancy is up 8.1% year to year and prices achieved for rented self-storage units are up 3.3%. Group Adjusted EBITDA is up 10.9%, on a like-for-like basis (3.6% on a headline basis) and with low debt and interest costs this translates into Funds From Operations (FFO) per share up 8.7% at an annualised rate. With tight control over operating costs which increased by only 0.5% over the period, the Group's margins and profits have all increased to record levels and these are set out in the tables below.

Demonstrating the increasing activity among our customers enquiries are up 24% and move-ins are up 21.4% over the first half.

Our loan-to-value ratio (LTV) has been reduced to 30.9% and with £20 million of our net debt fixed at 3.525% we are currently operating at a blended rate of 3.33% giving us a firm foundation on which to grow the business.

Our new Maidenhead store opened in December 2013 and is trading well. We have commenced the development of our new store in Reading, and the Aldershot store will commence development in May 2014. Next year we intend to develop the new Southampton store and in January 2014 we announced the purchase of a new site in Bristol to add to our pipeline.

* In March 2013 we sold our existing trading store in Ashford. For clarity we include a table below to show all the headline growth figures and like-for-like growth figures which strip out this effect and the small impact of the new Maidenhead store:

	Like for like 31 Jan 2014		Headline 31 January 2014	
	Self-storage growth %	Group growth %	Self-storage growth %	Group growth %
Financials:				
Revenue	8.07	6.12	3.77	2.51
Group Adjusted EBITDA	17.14	10.90	8.84	3.61
Operating profit	23.28	20.36	12.50	9.62
FFO growth	n/a	13.27	n/a	8.68
Operating:				
Store Adjusted EBITDA	12.02	n/a	6.28	n/a
Self-storage unit occupancy	8.09	n/a	4.02	n/a
Self-storage unit pricing	7.52	n/a	3.25	n/a

These new stores will add further momentum to the growth of sales and profits over the coming years, and also demonstrate Lok'nStore's ability to create innovative structures to drive the growth of the operating business within our current financial resources.

Dividend

The Group's dividend payments reflect the growth in the underlying cash generated by the business and the final dividend will be declared when the Group's full year results are announced. At the interim stage we intend to pay approximately one third of the previous year's total dividend which equates to 2 pence per share, up 19.8% on the interim dividend last year.

Sales, Earnings and Occupancy Up

Revenue for the period was £6.71 million, up 2.5% on the same period last year (31.1.2013: £6.55 million) as our core self-storage business continued to grow. This was a 6.1% increase after adjusting for the sale and manage-back of our Ashford store in March 2013. Our self-storage occupancy rose particularly strongly during the period increasing by 8.1% over last year on a like-for-like basis with pricing up 3.3% year-on-year.

With costs firmly under control this turnover growth translates into strong profit growth. Total store EBITDA in the self-storage business, a key performance indicator of profitability and cash flow, increased 6.3% to £2.86 million (31.1.2013: £2.69 million). Group operating profit for the year is up 9.6% to £1.47 million (31.1.2013: £1.34 million). On a like-for-like basis this increase was 20.4%.

Self-storage revenue for the period was £5.83 million, up 3.8% year on year (31.1.2013: £5.62 million). This was an 8.1% increase after adjusting for the sale of our Ashford store.

Performance of Self-Storage Centres

Total occupancy increased by 4.1% and unit pricing increased 3.3% year-on-year. Strict cost discipline meant we again managed to contain costs on a Group basis to only a 0.5% increase which raised the overall EBITDA margin across all stores from 48.3% to 49.6% year-on-year. The EBITDA margin of the freehold stores achieved was 62.3% (31.1.2013: 60.6%) and the leasehold stores 35.1% (31.1.2013: 33.2%). The occupancy of the stores was up to 63.8% (31.1.2013: 60.4%) of current lettable area.

Ancillary Sales

Sales of insurance boxes, packaging materials and other items increased year-on-year by 14.2% accounting for 11.3% of self-storage revenues.

We continue to promote our insurance to new customers with the result that 93% (31.1.2013: 89%) of new customers took our insurance over the period.

Document storage business

In our document storage business revenue and profit have fallen slightly however we are pleased to report that the business' operating metrics are improving in response to the Company's more customer facing marketing stance. Net boxes stored increased at an annualised rate of 15.1% in the first half, and tapes stored up 21.8% annualised. Although revenue and profit will take time to respond to this volume growth we are pleased to see this noticeable improvement.

We have now consolidated Saracen's warehouse capacity closing one of the three storage sites which incurred a cost in the period but will benefit earnings in the future. During the period we acquired the 9.6% minority interest in Saracen for zero cost.

	6 months ended 31 January		6 months ended 31 January
	2014 Document Storage £'000	Growth %	2013 Document Storage £'000
Document storage – Revenue	884	(5.1)	932
Document storage – Adjusted EBITDA	73	(38.2)	118

Chairman's Review
continued

Property matters
Purchase of new site in Bristol

On 6 January 2014, Lok'nStore announced the acquisition of a site in Longwell Green, Bristol. The site of approximately 0.9 acres is in a busy retail park and has planning permission to build a 50, 000 sq. ft self-storage centre in Lok'nStore's modern and distinctive design. The total cost of the store, when built and fitted-out, will be around £4 million and add to Lok'nStore's high-quality portfolio of modern purpose built self-storage centres in highly prominent locations. When it opens it will take Lok'nStore's total operating centres to 26 following the recent opening of the new Maidenhead store and the opening of the Reading, Southampton and Aldershot stores in the coming year.

Agreed sale of old Reading site and new Reading store construction

On 17 October 2013 Lok'nStore announced it had agreed the sale of its trading site in Reading for an initial consideration of £2.9 million. The consideration is a 7.4% premium to the 31 July 2013 valuation and will be paid in cash on completion when the old store is vacated in autumn 2014. The transaction is not yet recognised as a disposal in this period since the Group retains the economic interest in revenues and profits in the store while the store continues to trade up until legal completion and also continues to retain the economic interest in the business and customers thereafter. The Group may receive an additional payment dependent on the value of sales achieved on the development of residential properties on the site. It is not possible to calculate the likely value at this time due to the uncertainty of the number of units that will be built and the likely sales values at the time of completion of the site.

Lok'nStore also owns the adjacent site on which it is now building a new store to replace the current one. The new store will have 48,000 square feet of self-storage space, a 20% increase over the existing store. The highly prominent location is directly accessible by the busy main road which connects Reading town centre to the M4 motorway. The transaction allows the Group to construct its new store while continuing to operate its existing successful trading business during this period. The cost of constructing and fitting the new store will be funded from the combination of the sale proceeds and store earnings during the transition period demonstrating the Group's ability to expand its operating footprint out of existing financial resources. When the new building is complete the existing customers will be transferred to the new store.

The prominence and modern look of the new store with its distinctive orange livery will position Lok'nStore in a highly visible and easily accessible location adjacent to the A33 at the gateway to Reading and will add to our portfolio of large, modern, freehold purpose built self-storage centres across south-east England.

New Store Opening - Maidenhead

In December 2013 Lok'nStore opened a new state of the art self-storage centre in Maidenhead providing around 61,000 sq. ft. of self-storage space.

This is a long leasehold site (the lease term runs until April 2076) of 1.6 acres and is close to Maidenhead town centre and railway station and is very prominent to the retail park on the main road joining the town centre with the M4 motorway. The store which also provides space on the ground floor for a Lidl food store is of similar style and appearance to other recently opened Lok'nStore centres, with Lok'nStore's strong branding adding to the visual attractiveness of the site. This collaboration with Lidl will increase the visual prominence, brand recognition, passing traffic and footfall of the storage centre which are key criteria for success. Maidenhead is an excellent location for Lok'nStore, an affluent town right in the middle of our geographical coverage with little local competition.

The innovative financing of the scheme has required only a modest capital input from Lok'nStore and so allows us to continue to expand the Group's operating footprint without stretching the Group's balance sheet.

Management Contract – Aldershot

In June 2012, Lok'nStore signed an agreement to develop and manage a new self-storage centre in Aldershot, Hampshire. The store will be located in a prominent location on the main Aldershot roundabout above the A331 with significant levels of passing traffic, and is expected to commence trading early in 2015. It is the second store management contract for the Group and will be managed for outside investors under the Lok'nStore brand. Lok'nStore will contribute approximately £2.5 million of development funds of the estimated £4.5 million total cost of development of this brand new purpose-built store, and will manage the building and operation of the store. The other investors, including the original land owner have invested the remaining £2 million. The property has the benefit of a planning permission for a self-storage facility and will be held in a separate limited liability partnership.

Lok'nStore will generate a return by charging a return on the development capital, and a management fee for the construction, operation and branding of the store. This project is consistent with Lok'nStore's strategy of expanding the operating footprint of the business while maintaining its strong balance sheet.

Pipeline Sites

Lok'nStore now owns four development sites all with relevant planning permissions, two of which are for replacement stores at Reading and Southampton, and two are new locations in Bristol and Portsmouth North Harbour. All have current planning permissions. The Group has no immediate plans to progress development works at Portsmouth North Harbour.

Property Portfolio

These projects are part of our strategy of actively managing our operating portfolio and strengthening our distinctive brand, in order to optimise shareholder value.

We currently have 24 stores trading. Of these 21 stores are owned with, twelve freehold or long leasehold and nine leasehold with three further sites at Woking, Crawley, and Ashford trading and operating under individual management contracts. With Aldershot opening towards the end of 2014 this will increase the number of stores we manage to 25 and will capitalise on our efficient operating systems and growing internet marketing presence. These agreements also demonstrate Lok'nStore's ability to attract investment partners and create innovative ownership to drive the growth of the operating business.

Portfolio Analysis

Weeks old at 31 Jan 2014	Over 250 weeks	Under 100 weeks	Pipeline	Owned Stores Total	Stores under Management contracts	Total Stores
As at 31 Jan 2014						
Maximum Area ('000 sq. ft.)	1,043	61	110	1,214		
Freehold and long leasehold ('000 sq. ft.)	624	61	110	795		
Short leasehold ('000 sq. ft.)	419	-	-	419		
Number of stores						
Freehold and long leasehold	11	1	2	14	4	18
Short leasehold	9	-	-	9	-	9
Total stores	20	1	2	23	4	27

At the period-end the property portfolio equates to a total value of properties held of £82.3 million (31.01: 2013: £80.0 million). We prefer to acquire freeholds if possible, and where opportunities have arisen we will seek to acquire the freehold of our leasehold stores as we have done historically at Horsham, Reading, Poole and Swindon East. However we are happy to take leases on appropriate terms and benefit from the advantages of a lower entry cost, with further options to create value later in the store's development.

Property Assets and Net Asset Value

Lok'nStore's freehold and operating leasehold properties were independently valued by professional valuers Cushman & Wakefield (C&W) at £67.7 million as at 31 July 2013 and this valuation has been adopted at the period-end. At 31 January 2014, adding our stores under development at Reading, Maidenhead, Portsmouth North Harbour, Southampton and Bristol at cost, our total property portfolio valuation is £82.3 million. (31.1.2013: £80.0 million). This translates into an adjusted net asset value of £2.47 per share (31.1.2013: £2.30 per share). The Board commissions independent valuations on its trading stores annually at its year-end reporting date.

Lok'nStore is committed to actively managing its portfolio and extracting further value from our prominently located development sites. The partnerships in Maidenhead and Aldershot demonstrate our tactical approach to funding and developing new stores. Management contracts such as Aldershot and Crawley and the 'sale and manage-back' at Ashford allow the Group to continue to expand the operating footprint of Lok'nStore while minimising capital outlay.

A deferred tax liability arises on the revaluation of the properties and a historic 'rolled over' gain arising from the disposal of the Kingston and Woking sites several years ago. 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 site of the existing Reading store has now been sold with the benefit of its permission for residential development and the proceeds will be reinvested in our new store pipeline.

The valuations of our freehold property assets are included in the Consolidated Statement of Financial Position at their fair value, and which does not include any valuation in respect of our leasehold stores to the extent that they are classified as operating leases. The value of our operating leases at 31 January 2014 totals £13.2 million (31.1.2013: £11.8 million). Instead we have reported by way of a note the underlying value of these leasehold stores in future revaluations and adjusted our Net Asset Value ('NAV') calculation accordingly to include their value. This will ensure comparable NAV calculations.

Analysis of Total Property Value

	No of stores/sites	**31 Jan 2014 Valuation £'000**	No of stores/sites	31 Jan 2013 Valuation £'000	No of stores/sites	31 July 2013 Valuation £'000
Freehold valued by C & W	**11**[1]	**54,460**	12	56,050	11	54,460
Leasehold valued by C & W	**7**	**13,200**	7	11,830	7	13,200
Subtotal	**18**	**67,660**	19	67,880	18	67,660
Sites in development at cost	**5**[3]	**14,636**	4	12,133	4	11,517
Total	**23**	**82,296**	23	80,013	22[2]	79,177

[1] Ashford store sold for £2.9 million.

[2] Two Leasehold stores were not valued as their remaining unexpired terms were insufficient to yield a value under the Cushman & Wakefield valuation methodology.

[3] Bristol site acquired in December 2013.

Chairman's Review
continued

Adjusted Net Asset Value per Share

Adjusted net assets per share is the net assets of the Group adjusted for the valuation of leasehold stores and deferred tax divided by the number of shares at the period-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.

Analysis of net asset value (NAV)	31 Jan 2014 £'000	31 Jan 2013 £'000	31 July 2013 £'000
Net assets			
Adjustment to include leasehold stores at valuation	**40,892**	38,930	40,372
Add: C & W leasehold valuation*	**13,200**	11,830	13,200
Deduct: leasehold properties and their fixtures and fittings at NBV	**(3,577)**	(3,795)	(3,696)
	50,515	46,965	49,876
Deferred tax arising on revaluation of leasehold properties**	**(1,925)**	(1,848)	(2,186)
Adjusted net assets	**48,590**	45,117	47,690
Shares in issue	**Number**	Number	Number
Opening shares	**27,141**	26,759	26,759
Shares issued for the exercise of options	**373**	–	382
Closing shares in issue	**27,514**	26,759	27,141
Shares held in treasury	**(2,467)**	(1,142)	(2,467)
Shares held in EBT	**(623)**	(623)	(623)
Closing shares for NAV purposes	**24,424**	24,994	24,051
Adjusted net asset value per share after deferred tax provision	**£1.99**	£1.81	£1.98
Adjusted net asset value per share before deferred tax provision	**£2.47**	£2.30	£2.48

* The seven leaseholds valued by Cushman & Wakefield are all within the terms of the Landlord and Tenant Act (1954) giving a degree of security of tenure. The average length of the leases on the leasehold stores valued was 14 years and two months at the period-end (31.01.2013 valuation: 14 years).

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

Statement of Financial Position

Net assets at the period-end were £40.9 million (31.1.2013: £38.9 million). Freehold property values at 31 January 2014 were £54.5 million compared to £56.1 million at 31 January 2013. The total estimated interim dividend to be paid in the current financial period is £489,780 (31.1.2013: £399,290) based on the number of shares currently in issue as adjusted for shares held in the Employee Benefit Trust and for shares held on treasury. This interim dividend is paid on account of an annual dividend which is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Earnings per share

Basic earnings per share were 2.87 pence (31.1.2013: 1.96 pence per share). Diluted earnings per share were 2.81 pence (31.1.2013: 1.95 pence per share).

Taxation

Almost all of the Group's tax losses have now been utilised with de minimis tax losses available to carry forward for offset against future profits. The Group will therefore pay tax on the majority of its earnings this year and has made a tax provision in this period of £206,597 (Refer note 6).

Cash Flow and Financing

At 31 January 2014 the Group had cash balances of £2.26 million (31.1.2013: £3.5 million).

There was £27.7 million of gross borrowings (31.1.2013: £29.7 million) representing gearing of 62.2% (31.1.2013: 67.2%) on net debt of £25.4 million (31.1.2013: £26.2 million). After adjusting for the uplift in value of leaseholds which are stated at depreciated historic cost in the statement of financial position, gearing is 50.4% (31.1.2013: 55.7%). After adjusting for the deferred tax liability carried at period-end of £9.8 million gearing drops to 42.1% (31.1.2013: 45.5%).

Cash inflow from operating activities before investing and financing activities was £1.6 million (31.1.2013: £1.5 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 period-end amounted to £12.3 million (31.1.2013: £10.3 million).

By excluding the interest costs of carrying the development sites from the total net interest charge of £554,532 the interest on the operating portfolio is £339,408 for the period. Funds from operations ('FFO') represented by EBITDA minus interest on the operating portfolio is therefore £1.84 million equating to 15.1 pence per share (annualised) up 8.7% on last year (2013: 13.9 pence per share annualised).

Management of Interest Rate Risk

Lok'nStore has £27.7 million of debt currently drawn against its £40 million revolving credit facility of which £20 million is at a fixed interest rate with £10 million fixed rate swap at a fixed 1 month sterling LIBOR rate of 1.2% and £10 million swap at a fixed 1 month sterling LIBOR rate of 1.15%. With 1 month LIBOR around 0.5%, this leaves a balance of £7.7 million floating at a current all-in rate of around 2.83% and results in an overall weighted average rate of 3.33%. The £20 million fixed rate is treated as an effective cash flow hedge and its fair value stated as a liability. (See note 15b).

Operating Costs

Group operating costs (excluding cost of sales of retail products) amounted to £4.34 million for the period, up 0.5% (31.1.2013: £4.32 million).

Group	Increase/ (decrease) in costs %	**Six months 31 Jan 2014 £'000**	Six months 31 Jan 2013 £'000	Year 31 July 2013 £'000
Property costs	(4.9)	**1,829**	1,924	3,733
Staff costs	6.3	**1,870**	1,759	3,538
Overheads	0.1	**552**	552	1,128
Distribution costs	6.0	**93**	88	173
Total	0.5	**4,344**	4,323	8,572

Lok'nStore Limited*	Increase / (decrease) in costs %	**Six months 31 Jan 2014 £'000**	Six months 31 Jan 2013 £'000	Year 31 July 2013 £'000
Property costs	(6.5)	**1,567**	1,678	3,228
Staff costs	3.3	**1,530**	1,481	2,976
Overheads	10.9	**493**	445	952
Total	(0.4)	**3,590**	3,604	7,156

Saracen Datastore Limited	Increase / (decrease) in costs %	**Six months 31 Jan 2014 £'000**	Six months 31 Jan 2013 £'000	Year 31 July 2013 £'000
Property costs	6.2	**262**	246	504
Staff costs	22.4	**339**	277	562
Overheads	(45.0)	**59**	107	175
Distribution costs	6.0	**93**	88	173
Total	4.8	**753**	718	1,414

* Includes expenses relating to Southern Engineering and Machinery Company Ltd a wholly owned subsidiary which owns the Southampton site.

Chairman's Review
continued

Retirement of Director
Douglas Hampson, a non-executive director of Lok'nStore Group Plc, sold his entire holding of 4,033,909 ordinary shares in the Company after the period end on 21 February 2014, (held through his company Montecito Storage Investors LLC ("Montecito")).

The shares were acquired by existing and new investors. Mr Charles Peal a non-executive director also added 450,000 shares to his holding.

Following the transaction Montecito and Mr Hampson no longer have an interest in the shares in the Company and Mr Hampson resigned from the Board. The Board thanks Mr Hampson for his valuable contribution during his tenure as a director.

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

Customers
We believe in clarity and transparency. Brochures and literature are written in plain English, explaining clearly our terms of business without hiding anything in the 'small print'. We are open and honest about our products and services and do not employ pressure selling techniques or attempt to take advantage of any vulnerable groups. If we make a mistake we acknowledge it, deal with the problem quickly, and learn from our error. We listen to our customers as we know that they can help us improve our service to them. In return 21% (31.1.2013: 22%) of our move-ins come from previous customers, existing customers taking more space, and customer referrals.

Outlook
Trading in the first half of our financial year has been strong with a further acceleration in recent months.

Our new flagship store in Maidenhead opened in January and early trading gives us confidence that the new stores in Reading, Aldershot, Southampton and Bristol opening over the coming eighteen months will add further impetus to sales and earnings. Lok'nStore's portfolio is changing rapidly with 5 new purpose built stores in prominent trading locations coming on stream raising the overall quality of the portfolio further.

The strong growth of the existing business, good asset management and Lok'nStore's conservative debt ratios means that this major expansion can be financed out of our existing bank facility, and with relatively low net capital expenditure will provide enhanced returns for our shareholders.

Our target is to continue to increase Adjusted EBITDA, FFO per share and dividends over the coming years. We believe there is significant further growth focusing on six key areas:

1. Fill up existing stores and optimise pricing
2. Developing new stores on a self-funded basis
3. Developing the other new sites we already own
4. Opportunistic new site acquisitions such as the recent Bristol purchase
5. Increasing the number of stores we manage for third parties
6. Building our document storage offering

Lok'nStore is a strong and efficient operating business with a record of consistent profit growth and cash generation. We are already capitalising on the rapidly improving economy and with our growth in high quality new stores we are well placed to deliver increasing shareholder value over the coming years.

Simon G Thomas
Chairman
25 April 2014

Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2014

	Notes	Six months ended 31 January 2014 Unaudited £'000	Six months ended 31 January 2013 Unaudited £'000	Year ended 31 July 2013 Audited £'000
Revenue	1a	**6,714**	6,550	12,974
Total property, staff, distribution and general costs	2b	**(4,535)**	(4,447)	(8,838)
Adjusted EBITDA*		**2,179**	2,103	4,136
Amortisation of intangible assets		**(83)**	(83)	(165)
Depreciation based on historic cost		**(450)**	(477)	(954)
Additional depreciation based on revalued assets		**(129)**	(142)	(250)
Loss on sale of motor vehicles		**(10)**	(14)	(18)
Loss on sale of property		**–**	–	(86)
Equity settled share based payments	18	**(37)**	(46)	(94)
		(709)	(762)	(1,567)
Operating profit*		**1,470**	1,341	2,569
Finance income	3	**14**	16	33
Finance cost	4	**(568)**	(586)	(1,175)
Profit before taxation	5	**916**	771	1,427
Income tax (expense) / credit	6	**(220)**	(270)	2
Profit for the financial period		**696**	501	1,429
Profit attributable to:				
Owners of the parent	20	**696**	491	1,421
Non-controlling interest		**–**	10	8
		696	501	1,429
Other Comprehensive Income				
Items that will not be reclassified to income statement				
Increase in property valuation		**326**	354	2,025
Deferred tax relating to increase in property valuation		**(73)**	(81)	426
Items that will be reclassified to income statement				
Decrease in fair value of cash flow hedges		**214**	194	225
Deferred tax relating to cash flow hedges		**(48)**	(45)	(60)
Other comprehensive income		**419**	422	2,616
Total comprehensive income for the period		**1,115**	923	4,045
Attributable to:				
Owners of the parent		**1,115**	913	4,037
Non-controlling interest		**–**	10	8
		1,115	923	4,045
Earnings per share				
Basic	8	**2.87p**	1.96p	5.75p
Diluted	8	**2.81p**	1.95p	5.72p

* 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 six months ended 31 January 2014

	Share capital £'000	Share premium £'000	Other reserves £'000	Revaluation reserve £'000	Retained earnings £'000	Attributable to owners of the parent £'000	Non controlling interest £'000	Total equity £'000
1 August 2012	**268**	**698**	**11,651**	**20,527**	**5,545**	**38,689**	**272**	**38,961**
Profit for the period	–	–	–	–	491	491	10	501
Other comprehensive income:								
Increase in property valuation	–	–	–	354	–	354	–	354
Deferred tax relating to increase in asset valuation	–	–	–	(81)	–	(81)	–	(81)
Decrease in fair value of cash flow hedges	–	–	194	–	–	194	–	194
Decrease tax relating to cash flow hedges	–	–	(45)	–	–	(45)	–	(45)
Total comprehensive income	–	–	149	273	491	913	10	923
Transactions with owners:								
Dividend paid	–	–	(1,000)	–	–	(1,000)	–	(1,000)
Transfer additional dep'n on revaluation net of deferred tax	–	–	–	(109)	109	–	–	–
Equity share based payments	–	–	46	–	–	46	–	46
31 January 2013	**268**	**698**	**10,846**	**20,691**	**6,145**	**38,648**	**282**	**38,930**
Profit for the period	–	–	–	–	930	930	(3)	927
Other comprehensive income:								
Increase in property valuation	–	–	–	1,672	–	1,672	–	1,672
Deferred tax relating to increase in asset valuation	–	–	–	507	–	507	–	507
Decrease in fair value of cash flow hedges	–	–	31	–	–	31	–	31
Decrease tax relating to cash flow hedges	–	–	(15)	–	–	(15)	–	(15)
Total comprehensive income	–	–	16	2,179	930	3,125	(3)	3,122
Transactions with owners:								
Dividend paid	–	–	(399)	–	–	(399)	–	(399)
Asset disposal				(1,121)	1,121	–	–	–
Purchase of shares into treasury					(1,648)	(1,648)	–	(1,648)
Transfer additional dep'n on revaluation net of deferred tax	–	–	–	(84)	84	–	–	–
Equity share based payments	–	–	48	–	–	48	–	48
Exercise of share options	4	315				319	–	319
1 August 2013	**272**	**1,013**	**10,511**	**21,665**	**6,631**	**40,092**	**280**	**40,372**
Profit for the period	–	–	–	–	696	696	–	696
Other comprehensive income:								
Increase in property valuation	–	–	–	326	–	326	–	326
Deferred tax relating to increase in asset valuation	–	–	–	(73)	–	(73)	–	(73)
Decrease in fair value of cash flow hedges	–	–	214	–	–	214	–	214
Increase in deferred tax relating to cash flow hedges	–	–	(48)	–	–	(48)	–	(48)
Total comprehensive income	–	–	166	253	696	1,115	–	1,115
Transactions with owners:								
Dividend paid	–	–	(1,052)	–	–	(1,052)	–	(1,052)
Transfer additional dep'n on revaluation net of deferred tax	–	–	–	(100)	100	–	–	–
Transfer minority interest on acquisition of subsidiary shares	–	–	–	–	280	280	(280)	–
Equity share based payments	–	–	37	–	–	37	–	37
Exercise of share options	3	417	–	–	–	420	–	420
31 January 2014	**275**	**1,430**	**9,662**	**21,818**	**7,707**	**40,892**	–	**40,892**

Consolidated Statement of Financial Position

As at 31 January 2014

Company Registration No. 4007169

	Notes	31 January 2014 Unaudited £'000	31 January 2013 Unaudited £'000	31 July 2013 Audited £'000
Assets				
Non-current assets				
Intangible assets	9a	**4,005**	4,170	4,088
Property, plant and equipment	9b	**69,185**	69,289	67,886
Property lease premiums and related development costs	9c	**4,607**	3,462	2,800
		77,797	76,921	74,774
Current assets				
Inventories	11	**150**	158	138
Trade and other receivables	12	**2,389**	2,194	2,417
Cash and cash equivalents		**2,264**	3,536	4,244
		4,803	5,888	6,799
Total assets		**82,600**	82,809	81,573
Liabilities				
Current liabilities				
Trade and other payables	13	**(4,213)**	(3,840)	(4,798)
Taxation		**(206)**	–	–
Borrowings	15a	**–**	(9)	(5)
		(4,419)	(3,849)	(4,803)
Non-current liabilities				
Borrowings	15a	**(27,393)**	(29,259)	(26,422)
Derivative financial instruments	15b	**(57)**	(302)	(271)
Deferred tax	16	**(9,839)**	(10,469)	(9,705)
		(37,289)	(40,030)	(36,398)
Total liabilities		**(41,708)**	(43,879)	(41,201)
Net assets		**40,892**	38,930	40,372
Equity				
Equity attributable to owners of the parent				
Called up share capital	17	**275**	268	272
Share premium		**1,430**	698	1,013
Other reserves	19	**9,662**	10,846	10,511
Retained earnings	20	**7,707**	6,145	6,631
Revaluation reserve		**21,818**	20,691	21,665
Total equity attributable to owners of the parent		**40,892**	38,648	40,092
Non-controlling interests		**–**	282	280
Total equity		**40,892**	38,930	40,372

Approved by the Board of Directors and authorised for issue on 25 April 2014 and signed on its behalf by:

Andrew Jacobs
Chief Executive Officer

Ray Davies
Finance Director

Consolidated Statement of Cash Flows

For the six months ended 31 January 2014

	Notes	Six months ended 31 January 2014 Unaudited £'000	Six months ended 31 January 2013 Unaudited £'000	Year ended 31 July 2013 Audited £'000
Operating activities				
Cash generated from operations	22a	**1,606**	1,485	4,286
Net cash from operating activities		**1,606**	1,485	4,286
Investing activities				
Purchase of property, plant and equipment	9	**(1,570)**	(121)	(603)
Purchase additions to property lease premiums	9	**(1,806)**	(283)	(1,171)
Proceeds from disposal of property, plant and equipment		**7**	23	4,459
Interest received		**14**	16	33
Net cash used in investing activities		**(3,355)**	(365)	2,718
Financing activities				
Purchase of shares for treasury		**–**	–	(1,648)
Repayment of borrowings		**–**	–	(2,922)
Proceeds from new borrowings		**919**	–	–
Finance costs paid		**(517)**	(545)	(1,071)
Equity dividends paid		**(1,053)**	(1,000)	(1,399)
Proceeds from issuance of ordinary shares (net)		**421**	–	319
Net cash used in financing activities		**(230)**	(1,545)	(6,721)
Net (decrease) / increase in cash and cash equivalents in the period		**(1,979)**	(425)	283
Cash and cash equivalents at beginning of the period		**4,243**	3,961	3,961
Cash and cash equivalents at end of the period		**2,264**	3,536	4,244

Accounting Policies

General Information

Lok'nStore 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. Copies of the Annual Report and Accounts may be obtained from the Company's head office at 112 Hawley Lane, Farnborough, Hants, GU14 8JE, or the investor section of the Company's website at http://www.loknstore.com.

Basis of preparation

The interim results for the six months ended 31 January 2014 have been prepared on the basis of the accounting policies expected to be used in the 2014 Lok'nStore Group Plc Annual Report and Accounts and in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union ('EU') ('IFRS').

The same accounting policies, presentation and methods of computation are followed in these interim condensed set of financial statements as have been applied in the Group's latest annual audited financial statements.

The interim results, which were approved by the Directors on 25 April 2014, are unaudited. The interim results do not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006.

Comparative figures for the year ended 31 July 2013 have been extracted from the statutory accounts for the Group for that period, which carried an unqualified audit report, did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter, did not contain a statement under section 498(2) or (3) of the Companies Act 2006 and have been delivered to the Registrar of Companies.

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 £2.3 million (31.1.2013: £3.5 million), and undrawn committed bank facilities at 31 January 2014 of £12.3 million (31.1.2013: £10.3 million), and cash generated from operations in the period to 31 January 2014 of £1.6 million (31.1.2013: £1.5 million). The Group has a five year £40 million revolving credit facility with Lloyds Bank plc. The facility has been in place since 20 October 2011 and runs until 19 October 2016. The Group is not obliged to make any repayments prior to expiration. The financial statements are therefore prepared on a going concern basis.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for goods and services provided in the ordinary course of the Group's activities, net of discount, VAT and after eliminating sales within the Group.

The Group recognises revenue when the amount of the revenue can be reliably measured and when goods are sold and title has passed. Revenue from services provided is recognised evenly over the period in which the services are provided.

a) Self-storage revenue

Self-storage services are provided on a time basis. The price at which customers store their goods is dependent on size of unit and store location. Customers are invoiced on a four-weekly cycle in advance and revenue is recognised based on time stored to date within the cycle. When customers vacate they are rebated the unexpired portion of their four weekly advance payment (subject to a seven day notice requirement).

b) Retail sales

The Group operates a 'pack shop' within each of its storage centres for selling storage related goods such as boxes, tape and bubble-wrap. Sales include sales to the public at large as well as self-storage customers. Sales of goods are recognised at point of sale when the product is sold to a customer.

c) Insurance

Customers may choose to insure their goods in storage. The weekly rate of insurance charged to customers is calculated based on the tariff per week for each £1,000 worth of goods stored by the customer. This charge is retained by Lok'nStore and covers the cost of the block policy and other costs. Customers are invoiced on a four-weekly basis for the insurance cover they use and revenue is recognised based on time stored to date within the cycle.

d) Van hire

The utilisation of vans and their hire to customers is solely to promote and encourage prospective customers to use our self-storage centres and to facilitate their moves as efficiently as possible. Vans are hired out typically for a day and only to Lok'nStore customers and are not hired out to the general public at large. Revenue is recognised at the point of hire when the deposit is taken.

e) Management fee income

Management fees earned for managing stores not owned by the Group are recognised over the period for which the services are provided.

f) Serviced archive and records management

Customers are invoiced typically monthly in advance for the archive storage of their boxes, tapes and files and revenue is recognised based on time stored to date within the monthly cycle. In respect of the provision of additional services, such as document box or tape collection and retrieval from archive, customers are invoiced typically monthly in arrears and revenue is recognised in line with the provision of these services.

EBITDA

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

Store EBITDA

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

Operating profit

Operating profit is defined as profit after all costs except acquisition and other non-recurring set-up costs, finance income, finance costs and taxation.

Accounting Policies

continued

Critical accounting estimates and judgements

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

a) Estimate of fair value of trading properties

The Group values its self-storage stores using a discounted cash flow methodology which is based on 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 9(b). The carrying value of freehold properties held at valuation at the reporting date was £54.5 million (31.1.2013: £56.1 million) as shown in the Analysis of Total Property Value table in the Chairman's Statement.

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

C&W state that there is therefore greater uncertainty attached to their opinion of value than would be anticipated during more active market conditions. The Board concur with this view.

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

The Group's development property assets are held in the statement of financial position at historic cost and are not valued externally. In acquiring sites for redevelopment into self-storage facilities, the Group estimates and makes judgements on the potential net lettable storage space that it can achieve in its planning negotiations, together with the time it will take to achieve maturity occupancy level. In addition, assumptions are made on the storage rent that can be achieved at the store by comparison with other stores within the portfolio and within the local area. These judgements, taken together with estimates of operating costs and the projected construction cost, allow the Group to calculate the potential net operating income at maturity, projected returns on capital invested and hence to support the purchase price of the site at acquisition. Following the acquisition, regular reviews are carried out taking into account the status of the planning negotiations, and 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 Group holds planning permissions on its entire pipeline of sites as a result of the work undertaken to complete the pre–planning and planning phases required on each site. During this period it has been engaged with the four sites to examine whether the potential of the existing permissions could be further maximised and in the case of Maidenhead preparatory work as we moved onto site to commence construction works. The movement in costs is as a result of this work.

The carrying value of development property assets at the reporting date was £14.6 million (31.1.2013: £12.1 million) of which £4.6 million (31.1.2013: £3.5 million) relating to the long lease at Maidenhead is classified as a property lease premium and is shown separately in the statement of financial position.

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 January 2014 intangible assets, excluding goodwill, amounted to £2.9 million. (31.1.2013: £3.1m). The valuation method used and key assumptions are described in note 9(a).

The useful life used to amortise intangible assets relates to the expected future performance of the assets acquired and management's judgement of the period over which economic benefit will be derived from the asset. The estimated useful life of customer relationships of 20 years principally reflects management's view of the average economic life of the customer base and is assessed by reference to customer churn rates. Typically, the customer base for a serviced archive business is 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.

Notes to the interim report
For the six months ended 31 January 2014

1a Revenue
Analysis of the Group's revenue is shown below:

Stores trading	**Six months ended 31 January 2014 Unaudited £'000**	Six months ended 31 January 2013 Unaudited £'000	Year ended 31 July 2013 Audited £'000
Self-storage revenue	**5,074**	4,963	9,777
Other storage related revenue	**648**	568	1,168
Ancillary store rental revenue	**4**	4	4
Management fees	**61**	40	94
Sub-total	**5,787**	5,575	11,043
Stores under development			
Non-storage income	**43**	43	94
Sub-total	**5,830**	5,618	11,137
Serviced archive and records management revenue	**884**	932	1,837
Total revenue per statement of comprehensive income	**6,714**	6,550	12,974

1b Segmental information
IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board to allocate resources to the segments and to assess their performance. Historically, there has been one business segment as the Group's net assets, revenue and profit before tax were attributable to one principal activity, the provision of self-storage accommodation and related services.

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

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

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

Segment revenue comprises of sales to external customers and excludes gains arising on the disposal of assets and finance income. Segment profit reported to the Board represents the profit earned by each segment before acquisition costs 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 archive and records management expose the Group to differing levels of risk and rewards due to the length, nature, seasonality and customer base of their respective operating cycles.

Notes to the Financial Statements

For the six months ended 31 January 2014

The segment information for the six months ended 31 January 2014 is as follows:

2013/2014	Self-storage six months ended 31 January 2014 £'000	Serviced archive and records management six months ended 31 January 2014 £'000	Total six months ended 31 January 2014 £'000	Self-storage year ended 31 July 2013 £'000	Serviced archive and records management year ended 31 July 2013 £'000	Total year ended 31 July 2013 £'000
Revenue from external customers	**5,830**	**884**	**6,714**	11,137	1,837	12,974
Adjusted EBITDA	**2,094**	**85**	**2,179**	3,822	314	4,136
Management charges	**12**	**(12)**	**–**	100	(100)	–
Segment Adjusted EBITDA	**2,106**	**73**	**2,179**	3,922	214	4,136
Depreciation	**(531)**	**(48)**	**(579)**	(1,093)	(111)	(1,204)
Amortisation of intangible assets	**–**	**(83)**	**(83)**	–	(165)	(165)
Loss on disposal – motor vehicles	**(4)**	**(5)**	**(9)**	(9)	(9)	(18)
Equity settled share based payments	**(37)**	**–**	**(37)**	(94)	–	(94)
Loss on sale of property	**–**	**–**	**–**	(86)	–	(86)
Segment profit/(loss)	**1,534**	**(63)**	**1,471**	2,640	(71)	2,569
Central costs not allocated to segments:						
Finance income			**14**			33
Finance costs			**(569)**			(1,175)
Profit before taxation			**916**			1,427
Income tax (expense) / credit			**(220)**			2
Consolidated profit for the financial period/year			**696**			1,429

2012/2013	Self-storage six months ended 31 January 2013 £'000	Serviced archive and records management six months ended 31 January 2013 £'000	Total six months ended 31 January 2013 £'000	Self-storage year ended 31 July 2012 £'000	Serviced archive and records management year ended 31 July 2012 £'000	Total year ended 31 July 2012 £'000
Revenue from external customers	5,618	932	6,550	10,774	1,991	12,765
Adjusted EBITDA	1,935	168	2,103	3,500	474	3,974
Management charges	50	(50)	–	185	(185)	—
Segment adjusted EBITDA	1,985	118	2,103	3,685	289	3,974
Depreciation	(568)	(51)	(619)	(1,498)	(79)	(1,577)
Amortisation of intangible assets	–	(83)	(83)	–	(165)	(165)
Loss on disposal – motor vehicles	(7)	(7)	(14)	(4)	–	(4)
Equity settled share based payments	(46)	–	(46)	(92)	–	(92)
Segment profit/(loss)	1,364	(23)	1,341	2,091	45	2,136
Central costs not allocated to segments:						
Professional fees – management contract set-up			–			(196)
Finance income			16			15
Finance costs			(586)			(1,029)
Profit before taxation			771			926
Income tax expense			(270)			(155)
Consolidated profit for the financial period/year			501			771

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 300 customers has a greater customer concentration with its ten largest corporate customers accounting for 32.9% of revenue its top 50 accounting for 64.2% and its top 100 accounting for 80.9% of revenue. The self-storage segment with over 6,700 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.

2013/2014	Self-storage six months ended 31 January 2014 £'000	Serviced archive & records management six months ended 31 January 2014 £'000	Total six months ended 31 January 2014 £'000	Self-storage year ended 31 July 2013 £'000	Serviced archive & records management year ended 31 July 2013 £'000	Total year ended 31 July 2013 £'000
Total assets	**76,892**	**5,708**	**82,600**	75,930	5,643	81,573
Segment liabilities	**(12,908)**	**(1,350)**	**(14,258)**	(13,578)	(925)	(14,503)
Borrowings (not allocated to segment liabilities)			**(27,393)**			(26,427)
Derivative financial instruments (not allocated to segment liabilities)			**(57)**			(271)
Total liabilities			**(41,708)**			(41,201)
Capital expenditure	**3,195**	**181**	**3,376**	1,412	362	1,774

2012/2013	Self-storage six months ended 31 January 2013 £'000	Serviced archive & records management six months ended 31 January 2013 £'000	Total six months ended 31 January 2013 £'000	Self-storage year ended 31 July 2012 £'000	Serviced archive & records management year ended 31 July 2012 £'000	Total year ended 31 July 2012 £'000
Total assets	77,160	5,649	82,809	77,065	5,794	82,859
Segment liabilities	(13,339)	(970)	(14,309)	(13,089)	(1,068)	(14,157)
(not allocated to segment liabilities)			(29,268)			(29,245)
Derivative financial instruments (not allocated to segment liabilities)			(302)			(496)
Total liabilities			(43,879)			(43,898)
Capital expenditure	91	30	121	1,700	374	2,074

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 Cost of sales of retail products

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

	Six months ended 31 January 2014 Unaudited £'000	Six months ended 31 January 2013 Unaudited £'000	Year ended 31 July 2013 Audited £'000
Retail	**67**	49	104
Insurance	**27**	16	27
Van hire	**22**	12	22
Other	**30**	1	5
	146	78	158
Serviced archive consumables and direct costs	**45**	46	108
	191	124	266

Notes to the Financial Statements

For the six months ended 31 January 2014

2b Property, staff, distribution and general costs

	Six months ended 31 January 2014 Unaudited £'000	Six months ended 31 January 2013 Unaudited £'000	Year ended 31 July 2013 Audited £ '000
Property and premises costs	1,829	1,924	3,733
Staff costs	1,870	1,759	3,538
General overheads	552	552	1,128
Distribution costs	93	88	173
Retail products cost of sales	191	124	266
	4,535	4,447	8,838

2c Other costs

	Six months ended 31 January 2014 Unaudited £'000	Six months ended 31 January 2013 Unaudited £'000	Year ended 31 July 2013 Audited £'000
Loss on sale of Ashford store	–	–	86

3 Finance income

	Six months ended 31 January 2014 Unaudited £'000	Six months ended 31 January 2013 Unaudited £'000	Year ended 31 July 2013 Audited £'000
Bank interest	14	16	33

All interest receivable arises on cash and cash equivalents.

4 Finance costs

	Six months ended 31 January 2014 Unaudited £'000	Six months ended 31 January 2013 Unaudited £'000	Year ended 31 July 2013 Audited £'000
Bank interest	454	496	962
Non-utilisation fees and amortisation of bank loan arrangement fees	114	86	207
Hire Purchase and other interest	1	4	6
	569	586	1,175

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

5 Profit before taxation

	Six months ended 31 January 2014 Unaudited £'000	Six months ended 31 January 2013 Unaudited £'000	Year ended 31 July 2013 Audited £'000
Profit before taxation is stated after charging:			
Depreciation and amounts written off property, plant and equipment:			
– owned assets	580	614	1,198
– assets held under finance leases and hire purchase	–	5	6
Amortisation of intangible assets	83	83	166
Operating lease rentals – land and buildings	779	809	1,619

6 Taxation

	Six months ended 31 January 2014 Unaudited £'000	Six months ended 31 January 2013 Unaudited £'000	Year ended 31 July 2013 Audited £'000
Current tax:			
UK corporation tax at 22.4% (2013: 24%)	206	–	–
Deferred tax:			
Origination and reversal of temporary differences	14	268	402
Impact of change in tax rate on closing balance	–	–	(525)
Adjustments in respect of prior periods	–	2	121
Total deferred tax charge/(credit)	14	270	(2)
Income tax expense/(credit) for the period/year	220	270	(2)

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

	Six months ended 31 January 2014 Unaudited £'000	Six months ended 31 January 2013 Unaudited £'000	Year ended 31 July 2013 Audited £'000
Profit before tax	916	771	1.426
Tax on ordinary activities at the standard rate of corporation tax in the UK of 22.4% (2013: 24%)	205	177	342
Expenses not deductible for tax purposes	2	3	4
Depreciation of non-qualifying assets	21	66	35
Share based payment charges in excess of corresponding tax deduction	8	11	22
Impact of change in tax rate	–	–	(525)
Amounts not recognised in deferred tax	(16)	11	–
Adjustments in respect of prior periods – deferred tax	–	2	121
Other	–	–	(1)
Income tax expense / (credit) for the period/year	220	270	(2)
Effective tax rate	24%	35%	-%

The UK's main rate of corporation tax reduced to 21% from 1 April 2014. The effective rate for this period is 24%. In addition to the amount charged to profit or loss for the period, deferred tax relating to the revaluation of the Group's properties of £72,916 (31.1.2013: £81,347) and the fair value of cash flow hedges of (£47,963) (31.1.2013: £44,601) has been recognised directly in other comprehensive income (see note 16 on deferred tax).

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For the six months ended 31 January 2014

7 Dividends

	Six months ended 31 January 2014 Unaudited £'000	Six months ended 31 January 2013 Unaudited £'000	Year ended 31 July 2013 Audited £'000
Amounts recognised as distributions to equity holders in the year:			
Final dividend for the year ended 31 July 2012 (4.0 pence per share)	–	–	1,000
Interim dividend for the six months to 31 January 2013 (1.67 pence per share)	–	–	399
Final dividend for the year ended 31 July 2013 (4.33 pence per share)	**1,052**	1,000	–
	1,052	1,000	1,399

In respect of the current year the Directors propose that an interim dividend of 2 pence per share will be paid to the shareholders. The total estimated dividend to be paid is £489,781 based on the number of shares currently in issue as adjusted for shares held in the Employee Benefits Trust and for shares held on treasury. This interim dividend is an on-account payment of a final annual dividend and is ultimately subject to approval by shareholders at the 2014 Annual General Meeting and has not been included as a liability in these financial statements. The ex-dividend date will be 7 May 2014; the record date 9 May 2014; with an intended payment date of 16 June 2014.

8 Earnings per share

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

	Six months ended 31 January 2014 Unaudited £'000	Six months ended 31 January 2013 Unaudited £'000	Year ended 31 July 2013 Audited £'000
Profit for the financial period attributable to owners of the parent	**696**	491	1,421

	No. of shares	No. of shares	No. of shares
Weighted average number of shares			
For basic earnings per share	**24,228,587**	24,993,653	24,700,318
Dilutive effect of share options*	**561,021**	231,735	147,825
For diluted earnings per share	**24,789,608**	25,225,338	24,848,143

623,212 (31.01.2013: 623,212) shares are held in the Employee Benefit Trust and 2,466,869 (31.01.2013: 1,142,000) shares are held in Treasury. Both are excluded from the above calculation.

*Further options that could potentially dilute EPS in the future are excluded from the above because they are not dilutive in the periods presented. Details of share options are included in note 18.

	Six months ended 31 January 2014 Unaudited £'000	Six months ended 31 January 2013 Unaudited £'000	Year ended 31 July 2013 Audited £'000
Earnings per share			
Basic	**2.87p**	1.96p	5.75p
Diluted	**2.81p**	1.95p	5.72p

9a Intangible assets

Group	Goodwill £'000	Contractual customer relationships £'000	Total £'000
Cost at 1 August 2012	1,110	3,143	4,253
Amortisation charge	–	(83)	(83)
Cost at 31 January 2013	1,110	3,060	4,170
Amortisation charge	–	(83)	(83)
Cost at 1 August 2013	1,110	2,977	4,087
Amortisation charge	–	(83)	(83)
Cost and net book value at 31 January 2014	**1,110**	**2,894**	**4,004**

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

The remaining amortisation period of the contractual customer relationships at 31 January 2014 is 16 years and 11 months (31.1.2013: 17 years 11 months).

9b Property, plant and equipment

Group	Development property assets at cost £'000	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
Net book value at 31 July 2012	8,670	51,868	1,094	7,719	118	69,470
Net book value at 31 Jan 2013	8,671	51,964	1,080	7,503	71	69,289
Net book value at 31 July 2013	8,716	50,774	1,035	7,293	68	67,886
Cost or valuation						
1 August 2013	**8,717**	**50,774**	**2,544**	**16,148**	**145**	**78,328**
Additions	1,312	7	–	251	–	1,570
Disposals	–	–	–	–	(53)	(53)
Revaluations	–	80	–	–	–	80
31 January 2014	10,029	50,861	2,544	16,399	92	79,925
Depreciation						
1 August 2013	**–**	**–**	**1,509**	**8,855**	**77**	**10,441**
Depreciation	–	245	45	283	7	580
Disposals	–	–	–	–	(36)	(36)
Revaluations		(245)	–	–	–	(245)
31 January 2014	–	–	1,554	9,138	48	10,740
Net book value at 31 January 2014	**10,029**	**50,861**	**990**	**7,261**	**44**	**69,185**

If all property, plant and equipment were stated at historic cost the carrying value would be £45.4 million (31.1.2013: £45.2 million).

Capital expenditure during the period totalled £1.6 million (31.1.2013: £0.12 million). £1.4 million related to the purchase of a site in Bristol and development works to Reading. A further £181,000 of expenditure on warehouse racking, warehouse equipment and computer equipment related to the document storage business.

Property, plant and equipment (non-current assets) with a carrying value of £69.2 million (31.1.2013: £69.3 million) are pledged as security for bank loans (see note 15a). The Maidenhead property (see note 9c) is also pledged as security for the bank loans.

The net book value of assets held under finance leases at 31 Jan 2014 was £nil (31.1.2013: £47,477).

Market Valuation of Freehold and Operating Leasehold Land and Buildings

Following the comprehensive external valuation at 31 July 2013 by Cushman and Wakefield (C&W), the freehold and leasehold properties have not been externally valued at 31 January 2014, although in accordance with the Group's established policy it is the intention to do so at the year end at 31 July 2014.

Although the Board did not commission an external valuation at this interim period end it is mindful of the need to accord with the measurement principles of International Financial Reporting Standards as adopted by the European Union. Accordingly after consultation with our external valuers, the Directors considered that there had not been a material movement in market yields and therefore no market yield shift assumption has been applied at 31 January 2014 to our properties externally valued at 31 July 2013. The Directors therefore consider that it is appropriate to maintain the portfolio's external valuation without modification.

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9c Property lease premiums and related development costs

£4.6 million of costs relating to the long lease at Maidenhead is classified as a non-current asset in the statement of financial position (31.1.2013: £3.5 million). This represents a lease premium paid on entering the lease and other related costs and subsequent development costs. The lease runs until 31 March 2076. A peppercorn rent is payable until 2027 and a market ground rent thereafter.

Group	**Six months 31 January 2014 Unaudited £'000**	Six months 31 January 2013 Unaudited £'000	Year 31 July 2013 Audited £'000
Balance 1 February/1 August	**2,801**	3,180	3,180
Additions during the period/year	**1,806**	282	1,171
Disposals during the period/year	**–**	–	(1,550)
Balance 31 January/31 July	**4,607**	3,462	2,801

10 Investments

The Group holds either directly or indirectly more than 20% of the share capital of the following companies, all of which are incorporated in England and Wales:

	Class of shareholding	% of shares and voting rights held: Directly	% of shares and voting rights held: Indirectly	Nature of entity
Lok'nStore Limited	Ordinary	100	–	Self-storage
Lok'nStore Trustee Limited*	Ordinary	–	100	Trustee
Southern Engineering and Machinery Company Limited	Ordinary	100	–	Land
Semco Machine Tools Limited**	Ordinary	–	100	Dormant
Semco Engineering Limited**	Ordinary	–	100	Dormant
Saracen Datastore Limited*	Ordinary	–	100	Records Management & Serviced Archive Services

*These companies are subsidiaries of Lok'nStore Limited

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

The Company currently has no plans to dispose of these investments.

11 Inventories

	31 January 2014 £'000	31 January 2013 £'000	31 July 2013 £'000
Consumables and goods for resale	**150**	158	138

The amount of inventories recognised as an expense during the period was £91,257 (31.1.2013: £82,197).

12 Trade and other receivables

	31 January 2014 £'000	31 January 2013 £'000	31 July 2013 £'000
Trade receivables	**939**	1,212	1,249
Other receivables	**965**	484	733
Prepayments and accrued income	**485**	498	435
	2,389	2,194	2,417

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

13 Trade and other payables

	31 January 2014 £'000	31 January 2013 £'000	31 July 2013 £'000
Trade payables	**826**	413	1,256
Taxation and social security costs	**121**	502	434
Other payables	**971**	921	912
Accruals and deferred income	**2,295**	2,004	2,196
	4,213	3,840	4,798

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

14 Capital management and gearing

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debts, which includes the borrowings disclosed in note 15a, 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 period.

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:

	31 January 2014 £'000	31 January 2013 £'000	31 July 2013 £'000
Debt	**(27,701)**	(29,691)	(26,786)
Cash and cash equivalents	**2,264**	3,536	4,244
Net debt	**(25,437)**	(26,155)	(22,542)
Statement of financial position equity	**40,892**	38,930	40,372
Net debt to equity ratio	**62.2%**	67.2%	55.8%

The modest increase in the Group's gearing ratio compared to 31 July 2013 arises through the combined effect of an increase in net debt arising from the purchase of the Bristol site and other development expenditure at the Maidenhead and Reading sites. Cash generated from operations partially offset the effect.

Notes to the Financial Statements
For the six months ended 31 January 2014

15a Borrowings

	31 January 2014 £'000	31 January 2013 £'000	31 July 2013 £'000
Non-current			
Bank loans repayable in more than two years but not more than five years			
Gross	27,701	29,682	26,781
Deferred financing costs	(308)	(423)	(359)
Net bank borrowings	27,393	29,259	26,422
Finance lease liabilities	–	–	–
Non-current borrowings	27,393	29,259	26,422
Current			
Bank loans repayable in less than one year	–	–	–
Finance lease liabilities	–	9	5
Current borrowings	–	9	5
Total borrowings	27,393	29,268	26,427

The £40 million revolving credit facility with Lloyds Bank plc is secured by legal charges and debentures over the freehold and leasehold properties and other assets of the business with a net book value of £82.6 million (31.1.2013 £82.8) together with cross-company guarantees from Group companies. The revolving credit facility is for a five-year term and expires on 19 October 2016. The Group is not obliged to make any repayments prior to expiration. The loans bear interest at the London Inter-Bank Offer Rate (LIBOR) plus 2.35%–2.65% Lloyds TSB plc margin based on a loan to value covenant test while the interest cover and loan to value covenants are broadly in line with the previous facility.

15b Derivative financial instruments

The Group entered into a £10 million interest rate swap as a cash flow hedge with Lloyds Bank plc effective from 31 May 2012 at a fixed 1 month sterling LIBOR rate of 1.2%. The Group entered into a second £10 million interest rate swap with Lloyds TSB Bank plc also effective from 31 May 2012 at a fixed one-month sterling LIBOR rate of 1.15%. Both swaps run up to the expiration of the current banking facility in October 2016. The balance of the drawn facility of £7.7 million remains at a floating rate.

					Fair Value		
		Currency	Principal £'000	Maturity date	31 January 2014 £'000	31 January 2013 £'000	31 July 2013 £'000
3032816LS	Interest rate swap	GBP	10,000,000	20/10/2016	(35)	(160)	(143)
3047549LS	Interest rate swap	GBP	10,000,000	20/10/2016	(21)	(142)	(128)
			20,000,000		(56)	(302)	(271)

The movement in fair value of the interest rate swaps during the period of £214,324 has been recognised in other comprehensive income in the period.

16 Deferred tax

Deferred tax liability	31 January 2014 £'000	31 January 2013 £'000	31 July 2013 £'000
Liability at start of period/year	9,705	10,073	10,073
Charge to income for the year	14	270	(2)
Tax charged/(credited) directly to other comprehensive income	121	126	(366)
Liability at end of year	9,840	10,469	9,705

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

	Accelerated Capital Allowances £'000	Tax losses £'000	Intangible assets £'000	Other temporary differences £'000	Revaluation of properties £'000	Rolled over gain on disposal £'000	Total £'000
At 1 August 2012	**1,434**	**(232)**	**723**	**(92)**	**6,147**	**2,093**	**10,073**
Charge/ (credit) to income for the period	167	97	(19)	–	25	–	270
Charge / (credit) to other comprehensive income	–	–	–	45	81	–	126
At 31 January 2013	**1,601**	**(135)**	**704**	**(47)**	**6,253**	**2,093**	**10,469**
Charge/ (credit) to income for the period	(526)	129	(108)	(3)	496	(260)	(272)
Charge / (credit) to other comprehensive income	–	–	–	15	(507)	–	(492)
At 1 August 2013	**1,075**	**(6)**	**596**	**(35)**	**6,242**	**1,833**	**9,705**
Charge/ (credit) to income for the period	57	6	(17)	(5)	(28)	–	14
Charge to other comprehensive income	–	–	–	48	(163)	236	121
At 31 January 2014	**1,132**	**–**	**579**	**8**	**6,051**	**2,069**	**9,840**

At the reporting date, the Group has unused revenue tax losses of approximately £0.1 million (31.1.2013: £0.9 million) available to carry forward against future profits of the same trade. The losses can be carried forward indefinitely. Since almost all of the Group's tax losses have now been utilised with de minimis tax losses available to carry forward for offset against future profits the Group will therefore pay tax on the majority of its earnings this year and has made a tax provision in this period of £206,597.

A potential deferred tax asset of £178,466 (31.1.2013: £65,534) arises in respect of the share options in existence at 31 January 2014 but has not been recognised in the accounts. No deferred tax asset arises in relation to the remainder of the share options as at 31 January 2014 as the share price at the year-end is below the exercise price of the options.

The UK's main rate of corporation tax is expected to reduce to 23% from 1 April 2014 with a further reduction to 22% from 1 April 2015. Due to the difficulty of predicting the amount of capital expenditure over this period, it is not possible to accurately quantify the effect of the rate change on the deferred tax position over this period.

17 Share capital

	31 January 2014 £'000	31 January 2013 £'000	31 July 2013 £'000
Authorised:			
35,000,000 ordinary shares of 1 pence each	**350**	350	350

	Called up,allotted and fully paid Number	Called up,allotted and fully paid Number	Called up,allotted and fully paid Number
Number of shares at start of period/year	**27,141,193**	26,758,865	26,758,865
Options exercised during period/year	**372,756**	–	382,328
Balance at end of period/year	**27,513,949**	26,758,865	27,141,193

Allotted, issued and fully paid ordinary shares	**£'000**	£'000	£'000
Balance at start of period/year	**272**	268	268
Options exercised during period/year	**3**	–	4
Balance at end of period/year	**275**	268	272

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

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18 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:

2014 Summary	As at 31 July 2013	Granted	Exercised	Lapsed/ surrendered	**As at 31 January 2014**
Enterprise Management Initiative Scheme	163,368	–	(85,540)	–	**77,828**
Unapproved Share Options	2,156,583	315,000	(241,716)	–	**2,229,867**
Approved CSOP Share Options	233,775	–	(45,500)	–	**188,275**
Total	2,553,726	315,000	(372,756)	–	**2,495,970**
Options held by Directors	1,720,672	175,000	(129,202)	–	**1,766,470**
Options not held by Directors	833,054	140,000	(243,554)	–	**729,500**
Total	2,553,726	315,000	(372,756)	–	**2,495,970**

2013 Summary	As at 31 January 2013	Granted	Exercised	Lapsed/ surrendered	**As at 31 July 2013**
Enterprise Management Initiative Scheme	349,166	–	(185,798)	–	**163,368**
Unapproved Share Options	2,366,175	408	(135,000)	(75,000)	**2,156,583**
Approved CSOP Share Options	278,713	23,592	(61,530)	(7,000)	**233,775**
Total	2,994,054	24,000	(382,328)	(82,000)	**2,553,726**
Options held by Directors	2,005,000	–	(284,328)	–	**1,720,672**
Options not held by Directors	989,054	24,000	(98,000)	(82,000)	**833,054**
Total	2,994,054	24,000	(382,328)	(82,000)	**2,553,726**

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

	EMI Scheme	Unapproved Scheme	Approved CSOP share options	Total
31 January 2014				
Executive Directors				
A Jacobs	–	500,000	–	**500,000**
SG Thomas	–	400,000	–	**400,000**
RA Davies	–	546,470	–	**546,470**
CM Jacobs	31,414	238,841	24,745	**295,000**
Non-Executive Directors				
ETD Luker	–	15,000	–	**15,000**
C P Peal	–	10,000	–	**10,000**
	31,414	1,710,311	24,745	**1,766,470**

The grant of options to Executive Directors and senior management is recommended by the Remuneration Committee on the basis of their contribution to the Group's success. The options vest after three years. No options have been granted under the EMI approved scheme in the period (31.01.2013: Nil).

The total charge for the year relating to employer share-based payment schemes was £36,939 (31.1.2013: £45,748), all of which relates to equity-settled share-based payment transactions.

19 Other reserves

Group	Cash flow hedge reserve £'000	Merger reserve £'000	Other distributable reserve £'000	Capital redemption reserve £'000	Share-based payment reserve £'000	Total £'000
1 August 2012	**(382)**	**6,295**	**4,236**	**34**	**1,468**	**11,651**
Equity share based payments (options)	–	–	–	–	46	46
Cash flow hedge reserve net of tax	149	–	–	–	–	149
Dividend paid	–	–	(1,000)	–	–	(1,000)
31 January 2013	**(233)**	**6,295**	**3,236**	**34**	**1,514**	**10,846**
Equity share based payments (options)	–	–	–	–	48	48
Cash flow hedge reserve net of tax	16	–	–	–	–	16
Dividend paid	–	–	(399)	–	–	(399)
1 August 2013	**(217)**	**6,295**	**2,837**	**34**	**1,562**	**10,511**
Equity share based payments (options)	–	–	–	–	37	37
Cash flow hedge reserve net of tax	166	–	–	–	–	166
Dividend paid	–	–	(1,052)	–	–	(1,052)
31 January 2014	**(51)**	**6,295**	**1,785**	**34**	**1,599**	**9,662**

The merger reserve represents the excess of the nominal value of the shares issued by Lok'nStore Group plc over the nominal value of the share capital and share premium of Lok'nStore Limited as at 31 July 2001. The other distributable reserve and the capital redemption reserve arose in the year ended 31 July 2004 from the purchase of the Company's own shares and a cancellation of share premium.

20 Retained earnings

Group	Retained earnings before deduction of own shares £'000	Own shares (note 21) £'000	Retained earnings Total £'000
1 August 2012	**8,138**	**(2,593)**	**5,545**
Profit attributable to owners of Parent for the financial period	491	–	491
Transfer from revaluation reserve	109	–	109
31 January 2013	**8,738**	**(2,593)**	**6,145**
Profit attributable to owners of Parent for the financial period	930	–	930
Transfer from revaluation reserve	83	–	83
Asset Disposal	1,121	–	1,121
Purchase of shares for treasury	–	(1,648)	(1,648)
1 August 2013	**10,872**	**(4,241)**	**6,631**
Profit attributable to owners of Parent for the financial period	696	–	696
Transfer from non-controlling interest	280	–	280
Transfer from revaluation reserve	100	–	100
31 January 2014	**11,948**	**(4,241)**	**7,707**

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.

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21 Own shares

	ESOP shares Number	ESOP shares £'000	Treasury shares Number	Treasury shares £'000	Own shares total £'000
1 August 2012	623,212	500	1,142,000	2,093	2,593
31 January 2013	623,212	500	1,142,000	2,093	2,593
Purchase of shares in the year	–	–	1,324,869	1,648	1,648
1 August 2013	623,212	500	2,466,869	3,741	4,241
31 January 2014	**623,212**	**500**	**2,466,869**	**3,741**	**4,241**

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 8.97% 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 January 2014, the Trust held 623,212 (31.1.2013: 623,212) ordinary shares of 1 pence each with a market value of £1,237,076 (31.1.2013: £722,926). No shares were transferred out of the scheme during the year (2013: nil).

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

22 Cash flows

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

	Six months ended 31 January 2014 Unaudited £'000	Six months ended 31 January 2013 Unaudited £'000	Year ended 31 July 2013 Audited £'000
Profit before tax	**916**	771	1,426
Depreciation	**580**	619	1,204
Amortisation of intangible assets	**83**	83	165
Loss on disposal of freehold property	**–**	–	86
Equity settled share based payments	**37**	46	94
Loss on sale of motor vehicles	**9**	14	18
Interest receivable	**(14)**	(16)	(33)
Interest payable	**569**	586	1,175
(Increase) / decrease in inventories	**(12)**	(18)	2
Decrease / (increase) in receivables	**28**	(339)	(562)
(Decrease) / increase in payables	**(590)**	(261)	711
Cash generated from operations	**1,606**	1,485	4,286

(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 15a less cash and cash equivalents.

	Six months ended 31 January 2014 Unaudited £'000	Six months ended 31 January 2013 Unaudited £'000	Year ended 31 July 2013 Audited £'000
(Decrease)/ increase in cash in the period/year	**(1,979)**	(425)	283
Change in net debt resulting from cash flows	**(916)**	17	2,922
Movement in net debt in period	**(2,895)**	(408)	3,205
Net debt brought forward	**(22,542)**	(25,747)	(25,747)
Net debt carried forward	**(25,437)**	(26,155)	(22,542)

23 Commitments under operating leases

At 31 January 2014 the total future minimum lease payments under non-cancellable operating leases were as follows:

The Group as a lessee:

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

	Six months ended 31 January 2014 Unaudited £'000	Six months ended 31 January 2013 Unaudited £'000	Year ended 31 July 2013 Audited £'000
Land and buildings			
Amounts due:			
Within one year	**1,515**	1,544	1,515
Between two and five years	**5,592**	5,735	5,592
After five years	**9,262**	10,266	10,023
	16,369	17,545	17,130

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

24 Events after the reporting date

There were no reportable events occurring up to the reporting date.

25a) Capital commitments and guarantees

The Group has capital expenditure contracted but not provided for in the financial statements of £2.7 million (31.1.2013: £2.6 million) relating to the £2.5 million development commitment at Aldershot, the balance of retention at Maidenhead and various other minor works.

25b) Bank borrowings

The Company has guaranteed the bank borrowings of Lok'nStore Limited. As at the period-end, that company had gross bank borrowings of £27.7 million (31.1.2013: £29.7 million).

25c) Contingent Liability – Value added tax

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

Current Dealings with HMRC

On 25 February 2008, HMRC determined that it was appropriate to raise an initial assessment in the amount of £140,903 in respect of Lok'nStore's partial exemption calculations, under the Standard Partial Exemption Method ("standard method") for the VAT periods April 2005 through April 2007. Lok'nStore rejected the basis of this assessment and has advanced a number of other proposals and arguments in a bid to resolve this dispute. Following the formal rejection of the various proposals which were submitted for a PESM, a local review of the decision was requested which upheld the rejection of a PESM. This decision was appealed by Lok'nStore to the Tax Tribunal in September 2009. Counsel also confirmed that Lok'nStore should carry out a Standard Method Override Calculation ("SMO") and that this should be calculated on the same basis as the proposed mixed floor space and values based method.

Position at Period End

The First Tier Tribunal Hearing (FTT) took place in July 2012 to consider the matter and judgement was received in September in favour of Lok'nStore. The Judge found that while there was some link between overhead costs and the cost of insurance there was not a significant link and concluded that the standard method was not a fair proxy for use and went to find that our proposed method gave a more accurate proxy for use and should be accepted.

HMRC were allowed leave to appeal to the Upper Tribunal (UT) in respect of the First Tier Tribunal Judgement. The Upper Tribunal Hearing took place in December 2013 to consider the matter and judgement remains outstanding at the date of this Report.

It is appropriate, as in previous periods, to update on the range of outcomes, on a worst case scenario, the overall liability in relation to input tax claimed up to the end of January 2014 which may become repayable to HMRC under Protective Assessment arrangements in force totals £351,442 (31.1.2013: £219,867) based on the standard method restriction. Of this £146,780 (31.1.2013: £113,300) relates to capital expenditure inputs and £204,663 (31.1.2013: £106,567) relates to income statement items. Interest would be added to both totals. Alternatively, if our floor-based special method is unchallenged by HMRC, this will give a restriction of less that 0.1%, in which case the total amount of VAT (plus interest) to be assessed by HMRC would on the figures above give a de minimis result.

It remains the Group's position to continue to report the position as a contingent liability until such time as HMRC's appeal is determined. However while that outcome at present remains uncertain it is not considered that any material provision is necessary.

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