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Application has been made for the Ordinary Shares to be admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM"). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk than that associated with established companies tends to be attached. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and consultation with his or her own independent financial adviser.

The rules of AIM are less demanding than those of the Official List of the UK Listing Authority (the "Official List"). It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. Further, the London Stock Exchange has not itself approved the contents of this document. The Lok'n Store Ordinary Shares are currently traded on OFEX, an unregulated trading facility for share dealing in unquoted companies which is operated by J.P. Jenkins Limited. Use of this trading facility by Lok'n Store will cease upon admission of the Ordinary Shares to trading on AIM.

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# **LOK'N STORE GROUP PLC**

*(Incorporated in England and Wales under the Companies Act 1985 with Registered No. 4007169)*

## **Admission to trading on the Alternative Investment Market of the whole of the issued and to be issued ordinary share capital**

### **Nominated Adviser and Nominated Broker Old Mutual Securities**

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The Directors of Lok'n Store Group plc, whose names appear on page 4 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the rules set out in Chapter 16 of the Rules of the London Stock Exchange. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts, and does not omit anything likely to affect the import of such information.

Old Mutual Securities, which is regulated by The Securities and Futures Authority Limited, is acting exclusively for Lok'n Store Group plc and no one else in connection with the matters described herein and will not be responsible to anyone other than Lok'n Store Group plc for providing the protections afforded to customers of Old Mutual Securities or for advising any other person on the contents of this document or any matter referred to herein. Old Mutual Securities is the nominated adviser and the nominated broker to Lok'n Store Group plc for the purposes of the AIM Rules. Under the AIM Rules, the nominated adviser has certain responsibilities to the London Stock Exchange which are less onerous than the responsibilities of a sponsor of a company applying for its securities to be admitted to the Official List. In accordance with the AIM Rules, Old Mutual Securities has confirmed to the London Stock Exchange that it has satisfied itself that the Directors have received advice and guidance as to the nature of their responsibilities and obligations to ensure compliance by Lok'n Store Group plc with the AIM Rules and that, in its opinion and to the best of its knowledge and belief, all relevant requirements of the AIM Rules have been complied with. In giving its confirmation to the London Stock Exchange, Old Mutual Securities has not made its own enquiries except as to matters which have come to its attention and which it considers necessary to satisfy itself. No liability whatsoever is accepted by Old Mutual Securities for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which Lok'n Store Group plc and its directors are solely responsible.

Copies of this document will be available during normal business hours on any day (except Saturdays, Sundays and public holidays) free of charge to the public at the offices of Brough Skerrett, 99 Charterhouse Street, London, EC1M 6NQ for 14 days from the date of Admission.

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## DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise.

|                                |   |
|--------------------------------|---|
| “Act”                          | the Companies Act 1985 (as amended)   |
| “Admission”                    | the admission of the Ordinary Shares to trading on AIM in accordance with paragraph 16.6 of the AIM Rules becoming effective  |
| “AIM”                          | the Alternative Investment Market of the London Stock Exchange  |
| “AIM Rules”                    | the rules set out in chapters 16 and 17 of the Rules of the London Stock Exchange governing admission to trading on and the operation of AIM  |
| “Articles”                     | the articles of association of the Company adopted on the date of incorporation of the Company, a summary of which is set out in paragraph 2 of Part III of this document   |
| “Board” or “Directors”         | the directors of the Company whose names are set out on page 4 of this document   |
| “Company”                      | Lok’n Store Group plc   |
| “Combined Group”               | the Company as enlarged by the acquisition of Lok’n Store and its subsidiaries (if any) from time to time, following the Offer becoming unconditional in all respects   |
| “CREST”                        | the relevant system (as defined in the Uncertificated Securities Regulations 1995) in respect of which CRESTCo Limited is the operator and in accordance with which securities may be held and transferred in uncertificated form |
| “Lok’n Store”                  | Lok’n Store Limited   |
| “Lok’n Store Ordinary Shares”  | ordinary shares of 0.01p each in the capital of Lok’n Store   |
| “London Stock Exchange”        | London Stock Exchange Limited   |
| “OFEX”                         | the off-exchange share matching and trading facility established by JP Jenkins Limited to enable London Stock Exchange member firms to deal in securities of unlisted and unquoted companies                                      |
| “Offer”                        | the recommended offer dated today made by Old Mutual Securities on behalf of the Company for all the issued and to be issued share capital of Lok’n Store   |
| “Old Mutual Securities”        | Old Mutual Securities, a division of Old Mutual Securities Limited  |
| “Ordinary Shares”              | ordinary shares of 1p each in the capital of the Company  |
| “POS Regulations”              | the Public Offers of Securities Regulations 1995 (SI 1995/1537)   |
| “Shareholder(s)”               | holder(s) of Ordinary Shares  |
| “Share Option Scheme”          | the Lok’n Store Group plc company Share Option Plan, a summary of which is set out in paragraph 5 of Part III of this document  |
| “Taxes Act”                    | Income and Corporation Taxes Act 1988   |
| “UK”                           | the United Kingdom  |
| “US”, “USA” or “United States” | the United States of America, its territories and possessions, any state of the United States and the District of Columbia  |

## **DIRECTORS, SECRETARY AND ADVISERS**

### **Directors**

Simon Griffith Thomas (*Executive Chairman*)  
Richard John Holmes (*Non-executive Director*)  
Andrew Jacobs (*Chief Executive*)  
Colin Michael Jacobs (*Executive Director*)  
Martin O'Grady (*Non-executive Director*)  
Paul Graham Read (*Non-executive Director*)

all of:  
99 Charterhouse Street  
London  
EC1M 6NQ

### **Company Secretary and Registered Office**

B.S. Secretarial Limited  
99 Charterhouse Street  
London EC1M 6NQ

### **Nominated Adviser and Nominated Broker**

Old Mutual Securities  
80 Cheapside  
London EC2V 6NA

### **Solicitors to the Company**

Brough Skerrett  
The City Law Partnership  
99 Charterhouse Street  
London EC1M 6NQ

### **Solicitors to Old Mutual Securities**

Travers Smith Braithwaite  
10 Snow Hill  
London EC1A 2AL

### **Auditors**

Baker Tilly  
2 Bloomsbury Street  
London WC1B 3ST

### **Registrars**

Connaught St. Michaels Limited  
PO Box 30  
Cresta House  
Alma Street  
Luton  
Bedfordshire LU1 2PU

## PART I

### INFORMATION ON THE COMBINED GROUP

#### Introduction

The Combined Group operates a self-storage business from eleven sites in Basingstoke, Fareham, Horsham, Kingston, Poole, Portsmouth, Reading, Southampton, Staines, Swindon and Woking. The business consists of buying, leasing or building large warehouses or industrial buildings, sub-dividing the space and allowing customers to occupy the units created on licences for periods of 1 week upwards.

The Lok'n Store Ordinary Shares have been traded on OFEX since 24 June 1997. The Directors are of the view that the business and corporate structures of the Combined Group are now appropriate for the Company to progress to AIM by way of introduction. The Directors believe that this will increase the liquidity in and demand for the Ordinary Shares and is in the best interests of the Company and Shareholders as a whole.

#### History and Background

Lok'n Store was an early entrant into the relatively underdeveloped market of self-storage in the UK and has now established itself as a prime player in this fast expanding market. Lok'n Store was founded in February 1994 and commenced business in self-storage in February 1995 when it opened its first centre in Horsham. This freehold centre provides 33,000 sq ft of lettable storage space. This was followed in April by the opening of the slightly smaller Staines centre which was leased from the Commercial Union. Even at this early stage centres were becoming cash flow neutral within 12 months and Lok'n Store, with its strong focus on cash generation, has improved on this performance with subsequent centre openings.

The Staines centre was followed by the freehold Kingston centre in November 1996 which is of similar size to Horsham and which also houses the head office facilities and in March 1997 the relatively small freehold centre at Woking was opened.

Subsequently the pace of development has accelerated with a large leasehold centre at Reading being opened in October 1997 followed by another large freehold centre at Basingstoke in December 1997. Since this time centres have been opened in Portsmouth, Southampton, Poole and Swindon. Fareham is to open shortly. The result is that Lok'n Store now has just under 440,000 sq ft of lettable space available. The operational centres are summarised below:

| <i>Property</i> |           | <i>Opening date</i> | <i>Rental '000 sq ft</i> |
|-----------------|-----------|---------------------|--------------------------|
| Horsham         | Freehold  | February 1995       | 33.0                     |
| Staines         | Leasehold | April 1995          | 20.6                     |
| Kingston        | Freehold  | November 1996       | 33.1                     |
| Woking          | Freehold  | March 1997          | 18.0                     |
| Reading         | Leasehold | October 1997        | 36.1                     |
| Basingstoke     | Freehold  | December 1997       | 32.3                     |
| Portsmouth      | Leasehold | March 1999          | 34.8                     |
| Southampton     | Freehold  | June 1999           | 100.0                    |
| Poole           | Leasehold | January 2000        | 45.0                     |
| Swindon         | Leasehold | April 2000          | 48.0                     |
| Fareham         | Leasehold | June 2000           | 33.1                     |

The first half of the financial year ended 31 July 1999 represented a period of consolidation as Lok'n Store concentrated on the six centres that it was operating during this period and, in particular, ensured that the large and recent openings at Reading and Basingstoke were meeting their targets. With the achievement of profit in the six months ended 31 July 1999 and in the six months ended 31 January 2000, Lok'n Store was able to embark on further large store openings at Portsmouth and Southampton which added 76 per cent. additional rental space to the portfolio.

## Business

All Lok'n Store's centres are fitted out to a good standard and maintain a common design and branding. They are well located, close to major urban centres, with ample car parking and easy access. Storage is provided to both commercial and residential customers on flexible terms from 1 week upwards, with a high degree of service as part of the Lok'n Store formula. When full, which generally occurs between 12 and 24 months following the opening of a Storage centre, Lok'n Store's storage centres are highly cash generative.

In November 1999, Access Storage Holdings SarL, part of the same group as the US storage company giant, Storage USA, which operates over 500 self-storage centres in the US, injected £3.75 million into Lok'n Store by subscribing for 5 million Lok'n Store Ordinary Shares. The resulting strong balance sheet, with a current cash position standing in excess of £4 million and shareholders' funds of nearly £6 million, positions the Combined Group to accelerate dramatically its expansion.

The Combined Group has established a specialist property team to manage a fast store opening programme. In the current market climate it anticipates adding between 30-40 centres over the next 3 years bringing the total number of storage centres to approximately 50.

## Markets

The self-storage business is based on buying, leasing or building warehouses or industrial building, subdividing the space and offering the units thereby created to customers usually on 28 day licences.

Self-storage facilities are designed to offer low cost, accessible storage space for personal and business use, primarily on a month to month basis. Customers occupy fully enclosed storage units for their exclusive use, may freely enter their storage units during business hours and control access by furnishing their own locks.

Demand for self-storage tends to arise from residential users who typically constitute two thirds of the users but represent a lower proportion of turnover, and commercial users who tend to generate up to two thirds of revenue. Domestic users typically require self-storage when they are bridging the gap between one home and another, down-sizing, moving location and to store bulky leisure items such as skis or windsurf boards. Commercial users tend to require self-storage for storing documents which can be easily retrieved, for storing seasonal stock, for storing office equipment during a move and as a small scale distribution facility.

In the US the self-storage industry has grown strongly and is well established. Recent data indicates that there were just under 30,000 centres in operation at the end of 1999 providing a rental area of 4.03 square feet per head of population. Further, these operations were well supported by services such as computer software, security systems and industry financing schemes. In contrast, the UK is estimated to have only 200 centres and provides a rental area of only 0.14 square feet per head of population. Whilst there are structural and economic differences this data does give some indication of the latent potential of the UK market.

|  | US     | UK   |
|--|--------|------|
| Number of centres                          | 29,955 | 200  |
| Rental area (millions sq ft)               | 1,097  | 8    |
| Rental area per head of population (sq ft) | 4.03   | 0.14 |

Sources: *US Self-Storage Almanac 2000* and *UK Self-Storage Association*.

The Directors believe that the UK could profitably accommodate a considerable increase in the number of self-storage centres. The Directors believe that the number of centres could increase dramatically to around 4,000 centres without significant competitive pressures arising.

## **Directors and Employees**

### *Directors*

**Simon Thomas**, Executive Chairman, aged 40, was appointed a director of Lok'n Store in September 1996. Simon began his City career in the Japanese Department of Nomura International later moving to Swiss Bank Corporation before becoming a founding director of LCF Edmond de Rothschild, Emerging Markets Funds division, London.

**Andrew Jacobs B.Sc M.Phil**, Chief Executive, aged 41, was appointed a director of Lok'n Store in March 1994. Andrew was an executive director of Nomura International PLC where he worked from 1984 to 1992 in the Japanese Equity Department and later headed up the Warrant and Convertibles Department. Andrew studied Economics at Cambridge University and London School of Economics.

**Colin Jacobs M.IDM**, Executive Director, aged 36. Colin has been with Lok'n Store since its inception. Prior to joining Lok'n Store he worked in a marketing role for Courts the furniture retailer.

**Richard Holmes B.Sc M.A.**, Non-executive Director, aged 40. Richard is currently Managing Director of the newly formed Boots Internet Ventures. Previously he was Director of Healthcare for Boots the Chemist and was responsible for a £1.6bn turnover business, which included all the pharmacies, over the counter medicine and baby care products. Before joining Boots, Richard was Head of Strategy and Development for Unilever's world-wide dental business.

**Paul Read FCA**, Non-executive Director, aged 53. Paul is Finance Director of Windsor Homes plc and Managing Director of Lychgate Properties plc. He was previously with The Berkeley Group plc as Finance Director and latterly Commercial Director.

**Martin O'Grady ACA**, Non-executive Director, aged 36. Martin is Chief Financial Officer of Access Storage SPACE Limited, an affiliate of Security Capital Group, a leading US real estate company. Martin previously held senior financial positions with Jardine Matheson in the group's hotel, instalment finance and auto retailing divisions in Hong Kong and Indonesia. Martin qualified as an ACA with Price Waterhouse where he was a manager in the UK and USA.

### *Employees*

The Combined Group currently has 49 employees, of whom 13 are in head office and the remainder are based in the operational centres.

The employees are an integral part of the Combined Group's operation and the Board has established the Share Option Scheme to encourage the employees for the longer term and to allow them to share in the success they help to create.

## **Corporate Governance**

The Directors intend, so far as possible and to the extent appropriate given the Company's size and the constitution of the Board, to comply with the Combined Code prepared by the Committee on Corporate Governance chaired by Sir Ronald Hampel and which is appended to the Listing Rules of the London Stock Exchange. The Board will have separate roles of Chairman and Chief Executive.

The Board has established an audit committee, consisting of Andrew Jacobs and Paul Read. This committee will meet at least twice annually and is responsible for ensuring that the financial performance of the Company is properly reported and monitored and for meeting the auditors and reviewing the report on the Company from the auditors in relation to the accounts and internal control systems.

The Board has established a remuneration committee, which consists of Richard Holmes and Martin O'Grady. This committee is responsible for reviewing the performance of the executive Directors and for setting the scale and structure of their remuneration and the basis of their service contracts bearing in mind the interests of Shareholders. The remuneration committee will also determine the allocation of share options to employees in relation to the Share Option Scheme.

## **Share Option Scheme**

The Combined Group operates a Share Option Scheme, a summary of which is set out in Part III of this document.

### Dealing Restrictions

Andrew Jacobs and Simon Thomas have agreed not to dispose of any interest in Ordinary Shares held by them on the date of Admission up to 30 days following the announcement of preliminary results for the year ending 31 July 2000, save for certain limited exceptions or with the consent of Old Mutual Securities.

### Financial Record

The trading record of Lok'n Store for the six months ended 31 January 2000, together with the three years ended 31 July 1999 as extracted from the financial information on the Combined Group set out in Part II, are set out below:

|  | <i>12 months<br/>ended<br/>31 July<br/>1997<br/>£'000</i> | <i>12 months<br/>ended<br/>31 July<br/>1998<br/>£'000</i> | <i>12 months<br/>ended<br/>31 July<br/>1999<br/>£'000</i> | <i>6 months<br/>ended<br/>31 January<br/>2000<br/>£'000</i> |
|--|---|---|---|---|
| Turnover                                   | 749   | 1,363   | 1,889   | 1,355   |
| Operating expenses                         | (851)   | (1,373)   | (1,720)   | (1,080)   |
| Operating profit/(loss)                    | (102)   | (10)  | 169   | 275   |
| Investment income                          | 16  | 42  | 51  | 32  |
| Profit/(loss) before interest and taxation | (86)  | 32  | 220   | 307   |
| Interest payable                           | (150)   | (212)   | (217)   | (93)  |
| Profit/(loss) before taxation              | (236)   | (180)   | 3   | 214   |
| Taxation                                   | —   | —   | —   | —   |
| Profit/(loss) for the year/period          | (236)   | (180)   | 3   | 214   |

The net asset value has grown between 31 July 1997 and 31 January 2000 by 824 per cent. from £640,000 to £5,918,000. The Combined Group's policy is to hold fixed assets at cost. Further details are set out in Part II of this document.

### Current Trading and Future Prospects

On 2 May 2000, the directors of Lok'n Store announced the interim results for Lok'n Store for the 6 months ended 31 January 2000, reporting a 52 per cent. increase in turnover compared to the same period of the previous year and a profit before tax of £214,000. Further details are set out in Part II of this document.

The Directors believe that current trading is in line with expectations. The expansion program, as detailed above, will be dependent on the rate at which both acquisitions can be made and the target level of occupancy is achieved.

### Dividend Policy

The Directors intend to commence payment of dividends when it is commercially prudent to do so and subject to the availability of distributable reserves. They consider that during a period of growth, it is likely to be more prudent to retain cash generated to fund the expansion of the Combined Group.

### Year 2000

The Combined Group has sought to ensure that equipment and software operate in a Year 2000 compliant manner. The Directors have received confirmation that their primary computer systems are compliant and, where necessary, made suitable provision for upgrades.



## **Risk Factors**

The Directors believe they have recognised the opportunities that have developed in the sphere of business in which the Combined Group is involved and have positioned the Combined Group to exploit them. However, there are a number of risk factors associated with the Combined Group:

- The Combined Group may face increased competition as the sector expands.
- The Combined Group may encounter difficulties locating and acquiring suitable sites.
- The borrowing facilities discussed in this document may not be available or may be withdrawn. In the event of borrowing facilities being withdrawn, the Combined Group would only be able to effect repayment if other facilities were made available to the Combined Group or from the proceeds of sale of the Combined Group's properties. Such a sale might take some time to complete.
- Increases in interest rates may reduce the profitability of the Combined Group.
- Changes in legislation or government policy, for example with respect to planning issues, may have an effect on the Combined Group.
- Changes in taxation such as local business rates may affect the Combined Group.
- Application will be made for the Ordinary Shares to be traded on AIM. AIM is a market designed primarily for emerging or smaller companies. The rules of this market are less demanding than those of the Official List. The London Stock Exchange has not itself examined this document.
- The future success of AIM and liquidity in the market for the Ordinary Shares cannot be guaranteed. In particular, the market for the Ordinary Shares may be, or may become, relatively illiquid and therefore the Ordinary Shares may be or may become difficult to sell.

## **PART II**

### **FINANCIAL INFORMATION ON THE COMBINED GROUP**

#### **SECTION A – LOK'N STORE GROUP PLC**

Lok'n Store Group plc was incorporated on 30 May 2000. On 20 June 2000, Lok'n Store Group plc announced a recommended offer to acquire the whole of the issued share capital of Lok'n Store Limited, the consideration for which is to be satisfied by the allotment and issue of up to 21,456,303 Ordinary Shares of 1p each, credited as fully paid, in Lok'n Store Group plc.

The Company has not traded, prepared any financial statements for presentation to members, incurred neither profit nor loss, and has neither declared nor paid dividends or made any other distributions since the date of incorporation. There have been no transactions other than the allotment of shares described below and the execution of the material contracts referred to in paragraph 7 of Part III of this document. Accordingly, no profit and loss account information is presented in this report.

#### **SECTION B - LOK'N STORE LIMITED**

##### **Audited Financial Information**

Lok'n Store Limited was incorporated on 25 February 1994. The following financial information has been extracted from the audited statutory accounts of Lok'n Store Limited for the three years ended 31 July 1999, all of which have been delivered to the Registrar of Companies in England and Wales, and the audited interim financial statements of Lok'n Store Limited for the six months ended 31 January 2000. The Directors confirm that the accounts of Lok'n Store Limited for the three years ended 31 July 1999 and the six months ended 31 January 2000 have been prepared in accordance with company law and the Directors accept responsibility for them.

Bolton Colby, Chartered Accountants, of Fairfield House, Fairfield Avenue, Staines, Middlesex were auditors of Lok'n Store Limited for the year ended 31 July 1997, and their audit report for that year, which was unqualified and did not contain any statement under section 237(2) or (3) of the Companies Act 1985 ("the Act"), is set out below. Bolton Colby consent to the inclusion of their report in this document and accept responsibility for it. Bolton Colby has not become aware, since the date of their report, of any matter affecting the validity of that report at that date.

Baker Tilly, Chartered Accountants and Registered Auditors, of 2 Bloomsbury Street, London WC1B 3ST were auditors of Lok'n Store Limited for the two years ended 31 July 1999, and the six months ended 31 January 2000, and their audit reports for those years/period, which were unqualified and did not contain any statement under section 237(2) or (3) of the Act, are set out below. Baker Tilly consent to the inclusion of their reports in this document and accept responsibility for them. Baker Tilly has not become aware, since the respective dates of their reports, of any matter affecting the validity of those reports at those dates.

## Profit and Loss Accounts

for the three years ended 31 July 1999 and the six months ended 31 January 2000

|   |    | <i>Year<br/>ended<br/>31 July<br/>1997<br/>£'000<br/>(Audited)</i> | <i>Year<br/>ended<br/>31 July<br/>1998<br/>£'000<br/>(Audited)</i> | <i>Year<br/>ended<br/>31 July<br/>1999<br/>£'000<br/>(Audited)</i> | <i>Six months<br/>ended<br/>31 January<br/>2000<br/>£'000<br/>(Audited)</i> |
|---|----|--|--|--|---|
| <b>Turnover</b>   | 2  | 749  | 1,363  | 1,889  | 1,355   |
| Operating expenses  | 3  | (851)  | (1,373)  | (1,720)  | (1,080)   |
| <b>Operating profit/(loss)</b>                                  |    | (102)  | (10)   | 169  | 275   |
| Investment income   | 4  | 16   | 42   | 51   | 32  |
| <b>Profit/(loss) on ordinary activities<br/>before interest</b> |    | (86)   | 32   | 220  | 307   |
| Interest payable  | 5  | (150)  | (212)  | (217)  | (93)  |
| <b>Profit/(loss) on ordinary activities<br/>before taxation</b> |    | (236)  | (180)  | 3  | 214   |
| Taxation  | 8  | —  | —  | —  | —   |
| <b>Profit/(loss) for the year/period</b>                        | 19 | (236)  | (180)  | 3  | 214   |
| <b>Earnings/(loss) per share</b>                                | 9  | (2.00p)  | (1.20p)  | 0.02p  | 1.13p   |

The operating profit/(loss) for the year/period arises from the company's continuing operations.

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

# **Balance Sheets**

as at 31 July 1997, 31 July 1998, 31 July 1999 and 31 January 2000

|  | <i>Notes</i> | <i>As at<br/>31 July<br/>1997<br/>£'000<br/>(Audited)</i> | <i>As at<br/>31 July<br/>1998<br/>£'000<br/>(Audited)</i> | <i>As at<br/>31 July<br/>1999<br/>£'000<br/>(Audited)</i> | <i>As at<br/>31 January<br/>2000<br/>£'000<br/>(Audited)</i> |
|--|--------------|---|---|---|--|
| <b>Fixed assets</b>  |              |   |   |   |  |
| Tangible assets  | 10           | 1,710   | 3,702   | 5,193   | 5,417  |
| Intangible assets  | 11           | —   | 10  | —   | —  |
|  |              | <u>1,710</u>  | <u>3,712</u>  | <u>5,193</u>  | <u>5,417</u>   |
| <b>Current assets</b>  |              |   |   |   |  |
| Stocks   | 12           | 5   | 17  | 17  | 13   |
| Debtors  | 13           | 475   | 288   | 485   | 448  |
| Cash at bank and in hand   |              | 679   | 652   | 521   | 4,147  |
|  |              | <u>1,159</u>  | <u>957</u>  | <u>1,023</u>  | <u>4,608</u>   |
| <b>Creditors: amounts falling due<br/>within one year</b>          | 14           | <u>(1,049)</u>  | <u>(842)</u>  | <u>(1,455)</u>  | <u>(1,447)</u>   |
| <b>Net current assets/(liabilities)</b>                            |              | <u>110</u>  | <u>115</u>  | <u>(432)</u>  | <u>3,161</u>   |
|  |              | <u>1,820</u>  | <u>3,827</u>  | <u>4,761</u>  | <u>8,578</u>   |
| <b>Creditors: amounts falling due<br/>after more than one year</b> | 15           | <u>(1,180)</u>  | <u>(1,817)</u>  | <u>(2,748)</u>  | <u>(2,660)</u>   |
| <b>Net assets</b>  |              | <u>640</u>  | <u>2,010</u>  | <u>2,013</u>  | <u>5,918</u>   |
| <b>Capital and reserves</b>  |              |   |   |   |  |
| Called up share capital  | 17           | 1   | 2   | 2   | 2  |
| Share premium account  | 18           | 1,148   | 2,697   | 2,697   | 6,388  |
| Profit and loss account  | 18           | (509)   | (689)   | (686)   | (472)  |
| <b>Shareholders' funds</b>   | 19           | <u>640</u>  | <u>2,010</u>  | <u>2,013</u>  | <u>5,918</u>   |

## Cash Flow Statements

for the three years ended 31 July 1999 and the six months ended 31 January 2000

|  |              | <i>Year<br/>ended<br/>31 July<br/>1997<br/>£'000<br/>(Audited)</i> | <i>Year<br/>ended<br/>31 July<br/>1998<br/>£'000<br/>(Audited)</i> | <i>Year<br/>ended<br/>31 July<br/>1999<br/>£'000<br/>(Audited)</i> | <i>Six months<br/>ended<br/>31 January<br/>2000<br/>£'000<br/>(Audited)</i> |
|--|--------------|--|--|--|---|
|  | <i>Notes</i> |  |  |  |   |
| Cash flow from operating activities                        | 20a          | 550  | (306)  | 622  | 391   |
| Returns on investments and servicing of finance            | 20b          | (134)  | (169)  | (165)  | (61)  |
| Capital expenditure and financial investment               | 20b          | (1,512)  | (1,949)  | (1,673)  | (337)   |
| <b>Cash outflow before financing</b>                       |              | <b>(1,096)</b>   | <b>(2,424)</b>   | <b>(1,216)</b>   | <b>(7)</b>  |
| Financing  | 20b          | 1,662  | 2,397  | 1,085  | 3,633   |
| <b>Increase/(decrease) in cash in year/period</b>          |              | <b>566</b>   | <b>(27)</b>  | <b>(131)</b>   | <b>3,626</b>  |
| <b>Reconciliation of net cash flow to movement in debt</b> |              |  |  |  |   |
| Increase/(decrease) in cash in year/period                 |              | 566  | (27)   | (131)  | 3,626   |
| Change in net debt resulting from cash flow                |              | (1,351)  | (462)  | (1,085)  | 58  |
| New finance leases   |              | (88)   | (153)  | (20)   | —   |
| Movement in net (debt)/funds                               |              | (873)  | (642)  | (1,236)  | 3,684   |
| Net funds/(debt) at 1 August                               |              | 108  | (765)  | (1,407)  | (2,643)   |
| Net (debt)/funds at 31 July/31 January                     |              | (765)  | (1,407)  | (2,643)  | 1,041   |

## Notes to the Financial Statements of Lok'n Store Limited

### 1. Accounting policies

#### *Basis of accounting*

The financial statements have been prepared under the historical cost convention.

#### *Purchased goodwill*

Goodwill representing the excess of the purchase price compared with the fair value of assets acquired is capitalised on acquisition and written off over the period which, in the opinion of the directors, represents the period over which the goodwill is effective.

#### *Tangible fixed assets*

All fixed assets are stated at historical cost.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

|                                    |                                 |
|------------------------------------|---------------------------------|
| Freehold properties                | over 50 years                   |
| Improvements to leasehold property | over the unexpired lease period |
| Fixtures, fittings and equipment   | on 15% reducing balance         |
| Motor vehicles                     | on 25% reducing balance         |
| Computers                          | over 2 years                    |

#### *Stock*

Stock is valued at the lower of cost and net realisable value. Net realisable value is based upon estimated selling prices less any costs of disposal. Provision is made for obsolete and slow moving items.

#### *Deferred taxation*

Provision is made for taxation deferred or accelerated by the effect of timing differences, to the extent that it is probable that a liability will crystallise, at the rate expected to be ruling at that date.

#### *Leased assets and obligations*

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

#### *Pensions contributions*

The company operates a small self-administered money purchase pension scheme, the assets of which are held separately in an independently administered fund. No contributions were made during the period and there were none outstanding at the balance sheet date.

#### *Turnover*

Turnover represents the invoiced value, net of Value Added Tax, of services provided to customers.

## 2. Turnover

The company's turnover was all deemed from its principal activity, undertaken wholly in the United Kingdom.

## 3. Operating expenses

|                         | <i>Year<br/>ended<br/>31 July<br/>1997<br/>£'000</i> | <i>Year<br/>ended<br/>31 July<br/>1998<br/>£'000</i> | <i>Year<br/>ended<br/>31 July<br/>1999<br/>£'000</i> | <i>Six months<br/>ended<br/>31 January<br/>2000<br/>£'000</i> |
|-------------------------|--|--|--|---|
| Administration expenses | <u>851</u>   | <u>1,373</u>   | <u>1,720</u>   | <u>1,080</u>  |

## 4. Investment income

|                          | <i>Year<br/>ended<br/>31 July<br/>1997<br/>£'000</i> | <i>Year<br/>ended<br/>31 July<br/>1998<br/>£'000</i> | <i>Year<br/>ended<br/>31 July<br/>1999<br/>£'000</i> | <i>Six months<br/>ended<br/>31 January<br/>2000<br/>£'000</i> |
|--------------------------|--|--|--|---|
| Bank interest receivable | 15   | 42   | 51   | 32  |
| Other interest           | <u>1</u>   | <u>–</u>   | <u>–</u>   | <u>–</u>  |
|                          | <u>16</u>  | <u>42</u>  | <u>51</u>  | <u>32</u>   |

## 5. Interest payable

|                | <i>Year<br/>ended<br/>31 July<br/>1997<br/>£'000</i> | <i>Year<br/>ended<br/>31 July<br/>1998<br/>£'000</i> | <i>Year<br/>ended<br/>31 July<br/>1999<br/>£'000</i> | <i>Six months<br/>ended<br/>31 January<br/>2000<br/>£'000</i> |
|----------------|--|--|--|---|
| Finance leases | 6  | 23   | 24   | 8   |
| Bank loans     | <u>144</u>   | <u>189</u>   | <u>193</u>   | <u>85</u>   |
|                | <u>150</u>   | <u>212</u>   | <u>217</u>   | <u>93</u>   |

## 6. Profit/(loss) on ordinary activities before taxation

|   | <i>Year<br/>ended<br/>31 July<br/>1997<br/>£'000</i> | <i>Year<br/>ended<br/>31 July<br/>1998<br/>£'000</i> | <i>Year<br/>ended<br/>31 July<br/>1999<br/>£'000</i> | <i>Six months<br/>ended<br/>31 January<br/>2000<br/>£'000</i> |
|---|--|--|--|---|
| Profit/(loss) on ordinary activities before<br>taxation is stated after charging: |  |  |  |   |
| Depreciation and amounts written off<br>tangible fixed assets:                    |  |  |  |   |
| Owned assets  | 43   | 63   | 160  | 90  |
| Leased assets   | 17   | 37   | 42   | 13  |
| Amortisation of goodwill  | –  | –  | 10   | –   |
| Operating lease rentals:  |  |  |  |   |
| Land and buildings  | 97   | 90   | 151  | 116   |
| Auditors' remuneration  | <u>7</u>   | <u>9</u>   | <u>14</u>  | <u>9</u>  |

## 7. Employees

|   | <i>Year<br/>ended<br/>31 July<br/>1997<br/>No.</i> | <i>Year<br/>ended<br/>31 July<br/>1998<br/>No.</i> | <i>Year<br/>ended<br/>31 July<br/>1999<br/>No.</i> | <i>Six months<br/>ended<br/>31 January<br/>2000<br/>No.</i> |
|---|--|--|--|---|
| The average monthly number of persons<br>(including directors) employed by the<br>company during the year/period was: |  |  |  |   |
| Store management  | 17   | 23   | 30   | 36  |
| Administration  | 4  | 4  | 6  | 8   |
|   | <u>21</u>  | <u>27</u>  | <u>36</u>  | <u>44</u>   |
| <b>Staff costs for the above persons</b>  |  |  |  |   |
|   | <i>£'000</i>                                       | <i>£'000</i>                                       | <i>£'000</i>                                       | <i>£'000</i>  |
| Wages and salaries  | 256  | 454  | 616  | 352   |
| Social security costs   | 26   | 41   | 56   | 36  |
| Other pension costs   | 1  | 4  | —  | —   |
|   | <u>283</u>   | <u>499</u>   | <u>672</u>   | <u>388</u>  |
| <b>Directors' remuneration</b>  |  |  |  |   |
|   | <i>£'000</i>                                       | <i>£'000</i>                                       | <i>£'000</i>                                       | <i>£'000</i>  |
| Emoluments  | 99   | 186  | 183  | 105   |
| Amounts paid to money purchase scheme   | 1  | 3  | —  | —   |
| Compensation for loss of office   | 18   | —  | —  | —   |
| Total emoluments  | <u>118</u>   | <u>189</u>   | <u>183</u>   | <u>105</u>  |
|   | <i>No.</i>   | <i>No.</i>   | <i>No.</i>   | <i>No.</i>  |
| The number of directors to whom relevant<br>benefits are accruing under:  |  |  |  |   |
| Money purchase pension schemes  | <u>2</u>   | <u>3</u>   | <u>3</u>   | <u>3</u>  |

## 8. Taxation

There is no corporation tax charge in the six months ended 31 January 2000 due to the availability of accumulated losses (1999: £nil; 1998:£nil; 1997: £nil).

## 9. Earnings/(loss) per ordinary share

The calculation of earnings/(loss) per ordinary share is based upon the profit/(loss) after taxation of £214,000 (1999: £3,000; 1998: £(180,000); 1997: £(236,000)) and on 18,847,212 ordinary shares (1999: 16,347,212; 1998: 14,510,297; 1997: 11,728,054), being the weighted average number of ordinary shares in issue during the year/period.



## 10. Tangible fixed assets

|                       | <i>Freehold<br/>properties<br/>£'000</i> | <i>Improvements<br/>to leasehold<br/>properties<br/>£'000</i> | <i>Fixtures,<br/>fittings and<br/>equipment<br/>£'000</i> | <i>Motor<br/>vehicles<br/>£'000</i> | <i>Total<br/>£'000</i> |
|-----------------------|--|---|---|-------------------------------------|------------------------|
| <b>Cost</b>           |  |   |   |                                     |                        |
| At 1 August 1997      | 1,420                                    | 34  | 326   | 44                                  | 1,824                  |
| Additions             | 1,532                                    | 109   | 422   | 29                                  | 2,092                  |
| At 31 July 1998       | 2,952                                    | 143   | 748   | 73                                  | 3,916                  |
| Additions             | 1,099                                    | 126   | 448   | 24                                  | 1,697                  |
| Disposals             | —  | —   | —   | (9)                                 | (9)                    |
| At 31 July 1999       | 4,051                                    | 269   | 1,196   | 88                                  | 5,604                  |
| Additions             | 46                                       | 23  | 275   | —                                   | 344                    |
| Disposals             | —  | —   | —   | (16)                                | (16)                   |
| At 31 January 2000    | 4,097                                    | 292   | 1,471   | 72                                  | 5,932                  |
| <b>Depreciation</b>   |  |   |   |                                     |                        |
| At 1 August 1997      | 7  | 4   | 91  | 12                                  | 114                    |
| Charged in the year   | 13                                       | 21  | 53  | 13                                  | 100                    |
| At 31 July 1998       | 20                                       | 25  | 144   | 25                                  | 214                    |
| Charged in the year   | 30                                       | 23  | 137   | 12                                  | 202                    |
| On disposals          | —  | —   | —   | (5)                                 | (5)                    |
| At 31 July 1999       | 50                                       | 48  | 281   | 32                                  | 411                    |
| Charged in the period | 15                                       | 16  | 75  | 7                                   | 113                    |
| On disposals          | —  | —   | —   | (9)                                 | (9)                    |
| At 31 January 2000    | 65                                       | 64  | 356   | 30                                  | 515                    |
| <b>Net Book Value</b> |  |   |   |                                     |                        |
| At 31 January 2000    | 4,032                                    | 228   | 1,115   | 42                                  | 5,417                  |
| At 31 July 1999       | 4,001                                    | 221   | 915   | 56                                  | 5,193                  |
| At 31 July 1998       | 2,932                                    | 118   | 604   | 48                                  | 3,702                  |
| At 31 July 1997       | 1,413                                    | 30  | 235   | 32                                  | 1,710                  |

The net book value of fixtures and fittings and motor vehicles combined includes £184,000 (1999: £202,000; 1998: £223,000; 1997: £80,000) respectively in respect of assets held under finance leases.

## 11. Intangible assets

|                    | <i>As at<br/>31 July<br/>1997<br/>£'000</i> | <i>As at<br/>31 July<br/>1998<br/>£'000</i> | <i>As at<br/>31 July<br/>1999<br/>£'000</i> | <i>As at<br/>31 January<br/>2000<br/>£'000</i> |
|--------------------|---|---|---|--|
| Purchased goodwill | —   | 10  | —   | —  |

## 12. Stocks

|                  | <i>As at<br/>31 July<br/>1997<br/>£'000</i> | <i>As at<br/>31 July<br/>1998<br/>£'000</i> | <i>As at<br/>31 July<br/>1999<br/>£'000</i> | <i>As at<br/>31 January<br/>2000<br/>£'000</i> |
|------------------|---|---|---|--|
| Goods for resale | 5   | 17  | 17  | 13   |

### 13. Debtors

|                                  | <i>As at<br/>31 July<br/>1997<br/>£'000</i> | <i>As at<br/>31 July<br/>1998<br/>£'000</i> | <i>As at<br/>31 July<br/>1999<br/>£'000</i> | <i>As at<br/>31 January<br/>2000<br/>£'000</i> |
|----------------------------------|---|---|---|--|
| <b>Due within one year:</b>      |   |   |   |  |
| Trade debtors                    | 55  | 137   | 202   | 275  |
| Other debtors                    | 30  | 48  | 48  | 77   |
| Called up share capital not paid | 385   | —   | —   | —  |
| Prepayments and accrued income   | 5   | 103   | 235   | 96   |
|                                  | <u>475</u>                                  | <u>288</u>                                  | <u>485</u>                                  | <u>448</u>                                     |

Included in other debtors as at 31 January 2000 is a loan to the Lok'n Store Employee Benefit Trust totalling £46,000 (1999: £nil; 1998: £nil; 1997: £nil).

### 14. Creditors: amounts falling due within one year

|  | <i>As at<br/>31 July<br/>1997<br/>£'000</i> | <i>As at<br/>31 July<br/>1998<br/>£'000</i> | <i>As at<br/>31 July<br/>1999<br/>£'000</i> | <i>As at<br/>31 January<br/>2000<br/>£'000</i> |
|--|---|---|---|--|
| Bank loans                               | 245   | 167   | 339   | 370  |
| Obligations under finance leases         | 19  | 75  | 78  | 77   |
| Trade creditors                          | 62  | 43  | 278   | 135  |
| Other taxation and social security costs | 11  | 44  | 57  | 76   |
| Other creditors                          | 456   | 134   | 203   | 243  |
| Accruals and deferred income             | 256   | 379   | 500   | 546  |
|  | <u>1,049</u>                                | <u>842</u>                                  | <u>1,455</u>                                | <u>1,447</u>                                   |

The bank loans are secured by a debenture giving fixed or floating charges on all assets of the company. Assets purchased on finance leases are secured on the specific assets.

### 15. Creditors: amounts falling due after more than one year

|                                  | <i>As at<br/>31 July<br/>1997<br/>£'000</i> | <i>As at<br/>31 July<br/>1998<br/>£'000</i> | <i>As at<br/>31 July<br/>1999<br/>£'000</i> | <i>As at<br/>31 January<br/>2000<br/>£'000</i> |
|----------------------------------|---|---|---|--|
| Bank loans                       | 735   | 1,710                                       | 2,697                                       | 2,639  |
| Obligations under finance leases | 46  | 107   | 51  | 21   |
| Directors' loans                 | 399   | —   | —   | —  |
|                                  | <u>1,180</u>                                | <u>1,817</u>                                | <u>2,748</u>                                | <u>2,660</u>                                   |
| <b>Repayable by instalments:</b> |   |   |   |  |
| Bank loans                       |   |   |   |  |
| in the second to fifth year      | 735   | 533   | 905   | 954  |
| after five years                 | —   | 1,177                                       | 1,792                                       | 1,685  |
| Obligations under finance leases |   |   |   |  |
| in the second to fifth year      | 46  | 107   | 51  | 21   |
|                                  | <u>781</u>                                  | <u>1,817</u>                                | <u>2,748</u>                                | <u>2,660</u>                                   |

The bank loans are secured by a debenture giving fixed or floating charges on all assets of the company. Assets purchased on finance leases are secured on the specific assets.

The above loans are due for full repayment at various dates from 2000 to 2014. Repayments for the above loans are due monthly over the term of the loans and they all bear interest at 2.25 per cent. over the Bank's base rate.

## 16. Commitments under operating leases

|   | <i>As at<br/>31 July<br/>1997<br/>£'000</i> | <i>As at<br/>31 July<br/>1998<br/>£'000</i> | <i>As at<br/>31 July<br/>1999<br/>£'000</i> | <i>As at<br/>31 January<br/>2000<br/>£'000</i> |
|---|---|---|---|--|
| At each period end, the company had annual commitments under non-cancellable operating leases as follows: |   |   |   |  |
| <b>Land and buildings</b>   |   |   |   |  |
| expiring in the second to fifth year  | 108   | 50  | 70  | 70   |
| expiring after five years   | –   | 70  | 139   | 262  |
|   | <u>108</u>                                  | <u>120</u>                                  | <u>209</u>                                  | <u>332</u>                                     |

## 17. Share capital

|   | <i>As at<br/>31 July<br/>1997<br/>£'000</i> | <i>As at<br/>31 July<br/>1998<br/>£'000</i> | <i>As at<br/>31 July<br/>1999<br/>£'000</i> | <i>As at<br/>31 January<br/>2000<br/>£'000</i> |
|---|---|---|---|--|
| Authorised:   |   |   |   |  |
| 1,000,000,000 ordinary shares of 0.01p each   | <u>100</u>                                  | <u>100</u>                                  | <u>100</u>                                  | <u>100</u>                                     |
| Allotted, issued and fully paid:  |   |   |   |  |
| 21,347,212 ordinary shares of 0.01p each<br>(1999: 16,347,212; 1998: 16,347,212;<br>1997: 13,707,614) | <u>1</u>                                    | <u>2</u>                                    | <u>2</u>                                    | <u>2</u>                                       |

During the year ended 31 July 1998, 2,639,598 ordinary shares of 0.01p each were issued at a premium of 59.99p per share.

During the period ended 31 January 2000, the company issued 5,000,000 ordinary shares of 0.01p each at a price of 75p per share to provide additional capital for expansion. The aggregate consideration received was £3,750,000.

## 18. Reserves

|                                 | <i>Share<br/>premium<br/>£'000</i> | <i>Profit<br/>and loss<br/>account<br/>£'000</i> | <i>Total<br/>£'000</i> |
|---------------------------------|------------------------------------|--|------------------------|
| At 1 August 1997                | 1,148                              | (509)  | 639                    |
| Loss for the financial year     | –                                  | (180)  | (180)                  |
| Shares issued at premium        | 1,583                              | –  | 1,583                  |
| Share issue costs               | (34)                               | –  | (34)                   |
| At 31 July 1998                 | <u>2,697</u>                       | <u>(689)</u>                                     | <u>2,008</u>           |
| Profit for the financial year   | –                                  | 3  | 3                      |
| At 31 July 1999                 | <u>2,697</u>                       | <u>(686)</u>                                     | <u>2,011</u>           |
| Profit for the financial period | –                                  | 214  | 214                    |
| Shares issued at premium        | 3,750                              | –  | 3,750                  |
| Share issue costs               | (59)                               | –  | (59)                   |
| At 31 January 2000              | <u>6,388</u>                       | <u>(472)</u>                                     | <u>5,916</u>           |

## 19. Reconciliation of movement in shareholders' funds

|   | <i>As at<br/>31 July<br/>1997<br/>£'000</i> | <i>As at<br/>31 July<br/>1998<br/>£'000</i> | <i>As at<br/>31 July<br/>1999<br/>£'000</i> | <i>As at<br/>31 January<br/>2000<br/>£'000</i> |
|---|---|---|---|--|
| Profit/(loss) for the financial period            | (236)                                       | (180)                                       | 3   | 214  |
| Net proceeds from shares issued during the period | 1,048                                       | 1,550                                       | —   | 3,691  |
|   | 812   | 1,370                                       | 3   | 3,905  |
| Opening shareholders' funds                       | (172)                                       | 640   | 2,010                                       | 2,013  |
| Closing shareholders' funds                       | 640   | 2,010                                       | 2,013                                       | 5,918  |

## 20. Cash flows

|  | <i>Year<br/>ended<br/>31 July<br/>1997<br/>£'000</i> | <i>Year<br/>ended<br/>31 July<br/>1998<br/>£'000</i> | <i>Year<br/>ended<br/>31 July<br/>1999<br/>£'000</i> | <i>Six months<br/>ended<br/>31 January<br/>2000<br/>£'000</i> |
|--|--|--|--|---|
| (a) Reconciliation of operating profit/(loss) to net cash flow from operating activities |  |  |  |   |
| Operating profit/(loss)  | (102)  | (10)   | 169  | 275   |
| Depreciation   | 60   | 100  | 202  | 113   |
| Amortisation   | —  | —  | 10   | —   |
| (Increase)/decrease in stocks  | (5)  | (13)   | —  | 4   |
| (Increase)/decrease in debtors   | (15)   | (197)  | (197)  | 37  |
| Increase/(decrease) in creditors   | 612  | (186)  | 438  | (38)  |
| Net cash flow from operating activities  | 550  | (306)  | 622  | 391   |
| (b) Analysis of cash flows for headings netted in the cash flow                          |  |  |  |   |
| <b>Returns on investments and servicing of finance</b>                                   |  |  |  |   |
| Interest received  | 16   | 42   | 51   | 13  |
| Interest paid  | (144)  | (189)  | (193)  | (66)  |
| Interest element of finance lease rental payments  | (6)  | (22)   | (23)   | (8)   |
| Net cash outflow for returns on investments and servicing of finance                     | (134)  | (169)  | (165)  | (61)  |
| <b>Capital expenditure and financial investment</b>                                      |  |  |  |   |
| Purchase of tangible fixed assets  | (1,512)  | (1,939)  | (1,677)  | (344)   |
| Purchase of intangible fixed assets  | —  | (10)   | —  | —   |
| Sale of tangible fixed assets  | —  | —  | 4  | 7   |
| Net cash outflow for capital expenditure and financial investment                        | (1,512)  | (1,949)  | (1,673)  | (337)   |
| <b>Financing</b>   |  |  |  |   |
| Loans taken out from/(repaid to) directors   | 49   | (399)  | —  | —   |
| Bank loans taken out/(repaid) during period  | 980  | 897  | 1,158  | (26)  |
| Capital element of finance lease rental payments   | (30)   | (36)   | (72)   | (32)  |
| Net proceeds from issue of shares during period  | 663  | 1,935  | (1)  | 3,691   |
| Net cash inflow from financing   | 1,662  | 2,397  | 1,085  | 3,633   |

## 20. Cash flows – continued

|                                  | <i>As at<br/>1 August<br/>1997<br/>£'000</i> | <i>Cash<br/>flow<br/>£'000</i> | <i>Other<br/>non-cash<br/>changes<br/>£'000</i> | <i>As at<br/>31 July<br/>1998<br/>£'000</i>    |
|----------------------------------|--|--------------------------------|---|--|
| (c) Analysis of net (debt)/funds |  |                                |   |  |
| Cash at bank and in hand         | 679  | (27)                           | –   | 652  |
| Debt due within 1 year           | (245)  | 77                             | –   | (168)  |
| Debt due after 1 year            | (1,134)                                      | (575)                          | –   | (1,709)  |
| Finance leases                   | (65)   | 36                             | (153)   | (182)  |
|                                  |  | (462)                          |   |  |
| Total                            | <u>(765)</u>                                 | <u>(489)</u>                   | <u>(153)</u>                                    | <u>(1,407)</u>                                 |
|                                  |  |                                |   |  |
|                                  | <i>As at<br/>1 August<br/>1998<br/>£'000</i> | <i>Cash<br/>flow<br/>£'000</i> | <i>Other<br/>non-cash<br/>changes<br/>£'000</i> | <i>As at<br/>31 July<br/>1999<br/>£'000</i>    |
| Cash at bank and in hand         | 652  | (131)                          | –   | 521  |
| Debt due within 1 year           | (168)  | (171)                          | –   | (339)  |
| Debt due after 1 year            | (1,709)                                      | (987)                          | –   | (2,696)  |
| Finance leases                   | (182)  | 73                             | (20)  | (129)  |
|                                  |  | (1,085)                        |   |  |
| Total                            | <u>(1,407)</u>                               | <u>(1,216)</u>                 | <u>(20)</u>                                     | <u>(2,643)</u>                                 |
|                                  |  |                                |   |  |
|                                  | <i>As at<br/>1 August<br/>1999<br/>£'000</i> | <i>Cash<br/>flow<br/>£'000</i> | <i>Other<br/>non-cash<br/>changes<br/>£'000</i> | <i>As at<br/>31 January<br/>2000<br/>£'000</i> |
| Cash at bank and in hand         | 521  | 3,626                          | –   | 4,147  |
| Debt due within 1 year           | (339)  | (31)                           | –   | (370)  |
| Debt due after 1 year            | (2,696)                                      | 57                             | –   | (2,639)  |
| Finance leases                   | (129)  | 32                             | –   | (97)   |
|                                  |  | 58                             |   |  |
| Total                            | <u>(2,643)</u>                               | <u>3,684</u>                   | <u>–</u>  | <u>1,041</u>                                   |

During the period ended 31 January 2000 the company entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £nil (1999: £20,000; 1998: £153,000; 1997 £88,000).

## 21. Capital commitments

|   | <i>As at<br/>31 July<br/>1997<br/>£'000</i> | <i>As at<br/>31 July<br/>1998<br/>£'000</i> | <i>As at<br/>31 July<br/>1999<br/>£'000</i> | <i>As at<br/>31 January<br/>2000<br/>£'000</i> |
|---|---|---|---|--|
| Capital expenditure contracted for but not provided in the financial statements | <u>173</u>                                  | <u>–</u>                                    | <u>–</u>                                    | <u>–</u>                                       |

## 22. Directors' interests - Share Options

Details of Share Options granted to directors are as follows:

|            | <i>As at<br/>31 July<br/>1997</i> | <i>During the period<br/>Granted</i> | <i>Exercised</i> | <i>As at<br/>31 July<br/>1998</i> | <i>Exercise<br/>price<br/>(pence)</i> | <i>Date from<br/>which<br/>exercisable</i> | <i>Expiry<br/>date</i> |
|------------|-----------------------------------|--------------------------------------|------------------|-----------------------------------|---------------------------------------|--|------------------------|
| A Jacobs   | 972,000                           | –                                    | –                | 972,000                           | 38                                    | 4 April 2002                               | 3 April 2007           |
| S G Thomas | 486,000                           | –                                    | –                | 486,000                           | 38                                    | 4 April 2002                               | 3 April 2007           |
| C M Jacobs | 162,000                           | –                                    | –                | 162,000                           | 38                                    | 4 April 2002                               | 3 April 2007           |

|            | <i>As at<br/>31 July<br/>1998</i> | <i>During the period<br/>Granted</i> | <i>Exercised</i> | <i>As at<br/>31 July<br/>1999</i> | <i>Exercise<br/>price<br/>(pence)</i> | <i>Date from<br/>which<br/>exercisable</i> | <i>Expiry<br/>date</i> |
|------------|-----------------------------------|--------------------------------------|------------------|-----------------------------------|---------------------------------------|--|------------------------|
| A Jacobs   | 972,000                           | –                                    | –                | 972,000                           | 38                                    | 4 April 2002                               | 3 April 2007           |
| S G Thomas | 486,000                           | –                                    | –                | 486,000                           | 38                                    | 4 April 2002                               | 3 April 2007           |
| C M Jacobs | 162,000                           | –                                    | –                | 162,000                           | 38                                    | 4 April 2002                               | 3 April 2007           |

|            | <i>As at<br/>31 July<br/>1999</i> | <i>During the period<br/>Granted</i> | <i>Exercised</i> | <i>As at 31<br/>January<br/>2000</i> | <i>Exercise<br/>price<br/>(pence)</i> | <i>Date from<br/>which<br/>exercisable</i> | <i>Expiry<br/>date</i> |
|------------|-----------------------------------|--------------------------------------|------------------|--------------------------------------|---------------------------------------|--|------------------------|
| A Jacobs   | 972,000                           | –                                    | –                | 972,000                              | 38                                    | 4 April 2002                               | 3 April 2007           |
| S G Thomas | 486,000                           | –                                    | –                | 486,000                              | 38                                    | 4 April 2002                               | 3 April 2007           |
| C M Jacobs | 162,000                           | –                                    | –                | 162,000                              | 38                                    | 4 April 2002                               | 3 April 2007           |

The Share Options granted to the directors will only be exercisable upon the company's achievement of stipulated performance criteria.

## 23. Employee Benefit Trust

The Company operates an Employee Benefit Trust under a settlement dated 8 July 1999 between Lok'n Store Limited and Lok'n Store Trustee Limited, constituting an employee's share scheme.

The initial trust fund amounted to £100 and as at 31 January 2000 had received a loan from the company of £46,000 (1999: £nil; 1998: £nil; 1997: £nil). Funds are placed in the trust by way of employees' salaries as they so instruct for purchase of shares in the company.

The loan does not attract interest and is repayable within one year.

## 24. Related party transactions

During the year ended 31 July 1997 there were the following transactions with related parties:

| <i>Name</i>                         | <i>Relationship</i>   | <i>Transaction</i>  | <i>Amount £</i> |
|-------------------------------------|---|---|-----------------|
| Lok'n Store Directors' Pension Fund | A. Jacobs, S.G. Thomas and C.M. Jacobs as directors of the company are members of the pension fund. | Rent paid on Horsham property                                   | 41,000          |
| Lok'n Store Directors' Pension Fund | A. Jacobs, S.G. Thomas and C.M. Jacobs as directors of the company are members of the pension fund. | Loan made to the company  | 372,000         |
| Lok'n Store Directors' Pension Fund | A. Jacobs, S.G. Thomas and C.M. Jacobs as directors of the company are members of the pension fund. | Interest paid on loan of £372,000 from directors' pension fund. | 30,000          |

**24. Related party transactions (continued)**

| <i>Name</i> | <i>Relationship</i>     | <i>Transaction</i>                                | <i>Amount £</i> |
|-------------|-------------------------|---|-----------------|
| A. Jacobs   | Director of the company | Loan made to the company                          | 199,000         |
| A. Jacobs   | Director of the company | Interest charged in year on loan from A. Jacobs   | 21,000          |
| S.G. Thomas | Director of the company | Loan made to the company                          | 200,000         |
| S.G. Thomas | Director of the company | Interest charged in year on loan from S.G. Thomas | 22,000          |

During the year ended 31 July 1998 there were the following transactions with related parties:

| <i>Name</i>                         | <i>Relationship</i>   | <i>Transaction</i>   | <i>Amount £</i> |
|-------------------------------------|---|--|-----------------|
| Lok'n Store Directors' Pension Fund | A. Jacobs, S.G. Thomas and C.M. Jacobs as directors of the company are members of the pension fund. | Rent paid on Horsham property  | 48,000          |
| Lok'n Store Directors' Pension Fund | A. Jacobs, S.G. Thomas and C.M. Jacobs as directors of the company are members of the pension fund. | Horsham freehold sold to the company at an open market value                               | 650,000         |
| Lok'n Store Directors' Pension Fund | A. Jacobs, S.G. Thomas and C.M. Jacobs as directors of the company are members of the pension fund. | Interest paid on loan of £372,000 from directors' pension fund loan repaid during the year | 35,000          |
| A. Jacobs                           | Director of the company   | Loan interest charged on loan of £199,000 which was repaid during the year                 | 13,000          |
| S.G. Thomas                         | Director of the company   | Loan interest charged on loan of £200,000 which was repaid during the year                 | 13,000          |

There were no transactions with related parties during the year ended 31 July 1999.

There were no transactions with related parties during the period ended 31 January 2000.

**25. Post balance sheet events**

On 12 May 2000, Lok'n Store Limited acquired the whole of the issued share capital of Swindon Self Storage Limited, the consideration for which was satisfied by the allotment and issue of 109,091 Ordinary Shares of 0.01 pence each, credited as fully paid, in Lok'n Store Limited, and cash of £470,000. Financial information on Swindon Self Storage Limited is provided in Section C to this Part II.

## **AUDITORS' REPORTS**

The page references referred to below relate to the published financial statements and not to this document.

1. The following is the text of the Auditors' Report to the financial statements of Lok'n Store Limited for the year ended 31 July 1997, which was dated 30 September 1997.

"We have audited the financial statements on pages 8 to 16 which have been prepared under the historical cost convention and the accounting policies set out in note 1 on pages 9 and 10.

### **Respective Responsibilities of Directors and Auditors**

As described on page 6, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of Opinion**

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 July 1997 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 (applicable to small companies)."

2. The following is the text of the Auditors' Report to the financial statements of Lok'n Store Limited for the year ended 31 July 1998, which was dated 9 December 1998.

"We have audited the financial statements on pages 10 to 22.

### **Respective responsibilities of Directors and Auditors**

As described on page 8 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable



assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 July 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985."

3. The following is the text of the Auditors' Report to the financial statements of Lok'n Store Limited for the year ended 31 July 1999, which was dated 10 November 1999.

"We have audited the financial statements on pages 12 to 23.

### **Respective responsibilities of Directors and Auditors**

As described on page 10 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 July 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985."

4. The following is the text of the Auditors' Report to the non-statutory financial statements of Lok'n Store Limited for the period ended 31 January 2000, which was dated 19 June 2000.

"We have audited the non-statutory financial statements on pages 4 to 15.

### **Respective responsibilities of Directors and auditors**

As described on page 2 the Company's Directors are responsible for the preparation of non-statutory financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of

whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the non-statutory financial statements give a true and fair view of the state of the Company's affairs at 31 January 2000 and of its profit for the 6 month period then ended and have been properly prepared in accordance with the Companies Act 1985."

## SECTION C - SWINDON SELF STORAGE LIMITED

### Audited Financial Information

Swindon Self Storage Limited was incorporated on 22 September 1997 and remained dormant until August 1998. The following financial information has been extracted from the audited statutory accounts of Swindon Self Storage Limited for the period ended 31 July 1999, which have been delivered to the Registrar of Companies in England and Wales. The Directors confirm that the accounts of Swindon Self Storage Limited for the period ended 31 July 1999 have been prepared in accordance with company law and the Directors accept responsibility for them

Berkeley Hamilton, Chartered Accountants and Registered Auditor, of 2 Pullman Court, Great Western Road, Gloucester GL1 3ND were auditors of Swindon Self Storage Limited for the period ended 31 July 1999 and their audit report for that period, which was unqualified and did not contain any statement under section 247(2) or (3) of the Companies Act 1985 ("the Act"), is set out below. Berkeley Hamilton consent to the inclusion of their report in this document and accept responsibility for it. Berkeley Hamilton has not become aware, since the respective date of the report, of any matter affecting the validity of that report at that date.

### Profit and Loss Account

for the period ended 31 July 1999

|  | <i>Notes</i> | <i>Period<br/>ended<br/>31 July<br/>1999<br/>£'000<br/>( Audited)</i> |
|--|--------------|---|
| <b>Turnover</b>                                    | 2            | 122   |
| Cost of sales                                      |              | (2)   |
|  |              | <hr/>   |
| <b>Gross profit</b>                                |              | 120   |
| Administrative expenses                            |              | (165)   |
|  |              | <hr/>   |
| <b>Operating loss</b>                              | 3            | (45)  |
| Interest payable and similar charges               | 4            | (3)   |
|  |              | <hr/>   |
| <b>Loss on ordinary activities before taxation</b> |              | (48)  |
| Tax on loss on ordinary activities                 | 5            | —   |
|  |              | <hr/>   |
| <b>Loss on ordinary activities after taxation</b>  | 11           | (48)  |
|  |              | <hr/>   |

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and loss other than those passing through the profit and loss account.

**Balance Sheet**  
as at 31 July 1999

|  | <i>Notes</i> | <i>As at<br/>31 July<br/>1999<br/>£'000<br/>(Audited)</i> |
|--|--------------|---|
| <b>Fixed assets</b>  |              |   |
| Tangible assets  | 6            | <u>148</u>  |
| <b>Current assets</b>  |              |   |
| Debtors  | 7            | 169   |
| <b>Creditors: amounts falling due within one year</b>          | 8            | <u>(359)</u>  |
| <b>Net current liabilities</b>                                 |              | <u>(190)</u>  |
| <b>Total assets less current liabilities</b>                   |              | (42)  |
| <b>Creditors: amounts falling due after more than one year</b> | 9            | <u>(6)</u>  |
|  |              | <u>(48)</u>   |
| <b>Capital and reserves</b>                                    |              |   |
| Called up share capital  | 10           | —   |
| Profit and loss account  | 11           | <u>(48)</u>   |
| <b>Shareholders' funds – equity interests</b>                  |              | <u>(48)</u>   |

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Accounting policies

#### *(a) Accounting convention*

The financial statements are prepared under the historical cost convention.

The company meets its day to day working capital requirements through an overdraft facility which is repayable on demand. The nature of the company's business is such that there can be considerable unpredictable variation in the timing of cash inflows. The directors consider that the company will continue to operate within the facility currently agreed. However, the margin of facilities over requirements is not large and, inherently there can be no certainty in relation to these matters. The company is also dependent upon support of its directors and shareholders. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from a withdrawal of the overdraft facility by the company's bankers or repayment of the loan made by a director to the company.

#### *(b) Turnover*

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

#### *(c) Tangible fixed assets and depreciation*

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

|                                |                   |
|--------------------------------|-------------------|
| Plant and machinery            | 25% straight line |
| Fixtures, fittings & equipment | 10% straight line |
| Motor vehicles                 | 25% straight line |

#### *(d) Leasing and hire purchase commitments*

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

#### *(e) Deferred taxation*

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability will crystallise in the foreseeable future.

### 2. Turnover

The total turnover of the company for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

### 3. Operating loss

|  | <i>Period<br/>ended<br/>31 July<br/>1999<br/>£'000</i> |
|--|--|
| Operating loss is stated after charging: |  |
| Depreciation of tangible assets          | 12   |
| Operating lease rentals                  | 74   |
| Auditors' remuneration                   | 2  |
|  | <u>88</u>  |

### 4. Interest payable

|                              | <i>Period<br/>ended<br/>31 July<br/>1999<br/>£'000</i> |
|------------------------------|--|
| On bank loans and overdrafts | 3  |
|                              | <u>3</u>   |

### 5. Taxation

The company has estimated tax losses of £100,000 as at 31 July 1999 available to carry forward against future trading profits.

### 6. Tangible fixed assets

|                       | <i>Plant and<br/>machinery<br/>£'000</i> | <i>Fixtures,<br/>fittings and<br/>equipment<br/>£'000</i> | <i>Motor<br/>vehicles<br/>£'000</i> | <i>Total<br/>£'000</i> |
|-----------------------|--|---|-------------------------------------|------------------------|
| <b>Cost</b>           |  |   |                                     |                        |
| As at 1 July 1998     | —  | —   | —                                   | —                      |
| Additions             | 106                                      | 52  | 2                                   | 160                    |
| As at 31 July 1999    | <u>106</u>                               | <u>52</u>   | <u>2</u>                            | <u>160</u>             |
| <b>Depreciation</b>   |  |   |                                     |                        |
| As at 1 July 1998     | —  | —   | —                                   | —                      |
| Charge in the period  | 8  | 3   | 1                                   | 12                     |
| As at 31 July 1999    | <u>8</u>                                 | <u>3</u>  | <u>1</u>                            | <u>12</u>              |
| <b>Net Book Value</b> |  |   |                                     |                        |
| As at 31 July 1999    | <u>98</u>                                | <u>49</u>   | <u>1</u>                            | <u>148</u>             |

Included above are assets held under finance leases or hire purchase contracts as follows:

|   | <i>Plant and<br/>machinery<br/>£'000</i> |
|---|--|
| <b>Net Book Value</b>                     |  |
| As at 31 July 1999                        | 7  |
| <b>Depreciation charge for the period</b> |  |
| To 31 July 1999                           | 2  |

## 7. Debtors

|                                | <i>As at<br/>31 July<br/>1999<br/>£'000</i> |
|--------------------------------|---|
| Trade debtors                  | 18  |
| Other debtors                  | 101   |
| Prepayments and accrued income | 50  |
|                                | <hr/>                                       |
|                                | 169   |
|                                | <hr/>                                       |

## 8. Creditors: amounts falling due within one year

|   | <i>As at<br/>31 July<br/>1999<br/>£'000</i> |
|---|---|
| Bank loans and overdrafts                                       | 40  |
| Net obligations under finance lease and hire purchase contracts | 2   |
| Trade creditors   | 61  |
| Other creditors   | 251   |
| Accruals and deferred income                                    | 5   |
|   | <hr/>                                       |
|   | 359   |
|   | <hr/>                                       |

## 9. Creditors: amounts falling due after more than one year

|  | <i>As at<br/>31 July<br/>1999<br/>£'000</i> |
|--|---|
| Net obligations under finance lease and hire purchase agreements       | 6   |
|  | <hr/>                                       |
| <b>Net obligations under finance lease and hire purchase contracts</b> |   |
| Repayable within one year  | 2   |
| Repayable between one and five years                                   | 7   |
|  | <hr/>                                       |
|  | 9   |
| Finance charges and interest allocated to future accounting periods    | (1)   |
|  | <hr/>                                       |
|  | 8   |
| Included in liabilities falling due within one year                    | (2)   |
|  | <hr/>                                       |
|  | 6   |
|  | <hr/>                                       |

## 10. Share capital

|                                     | <i>As at<br/>31 July<br/>1999<br/>£'000</i> |
|-------------------------------------|---|
| Authorised:                         |   |
| 1,000 Ordinary shares of £1 each    | 1   |
|                                     | <hr/>                                       |
| Allotted, called up and fully paid: |   |
| 8 Ordinary shares of £1 each        | —   |
|                                     | <hr/>                                       |

#### 11. Statement of movements on profit and loss account

|                              | <i>Profit<br/>and loss<br/>account<br/>£'000</i> |
|------------------------------|--|
| As at 1 July 1998            | —  |
| Retained loss for the period | (48)   |
| As at 31 July 1999           | <u>(48)</u>                                      |

#### 12. Reconciliation of movements in shareholders' funds

|                               | <i>As at<br/>31 July<br/>1999<br/>£'000</i> |
|-------------------------------|---|
| Loss for the financial period | (48)  |
| Opening shareholders' funds   | —   |
| Closing shareholders' funds   | <u>(48)</u>                                 |

#### 13. Financial commitments

As at 31 July 1999 the company had annual commitments under non-cancellable operating leases as follows:

|                                    | <i>Land and<br/>building<br/>as at<br/>31 July<br/>1999<br/>£'000</i> |
|------------------------------------|---|
| Expiry date:<br>In over five years | <u>113</u>  |

#### 14. Transactions with directors

The following directors had interest free loans during the periods. The movement on these loans are as follows:

|           | <i>Amount<br/>outstanding<br/>as at<br/>31 July<br/>1999<br/>£'000</i> |
|-----------|--|
| M. Farrow | <u>11</u>  |

The maximum balance outstanding during the period ended 31 July 1999 was £12,000.



**15. Employees***Number of employees*

The average monthly number of employees (including directors) during the period was:

|                         | <i>Period<br/>ended<br/>31 July<br/>1999<br/>No.</i> |
|-------------------------|--|
| Directors               | 2  |
| Administration          | 1  |
|                         | <hr/>  |
|                         | 3  |
|                         | <hr/>  |
|                         | <i>£'000</i>   |
| <b>Employment costs</b> |  |
| Wages and salaries      | 5  |
|                         | <hr/>  |

## **AUDITORS' REPORT**

The page references referred to below relate to the published financial statements and not to this document.

The following is the text of the Auditors' Report to the financial statements for the period ended 31 July 1999, which was dated 14 April 2000.

"We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

### **Respective responsibilities of directors and auditors**

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 July 1999 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985."

## SECTION D - SWINDON SELF STORAGE LIMITED

### Unaudited Financial Information

The following financial information has been extracted from the unaudited management accounts of Swindon Self Storage Limited for the period ended 29 February 2000.

### Profit and Loss Account

for the period ended 29 February 2000

|  | <i>Period<br/>ended<br/>29 February<br/>2000<br/>£'000<br/>(Unaudited)</i> |
|--|--|
| <b>Turnover</b>                                      | 144  |
| Cost of sales  | (2)  |
|  | <hr/>  |
| <b>Gross profit</b>                                  | 142  |
| Administrative expenses                              | (110)  |
|  | <hr/>  |
| <b>Operating profit</b>                              | 32   |
| Interest payable and similar charges                 | (6)  |
|  | <hr/>  |
| <b>Profit on ordinary activities before taxation</b> | 26   |
| Tax on profit on ordinary activities                 | —  |
|  | <hr/>  |
| <b>Profit on ordinary activities after taxation</b>  | <u>26</u>  |

**Balance Sheet**  
as at 29 February 2000

|  | <i>As at<br/>29 February<br/>2000<br/>£'000<br/>(Unaudited)</i> |
|--|---|
| <b>Fixed assets</b>  |   |
| Tangible assets  | <u>147</u>  |
| <b>Current assets</b>  |   |
| Debtors  | 124   |
| <b>Creditors: amounts falling due within one year</b>          | <u>(296)</u>  |
| <b>Net current liabilities</b>                                 | <u>(172)</u>  |
| <b>Total assets less current liabilities</b>                   | (25)  |
| <b>Creditors: amounts falling due after more than one year</b> | <u>—</u>  |
|  | <u>(25)</u>   |
| <b>Capital and reserves</b>                                    |   |
| Called up share capital  | —   |
| Profit and loss account  | <u>(25)</u>   |
| <b>Shareholders' funds – equity interests</b>                  | <u><u>(25)</u></u>  |

## **PART III**

### **ADDITIONAL INFORMATION ON THE COMBINED GROUP**

#### **1. Incorporation and Share Capital**

- 1.1 The Company was incorporated and registered in England on 30 May 2000 under the name Lok'n Store Group plc with registered number 4007169 as a public company with limited liability under the Act. The principal legislation under which the Company operates is the Act. The liability of the Company's members is limited.
- 1.2 On 19 June 2000, the Company was granted a certificate of entitlement to do business and to borrow under section 117 of the Act.
- 1.3 The principal places of business of the Combined Group are:
- (i) 12 Skerne Road, Kingston-upon-Thames, Surrey KT2 5AD
  - (ii) Crockford Lane, Chineham, Basingstoke, Hampshire RG24 8NA
  - (iii) Blatchford Road, Horsham, West Sussex RH13 5QR
  - (iv) Willis Way, Fleetsbridge, Poole, Dorset BH15 3SY
  - (v) Norway Road, Portsmouth, Hampshire PO3 5HT
  - (vi) Berkeley Avenue, Reading, Berkshire RG1 6EL
  - (vii) Manor House Avenue, Millbrook, Southampton, Hampshire SO15 0LF
  - (viii) The Causeway, Staines, Middlesex TW18 3AY
  - (ix) Marlborough Road, Woking, Surrey GU21 5JG
  - (x) Caen View, Rushey Platt Industrial Estate, Swindon, Wiltshire SN5 9RW
  - (xi) Unit 27 Fareham Industrial Park, Fareham, Hampshire
- 1.4 The Company will, following the Offer becoming unconditional in all respects, have the following subsidiaries within the meaning of section 736 of the Act:
- Lok'n Store Limited  
Swindon Self Storage Limited
- 1.5 The principal activities of the Combined Group are as described in Part I of this document. There are no exceptional factors which have influenced the Combined Group's activities.
- 1.6 The authorised share capital of the Company upon incorporation was £300,000 divided into 30,000,000 Ordinary Shares of which 2 were issued nil paid to the subscribers to the memorandum of association, each subscribing for one share respectively. These Ordinary Shares will be included in the Offer.
- 1.7 By resolutions of the Company passed on 2 June 2000, the Directors were given authority in accordance with section 80 of the Act to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £300,000. The Directors were also given power pursuant to section 95 of the Act to allot or make offers or agreements to allot equity securities (as defined in section 94(2) of the Act) pursuant to the section 80 authority referred to in this paragraph 1.7, as if section 89(1) of the Act did not apply to any such allotment. Such power is to expire at the date of the annual general meeting in 2001.
- 1.8 On 2 June 2000 2,499,999 Ordinary Shares were applied for by each of Simon Thomas and Andrew Jacobs respectively (the "Applicants") against their irrevocable undertaking to pay up a quarter of the amount of their nominal value in consideration of the Company's agreement to include their name in the register of members at their request at any time prior to the Offer being declared unconditional in all respects or at the Company's discretion if Admission has not become effective by 31 July 2000. Upon the Offer being declared unconditional in all respects, in satisfaction of the obligations under the undertaking the allotment to the Applicants of Ordinary Shares pursuant to the Offer will be reduced in each case by 2,500,000 Ordinary Shares (being the above mentioned 2,499,999 Ordinary Shares together with one subscriber share).

- 1.9 The Ordinary Shares are in registered form. The Articles permit the holding and transfer of Ordinary Shares under CREST. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Directors have applied for the Ordinary Shares to be admitted to CREST.
- 1.10 Save as disclosed in this document, no capital of the Company is proposed to be issued or is under option or has been agreed, conditionally or unconditionally, to be put under option.

## **2. Memorandum and Articles of Association**

- 2.1 The Memorandum of Association of the Company provides that the Company's principal objects are to carry on the business of a general commercial company. The objects of the Company are set out in full in clause 4 of the Memorandum of Association, which is one of the documents available for inspection at the address specified in paragraph 11 of this Part III.
- 2.2 The Articles of Association contain, inter alia, provisions to the following effect:

*(a) Share rights*

Subject to the Act (and of any resolution of the Company in general meeting passed pursuant to such provisions) the Directors have unconditional authority to allot, grant options over, issue warrants to subscribe for, offer or otherwise deal with or dispose of any shares of the Company to such persons, at such times and generally on such terms and with such conditions as the Directors may determine provided that no shares shall be issued at a discount.

*(b) Voting*

Subject to any special terms as to voting upon which any shares may have been issued, or may for the time being be held, on a show of hands every member who is present in person shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder. Unless the Directors otherwise determine, a member is not entitled to vote in respect of shares unless all calls or other sums presently payable by him in respect of those shares have been paid. A member is not entitled to vote in respect of shares held by him in relation to which he or any person appearing to be interested in such shares has been served with a notice given by the Directors in their absolute discretion under the Act ("a statutory notice") requiring him to give details of any interest in any shares in the Company, and that person has failed to comply with such notice within the specified period and the member has accordingly been served with a restriction notice.

*(c) Variation of rights*

Subject to the Act, whenever the share capital of the Company is divided into different classes of shares rights attached to any class of shares may be varied in such manner (if any) as may be provided by such rights or in the absence of any such provision either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares. At every such separate meeting (except an adjourned meeting) the quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of the class and at an adjourned meeting one holder present in person or by proxy (whatever the number of shares held by him) shall constitute a quorum.

*(d) Transfer*

Transfer of shares may be effected by an instrument of transfer in the usual common form or in such other form whether or not by written instrument as the Directors may approve. Any written instrument of transfer of a share shall be signed by or on behalf of the transferor (and the transferee in the case of a nil or partly paid share) and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members in respect thereof.

The Directors may decline to register any transfer unless any written instrument of transfer is lodged with the Company duly stamped, accompanied by the certificate for the shares to which it relates and such evidence as the Directors may reasonably require to prove the title of the transfer and the execution by him of the transfer. The Directors may in their absolute discretion and without assigning any reason therefore decline to register the transfer of any share which is not a fully paid share, is a share on which the Company has a lien, is in respect of more than one class of shares and is in favour of more than four transferees. The Directors shall not, however, refuse to register any transfer or renunciation of partly paid shares on the grounds that they are partly paid shares and circumstances

where such refusal would prevent dealings in such shares from taking place on an open and proper basis.

The Directors, in their absolute discretion, may refuse to register the transfer of shares held by a member, if such member has been served with a restriction notice and has failed to supply information required by a statutory notice or has made a statement which in the opinion of the Directors is false or misleading in any material respect, provided that the shares specified in such notice, represent at least 0.25 per cent. or more of the class of share concerned.

Any shares in the Company may be held in uncertificated form and title to such shares may be transferred by means of a relevant system in accordance with The Uncertificated Securities Regulations 1995.

*(e) Return of capital on winding up*

If the Company shall be wound up, the liquidator may, with the sanction of an extraordinary resolution of the Company, and any other sanction required by the Act, divide amongst the members in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such values as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is any liability.

*(f) Pre-emption*

There are no pre-emption rights on transfers attaching to the Ordinary Shares.

*(g) Redemption*

Subject to the Act, any shares may with the sanction of a special resolution be issued on terms that they are, or at the option of the Company are, liable to be redeemed.

*(h) Alteration of share capital*

The Company may by ordinary resolution increase, consolidate or sub-divide its share capital or cancel any shares which have not been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of shares so cancelled. The Company may (subject to the Act) by special resolution reduce its authorised and issued share capital or any capital redemption reserve or share premium account and any other distributable reserve in any manner authorised by law.

*(i) Purchase of own shares*

Subject to the Act, the Company may purchase its own shares.

*(j) Borrowing powers*

The Directors may exercise all the powers of the Company to borrow money, to give guarantees and to mortgage or charge its undertaking, property, and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*(k) Dividends*

Out of the profits of the Company available for distribution, the Company may in general meeting declare dividends, but no dividend shall be in excess of the amount recommended by the Board.

Except so far as the rights attaching to the shares provide otherwise, all dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid up on a share in advance of a call shall be treated as paid up for this purpose.

The Company may (except on the winding up of the Company) withhold payment of any dividend or other money which would otherwise be payable (or any shares otherwise distributable in lieu of payment) on any shares which represents 0.25 per cent. or more of the class of share concerned if the holder of such shares has been served with a restriction notice after a failure to provide the Company with information required by a statutory notice.

Any dividend which remains unclaimed for a period of 12 years after being declared or becoming due for payment shall be forfeited and shall revert to the Company. No dividend shall bear interest against the Company.

### 3. Directors' and other interests

- 3.1 The interests of the Directors and their immediate families, all of which are beneficial (unless otherwise stated), and of connected persons within the meaning of section 346 of the Act, in the issued share capital of the Company which have been notified to the Company pursuant to sections 324 to 328 of the Act, together with the percentages which such interests represent of the Ordinary Shares in issue at the date hereof and following Admission are and will be as follows:

|                | <i>Existing</i>        |   | <i>Following Admission</i> |   |
|----------------|------------------------|---|----------------------------|---|
|                | <i>Ordinary Shares</i> | <i>Percentage of issued Ordinary Shares</i> | <i>Ordinary Shares</i>     | <i>Percentage of issued Ordinary Shares</i> |
| Simon Thomas   | 1                      | 50  | 2,500,000                  | 11.65                                       |
| Andrew Jacobs  | 1                      | 50  | 5,439,000                  | 25.35                                       |
| Colin Jacobs   | —                      | —   | —                          | —   |
| Richard Holmes | —                      | —   | 95,000                     | 0.4   |
| Paul Read      | —                      | —   | —                          | —   |
| Martin O'Grady | —                      | —   | —                          | —   |

- 3.2 Andrew Jacobs, Simon Thomas and Barnett Waddington Trustees Limited are the trustees of the Lok'n Store Directors Pension Fund Trust, and in such capacity are the registered holders of 750,000 Lok'n Store Ordinary Shares. The beneficiaries of such trust are inter alia Simon Thomas, Andrew Jacobs and Colin Jacobs.

- 3.3 Options have been granted pursuant to the Directors' service agreements, as summarised in paragraph 4 below, as follows:

| <i>Name</i>   | <i>No. of Options over Lok'n Store Ordinary Shares</i> | <i>Exercise Price</i> | <i>Exercise Period</i>  |
|---------------|--|-----------------------|-------------------------|
| Simon Thomas  | 486,000  | 38p                   | April 2002 – April 2007 |
| Andrew Jacobs | 972,000  | 38p                   | April 2002 – April 2007 |
| Colin Jacobs  | 162,000  | 38p                   | April 2002 – April 2007 |

Following Admission, new options over Ordinary Shares will be granted on substantially the same terms and conditions to these directors and the existing options over Lok'n Store Ordinary Shares will be cancelled, further details are contained in paragraph 4 below.

- 3.4 Save as disclosed above, none of the Directors has any interest in the share capital or loan capital of the Company nor does any person connected with the Directors (within the meaning of section 346 of the Act) have any such interests, whether beneficial or non-beneficial.

- 3.5 The Directors hold, or have held within the period of five years prior to the date of this document, the following directorships in addition to their directorships of the Company:

| <i>Name</i>    | <i>Current Directorships</i>   | <i>Past Directorships</i> |
|----------------|--|---------------------------|
| Simon Thomas   | Lok'n Store Limited<br>Lok'n Store Trustee Limited<br>Trucost PLC<br>Swindon Self-Storage Limited                      | None                      |
| Andrew Jacobs  | Lok'n Store Limited<br>A. Jacobs Limited<br>Lok'n Store Trustee Limited<br>Trucost PLC<br>Swindon Self-Storage Limited | None                      |
| Colin Jacobs   | Lok'n Store Limited  | None                      |
| Richard Holmes | Lok'n Store Limited<br>Mevell House Management Limited   | None                      |



| <i>Name</i>    | <i>Current Directorships</i>   | <i>Past Directorships</i>   |
|----------------|--|---|
| Paul Read      | Lok'n Store Limited<br>Lychgate Properties plc<br>Priory Properties (Windsor) Limited<br>Edgehill Place Management Limited<br>Barling Mews Management Company Limited<br>Windsor Homes plc   | Berkeley Mansford Limited<br>BM (Ringwood) Limited<br>BM (Halifax) Limited (in liquidation)<br>BM (Eastbourne) Limited (in liquidation)<br>BM (Stroud) Limited<br>Berkeley Properties Limited<br>Berkeley Cap Limited<br>Berkeley Developments Limited<br>Crosby Homes Southern Limited<br>Berkeley Group plc (The)<br>Berkeley Build Limited<br>Berkeley Commercial Investments Limited<br>Berkeley Commercial Limited<br>Berkeley Hill Limited<br>Berkeley Commercial Developments Limited<br>Berkeley Ventures Limited<br>Charco 143 Limited |
| Martin O'Grady | Lok'n Store Limited<br>Access Storage Management Limited<br>Access Storage Limited<br>Access Storage Developments Limited<br>Access Space Limited<br>Access Self-Storage Limited<br>Access Storage (No.1) Limited<br>Access Storage Centres (Croydon) Limited<br>Access Self-Storage (No.1) Limited<br>UK Storage Limited<br>UK Storage (Holdings) Limited<br>U-Stor-It-All Limited<br>Flexible Storage Limited<br>Access Storage Services Limited<br>Access Storage Space Limited<br>Access Storage Centres Limited<br>Access Self Storage S.L. | None  |

3.6 Save as disclosed above, none of the Directors:

- (a) is currently a director of a company or a partner in a partnership or has been a director of a company or a partner in a partnership within the five years immediately preceding the date of this document;
- (b) has any unspent convictions for any indictable offences or has been declared bankrupt or has made any voluntary arrangement with his creditors;
- (c) has been a director of a company at the time of or within the twelve months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration or voluntary arrangement of that company or any composition or arrangement with its creditors generally or any class of its creditors;
- (d) has been a partner in a partnership at the time of or within the twelve months preceding any compulsory liquidation, administration or voluntary arrangement of that partnership;
- (e) has had any asset which has been subject to a receivership or has been a partner in a partnership at the time of or within the twelve months preceding an asset of the partnership being subject to a receivership; or
- (f) has been publicly criticised by any statutory or regulatory authority (including any recognised professional body) or has been disqualified by a Court from acting as a director of, or in the management or conduct of, the affairs of any company.

3.7 Save as disclosed in paragraphs 3.1 and 3.2 above and as set out below, the Directors are not aware of any person, directly or indirectly, jointly or severally, who following Admission will exercise or could exercise control over the Company or who will be interested directly or indirectly in 3 per cent. or more of the issued share capital of the Company:

|                              | <i>Number of<br/>Ordinary<br/>Shares</i> | <i>Percentage<br/>of issued<br/>Ordinary<br/>Shares</i> |
|------------------------------|--|---|
| Access Storage Holdings SarL | 6,200,000                                | 28.90   |
| Rock (Nominees) Limited      | 1,688,980                                | 7.78  |
| Nicholas Sole                | 816,666                                  | 3.81  |

3.8 Save as disclosed in this document, no director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company and remains in any respect outstanding or unperformed.

3.9 No loans or guarantees granted or provided by the Company to or for the benefit of any Director are outstanding.

#### **4. Directors' Service Agreements**

4.1 Each of the Executive Directors has entered into a service contract with Lok'n Store, brief details of which are as follows:

- (i) service contract dated 25 March 1997 between Lok'n Store and Andrew Jacobs pursuant to which Andrew Jacobs is employed as Chief Executive Officer of Lok'n Store. His service contract can be terminated by Lok'n Store giving not less than one year's notice or Andrew Jacobs giving not less than 6 months' notice at any time. His remuneration is £75,000 per annum plus a discretionary bonus. Pursuant to this agreement Andrew Jacobs was granted options over 972,000 Lok'n Store Ordinary Shares at an option price of 38p each;
- (ii) service contract dated 25 March 1997 between Lok'n Store and Simon Thomas pursuant to which Simon Thomas is employed as executive chairman of Lok'n Store. His service contract can be terminated by Lok'n Store giving not less than one year's notice or Simon Thomas giving not less than 6 months' notice at any time. His remuneration is £75,000 per annum plus a discretionary bonus. Pursuant to this agreement Simon Thomas was granted options over 486,000 Lok'n Store Ordinary Shares at an option price of 38p each; and
- (iii) service contract dated 25th March 1997 between Lok'n Store and Colin Jacobs pursuant to which Colin Jacobs is employed as Operations Director of Lok'n Store. His service contract can be terminated by Lok'n Store giving not less than one year's notice or by Colin Jacobs giving not less than 6 months' notice at any time. His remuneration is £35,000 per annum plus a discretionary bonus. Pursuant to this agreement Colin Jacobs was granted options over 162,000 Lok'n Store Ordinary Shares at an option price of 38p each.

4.2 Conditional upon Admission, the options detailed in this paragraph 4 will be replaced with similar options in the Company which may be exercised:

- (i) between five and ten years from the date of such grant provided that either: the Combined Group achieves an annual turnover of £5 million; or the average of the middle market quotations of an Ordinary Share as derived from AIM (or any appropriate investment exchange) on each of the three dealing days immediately preceding the date on which the option is exercised exceeds £1.50; or
- (ii) within four weeks of any person or group of persons acting in concert acquiring directly or indirectly control of 50 per cent. or more of the issued Ordinary Share capital.

4.3 With the exception of Martin O'Grady who receives no remuneration, each of the non-executive Directors has entered into a letter of appointment providing for annual fees of £10,000.

4.4 Save as disclosed in this paragraph 4, there are no existing or proposed service contracts between any of the Directors and the Company or any of its subsidiaries.

4.5 (i) The aggregate of the remuneration payable and benefits in kind granted to the directors of Lok'n Store by Lok'n Store in respect of the financial period ended 31 July 1999 amounted to £183,000 (including bonuses).

(ii) The aggregate of the remuneration payable and benefits in kind granted to the Directors by the Combined Group under the arrangements in force with effect from Admission for the year ending 31 July 2000 will not exceed £250,000 (including bonuses). The first complete financial year for Lok'n Store Group will be from incorporation to 31 July 2001.

## 5. Share Option Scheme

- 5.1 The following is a summary of the principal features of the Share Option Scheme to be adopted by the Company, subject to Admission.

The Share Option Scheme is in substantially the same form as the existing scheme in place for Lok'n Store and is in a form for which approval by the Inland Revenue under Schedule 9 to the Taxes Act is being sought. The number of options presently granted under the existing Lok'n Store Scheme is 79,045.

*(i) Introduction*

The purpose of the Share Option Scheme is to enable full-time employees and directors of the Company and of any participating subsidiary to acquire, by subscription or purchase, options over shares in the Ordinary Share capital of the Company ("Scheme Shares").

*(ii) Eligibility*

Only those Directors who work at least 25 hours each week and any other employee of the Combined Group ("eligible employees") will be eligible to have options granted to them.

*(iii) Grant of options*

The Committee (as described below) may in its absolute discretion grant eligible employees options over such number of Scheme Shares as the Committee may determine. Options may be granted to an eligible employee at any time provided that such person who has or has within the preceding 12 months had, a material interest (as defined in the Taxes Act) in a Close Company (as defined in the Scheme) being either the Company or a company which has control of the Company or is a member of a consortium which owns such a company.

*(iv) Option price*

The price ("Option Price") payable for each Scheme Share on exercise of an option is that determined by the Committee from time to time but shall not be less than the Market Value of a Scheme Share (as defined below) at the date of grant or in the case of an option which is the right to subscribe for Scheme Shares, the nominal value of a Scheme Share.

*(v) Individual limits*

No person may at any time hold options over Scheme Shares if the aggregate Market Value of all the Scheme Shares over which such person has previously been granted options (and have not been exercised nor ceased to be exercisable) and any other employee approved share option scheme of the Company or associated company (other than an Inland Revenue approved savings-related share option scheme) exceeds the greater of £30,000.

*(vi) Exercise and lapse of options*

Options will normally be exercisable only between the third and tenth anniversary of the date of grant and may be exercised only if specified performance criteria have been met. The options will normally lapse and cease to be exercisable if the option holder ceases to be employed by the Combined Group.

*(vii) Overall limits applicable and performance criteria*

- (a) No option may be granted under the Share Option Scheme if, as a result, the aggregate number of Scheme Shares issued or which require to be issued pursuant to options granted under the Share Option Scheme (and which, if not exercised, have not ceased to be exercisable) would exceed five per cent. of the issued Ordinary Share capital of the Company as at the date of grant.
- (b) Options may be granted subject to such objective condition or conditions of exercise as the Committee may determine, such conditions to be notified to the Optionholders upon grant. The remuneration committee may vary or amend such conditions but shall not make any such alteration unless it bona fide decides that the alteration is required in order to ensure the Scheme operates fairly and effectively in particular the remuneration committee shall be satisfied that any different conditions shall be a fairer measure of the performance of the Company and any participating company and any amendment shall be one which the remuneration committee consider will result in the conditions being less difficult to satisfy than it would have been without the adjustment.

*(viii) General provisions relating to the Share Option Scheme*

*(a) Constitution of Committee*

The Share Option Scheme will be administered by the remuneration committee, consisting wholly or mainly of non-executive Directors. The committee will select those persons who will be granted options.

*(b) Market Value of a Scheme Share*

For the purposes of the Share Option Scheme references to "Market Value" of a share means either:

(aa) in relation to a Scheme Share on a given day, the market value of an Ordinary Share determined in accordance with the provisions of the Taxes Act; or

(bb) for the purposes of paragraph [v] above;

(i) the lesser of the Option Price payable upon the exercise of an Option which has been or is to be granted and the minimum Option Price per Scheme Share which could have been determined pursuant to paragraph (iv) above;

(ii) where an option is granted at any other time, the market value of a share determined in accordance with the Taxes Act.

*(c) Takeovers etc*

In the event that a company ("the Acquiring Company") (aa) obtains control of the Company either (1) as a result of a take-over offer; or (2) in pursuance of a compromise or arrangement sanctioned by the court under section 425 of the Act; or (bb) serves a notice or notices on the shareholders of the Company under section 428 to 430 of the Act, each holder of an option may (subject to the rules of the Option Scheme) exercise all or any of his options in whole or part; and/or to the extent an option is not or has not been exercised, execute, with the consent of the Acquiring Company, a release of such option in exchange for the grant to him of an equivalent option to acquire shares in the Acquiring Company.

*(d) Alterations to the Share Option Scheme*

The rules of the Share Option Scheme cannot be altered without the Inland Revenue approval or, where his liabilities are affected, the prior written approval of the optionholder.

5.2 162,000 options over Lok'n Store Ordinary Shares have been granted to Patricia Crisp, a senior employee of the Combined Group, on the same terms of exercise as set out in paragraph 4 above. Conditional upon Admission, these options will be replaced with similar options over Ordinary Shares.

## **6. Working Capital**

The Company, having made due and careful enquiry, is of the opinion that, taking into account the Company's existing bank facilities, the Company will, from the time of Admission, have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this document.

## **7. Material Contracts**

The following contracts have been entered into by the Company and/or members of the Combined Group, otherwise than in the ordinary course of business, during the two years preceding the date of this document and are or may be material:

7.1 An agreement (the "Introduction Agreement") dated 19 June 2000 between the Company, the Directors and Old Mutual Securities under which Old Mutual Securities, as nominated adviser to the Company, agreed to advise in connection with the application for Admission ("the Application"). The Introduction Agreement is conditional, inter alia, upon Admission. The Company has agreed in the Introduction Agreement to meet the expenses of the Offer and the Application.

In consideration of Old Mutual Securities' services under the Introduction Agreement, Old Mutual Securities will be paid a fee of £75,000.

The Introduction Agreement contains warranties given by the Company and the Directors, and indemnities given by the Company, in favour of Old Mutual. It also contains provisions permitting Old Mutual Securities and the Company to terminate their obligations thereunder in certain limited circumstances prior to the date of Admission.

- 7.2 A letter dated 2 June 2000 from the Company to Access Storage Holdings SarL (“Access”) under the terms of which the Company agreed that in consideration of Access signing the irrevocable undertaking and upon the Offer being declared unconditional in all respects, the Investment Agreement (as defined in 7.3 below) shall be amended to permit Access to appoint and remove a director of Lok’n Store Group and to require Lok’n Store Group to supply it with financial and certain other information as set out in the Investment Agreement.
- 7.3 An investment agreement (the “Investment Agreement”) dated 26 October 1999 between (1) Access, (2) the directors of Access, and (3) Lok’n Store whereby Access agreed the terms under which it would subscribe for 5,000,000 Lok’n Store Ordinary Shares and purchase by way of tender offer up to 1,200,000 Lok’n Store Ordinary Shares.

The Investment Agreement contains warranties and indemnities from, inter alia, Lok’n Store in relation to information concerning Lok’n Store and matters of taxation. No claims under the warranties and indemnities can be made after 26 October 2001. In respect of claims in relation to taxation, the warranty period expires on 31 July 2006. Under the Investment Agreement, the maximum liability of the warrantors in respect of the warranties and/or tax indemnity is £4,650,000.

## **8. Litigation**

No legal or arbitration proceedings are active, pending or threatened against, or being brought by the Combined Group which are having or may have a significant effect on the financial position of the Combined Group.

## **9. Taxation**

The following paragraphs are intended as a general guide only for shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes, holding Ordinary Shares as investments and not as securities to be realised in the course of a trade, and are based on current legislation and UK Inland Revenue practice. Any prospective purchaser of Ordinary Shares who is in any doubt about his tax position or who is subject to taxation in a jurisdiction other than the UK, should consult his own professional adviser immediately.

- 9.1 The Chancellor of the Exchequer in his Budget on 21 March 2000 proposed a number of changes to tax legislation. A major change, for shares issued after 6 April 2000, is the proposed reduction in the minimum holding period where income tax relief is to be claimed from 5 years to 3 years. The summaries of the relevant tax legislation set out in this document reflect these proposals, which are dependent upon enactment of the Finance Bill 2000.

### **9.2 Taxation of Chargeable Gains**

For the purpose of UK tax on chargeable gains, the issue of Ordinary Shares pursuant to the Admission will be regarded as an acquisition of a new holding in the share capital of the Company.

The Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Lok’n Store Ordinary Shares will constitute the base cost of the Ordinary Shares. The amount paid for the Lok’n Store Ordinary Shares by individuals will be eligible for taper relief allowance.

If a shareholder disposes of all or some of his Ordinary Shares, a liability to tax on chargeable gains may, depending on his circumstances, arise.

Companies are not entitled to taper relief but are due indexation allowance which may also reduce the chargeable gain.

### **9.3 Loss Relief**

If an investor is an individual or an investment company, relief for losses incurred by that investor on a first disposal of the Ordinary Shares may be available under Sections 573 to 576 of the Income and Corporation Taxes Act 1988, against income of the same or prior year.

This relief should be available provided the Company and the investor satisfy the relevant statutory requirements.

*Alternatively, a loss incurred on such a disposal may be set against chargeable gains of the same or a future period.*

#### 9.4 *Inheritance Tax – Business Property Relief*

Unquoted ordinary shares representing minority interests in trading companies such as the Company potentially qualify for 100 per cent business property relief which gives up to 100 per cent exemption from Inheritance Tax. Therefore, where an investor makes a lifetime gift of shares or dies while still owner of the shares, no inheritance tax should be payable in respect of the value of the shares, provided certain conditions are met. The main condition is that the investor held the shares for two years before the date of transfer or death.

#### 9.5 *Stamp Duty and Stamp Duty Reserve Tax*

No stamp duty or stamp duty reserve tax ("SDRT") will generally be payable on the issue of the Ordinary Shares.

#### 9.6 *Dividends and other Distributions*

Dividends paid by the Company will carry an associated tax credit of one-ninth of the cash dividend or ten per cent of the aggregate of the cash dividend and associated tax credit. Individual shareholders resident in the UK receiving such dividends will be liable to income tax on the aggregate of the dividend and associated tax credit at the Schedule F ordinary rate (10 per cent) or the Schedule F upper rate (32.5 per cent).

The effect will be that shareholders who are otherwise liable to pay tax at only the lower rate or basic rate of income tax will have no further liability to income tax in respect of such a dividend. Higher rate taxpayers will have an additional tax liability (after taking into account the tax credit) of 22.5 per cent of the aggregate of the dividend and associated tax credit. Individual shareholders whose income tax liability is less than the tax credit will not be entitled to claim a repayment of all or part of the tax credit associated with such dividends.

A UK resident corporate shareholder should not be liable to corporation tax or income tax in respect of dividends received from the Company unless that company is carrying on a trade of dealing in shares.

Trustees of discretionary trusts are liable to account for income tax at the rate applicable to trusts on the trust's income at the Schedule F trust rate, currently 25 per cent.

Under the previous legislation, individuals not liable to income tax could reclaim the tax credits attached to dividends received. From 6 April 1999 tax credits on dividends are no longer reclaimable by shareholders, except on shares held in a PEP or ISA on dividends paid prior to 6 April 2004.

Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident.

### 10. **General**

- 10.1 Save as disclosed in this document, there are no patents or other intellectual property rights, licences or particular contracts that are of fundamental importance to the Company's business.
- 10.2 The expenses of the Admission are estimated to be £202,800, excluding VAT, and are payable by the Company.
- 10.3 Save as disclosed in this document, there has been no significant recent trends concerning the development of the issuer's business since the end of the last completed financial year of the issuer.
- 10.4 Baker Tilly, Chartered Accountants, have been the auditors to the Company from incorporation to date. Their address is 2 Bloomsbury Street, London WC1B 3ST.
- 10.5 Old Mutual Securities has given and has not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which they are included.
- 10.6 Save as set out in Part I of this document, there are no investments in progress which are significant.
- 10.7 Otherwise than disclosed in this document, there is no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) who has:
  - (i) received, directly or indirectly, from any undertaking in the Group within the 12 months preceding Admission; or
  - (ii) entered into contractual arrangements (not otherwise disclosed herein) to receive, directly or indirectly, from any undertaking in the Group on or after Admission any of the following:

- (a) fees tototaling £10,000 or more;
- (b) securities in the Company with a value or £10,000 or more calculated by reference to the market value; or
- (c) any other benefit with a value of £10,000 or more at the date of Admission.

10.8 Copies of this document will be available, free of charge, from Brough Skerrett, 99 Charterhouse Street, London, EC1M 6NQ, for 14 days from the date of Admission.

10.9 The contents of this document have been approved for the purposes of section 57 of the Financial Services Act 1986 only by Old Mutual Securities.

#### **11. Documents available for inspection**

Copies of the following documents may be inspected at the offices of Brough Skerrett, 99 Charterhouse Street, London, EC1M 6NQ, during usual business hours on any weekday (excluding public holidays) until Admission:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the consent letters referred to in paragraph 10 above;
- (c) the service agreements and letters of appointment referred to in paragraph 4 above;
- (d) the rules of the Share Option Scheme; and
- (e) the material contracts referred to in paragraph 7 above.

20 June 2000

**END OF DOCUMENT**