Lok'nStore Group Plc

Interim Report

for the six months ended 31 January 2016

Stock Code: LOK
www.loknstore.com

In This Report

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

"With revenue up and costs down Lok'nStore's profits have continued to grow robustly. We are investing in the future growth of the business with more new landmark stores. Our low level of debt means that this rapid development programme can be financed from cash flow and existing bank facilities, while progressively increasing the dividend.

"Our new store development programme continues to change the balance of our store portfolio with new and purpose built stores accounting for 59% of our portfolio. New stores in Chichester, Southampton and Bristol will add impetus to sales and earnings growth, and our pipeline of 4 new stores will reinforce this further."

Andrew Jacobs ■ CEO

Chairman's Statement

Simon Thomas ■
Chairman

Healthy growth, increased dividend and active store opening programme

Lok'nStore's focus is opening more landmark self-storage centres while remaining conservatively leveraged to deliver robust, predictable and growing cash flow and dividends.

For the half year period to January 2016 trading has been strong with revenue, profits and assets all increasing rapidly. This has been and will continue to be reinforced by improvements to our existing stores combined with our programme of opening new, landmark, purpose-built stores. This will result in a substantial increase in the proportion of our store space which is new or purpose built and will add further momentum to the growth of sales and profits.

An increase in revenue of 4.7% to £7.99 million (31.1.2015: £7.63 million) resulted from both occupancy and price growth and with operating and finance costs reduced in the period profit margins have increased both at the store level and the group level. As a result profits have grown sharply with Adjusted EBITDA up 13.1%.

The growth of sales, profit and asset values combined with innovative asset management has allowed us to achieve a reduction in the loan-to-value (LTV) ratio from 27.5% to 26.2% while we invested £4.6 million in stores this period.

Funds from Operations (FFO) per share which guides the dividend pay-out has moved smartly ahead and we are proposing to increase the interim dividend by 14.6%. Net Asset Value (NAV) per share which demonstrates the underlying asset value has also improved sharply.

Our rapid store development programme has led to an increase in new and purpose built space to 59% of our owned portfolio. Stores in Maidenhead, Reading, Aldershot and recently opened Chichester have plenty of capacity to continue contributing to growth during the coming years. The development programme will also continue with the new stores in Southampton and Bristol opening in early May 2016 and further store openings in 2017 and 2018. This new store growth will build on a robust performance from the existing portfolio.

In the period we also received an extra £2 million for our Reading site which we originally sold in 2014 and a further £3.5 million for the sale and manage-back of our Swindon store. These proceeds will be used to pay down debt and finance new landmark store developments.

Our innovative approach to financing, our strong balance sheet and our growing cash flows means we are achieving all this while also reducing our gearing from its existing modest level and continually increasing dividends.

New £40 million Banking Facility reflects financial strength of business

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

Appointment of Director demonstrates operational focus

The Group is pleased to announce the appointment of Neil Newman (38) to the Board as an Executive Director. Neil brings significant managerial and operational experience having worked in the business since 2006. Neil is currently Group Sales Director and will retain this title. Neil's contribution to Lok'nStore over the recent years has been significant and we look forward to his continuing involvement in our future growth.

Properties and Net Asset Value

The period-end property valuation equates to a total value of properties held of £98.5 million (31.1.2015: £88.4 million) an 11.5% increase in value. (Note that these values are not fully reflected in the statement of financial position which states the operating leasehold stores at cost less accumulated depreciation.) An update of the progress on store properties is detailed in the Business and Financial Review.

Progressive Dividend

It is intended that the Company's future dividend payments will reflect the growth in the underlying cash generated by the business. At the interim stage we intend to pay approximately one third of the previous year's total annual dividend which equates to 2.67 pence per share, up 14.6% on the 2.33 pence per share interim dividend last year. This interim dividend will be paid on 10 June 2016. The final dividend will be declared when the Group's full year results are announced.

Positive Outlook

Lok'nStore is a dynamic business with a record of consistent profit growth and cash generation and is well positioned for the coming years. Recent strong trading will be reinforced by our programme of new landmark store openings.

With the high barriers to entry to the self-storage industry created by the strong demand for property in South-East England and the difficulties of the local planning process, we believe that the increased capacity which Lok'nStore has already and will continue to create will provide the opportunity for significant further growth. We will continue to focus our efforts on four key areas:

- Filling existing stores and improving pricing further
- Site acquisitions for new landmark stores
- Increasing the number of stores we manage for third parties
- Developing our document storage offering through organic growth

Simon G Thomas
Chairman
22 April 2016

Highlights

Lok'nStore Group Plc, the fast growing self-storage company announces great interim results for the six months to 31 January 2016 — growth from new stores and more new stores to come.

Record financial results ahead of expectations on all measures

- Revenue £7.99 million up 4.7% (31.1.2015: £7.63 million) — like for like (LFL)[1] up 8%
- Operating Costs down 0.6%
- Adjusted EBITDA[2] £3.30 million up 13.1% (31.1.2015: £2.92 million)
- Operating profit (pre-exceptionals[3]) £2.39 million up 17.4% (31.1.2015: £2.03 million)
- Operating profit (post-exceptionals) £4.20 million up 106.8% (31.1.2015: £2.03 million)
- Profit before taxation £3.79 million up 155.5% (31.01.15: £1.48 million)

Strong cash flow supports 14.6% dividend increase – progressive dividend policy

- Funds from Operations (FFO)[4] £3.1 million up 22.7% (31.1.2015: £2.52 million)
- Annualised FFO of 24 pence per share up 19.3% (31.1.2015: 20.1 pence per share)
- Interim dividend 2.67 pence per share up 14.6% (31.1.2015: 2.33 pence per share)

Asset backed: Adjusted Net Asset Value per share[5] up 14.1% to £3.07 (31.1.2015: £2.69)

- Total assets now up to £113 million

Strong balance sheet, efficient use of capital, low debt

- New £40 million Bank facility on lower interest margin
- Additional £2 million received for sale of old Reading store
- Sale and manage-back of Swindon store for £3.5 million (NBV £1.4 million)
- Net debt £25.8 million (31.1.2015: £24.3 million)
- Loan to value ratio down to 26.2%[6] (31.1.2015: 27.5%)

Self-storage business performing strongly

- Self-storage revenue £6.93 million up 3.3% (31.1.2015: £6.71 million) – LFL up 7.1%
- Store EBITDA £3.84[7] million up 5.4% (31.1.2015: £3.65 million)
- Occupied units pricing up 3.3%
- Occupancy up 2.4% LFL

Document storage profit more than doubles

- Revenue £1.06 million up 14.7% (31.1.2015: £0.92 million)
- Adjusted EBITDA £0.25 million up 134% (31.1.2015: £0.11 million))

Growth from new stores and more new stores to come

- New Chichester store opened January 2016 – early trading strong
- New Southampton and Bristol stores due to open early May 2016
- Constantly reviewing new store opportunities – pipeline of 4 new stores

1 On 30 September 2015, Lok'nStore sold its store in Swindon on a sale and manage-back basis. Like-for-like (LFL) growth figures for the period strip out the effect of this sale.

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

3 Exceptionals include an additional £2 million received for the sale of the old Reading site .

4 Funds from Operations (FFO) calculated as EBITDA minus net finance cost on operating assets.

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

6 Calculation based on net debt of £25.8 million (31.1.2015: £24.3 million) and total property value of £98.5 million (21.1.2015: £88.4 million) set out in the Business and Financial Review section of the Strategic Report.

7 Store adjusted EBITDA is Adjusted EBITDA (see above2) before central and head office costs.

Business and Financial Review

The Performance of our Stores

Sales, Profits and Occupancy growing

Trading

Total group revenue for the period grew 4.7% to £7.99 million (31.1.2015: £7.63 million) with Group operating profit up 106.8% to £4.2 million (31.1.2015: £2.03 million). On 30 September 2015 we sold our store in Swindon on a sale and manage-back basis. For clarity we include a table below to show all the headline growth figures and like-for-like growth figures for the period stripping out the effect of this transaction to improve the transparency of operating performance. Revenue growth on this basis rises to 8%. Document storage revenue was £1.06 million up 14.7% (31.1.2015: £0.92 million).

	Like-for-like 31 January 2016		Headline 31 January 2016	
	Self-storage Growth %	Group Growth %	Self-storage Growth %	Group Growth %
Financials:				
Revenue	7.1	8.0	3.3	4.7
Group Adjusted EBITDA	4.5	15.1	4.4	13.1
Operating profit (pre-exceptionals)	7.6	20.3	7.4	17.4
FFO per share (Annualised)	–	24 pence	–	24 pence
FFO growth	n/a	22.1	n/a	19.3
Operating:				
Store Adjusted EBITDA	6.8	–	5.4	–

Occupancy increased 2.4% year on year on a like-for-like basis to 63.6% of current lettable area (CLA). This was combined with a healthy year on year price increase of 3.3%. Self-storage revenue for the period was £6.93 million up 3.3% (31.1.2015: £6.71 million), and 7.1% on a like-for-like basis.

Operating costs for the period were down 0.6% so with costs firmly under control this revenue growth translates into rapid profit growth. Total store EBITDA in the self-storage business, a key performance indicator of profitability and cash flow of the business, increased 5.4% to £3.84 million (31.1.2015: £3.65 million), and 6.8% on a like-for-like basis.

We again managed to increase the overall adjusted EBITDA margin across all stores by 1.9 percentage points from 54.6% to 56.5%. The adjusted EBITDA margins of the freehold stores were 66.3% (31.1.2015: 63.9%) and the leasehold store margins remained at 42.2% (31.1.2015: 42.2%).

At the end of January 2016 33.1% of Lok'nStore's self-storage revenue was from business customers (31.1.2015: 33.4%) with the remainder from household customers. By number of customers 19.6% of our customers were business customers (31.1.2015: 20.0%).

					When fully developed			
Portfolio Analysis and Performance Breakdown	Number of stores	% of Valuation	% of Store EBITDA	Store EBITDA Margin (%)	Number of stores	% lettable space Lok Owned	Total % lettable space	Total lettable space (Sq.ft)
As at 31 January 2016								
Freehold and long leasehold stores	11	77.9	69.7	66.3	12	60.6	51.1	659,632
Operating Leaseholds stores	8	15.5	30.3	42.2	8	39.4	30.6	394,926
Pipeline stores (Freehold)	2	6.6	–	–	–	–	–	
Managed Stores (trading)	6	–	–	–	6	–	18.3	235,567
Total	**27**	**100**	**100**	**56.5**	**26**	**100**	**100**	**1,290,125**

The average unexpired term of the Group's operating leaseholds is approximately 12 years and 2 months as at 31 January 2016 (13 years and 2 months: 31 January 2015). Total freeholds and long leasehold stores account for 85% of total property values. (Long leaseholds are those with over 50 years remaining term.)

Business and Financial Review

The Performance of our Stores

Ancillary Sales

Ancillary sales consisting of boxes and packaging materials, insurance and other sales increased 3.5% over the year accounting for 10.9% of self-storage revenues (31.1.2015: 10.7%). We continue to promote our insurance to new customers with the result that 91% (31.1.2015: 93%) of our new customers purchased our insurance over the year. This has resulted in 78% percent of our customers being insured by Lok'nStore.

Saracen — Document storage business

Volume metrics in our documents storage business have continued to grow with period-end boxes stored up 11% year on year and period-end tapes stored up 12.5% year on year. Revenue and adjusted EBITDA have increased rapidly as the operating metrics improve in response to the Company's more customer-facing marketing stance.

This approach has resulted in excellent customer feedback and puts us in a good position to win new business. Revenue and profit are now starting to follow these volume metrics upwards with EBITDA profits up 134% over the same period last year.

Having previously consolidated our serviced document warehouse capacity, closing one of the three storage sites we embarked last year on further fit-out of new warehouse racking in our site in Olney and we now have the capacity to significantly increase the number of boxes stored within our existing premises. As part of this strategy, and in response to further box growth we commissioned a further and final fitting out of the Olney warehouse. Additions of £0.14 million were made in the current period to fixtures, fittings and equipment.

	6 months ended 31 January 2016		6 months ended 31 January 2015
	Document Storage £'000	Growth %	Document Storage £'000
Document storage – Revenue	1,058	14.7	923
Document storage – Adjusted EBITDA	252	133.3	108

Stores Property review

Lok'nStore's strong operating cash flow, solid asset base, and tactical approach to its store property portfolio provide the Group with opportunities to improve the terms of its property usage in all stages of the economic cycle. Our focus on the trading business gives us many opportunities and our property decisions are always driven by the requirements of the trading business. Lok'nStore has 27 sites, of these, 21 sites are owned with 13 freehold or long leasehold, 8 leasehold and 6 further sites which operate under management contracts. 26 sites are trading stores. Lok'nStore is attracting a steady stream of investment partners to help drive the growth of the operating business. At the period-end the average length of the 7 leases which were valued at July 2015 decreased by 12 months to 12 years and 2 months (31.1.2015: 13 years and 2 months). 7 out of 8 of our leasehold stores are inside the Landlord and Tenant Act providing us with a strong security of tenure.

Bristol

In January 2014 Lok'nStore acquired a site in Longwell Green, Bristol. The site of approximately 0.9 acres is in a busy retail park with planning permission to build a 50,000 sq. feet self-storage centre in Lok'nStore's modern and distinctive design. Development is currently well advanced. The total cost of the store when built and fitted-out, will be around £4.3 million and will add to Lok'nStore's high-quality portfolio of freehold, purpose built self-storage centres in prominent trading locations when it opens in May 2016.

Additional £2 million received for sale of Reading site

The Group has received an additional £2 million from the purchaser of the original Reading store site. This sum is in addition to the £2.9 million received from the purchaser on 31 October 2014, taking the total consideration to £4.9m. These additional proceeds will be re-invested into the Group's opening programme of highly visible purpose-built new stores.

Sale and manage-back of Swindon store

On 30 September 2015 the Group completed the sale and manage-back of its Swindon East store for £3.5 million in cash to an investment fund. Historically, the Group has operated two stores in Swindon, one leasehold and one freehold. Following the completion of £0.5m of capital expenditure to increase capacity at its freehold store, the two stores were consolidated into one. The aggregate Net Book Value (NBV) was £1.4 million at the date of sale. The Group will continue to manage the store as a branded Lok'nStore operation on behalf of the investor, and will receive management and performance fees. The proceeds of this transaction will be re-invested into projects such as the new stores currently under construction.

Portsmouth North

On 24 November 2014 the Company announced the sale of the Company's undeveloped site at Portsmouth North Harbour for £3 million subject to planning. The planning application filed and validated on 28 July 2015 was granted in January 2016. The sale will now complete subject to completion of the S106 and the expiration of the judicial review period.

Management contracts

Aldershot

In May 2015 Lok'nStore opened a new managed store in Aldershot, Hampshire. The store is in a prominent location on the main Aldershot roundabout above the A331, is visually striking and benefits from significant levels of passing traffic. The store is managed for outside investors under the Lok'nStore brand. Lok'nStore has managed the building and subsequent operation of the store and generates a return on £2.5 million of the total development loan capital it has committed to the project, and also receives management fees for the operation and branding of the store. This project is consistent with Lok'nStore's strategy of expanding the operating footprint of the business while maintaining its strong balance sheet. The store has traded well and in January 2016 a further phase of units was commissioned.

Chichester

Lok'nStore has also completed the development and fit-out on behalf of external investors of a new storage facility in Chichester, West Sussex which opened in January 2016. Lok'nStore manages the operation and branding of the store under a Management Services Agreement.

Store portfolio

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

Financial

Lok'nStore is a robust business which generates an increasing cash flow from its strong asset base. With a low LTV of 26.2% and low interest margins of 1.4% on its new banking facility the business has a firm base for growth. The value of the Group's property assets underpin a flexible business model with stable and rising cash flows, low credit risk and tightly controlled operating costs.

New £40 million Banking Facility

The new £40 million five year revolving credit facility replaces the existing facility which was due to expire in October 2016, and will provide funding for site acquisitions as well as working capital for the development of the business over the medium term.

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

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

Management of interest rate risk

Of the £28.8 million of gross debt currently drawn against the £40 million revolving credit facility. £20 million is at a fixed interest rate with £10 million fixed rate swap at a fixed 1 month sterling LIBOR rate of 1.2% and £10 million swap at a fixed 1 month sterling LIBOR rate of 1.15%. With 1 month LIBOR around 0.5%, this leaves a balance of £8.8 million floating at a current all-in rate of around 2.8% and results in an overall weighted average rate of 3.25%.

The £20 million fixed rate is treated as an effective cash flow hedge and its fair value on a mark-to-market basis has fluctuated historically. Under the new facility arrangements the Group is not committed to enter into hedging instruments going forwards but rather to keep such matters under periodic review.

The current fair value of the swaps is a liability of £0.1 million and is currently stated as (31.1.2015: asset of £0.2 million). (See Note 15b).

Taxation

The Group has made a tax provision against earnings in this period of £0.82 million. The reduction in forward corporation tax rates to 18% has resulted in a net reduction in the deferred tax provision carried against revalued properties of £0.73 million. (see Note 16).

Earnings per share

Basic earnings per share were 11.53 pence (31.1.2015: 4.39 pence per share) and diluted earnings per share were 11.26 pence (31.1.2015: 4.29 pence per share).

Business and Financial Review

The Performance of our Stores

Operating costs

Costs have been reduced in the period and store EBITDA margins have been increased by 1.9 percentage points to 56.5% (31.1.2015: 54.6%). The cost ratio reduced to 56.6%1 (31.1.2015: 59.7%)

Group operating costs amounted to £4.52 million for the period, a 0.6% decrease year on year (31.1.2015: £4.55 million). Overall operating costs as a percentage of revenue have decreased and represent 56.6% as a cost ratio. (31.1.2015: 59.7%). This disciplined approach to costs ensures that as much as possible of the revenue growth achieved contributes to increasing our profits. Historically we have a strong record of reducing our group operating costs each year. Although this is increasingly challenging while delivering strong growth, we have again in this period contained property costs with underlying property costs down 3.6%. Overhead costs have also been reduced. Staff costs increased by 3.4% through a combination of higher sales bonuses driven by strong sales growth and additional national insurance costs arising on the exercise of employee share options. Progress continues on reducing Saracen's operating costs with a 0.1% decrease year on year while at the same time achieving nearly 15% revenue growth.

Group	Increase/ (Decrease) in costs %	Six months ended 31 Jan 2016 £'000	Six months ended 31 Jan 2015 £'000	Year ended 31 July 2015 £'000
Property costs	(3.6)	**1,889**	1,960	4,010
Staff costs	3.4	**2,074**	2,005	4,188
Overheads	(1.9)	**481**	491	1,049
Distribution costs	(18.4)	**78**	95	190
Total	(0.6)	**4,522**	4,551	9,437

Cash flow

At 31 January 2016 the Group had cash balances of £3.0 million (31.1.2015: £3.4 million). Cash inflow from operating activities before investing and financing activities was £3.8 million (31.1.2015: £1.4 million). The Group also received £3.5 million on the sale and manage-back of its Swindon East store and an additional £2 million from the purchaser of the original Reading store site. As well as using cash generated from operations to fund some capital expenditure, the Group has a new five year revolving credit facility. This provides sufficient liquidity for the Group's current needs. Undrawn committed facilities at the period-end amounted to £11.2 million (31.1.2015: £12.3 million).

Gearing

At 31 January 2016 the Group had £28.8 million of gross borrowings (31.1.2015: £27.7 million) representing gearing of 45.7% (31.1.2015: 53.2%) on net debt of £25.8 million (31.1.2015: £24.3 million). After adjusting for the uplift in value of leaseholds which are stated at depreciated historic cost in the statement of financial position, gearing is 38.5% (31.1.2015: 42.8%). After adjusting for the deferred tax liability carried at period end of £11.6 million gearing drops to 32.5% (31.1.2015: 35.8%).

Funds from Operations (FFO)

By excluding £0.22 million (31.1.2015: £0.16 million) of the interest costs of carrying the development sites from the total net interest charge of £0.41 million (31.1.2015: £0.55 million) the interest on the operating portfolio is £0.2 million for the period (31.1.2015: £0.39 million). Funds from operations (FFO) represented by EBITDA minus interest on the operating portfolio is therefore £3.1 million up 22.7% (31.1.2015: £2.52 million) equating to 24 pence per share annualised, up 19.3% on last year (31.1.2015: 20.1 pence per share annualised).

Group	Six months ended 31 Jan 2016 £'000	Six months ended 31 Jan 2015 £'000	Year ended 31 July 2015 £'000
Group EBITDA	**3,297**	2,916	5,682
Finance Costs	**414**	549	1,003
Interest costs relating to holding development assets	**(216)**	(158)	(297)
Net finance cost based on operations	**198**	391	706
Funds from Operations	**3,099**	2,525	4,976
Increase in Funds from Operations	**22.7%**		
	No.	No.	No.
Adjusted shares in issue	**25,873,996**	25,162,113	25,356,668
FFO per share (annualised)	**24.0 pence**	20.1 pence	19.6 pence
Increase in FFO per share	**19.3%**		

Capital expenditure and capital commitments

The Group has grown through a combination of site acquisition, existing store improvements and relocations. It has concentrated on extracting value from its existing assets and developing through collaborative projects and management contracts. Capital expenditure during the period totalled £4.6 million (31.1.2015: £1.9 million). This was primarily the construction and fitting out works at our development sites in Southampton and Bristol as well as completing works at our Reading store and expanding capacity at our Luton store. The Group also invested £0.14 million in additional racking in our document storage warehouse to increase box capacity.

The Company has no further capital commitments beyond final amounts due on its Reading store, the outstanding build and fitting out commitments at its Bristol and Southampton stores which are currently under development and a further phase of document storage racking.

Market Valuation of Freehold and Operating Leasehold Land and Buildings

On 31 July 2015 professional valuations were prepared by Cushman and Wakefield (C&W) in respect of eleven freeholds one long leasehold and seven operating leasehold properties. This valuation, after adjusting for the sale and manage-back of the Swindon store, has been adopted for the 31 January 2016 period-end. The valuation was prepared in accordance with the RICS Valuation - Professional Standards, published by The Royal Institute of Chartered Surveyors (the "Red Book"). The valuation has been provided for accounts purposes and, as such, is a Regulated Purpose Valuation as defined in the Red Book.

A deferred tax liability arises on the revaluation of the properties and on the rolled-over gain arising from the disposal of the Kingston and Woking sites in 2007. It is not envisaged that any tax will become payable in the foreseeable future on these disposals due to the availability of rollover relief. The existing Reading store was sold with the benefit of its permission for residential development and the proceeds have been reinvested in our new store pipeline. It is not the intention of the Directors to make any other significant disposals of trading stores, although individual disposals may be considered where it is clear that added value can be created by recycling the capital into other opportunities.

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

The valuations of our freehold property assets are included in the Statement of Financial Position at their fair value, but under applicable accounting standards, no value is included in respect of our leasehold stores to the extent that they are classified as operating leases. The value of our operating leases in the valuation totals £14.8 million (31.1.2015: £14.6 million). Instead we have reported by way of a note the underlying value of these leasehold stores in future revaluations and adjusted our Net Asset Value (NAV) calculation accordingly to include their value. This will ensure comparable NAV calculations.

Analysis of Total Property Value

	No of stores/sites	31 Jan 2016 Valuation £'000	No of stores/sites	31 Jan 2015 Valuation £'000	No of stores/sites	31 July 2015 Valuation £'000
Freehold and long leasehold valued by C & W	**11**[2]	**70,610**	12	65,910	12	74,110
Leasehold valued by C & W	**7**	**14,760**	7	14,570	7[1]	14,760
Subtotal	**18**	**85,370**	19	80,480	19	88,870
Sites in development at cost	**3**	**13,150**	3	7,874	3	8,888
Total	**21**	**98,520**	22	88,354	22	97,758

1 Two leasehold stores were not valued as their remaining unexpired terms were insufficient to yield a value under the Cushman & Wakefield valuation methodology.

2 The Swindon store was sold under a sale and manage-back arrangement.

Business and Financial Review

The Performance of our Stores

Adjusted Net Asset Value per Share

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

At January 2016 the adjusted net asset value per share increased to £3.07 from £2.69 year on year, up 14.1%. This increase is a result of higher property values, cash generated from operations, offset in part by an increase in the shares in issue due to the exercise of share options during the period and an increased dividend pay-out.

Adjusted Net Asset Value per Share (NAV)	**31 Jan 2016 £'000**	31 Jan 2015 £'000	31 July 2015 £'000
Net assets	**56,409**	45,711	52,969
Adjustment to include leasehold stores at valuation			
Add: C & W leasehold valuation[1]	**14,760**	14,570	14,760
Deduct: leasehold properties and their fixtures and fittings at NBV	**(3,296)**	(3,445)	(3,339)
	67,873	56,836	64,390
Deferred tax arising on revaluation of leasehold properties[2]	**(2,063)**	(2,225)	(2,284)
Adjusted net assets	**65,810**	54,611	62,106

Shares in issue	**Number '000s**	Number '000s	Number '000s
Opening shares	**28,447**	27,809	27,809
Shares issued for the exercise of options	**517**	443	638
Closing shares in issue	**28,964**	28,252	28,447
Shares held in treasury	**(2,467)**	(2,467)	(2,467)
Shares held in EBT	**(623)**	(623)	(623)
Closing shares for NAV purposes	**25,874**	25,162	25,357
Adjusted net asset value per share after deferred tax provision	**£2.54**	£2.17	£2.45
Adjusted net asset value per share before deferred tax provision	**£3.07**	£2.69	£3.02

1 The seven leaseholds valued by Cushman & Wakefield are all within the terms of the Landlord and Tenant Act (1954) giving a degree of security of tenure. The average length of the leases on the leasehold stores valued was 12 years and 8 months at the date of the 2015 valuation (2015 valuation: 13 years and 8 months).

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

Corporate and Social Responsibilities

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

Customers

We believe in clarity and transparency towards our customers. Brochures and literature are written in plain English, explaining clearly our terms of business without hiding anything. We are open and honest about our products and services and do not employ pressure selling techniques or attempt to take advantage of any vulnerable groups. If we make a mistake we acknowledge it, deal with the problem quickly, and learn from our error. We listen to our customers as we know that they can help us improve our service to them.

Andrew Jacobs
Chief Executive Officer

Ray Davies
Finance Director

Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2016

	Notes	Six months ended 31 January 2016 Unaudited £'000	Six months ended 31 January 2015 Unaudited £'000	Year ended 31 July 2015 Audited £'000
Revenue	1a	7,986	7,629	15,424
Total property, staff, distribution and general costs	2a	(4,689)	(4,713)	(9,742)
Adjusted EBITDA[1]		3,297	2,916	5,682
Amortisation of intangible assets		(84)	(83)	(165)
Depreciation		(735)	(689)	(1,440)
Equity settled share based payments	18	(93)	(112)	(211)
		(912)	(884)	(1,816)
Irrecoverable property costs		–	–	(209)
Net settlement proceeds	2c	1,940	–	–
Costs of disposal – Swindon store(s)		(122)	–	–
		906	(884)	(2,025)
Operating profit		4,203	2,032	3,657
Finance income	3	150	26	141
Finance cost	4	(564)	(575)	(1,144)
Profit before taxation	5	3,789	1,483	2,654
Income tax expense	6	(817)	(387)	(686)
Profit for the period		2,972	1,096	1,968
Profit attributable to:				
Owners of the parent	20	2,972	1,096	1,968
Other Comprehensive Income				
Items that will not be reclassified to profit and loss				
Increase/(decrease) in property valuation		379	(128)	8,009
Deferred tax relating to change in property valuation		734	26	(1,578)
		1,102	(102)	6,431
Items that may be subsequently reclassified to profit and loss				
Increase/(decrease) in fair value of cash flow hedges		21	137	(170)
Deferred tax relating to cash flow hedges		(10)	(28)	38
		11	109	(132)
Other comprehensive income		1,113	7	6,299
Total comprehensive income for the period		4,085	1,103	8,267
Attributable to:				
Owners of the parent		4,085	1,103	8,267
Earnings per share				
Basic	8	11.53p	4.39p	7.84p
Diluted	8	11.26p	4.29p	7.64p

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

Consolidated Statement of Changes in Equity

For the six months ended 31 January 2016

	Share capital £'000	Share premium £'000	Other reserves £'000	Revaluation reserve £'000	Retained earnings £'000	Attributable to owners of the parent £'000	Non controlling interest £'000	Total equity £'000
1 August 2014	**279**	**1,801**	**8,595**	**26,478**	**8,057**	**45,210**	**–**	**45,210**
Profit for the period	–	–	–	–	1,096	1,096	–	1,096
Other comprehensive income:								
Decrease in property valuation net of deferred tax	–	–	–	(102)	–	(102)	–	(102)
Decrease in fair value of cash flow hedges net of deferred tax	–	–	109	–	–	109	–	109
Total comprehensive income	–	–	109	(102)	1,096	1,103	–	1,103
Transactions with owners:								
Dividend paid	–	–	(1,258)	–	–	(1,258)	–	(1,258)
Transfer additional dep'n on revaluation net of deferred tax	–	–	–	(107)	107	–	–	–
IFRS2 transfer share options to which the equity relates have either been exercised or lapsed	–	–	(211)	–	211	–	–	–
Equity share based payments	–	–	112	–	–	112	–	112
Exercise of share options	4	540	–	–	–	544	–	544
31 January 2015 - Unaudited	**283**	**2,341**	**7,347**	**26,269**	**9,471**	**45,711**	**–**	**45,711**
Profit for the period	–	–	–	–	872	872	–	872
Other comprehensive income:								
Increase in asset valuation net of deferred tax	–	–	–	6,533	–	6,533	–	6,533
Decrease in fair value of cash flow hedges net of deferred tax	–	–	(241)	–	–	(241)	–	(241)
Total comprehensive income	–	–	(241)	6,533	872	7,164	–	7,164
Transactions with owners:								
Dividend paid	–	–	1,258	–	(1,847)	(1,847)	–	(589)
IFRS2 transfer share options to which the equity relates have either been exercised or lapsed	–	–	(87)	–	87	–		–
Equity share based payments	–	–	99	–	–	99	–	99
Deferred tax credit relating to share options	–	–	309	–	–	309		309
Exercise of share options	2	273	–	–	–	275	–	275
Total transactions with owners								
Transfer realised gain on asset disposal	–	–	–	(421)	421	–	–	–
Transfer additional dep'n on revaluation net of deferred tax	–	–	–	(142)	142	–	–	–

	Share capital £'000	Share premium £'000	Other reserves £'000	Revaluation reserve £'000	Retained earnings £'000	Attributable to owners of the parent £'000	Non controlling interest £'000	Total equity £'000
31 July 2015 – Audited	285	2,614	8,685	32,239	9,146	52,969	–	52,969
Profit for the period	–	–	–	–	2,972	2,972	–	2,972
Other comprehensive income:								
Increase in property valuation net of deferred tax	–	–	–	1,102	–	1,102	–	1,102
Decrease in fair value of cash flow hedges net of deferred tax	–	–	11	–	–	11	–	11
Total comprehensive income	–	–	11	1,102	2,972	4,085	–	4,085
Transactions with owners:								
Dividend paid	–	–	–	–	(1,456)	(1,456)	–	(1,456)
IFRS2 transfer share options to which the equity relates have either been exercised or lapsed	–	–	(303)	–	303	–	–	–
Equity share based payments	–	–	93	–	–	93	–	93
Deferred tax credit relating to share options	–	–	(6)	–	–	(6)		(6)
Exercise of share options	5	719	–	–	–	724	–	724
Total transactions with owners								
Transfer realised gain on asset disposal	–	–	–	(1,668)	1,668	–	–	–
Transfer additional dep'n on revaluation net of deferred tax	–	–	–	(128)	128	–	–	–
31 January 2016 – Unaudited	**290**	**3,333**	**8,480**	**31,545**	**12,761**	**56,409**	**–**	**56,409**

Consolidated Statement of Financial Position

31 January 2016
Company Registration No. 04007169

	Notes	31 January 2016 Unaudited £'000	31 January 2015 Unaudited £'000	31 July 2015 Audited £'000
Assets				
Non-current assets				
Intangible assets		3,674	3,840	3,758
Property, plant and equipment	9	88,494	78,721	87,802
Development loan capital	10	2,905	–	2,779
Derivative financial instruments	15b	–	188	–
		95,073	82,749	94,339
Current assets				
Inventories	11	139	127	141
Trade and other receivables	12	3,677	3,408	2,479
Cash and cash equivalents		3,010	3,397	2,435
Total current assets		6,826	6,932	5,055
Total assets		101,899	89,681	99,394
Liabilities				
Current liabilities				
Trade and other payables	13	(4,839)	(4,883)	(5,971)
Taxation		(294)	(624)	(535)
Derivative financial instruments	15b	(99)	–	–
		(5,232)	(5,507)	(6,506)
Non-current liabilities				
Borrowings	15a	(28,624)	(27,497)	(27,548)
Derivative financial instruments	15b	–	–	(119)
Deferred tax	16	(11,634)	(10,966)	(12,252)
		(40,258)	(38,463)	(39,919)
Total liabilities		(45,490)	(43,970)	(46,425)
Net assets		56,409	45,711	52,969
Equity				
Equity attributable to owners of the parent				
Called up share capital	17	290	282	285
Share premium		3,333	2,342	2,614
Other reserves	18	8,480	7,347	8,685
Retained earnings	19	12,761	9,471	9,146
Revaluation reserve		31,545	26,269	32,239
Total equity		56,409	45,711	52,969

Approved by the Board of Directors and authorised for issue on 22 April 2016 and signed on its behalf by:

Andrew Jacobs
Chief Executive Officer

Ray Davies
Finance Director

Consolidated Statement of Cash Flows

For the six months ended 31 January 2016

	Notes	Six months ended 31 January 2016 Unaudited £'000	Six months ended 31 January 2015 Unaudited £'000	Year ended 31 July 2015 Audited £'000
Operating activities				
Cash generated from operations	21a	1,826	1,388	5,984
Income tax paid		(961)	–	(338)
Net cash from operating activities		865	1,388	5,646
Investing activities				
Development loan capital		(126)	–	(2,650)
Purchase of property, plant and equipment	9	(4,589)	(1,865)	(3,583)
Net proceeds from disposal of property, plant and equipment		5,398	2,907	2,901
Interest received		135	26	12
Net cash from/(used in) investing activities		818	(1,068)	(3,320)
Financing activities				
Repayment of borrowings		(27,701)	–	–
Proceeds from new borrowings		28,816	–	–
Loans granted to projects under management contracts		(978)	–	–
Finance costs paid		(513)	(524)	(1,041)
Equity dividends paid		(1,456)	(1,258)	(1,847)
Proceeds from issuance of ordinary shares (net)		724	545	819
Net cash used in financing activities		(1,108)	(1,237)	(2,069)
Net increase in cash and cash equivalents in the period		575	1,219	257
Cash and cash equivalents at beginning of the period		2,435	2,178	2,178
Cash and cash equivalents at end of the period		3,010	3,397	2,435

Accounting Policies

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

Basis of preparation
The interim results for the six months ended 31 January 2016 have been prepared on the basis of the accounting policies expected to be used in the 2016 Lok'nStore Group Plc Annual Report and Accounts and in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union ('EU') ('IFRS').

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

The interim results, which were approved by the Directors on 22 April 2016, are unaudited. The interim results do not constitute statutory financial statements within the meaning of section 435 of the Companies Act 2006.

Comparative figures for the year ended 31 July 2015 have been extracted from the statutory accounts for the Group for that period, which carried an unqualified audit report, did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter, did not contain a statement under section 498(2) or (3) of the Companies Act 2006 and have been delivered to the Registrar of Companies.

Going concern
The Directors can report that, based on the Group's budgets and financial projections, they have satisfied themselves that the business is a going concern. The Board has a reasonable expectation that the Company and the Group have adequate resources and facilities to continue in operational existence for the foreseeable future based on Group cash balances and cash equivalents of £3.0 million (31.01.2015: £3.4 million), undrawn committed bank facilities at 31 January 2016 of £11.4 million (31.01.2015: £12.3 million), and cash generated from operations in the period to 31 January 2016 of £3.8 million (31.01.2015: £1.4 million). The Group operates a new banking facility on improved terms with Royal Bank of Scotland plc. The new £40 million five year revolving credit facility has replaced the existing facility which was due to expire in October 2016, and will provide funding for site acquisitions and working capital. The Group is fully compliant with all bank covenants and undertakings and is not obliged to make any repayments prior to expiration. The financial statements are therefore prepared on a going concern basis.

Adjusted EBITDA
Earnings before interest, tax, depreciation and amortisation (EBITDA) is defined as profits from operations before all depreciation and amortisation charges, share-based payments and other non-recurring costs, finance income, finance costs and taxation.

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

Notes to the Financial Statements

For the six months ended 31 January 2016

1 Revenue

Analysis of the Group's revenue is shown below:

Stores trading	Six months ended 31 January 2016 Unaudited £'000	Six months ended 31 January 2015 Unaudited £'000	Year ended 31 July 2015 Audited £'000
Self-storage revenue	6,004	5,921	11,851
Other storage related revenue	738	713	1,434
Ancillary store rental revenue	4	4	4
Management fees	190	68	176
Sub-total	6,936	6,706	13,465
Stores under development			
Non-storage income	(8)	–	3
Sub-total	6,928	6,706	13,468
Serviced archive and records management revenue	1,058	923	1,956
Total revenue per statement of comprehensive income	7,986	7,629	15,424

The segment information for the period ended 31 January 2016 is as follows:

2015/2016 – Unaudited	Self-storage six months ended 31 January 2016 £'000	Serviced archive and records management six months ended 31 January 2016 £'000	Total six months ended 31 January 2016 £'000	Self-storage six months ended 31 January 2015 £'000	Serviced archive and records management six months ended 31 January 2015 £'000	Total six months ended 31 January 2015 £'000
Revenue from external customers	6,928	1,058	7,986	6,706	923	7,629
Segment adjusted EBITDA	3,045	252	3,297	2,808	108	2,916
Depreciation	(685)	(50)	(735)	(633)	(48)	(689)
Amortisation of intangible assets	–	(84)	(84)	–	(83)	(83)
Equity settled share based payments	(93)	–	(93)	(112)	–	(112)
Net settlement proceeds – Reading site	1,940	–	1,940			
Costs of disposal – Swindon Store	(122)	–	(122)			
Segment profit/(loss)	4,085	118	4,203	2,063	(31)	2,032
Central costs not allocated to segments:						
Finance income			150			26
Finance costs			(564)			(575)
Profit before taxation			3,789			1,483
Income tax expense			(841)			(387)
Consolidated profit for the financial period			2,948			1,096

Notes to the Financial Statements

For the six months ended 31 January 2016

2014/2015 — Audited	Self-storage year ended 31 July 2015 £'000	Serviced archive & records management year ended 31 July 2015 £'000	Total year ended 31 July 2015 £'000
Revenue from external customers	13,468	1,956	15,424
Segment adjusted EBITDA	5,420	262	5,682
Management charges	25	(25)	–
Depreciation	(1,340)	(100)	(1,440)
Amortisation of intangible assets	–	(165)	(165)
Equity settled share based payments	(211)	–	(211)
Irrecoverable property costs	(209)	–	(209)
Segment profit/(loss)	3,685	(28)	3,657
Central costs not allocated to segments:			
Finance income			141
Finance costs			(1,141)
Profit before taxation			2,654
Income tax expense			(686)
Consolidated profit for the financial year			1,968

2016 Unaudited	**Self-storage six months ended 31 January 2016 £'000**	**Serviced archive and records management six months ended 31 January 2016 £'000**	**Total six months ended 31 January 2016 £'000**	Self-storage six months ended 31 January 2015 £'000	Serviced archive and records management six months ended 31 January 2015 £'000	Total six months ended 31 January 2015 £'000
Segment assets	**95,913**	**5,986**	**101,899**	83,806	5,875	89,681
Segment liabilities	**(17,246)**	**(445)**	**(17,691)**	(15,975)	(498)	(16,473)
Borrowings			**(28,624)**			(27,497)
Total liabilities			**(46,315)**			(43,970)
Capital expenditure	**4,449**	**140**	**4,589**	1,423	442	1,865

1 Capital expenditure includes fixed asset additions (note 9).

2015 Audited	Self-storage 31 July 2015 £'000	Serviced archive & records management 31 July 2015 £'000	Total 31 July 2015 £'000
Segment assets	93,296	6,098	99,394
Segment liabilities	(18,341)	(536)	(18,877)
Borrowings			(27,548)
Total liabilities			(46,425)
Capital expenditure	3,126	457	3,583

2a Property, staff, distribution and general costs

	Six months ended 31 January 2016 Unaudited £'000	Six months ended 31 January 2015 Unaudited £'000	Year ended 31 July 2015 Audited £'000
Property and premises costs	**1,889**	1,960	4,010
Staff costs	**2,074**	2,005	4,188
General overheads	**481**	491	1,049
Distribution costs	**78**	95	190
Retail products cost of sales	**167**	162	305
	4,689	4,713	9,742

2b Cost of sales of retail products

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

	Six months ended 31 January 2016 Unaudited £'000	Six months ended 31 January 2015 Unaudited £'000	Year ended 31 July 2015 Audited £'000
Retail	**55**	69	130
Insurance	**33**	17	33
Van hire	**1**	–	2
Other	**1**	1	–
	90	87	165
Serviced archive consumables and direct costs	**77**	75	140
	167	162	305

2c Other Income

	Six months ended 31 January 2016 Unaudited £'000	Six months ended 31 January 2015 Unaudited £'000	Year ended 31 July 2015 Audited £'000
Net settlement proceeds	**1,940**	–	–

The Group has received an additional £2 million from the purchaser of the original Reading store site in return for the relinquishment of all remaining rights over the site. This sum is in addition to the £2.9 million received from the purchaser on 31 October 2014, taking the total consideration to £4.9m.

3 Finance income

	Six months ended 31 January 2016 Unaudited £'000	Six months ended 31 January 2015 Unaudited £'000	Year ended 31 July 2015 Audited £'000
Bank interest	**150**	26	141

Notes to the Financial Statements

For the six months ended 31 January 2016

4 Finance costs

	Six months ended 31 January 2016 Unaudited £'000	Six months ended 31 January 2015 Unaudited £'000	Year ended 31 July 2015 Audited £'000
Bank interest	456	465	925
Non-utilisation fees and amortisation of bank loan arrangement fees	108	110	219
Hire purchase and other interest	–	–	1
	564	575	1,144

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

5 Profit before taxation

	Six months ended 31 January 2016 Unaudited £'000	Six months ended 31 January 2015 Unaudited £'000	Year ended 31 July 2015 Audited £'000
Profit before taxation is stated after charging:			
Depreciation and amounts written off property, plant and equipment:			
– owned assets	735	681	1,440
Amortisation of intangible assets	84	83	165
Operating lease rentals – land and buildings	762	773	1,562

6 Taxation

	Six months ended 31 January 2016 Unaudited £'000	Six months ended 31 January 2015 Unaudited £'000	Year ended 31 July 2015 Audited £'000
Current tax:			
UK corporation tax	728	293	535
Deferred tax:			
Origination and reversal of temporary differences	468	94	100
Adjustments in respect of prior periods	(379)	–	51
Total deferred tax charge	89	94	151
Income tax expense for the period/year	817	387	686

6 Taxation continued

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

	Six months ended 31 January 2016 Unaudited £'000	Six months ended 31 January 2015 Unaudited £'000	Year ended 31 July 2015 Audited £'000
Profit before tax	**3,789**	1,483	2,654
Tax on ordinary activities at the standard effective rate of corporation tax in the UK of 20% (31.1.2015: 20.67%)	**758**	306	549
Expenses not deductible for tax purposes	**1**	4	2
Depreciation of non-qualifying assets	**38**	58	85
Share based payment charges in excess of corresponding tax deduction	**19**	23	–
Adjustments in respect of prior periods – deferred tax	**–**	–	51
Adjustments in respect of prior periods – corporation tax	**3**	–	–
Impact of change in tax rate on closing DT balance	**(379)**	–	–
Impact of change in tax rate on timing differences	**–**	(4)	–
Share option scheme	**(12)**	–	–
Deferred tax on rolled over gain	**388**	–	–
Other timing differences	**1**	–	(1)
Income tax expense for the period/year	**817**	387	686
Effective tax rate	**22.2%**	26%	26%

The UK's main rate of corporation tax reduced to 20% from 1 April 2015. The effective rate for this period is 22.2%. (31.01.2015: 26%).

In addition to the amount charged to profit or loss for the period, deferred tax relating to the revaluation of the Group's properties of £75,900 (31.1.2015: £25,612) and the fair value of cash flow hedges of £11,616 (31.1.2014: £28,320) has been recognised directly in other comprehensive income (see note 16 on deferred tax).

7 Dividends

	Six months ended 31 January 2016 Unaudited £'000	Six months ended 31 January 2015 Unaudited £'000	Year ended 31 July 2015 Audited £'000
Amounts recognised as distributions to equity holders in the year:			
Final dividend for the year ended 31 July 2014 (5.00 pence per share)	**–**	1,258	1,258
Interim dividend for the six months to 31 January 2015 (2.33 pence per share)	**–**	–	589
Final dividend for the year ended 31 July 2015 (5.67 pence per share)	**1,456**	–	–
	1,456	1,258	1,847

In respect of the current period the Directors propose that an interim dividend of 2.67 pence per share will be paid to the shareholders. The total estimated dividend to be paid is £691,236 based on the number of shares currently in issue as adjusted for shares held in the Employee Benefits Trust and for shares held on treasury. This interim dividend is an on-account payment of a final annual dividend and is ultimately subject to approval by shareholders at the 2016 Annual General Meeting and has not been included as a liability in these financial statements. The ex-dividend date will be 5 May 2016; the record date 6 May 2016; with an intended payment date of 10 June 2016.

8 Earnings per share

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

	Six months ended 31 January 2016 Unaudited £'000	Six months ended 31 January 2015 Unaudited £'000	Year ended 31 July 2015 Audited £'000
Profit for the financial period	**2,972**	1,096	1,968

Notes to the Financial Statements

For the six months ended 31 January 2016

8 Earnings per share continued

	No. of shares	No. of shares	No. of shares
Weighted average number of shares			
For basic earnings per share	**25,775,767**	24,950,434	25,102,032
Dilutive effect of share options	**626,082**	614,261	654,598
For diluted earnings per share	**26,401,849**	25,564,695	24,981,571

23,212 (31.01.2015: 623,212) shares are held in the Employee Benefit Trust and 2,466,869 (31.01.2015: 2,466,869) shares are held in Treasury. Both are excluded from the above calculation.

	Six months ended 31 January 2016 Unaudited £'000	Six months ended 31 January 2015 Unaudited £'000	Year ended 31 July 2015 Audited £'000
Earnings per share			
Basic	**11.53p**	4.39p	7.84p
Diluted	**11.26p**	4.29p	7.64p

9 Property, plant and equipment

Group	Development property assets at cost £'000	Land and buildings at valuation £'000	Long leasehold land and buildings at valuation £'000	Short leasehold improvements at cost £'000	Fixtures, fittings and equipment at cost £'000	Motor vehicles at cost £'000	Total £'000
Net book value at 31 July 2014 Audited	11,409	51,412	5,121	961	8,764	12	77,679
Net book value at 31 Jan 2015 Audited	7,874	54,265	5,029	918	10,624	11	78,721
Net book value at 31 July 2015 Audited	8,888	61,035	6,425	873	10,572	19	87,802
Cost or valuation							
1 August 2015	**10,492**	**61,035**	**6,425**	**2,563**	**20,571**	**30**	**101,116**
Additions	2,831	134	1	–	1,623	–	4,589
Disposals	–	(3,228)	–	–	(701)	–	(3,929)
Reclassification	1,431	–	–	–	(1,431)	–	–
Revaluations	–	(6)	52	–	–	–	46
31 January 2016 — Unaudited	**14,754**	**57,935**	**6,478**	**2,563**	**20,062**	**30**	**101,822**
Depreciation							
1 August 2015	**1,604**	**–**	**–**	**1,690**	**9,999**	**21**	**13,314**
Depreciation	–	295	37	46	356	1	735
Disposals	–	–	–	–	(389)	–	(389)
Revaluations	–	(295)	(37)	–	–	–	(332)
31 January 2016 — Unaudited	**1,604**	**–**	**–**	**1,736**	**9,966**	**22**	**13,328**
Net book value at January 2016 Unaudited	**13,150**	**57,935**	**6,478**	**827**	**10,096**	**8**	**88,494**

9 Property, plant and equipment continued

If all property, plant and equipment were stated at historic cost the carrying value would be £50.0 million (31.01.2015: £46.4 million).

Capital expenditure during the period totalled £4.6 million (31.1.2015: £1.9 million). This was primarily the construction and fitting out works at our developments sites in Southampton and Bristol as well as completing works at our Reading Store and expanding capacity at our Luton store. The Group also invested a further £0.14 million in additional racking at the Saracen Olney warehouse to increase box capacity.

Property, plant and equipment (non-current assets) with a carrying value of £88.5 million (31.1.2015: £78.7 million) are pledged as security for bank loans (see note 15a).

Market Valuation of Freehold and Operating Leasehold Land and Buildings

Following the comprehensive external valuation at 31 July 2015 by Cushman and Wakefield (C&W), the freehold and leasehold properties have not been externally valued at 31 January 2016, although in accordance with the Group's established policy it is the intention to do so at the next year end at 31 July 2016.

Although the Board did not commission an external valuation at this interim period-end it is mindful of the need to accord with the measurement principles of International Financial Reporting Standards as adopted by the European Union. Accordingly after consulting with our external valuers, the Directors considered that although there was evidence of a more buoyant real estate market, there had not been such a material movement in market yields that warranted a modification to the position as at 31 January 2016 in respect of our properties externally valued at 31 July 2015. The Directors therefore consider that it is appropriate to maintain the portfolio's external valuation without modification pending a comprehensive external valuation at our 31 July 2016 year-end.

10 Development loan capital

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

	31 January 2016 Unaudited £'000	31 January 2015 Unaudited £'000	31 July 2015 Audited £'000
Development loan capital	**2,905**	–	2,779

11 Inventories

	31 January 2016 Unaudited £'000	31 January 2015 Unaudited £'000	31 July 2015 Audited £'000
Consumables and goods for resale	**139**	127	141

The amount of inventories recognised as an expense during the period was £74,320 (31.1.2015: £98,634).

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For the six months ended 31 January 2016

12 Trade and other receivables

	31 January 2016 Unaudited £'000	31 January 2015 Unaudited £'000	31 July 2015 Audited £'000
Trade receivables	**1,344**	1,183	1,302
Other receivables	**1,511**	1.596	640
Prepayments and accrued income	**822**	629	537
	3,677	3,408	2,479

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

13 Trade and other payables

	31 January 2016 Unaudited £'000	31 January 2015 Unaudited £'000	31 July 2015 Audited £'000
Trade payables	**864**	952	1,901
Taxation and social security costs	**884**	598	464
Other payables	**1,095**	1,112	1,173
Accruals and deferred income	**1,996**	2,221	2,433
	4,839	4,883	5,971

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

14 Capital management and gearing

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

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

Capital Management	31 January 2016 Unaudited £'000	31 January 2015 Unaudited £'000	31 July 2015 Audited £'000
Gross debt	**(28,816)**	(27,701)	(27,701)
Cash and cash equivalents	**3,010**	3,397	2,435
Net debt	**(25,806)**	(24,304)	(25,266)
Total equity	**56,409**	45,711	52,968
Net debt to equity ratio	**45.7%**	53.2%	47.7%

15a Borrowings

	31 January 2016 Unaudited £'000	31 January 2015 Unaudited £'000	31 July 2015 Audited £'000
Non-current			
Bank loans repayable in more than two years but not more than five years			
Gross	**28,816**	27,701	27,701
Deferred financing costs	**(192)**	(204)	(153)
Net bank borrowings	**28,624**	27,497	27,548

15a Borrowings continued

In January 2016, the Group announced the agreement of a new banking facility on improved terms with Royal Bank of Scotland plc. The new £40 million five year revolving credit facility will replace the existing facility which was due to expire in October 2016, and will provide funding for site acquisitions and working capital. The £40 million revolving credit facility with Royal Bank of Scotland plc is secured by legal charges and debentures over the freehold and leasehold properties and other assets of the business with a net book value of £98.7 million together with cross-company guarantees from Group companies. The revolving credit facility is for a five-year term and expires on 14 January 2021. The Group is not obliged to make any repayments prior to expiration. The loans bear interest at the London Inter-Bank Offer Rate (LIBOR) plus 1.40%–1.45% Royal Bank of Scotland plc margin based on a loan to value covenant test while the interest cover and loan to value covenants are broadly in line with the previous facility.

15b Derivative financial instruments

Of the £28.8 million of gross debt currently drawn against the revolving credit facility, £20 million is at a fixed interest rate with £10 million fixed rate swap at a fixed 1 month sterling LIBOR rate of 1.2% and £10 million swap at a fixed 1 month sterling LIBOR rate of 1.15%. With 1 month LIBOR around 0.5%, this leaves a balance of £8.8 million floating at a current all-in rate of around 2.8% and results in an overall weighted average rate of 3.25%. The £20 million fixed rate is treated as an effective cash flow hedge and its fair value on a mark-to-market basis has fluctuated historically. Under the new facility arrangements the Group is not committed to enter into hedging instruments going forwards but rather to keep such matters under periodic review. Due to the relatively short unexpired term of the existing £20m of swaps these will continue to be held by Lloyds Bank plc on a modest 'cash cover' basis until their expiration in October 2016.

				Fair Value		
	Currency	Principal £	Maturity date	**31 January 2016 Unaudited £'000**	31 January 2015 Unaudited £'000	31 July 2015 Audited £'000
3032816LS Interest rate swap	GBP	10,000,000	20/10/2016	**(51)**	98	(63)
3047549LS Interest rate swap	GBP	10,000,000	20/10/2016	**(48)**	90	(56)
		20,000,000		**(99)**	188	(119)

The movement in fair value of the interest rate swaps of £20,529 (31.1.2015: £137,033) has been recognised in other comprehensive income in the period.

16 Deferred tax

Deferred tax liability	**31 January 2016 Unaudited £'000**	31 January 2015 Unaudited £'000	31 July 2015 Audited £'000
Liability at start of period/year	**12,252**	10,870	10,870
Charge to income for the period/year	**89**	94	151
Tax charged directly to other comprehensive income	**(707)**	2	1,540
Credit to share based payment reserve	**–**	–	(309)
Liability at end of period/year	**11,634**	10,966	12,252

Notes to the Financial Statements

For the six months ended 31 January 2016

16 Deferred tax continued

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

	Accelerated Capital Allowances £'000	Tax losses £'000	Intangible assets £'000	Other temporary differences £'000	Revaluation of properties £'000	Rolled over gain on disposal £'000	Share Options £'000	Total £'000
At 1 August 2014	1,441	–	563	29	7,008	1,829	–	10,870
Charge/ (credit) to income for the period	111	–	(17)	–	–	–	–	94
Charge to other comprehensive income	–	–	–	28	(26)	–	–	2
At 31 January 2015 Unaudited	**1,552**	**–**	**546**	**57**	**6,982**	**1,829**	**–**	**10,966**
Charge/ (credit) to income for the period	156	–	(16)	1	–	(42)	(42)	57
Charge to other comprehensive income	–	–	–	(66)	1,604	–	–	1,538
Credit to share based payment reserve	–	–	–	–	–	–	(309)	(309)
At 31 July 2015 Audited	**1,708**	**–**	**530**	**(8)**	**8,586**	**1,787**	**(351)**	**12,252**
Charge/ (credit) to income for the period	(62)	–	(68)	34	–	162	23	89
Charge to other comprehensive income	–	–	–	10	(734)	11	6	(707)
At 31 January 2016 Unaudited	**1,646**	**–**	**462**	**36**	**7,852**	**1,960**	**(322)**	**11,634**

A deferred tax asset of £321,313 arises in respect of the share options in existence at 31 January 2016. No deferred tax asset arises in relation to the remainder of the share options as at 31 January 2016 as the share price at the period-end is below the exercise price of the options.

17 Share capital

	31 January 2016 Unaudited £'000	31 January 2015 Unaudited £'000	31 July 2015 Audited £'000
Authorised: 35,000,000 ordinary shares of 1 pence each	**350**	350	350

	Called up, allotted and fully paid Number	Called up, allotted and fully paid Number	Called up, allotted and fully paid Number
Number of shares at start of period/year	**28,446,749**	27,809,108	27,809,108
Options exercised during period/year	**517,328**	443,086	637,641
Balance at end of period/year	**28,964,077**	28,252,194	28,446,749

Allotted, issued and fully paid ordinary shares	**£'000**	£'000	£'000
Balance at start of period/year	**284,467**	278,091	278,091
Options exercised during period/year	**5,175**	4,430	6,376
Balance at end of period/year	**289,640**	282,521	284,467

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

18 Other reserves

Group	Cash flow hedge reserve £'000	Merger reserve £'000	Other reserve £'000	Capital redemption reserve £'000	Share-based payment reserve £'000	Total £'000
1 August 2014 – Audited	**33**	**6,295**	**1,294**	**34**	**939**	**8,595**
Equity share based payments	–	–	–	–	112	112
Transfer to retained earnings	–	–	–	–	(211)	(211)
Cash flow hedge reserve net of tax	109	–	–	–	–	109
Dividend paid	–	–	(1,258)	–	–	(1,258)
31 January 2015 – Unaudited	**142**	**6,295**	**36**	**34**	**840**	**7,347**
Equity share based payments	–	–	–	–	99	99
Transfer to retained earnings in relation to share based payments	–	–	–	–	(87)	(87)
Cash flow hedge reserve net of tax	(241)	–	–	–	–	(241)
Dividend paid	–	–	1,258	–	–	1,258
Tax credit relating to share options	–	–	–	–	309	309
31 July 2015 – Audited	**(99)**	**6,295**	**1,294**	**34**	**1,161**	**8,685**
Equity share based payments	–	–	–	–	93	93
Transfer to retained earnings in relation to share based payments	–	–	–	–	(303)	(303)
Cash flow hedge reserve net of tax	11	–	–	–	–	11
Tax credit relating to share options					(6)	(6)
31 January 2016 – Unaudited	**(88)**	**6,295**	**1,294**	**34**	**945**	**8,480**

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

Share based payment reserve

Under IFRS2 there is the option to make transfers from the share based payment reserve to retained earnings in respect of accumulated share option charges where the options have either been exercised or have lapsed post-vesting. The total amounts calculated and accordingly transferred to retained earnings in the period amounted to £302,804 (31.1.2015: £210,749).

Notes to the Financial Statements

For the six months ended 31 January 2016

19 Retained earnings

Group	Retained earnings before deduction of own shares £'000	Own shares (note 21) £'000	Retained earnings Total £'000
1 August 2014 – Audited	**12,298**	**(4,241)**	**8,057**
Profit for the financial period	1,096	–	1,096
Transfer from non-controlling interest	107	–	107
Transfer from revaluation reserve	211	–	211
31 January 2015 – Unaudited	**13,712**	**(4,241)**	**9,471**
Profit for the financial period	872	–	872
Transfer from revaluation reserve (additional depreciation on revaluation)	142	–	142
Transfer from share based payment reserve (Note 19)	87	–	87
Dividend paid	(1,847)	–	(1,847)
Transfer realised gain on asset disposal	421	–	421
31 July 2015 – Audited	**13,387**	**(4,241)**	**9,146**
Profit for the financial period	2,972	–	2,972
Transfer from revaluation reserve	128	–	128
Transfer from share based payment reserve (Note 19)	303	–	303
Dividend paid	(1,456)	–	(1,456)
Transfer realised gain on asset disposal	1,668	–	1,668
31 January 2016 – Unaudited	**17,002**	**(4,241)**	**12,761**

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

The Own Shares Reserve represents the cost of shares in Lok'nStore Group plc purchased in the market and held in the Employee Benefit Trust to satisfy awards made under the Group's share incentive plan and shares purchased separately by Lok'nStore Limited for Treasury Account. These treasury shares have not been cancelled and were purchased at an average price considerably lower than the Group's adjusted net asset value. These shares may in due course be released back into the market to assist liquidity of the Company's stock and to provide availability of a reasonable line of stock to satisfy investor demand as and when required.

20 Own shares

	ESOP shares Number	ESOP shares £	Treasury shares Number	Treasury shares £	Own shares total £
1 August 2014 – Audited	**623,212**	**499,910**	**2,466,869**	**3,741,036**	**4,240,946**
31 January 2015 – Unaudited	623,212	499,910	2,466,869	3,741,036	4,240,946
31 July 2015 – Audited	623,212	499,910	2,466,869	3,741,036	4,240,946
31 January 2016 – Unaudited	**623,212**	**499,910**	**2,466,869**	**3,741,036**	**4,240,946**

Lok'nStore Limited holds a total of 2,466,869 of Lok'nStore Group plc ordinary shares of 1p each for treasury with an aggregate nominal value of £24,669 purchased for an aggregate cost of £3,741,036 at an average price of £1.503 per share. These shares represent 8.52% of the Parent Company's called-up share capital. The maximum number of shares held by Lok'nStore Limited in the period was 2,466,869. No shares were disposed of or cancelled in the year.

The Group operates an Employee Benefit Trust (EBT) under a settlement dated 8 July 1999 between Lok'nStore Limited and Lok'nStore Trustee Limited, constituting an employees' share scheme. Funds are placed in the trust by way of deduction from employees' salaries on a monthly basis as they so instruct for purchase of shares in the Company. Shares are allocated to employees at the prevailing market price when the salary deductions are made. As at 31 January 2016, the Trust held 623,212 (31.01.2015: 623,212) ordinary shares of 1 pence each with a market value of £2,003,627 (31.01.2015: £1,486,361). No shares were transferred out of the scheme during the period (2015: nil).

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

21 Cash flows

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

	Six months ended 31 January 2016 Unaudited £'000	Six months ended 31 January 2015 Unaudited £'000	Year ended 31 July 2015 Audited £'000
Profit before tax	**1,849**	1,483	2,654
Depreciation	**735**	681	1,440
Amortisation of intangible assets	**83**	83	165
Equity settled share based payments	**93**	112	211
Interest receivable	**(150)**	(26)	(141)
Interest payable	**564**	575	1,144
Decrease/(increase) in inventories	**2**	3	(10)
(Increase)/decrease in receivables	**(221)**	(507)	423
(Decrease)/increase in payables	**(1,129)**	(1,024)	98
Cash generated from operations	**1,826**	1,388	5,984

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

Net debt is defined as non-current and current borrowings, as detailed in note 15a less cash and cash equivalents.

	Six months ended 31 January 2016 Unaudited £'000	Six months ended 31 January 2015 Unaudited £'000	Year ended 31 July 2015 Audited £'000
Increase in cash in the period/year	**575**	1,219	257
Change in net debt resulting from cash flows	**(1,115)**	–	–
Movement in net debt in period	**(540)**	1,219	257
Net debt brought forward	**(25,266)**	(25,523)	(25,523)
Net debt carried forward	**(25,806)**	(24,304)	(25,266)

22 Events after the reporting date

There were no reportable events after the reporting date.

23 Capital commitments and guarantees

The Group has capital expenditure contracted but not provided for in the financial statements of £2.2 million (31.01.2015: £1.6 million). The Company has no further capital commitments beyond final amounts due on its Reading store, the outstanding build and fit-out commitments at its Bristol and Southampton stores which are currently under development, and a further phase of racking fit-out at its Saracen Olney Warehouse.

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