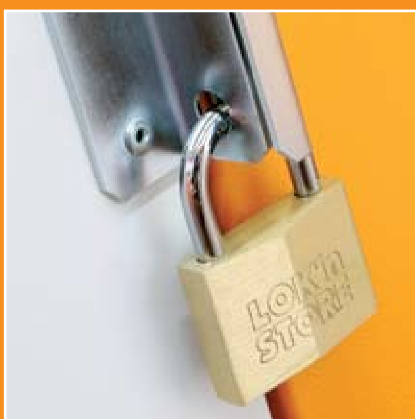
LOK'n STORE
Business & Household Self Storage

Lok'nStore Group Plc

Interim Report for the six months to 31 January 2011



Financial Highlights

- Revenue up 4.5% to £5.42 million (six months to 31.01.10: £5.19 million)
- Group EBITDA up 17.7% to £1.71 million (six months to 31.01.10: £1.45 million)
- Operating profit up 95.9% to £857,300 (six months to 31.01.10: £437,606)
- Adjusted NAV* £2.29 per share (31.07.10: £2.24 per share; 31.01.10: £2.10 per share)
- Cash position £6.2 million up £2.3 million year to year
- Net debt down £2.3 million to £21.9 million
- Interim dividend proposed 0.33 pence per share (2010: 0.33 pence per share)

* Based on Directors' valuation, before deferred taxation

Operational Highlights

- Store EBITDA up 14.9% to £2.48 million (six months to 31.01.10: £2.16 million)
- Store EBITDA margin up to 45.9% (six months to 31.01.10: 41.8%)
- Occupancy 569,723 sq ft up 2.0% over last year (31.01.10: 558,514 sq ft)
- Self-storage prices up 3.5% year to year and up 1.4% over period
- Operating costs reduced further by 0.8% year on year

Property Highlights

- Collaboration with Lidl on Maidenhead site
- Further lease extension saving £40,000 per annum and increasing average lease length to 16 years
- Option on Southend site

Key Measures

- Existing £40 million bank facility until 2012. £11.9 million undrawn
- Interest cover 6.8 x [1]
- Loan to value ratio of 27.0% [2] (31.01.10: 30.9%)

1 Calculation based on EBITDA / Net Finance Cost
2 Calculation based on net debt of £21.9 million (31.01.10: £24.2 million) and total property value of £81.0 million.

Andrew Jacobs, CEO commented:

"Lok'nStore continues to perform well. In the first half of this year revenue, EBITDA, profit before tax and cash have all increased, evidencing the attractions of the self-storage sector and Lok'nStore's position within it.

"We are delighted with Lok'nStore's strong performance in the first half of this year following last year's robust growth. We have improved turnover, Store EBITDA and Group EBITDA; and we have enhanced our profit before tax. Occupancy has grown 2.0% year on year and we have increased overall margins with a combination of price increases and reduced operating costs demonstrating that self-storage continues to perform well even in a weak economy. This success also reflects the quality of Lok'nStore's assets and operating business.

We have a flexible business model backed by substantial and increasing cash generating property assets. While economic conditions appear to have stabilised, the economic outlook and pace of recovery remains uncertain. We will continue to focus on driving the cash flow from the existing portfolio by increasing occupancy and revenues and controlling costs. We are continually reviewing our building and acquisition strategy in order to take advantage of expansion opportunities in a risk managed and prudent way and in the light of market and economic conditions."

The Big Friendly Storage Company

Group EBITDA

+17.7%

Revenue

£5.42m

Net Asset Value Per Share

* Based on directors' valuation before deffered taxation

£2.29*

Chairman's Statement

Store EBITDA Margin

45.9%

Overview

Lok'nStore performed well in the first six months of this year continuing last year's strong performance. We have increased turnover, Store EBITDA and Group EBITDA. Occupancy has grown by 2% year on year and we have increased overall margins with a balanced combination of price increases and further reducing operating costs. Our prices for self-storage units are up 3.5% in the past year while operating costs are down 0.8%.

Cash flow has increased over the period with cost savings further underpinning the margin improvement. Freehold stores over 250 weeks achieved an EBITDA margin of 59.6%. Capital expenditure remains curtailed for the time being and we will continue to manage the business on a conservative basis while maintaining the flexibility to respond quickly in line with any recovery in the wider economy.

During the period we signed an important agreement with Lidl regarding development of our Maidenhead store and extended another of our leases reducing costs and extending our security of tenure to an average of 16 years. In January we achieved an important milestone in our marketing with enquiries from the internet exceeding passing traffic for the first time and we will continue to drive this important source of new business.

At 31 January 2011, the management team valued the property portfolio resulting in an adjusted Net Asset Value of £2.29 per share (31.01.10: £2.10 per share). The portfolio will be externally valued at the July 2011 year end.

We continue to operate comfortably within all banking covenants on our existing bank facility which runs until February 2012. We currently have £11.9 million of the facility undrawn and £6.2 million of cash.

Sales and Earnings Performance

Revenue for the period was £5.42 million, up 4.5% year on year (six months to 31.01.10: £5.19 million) with Group EBITDA increasing 17.7% at £1.71 million (31.01.10: £1.45 million).

Operating profit for the period was up 95.9% to £857,300 compared with £437,606 for the corresponding period, and £920,232 for the year ended 31.07.10. Pre-tax profit for the period was up 217% to £604,130 compared with £190,626 for the corresponding 2010 period. Basic profit per share was 1.55 pence per share (31.01.10: 0.24 pence per share). On a diluted basis profit per share was 1.53 pence per share (31.01.10: 0.24 pence per share).

The cash flow of the operating business has remained strong, with store earnings before interest, tax, depreciation and amortisation (Store EBITDA) up 14.9% at £2.48 million (31.01.10: £2.16 million).

Overall EBITDA margins across all stores improved to 45.9% (31.01.2010: 41.8%) as the overall mix of the stores becomes older with freehold stores achieving 58.6% margins and leasehold stores achieving 30.0% margins. In order to compare margin performance between our leasehold and our freehold stores, after adjusting for rents paid on our leasehold stores the EBITDAR (earnings before interest, depreciation, amortisation and rent) margin of the leasehold stores is 58.4%.

Pricing

Over the period Lok'nStore has increased average prices for self-storage units by 3.5% year-on-year and 1.4% over the period. In the current environment achieving both occupancy growth and price increases remains a key objective for the Group and we will focus on maintaining the right balance while continuing to be vigilant with operating costs. We believe that we will be able to increase prices by more than inflation over the medium term although we are conscious of the challenges the current economic environment presents.

Lok'nStore's average price for self-storage was £18.73 per sq ft per annum at 31 January 2011 (31.01.10: £18.09) compared with the average of £20.49 for the UK industry (source: Self-Storage Association Industry Report 2009). Over the medium term we believe that there is room to continue to increase our prices while retaining our competitive pricing position in the market.

Revenue from our ancillary product lines with packing materials, insurance and other sales accounted for 9.7% of revenue in the period (six months ended 31.01.2010: 10.2%).

We continue to promote our insurance to new customers with the result that 88% of new customers over the period took our insurance. This compares with 68% of our total existing customer base who currently buy our insurance. This provides us with built-in growth in our insurance sales as the customer base rolls over.

Marketing

During the period our marketing budget was increasingly focused on the most efficient media with approximately 3.4% (y/e 31.07.10: 3.7%) of revenue spent on advertising and marketing (including postage, printing and stationery). The Internet produces an increasing proportion of

Loan to Value Ratio

27.0%

our enquiries (36% in the period) and printed directories a decreasing proportion. We continue to allocate more of our marketing budget towards the Internet with 47.6% (p/e 31.01.10: 30.9% y/e 31.07.10: 34.4%) of direct marketing spend now internet based. We achieved a milestone in January with Internet enquiries overtaking passing traffic enquiries for the first time. For this period Internet enquiries were up 32% year on year and total enquiries up 4%. We will continue to manage our marketing budget with a strong focus on cost control and value for money.

While continuing to increase rapidly, enquiries from the Internet typically have a lower conversion ratio than the traditional methods of telephone and walk-in enquiries and the challenge for us is to continue to increase this level. Over the period conversion rates remained steady at 39%. A reflection of the strength of our customer service is that c24% of our new business is from referrals and from previous and existing customers. Around 42% of our business comes from passing traffic so improving the visibility of our stores also improves our marketing. With their prominent positions, distinctive design and orange elevations, our stores help promote the Lok'nStore brand. Our store management teams are closely involved with sales and marketing initiatives and work with our Head Office to ensure our marketing expenditure remains targeted and effective.

Customers

Lok'nStore's business is underpinned by a diverse cross section of both business and household customers. At the end of the period, 36.7% of Lok'nStore's revenue came from business customers (31.01.10: 36.6%) and 63.3% came from household customers (31.01.10: 63.4%). By number of customers this breakdown was 23% business customers (31.01.10: 23%) and 77% household customers (31.01.10: 77%). In general, business customers stay longer and rent larger units than household customers.

Given the tight credit conditions in the wider economy our own credit control indicators are resilient, showing no signs of weakening during the period with the number of late letters declining and bad debts remaining at very low levels.

Breakdown of Performance of Stores

			January 2011		
Store analysis		Under	100 to	Over	
Weeks old	Pipeline**	100	250	250	Total
Six months ended 31 January 2011					
Sales (£'000)	-	-	364	5,037*	5,401
Stores EBITDA (£'000)	-	-	110	2,368	2,478
EBITDA margin (%)	-	-	30.2	47.0	45.9
As at 31 January 2011 ('000 sq ft)					
Freehold and long leasehold	143	-	69	567	779
Leasehold	-	-	40	407	447
Maximum Net Area	143	-	109	974	1,226
Total number of stores					
Freehold and long leasehold	2	-	1	10	13
Leasehold	-	-	1	9	10
Total stores	2	-	2	19	23

* In respect of the Farnborough store (over 250 weeks) total store revenue includes a contribution receivable from Group Head Office and Central Support Team in respect of the space and facilities the store provides for the Head Office function. This income to the store and the corresponding charge are netted down in the Group revenue figures.

** Rent from pipeline sites is not reported here (refer note 3 revenue and segmental information).

Chairman's Statement (continued)

The Self-storage Market in the UK

The self-storage market in the UK has grown rapidly over the last decade and continues to offer a great opportunity, particularly to major operators such as Lok'nStore. The 2008 UK Self-Storage Association Industry report prepared by Mintel estimated that the industry had grown by between 8% and 15% annually over the past five years. In its 2009 update Mintel reported that despite the tough economic climate, the industry had grown by around 4% over the past year in terms of available rentable space.

In the UK there are now about 800 primary facilities (not including container self-storage facilities) and around 28 million rentable sq ft, an increase of more than one million sq ft. (4%) of space in the last year. There is 0.5 sq ft of rentable space for each person in the UK with over 300 separate companies operating self-storage facilities in the UK. Around 45% of the available space in the hands of the larger operators, Lok'nStore is the fourth largest and one of three quoted storage operators in the UK.

The industry in the UK generates revenues of about £360 million per annum and has over 235,000 customers currently using storage. The more mature US market grew from 2.9 sq ft per head of population in 1994 to 7.4 sq ft in 2009 with over 50,000 facilities throughout the US. There are also 1,300 facilities in Australia and New Zealand representing around 1.1 sq ft per member of the population. The lower penetration in the UK contrasts with the difference in population density, which is only 32 per sq km in the US against 246 per sq km in the UK. This creates far more pressure to use property resources efficiently in the UK, which is a notable driver of demand for self-storage. This combined with the restrictive town planning regime in the UK creates a high barrier to entry in the industry. Although in the short to medium term, more property will become available to the self-storage industry as competitive uses for sites struggle economically.

Property Assets and Net Asset Value

Asset management

Given current circumstances in the property market and Lok'nStore's strong rental covenants some landlords are keen to extend their lease terms providing them with greater future security on their income stream. Further opportunities to negotiate improved rental terms on other leases may exist.

During the period we extended the leases on one of our existing stores while reducing the rent. The agreement, backdated to 25 March 2010 extends the leases to 24 March 2026 with an option to extend it for a further 10 years. It resulted in an immediate cash inflow of £40,000 and will produce additional annual cash savings of £40,000 annually until 24 March 2015 for the Group.

The Group calculates that these arrangements will result in an increase in the average maturity of the independently valued leases by approximately three years to 16 years.

The seven leasehold sites which are valued are all inside the Landlord and Tenant Act providing us with a strong degree of security of tenure. The leasehold sites produced 30% of the Store EBITDA in the period to January 2011.

Our property team will continue to pursue such value creating asset management opportunities to secure our trading operations, improve cash flow and lock in, lower or cap property costs.

Development sites

The exact timing of future store openings will largely depend on the recovery of the economy and the availability of sites. We will retain our prudent risk-managed but flexible approach to site acquisition and view the current market as a potential opportunity to acquire new stores. However with the current uncertain economic environment we are monitoring conditions carefully before making further capital expenditures.

Lok'nStore owns four development sites; two for replacement stores and two for new locations.

New location stores

North Harbour, Portsmouth

This is a freehold site extending to almost two acres with planning permission to build a new self-storage centre of around 60,000 sq ft. The site fronts the A27 to the North of Portsmouth, is opposite a busy retail area and is prominent to the M27.

Maidenhead

This is a long leasehold site of 1.6 acres for which there is a current planning permission for a store up to 83,000 sq ft. of self-storage space when completed. The lease term runs until April 2076.

Development of Maidenhead Store: Collaboration with Lidl

During the period the Group executed an agreement, subject to planning permission, for the shared use of its Maidenhead development site with Lidl, a major international supermarket. The proceeds of the lease sale will help finance the development of the store.

Subject to achieving the requisite planning permission, Lok'nStore will build a new state of the art self-storage centre which also provides space on the ground floor for Lidl's store. The new self-storage centre will have around 58,000 sq ft. of self-storage space, taking Lok'nStore's total space to 1.2 million sq ft.

Lok'nStore will create a new lease to Lidl concurrent with Lok'nStore's own lease. Lidl will share the ground floor space with Lok'nStore's operation increasing the footfall by an estimated 1,000 cars a day. Lok'nStore will occupy and trade from its share of the ground floor and the three floors above.

The site is close to Maidenhead town centre and railway station and will be very prominent to the retail park on the main road joining the town centre with the M4 motorway. The store will be of similar style and appearance to other recently opened Lok'nStore centres, with Lok'nStore's strong branding along with Lidl's brand adding to the visual attractiveness of the site. This collaboration will increase the visual prominence, brand recognition, passing traffic and footfall of the storage centre which are key criteria for success.

Replacement stores

Reading

The Group has planning permission for a new larger 53,500 sq ft store on its site opposite the existing store in Reading, an increase in space of 29%.

The prominence and modern look of the new store with its distinctive orange livery will position Lok'nStore in a highly visible and easily accessible location adjacent to the A33 at the gateway to Reading. The existing self-storage business will be moved into the new store once it is complete.

When market circumstances are appropriate, the site of the existing store will be sold for residential development and the proceeds will be reinvested in the new store. The two properties in Reading were valued by Cushman & Wakefield at £4.84 million (NBV £2.39 million).

Southampton

We also own a freehold site on Third Avenue, Millbrook, in Southampton. The site of 2.16 acres fronts the main access road to Southampton's city centre. It will replace the existing Southampton Lok'nStore which is located a few hundred metres away and currently provides up to 84,000 sq ft in a freehold property.

The purpose-built store will capitalise on the prominent main roadside position using the strong Lok'nStore branding similar in design to the successful flagship Farnborough store. The increased prominence and modern look of the building will allow the business to leverage off the existing business, increasing both the volume of space rented and the rates achieved on those rentals. The store will carry the distinctive orange livery and neon lighting which is proving an effective generator of business at our other stores. Further investment in the new store will be around £5 million.

These projects are part of our strategy of continually reviewing and actively managing our operating portfolio, to ensure we are maximising its value for shareholders. This includes strengthening our distinctive brand, increasing the size and number of our stores and moving or selling stores or sites when it will increase shareholder value.

Analysis of total property value	Number of stores	**31 January 2011 valuation £**	31 January 2010 valuation £	31 July 2010 valuation £
Freehold valued by 'C&W'	12	**59,390,000***	57,610,000*	59,390,000
Leasehold valued by 'C&W'	7**	**10,800,000***	9,970,000*	10,800,000
Sub total	19	**70,190,000**	67,580,000	70,190,000
Sites in development at cost	3	**10,846,322*****	10,787,686***	10,794,943
Total	22**	**81,036,322**	78,367,686	80,984,943

* Directors' valuation at 31 January 2011 and 31 January 2010.

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

*** Under IAS 17 payments made of £2.9 million to secure a long lease in Maidenhead as a development site are classified as an operating lease and are shown as a non-current asset property lease premium in the balance sheet rather than within Property, Plant and Equipment. Where reference is made elsewhere to £10.8 million of development sites this is a combination of the £2.9 million Maidenhead site and the £7.9 million of sites in development at cost included in Property, Plant and Equipment.

Adjusted Net Asset Value Per Share (adjusted NAV)	**31 January 2011 £**	31 January 2010 £	31 July 2010 £
Analysis of net asset value (NAV)			
Total non-current assets	**74,932,721**	73,556,423	75,040,880
Adjustment to include leasehold stores at valuation			
Add: C&W leasehold valuation	**10,800,000**	9,970,000	10,800,000
Deduct: leasehold properties and their fixtures and fittings at NBV	**(4,543,887)**	(5,056,381)	(4,765,871)
	81,188,834	78,470,042	81,075,009
Add: current assets	**7,523,406**	5,364,458	6,624,872
Less: current liabilities	**(3,529,460)**	(3,268,821)	(3,674,438)
Less: non-current liabilities (excluding deferred tax provision)	**(28,054,395)**	(28,019,375)	(28,036,885)
Adjusted net assets before deferred tax provision	**57,128,385**	52,546,304	55,988,558
Deferred tax	**(11,180,037)**	(10,482,196)	(10,846,123)
Adjusted net assets	**45,948,348**	42,064,108	45,142,435
Shares in issue	Number	Number	Number
Opening shares	**26,758,865**	26,758,865	26,758,865
Shares issued for the exercise of options	**–**	–	–
Closing shares in issue	**26,758,865**	26,758,865	26,758,865
Shares held in treasury	**(1,142,000)**	(1,142,000)	(1,142,000)
Shares held in EBT	**(623,212)**	(623,212)	(623,212)
Closing shares for NAV purposes	**24,993,653**	24,993,653	24,993,653
Adjusted net asset value per share after deferred tax provision	**184 pence**	168 pence	181 pence
Adjusted net asset value per share before deferred tax provision	**229 pence**	210 pence	224 pence

Chairman's Statement (continued)

Net Asset Value

Adjusted Net Asset Value per share at 31 January 2011 was £2.29. This is an increase of 2% over the period and an increase of 8.7% over the previous year. The increase over the period was due mainly to accumulating operational surpluses.

The Board remains mindful of the need to accord with the measurement principles of International Financial Reporting Standards as adopted by the European Union. After consultation with our external valuers, the Directors considered that there had been a negligible movement in market yields since the July 2010 year end and therefore no market yield shift assumption has been applied at 31 January 2011 to our properties externally valued at 31 July 2010. The Directors therefore consider that it is appropriate to maintain the portfolio valuation at 31 July 2010.

As a result, on a same store basis Lok'nStore's freehold and operating leasehold properties which were independently valued by Cushman & Wakefield at £70.2 million as at 31 July 2010 have been maintained at 31 January 2011 at £70.2 million. Together with our stores under development at cost and our Maidenhead site (included in non-current property lease premiums), our total property is valued at £81.0 million (31.01.2010: £78.4 million: 31.07.2010: £81.0 million).

The leasehold properties are carried at historic cost less accumulated depreciation in the balance sheet. Our development sites are held at cost, less provision for any impairment, of £10.85 million (31.01.2010: £10.79 million). No impairment charges have been made in the period. Progress has been made in enhancing this value through a combination of planning permissions secured and there exists potential for more imaginative collaborative schemes on certain of our development sites.

This property valuation translates into a Net Asset Value of 229 pence per share, (31.07.10: 224 pence; 31.01.10: 210 pence), and a Net Asset Value of 184 pence per share after making full provision for deferred tax arising on the revaluations (31.07.10: 181 pence; 31.01.10: 168 pence).

The deferred tax liability arises on the revaluation of the properties and rolled over gains arising on historic property disposals. In due course the site of the existing Reading store is likely to be sold with the benefit of its permission for residential development and the proceeds may be reinvested in our new store pipeline. It is not the intention of the Directors to make any other significant disposals of operational self-storage centres in the foreseeable future. At present, it is not envisaged that any tax will become payable in the foreseeable future due to the trading losses brought forward and the availability of rollover relief.

Historically we have valued both our freehold and our leasehold property assets. Our freehold property assets are formally included in the balance sheet at their fair value, but International Financial Reporting Standards as adopted by the European Union ('EU') 'IFRS' do not permit the inclusion of any valuation in respect of our leasehold properties to the extent that they are classified as operating leases. The value of our operating leases in the valuation totals £10.8 million (31.07.10: £10.8 million) (31.01.10: £9.97 million). Instead, we have reported by way of a note the underlying value of these leaseholds and adjusted our Net Asset Value ('NAV') calculation accordingly to include their value. This ensures consistent and comparable NAV calculations.

Net Asset Values per share are based upon net assets adjusted for the valuation of the freehold and operating leasehold stores divided by the number of shares at the year-end. The shares currently held in the Group's employee benefits trust (own shares held) and in Treasury are excluded from the number of shares.

Corporation Tax

There is no corporation tax liability to pay due to the availability of tax losses. Period-end tax losses available to carry forward for offset against future profits amount to some £3.4 million (31.01.10: £4.63 million).

Borrowings, Cash Flow and Interest Costs

At 31 January 2011, the Group had cash balances of £6.19 million (31.01.10: £3.88 million). The £28.1 million of borrowings represents gearing of 55.2% on net debt of £21.9 million (31.01.10: 65.2%). After adjusting for the uplift in value of leaseholds which are stated at depreciated historic cost in the balance sheet, gearing is 47.7% (31.01.10: 57.6%). After adjusting for the deferred tax liability carried at period-end of £11.2 million gearing drops to 38.3% (31.01.10: 46.1%).

Lok'nStore's cash flow is strong with security deposits taken from customers who pay four weeks in advance. We retain a legal lien over customers' goods which can then be sold to cover any unpaid bills. Credit control remains tight with only £21,600 (31.01.10: £21,414) of bad debts (including lien sale costs) written off during the period, 0.4% of revenue (31.01.10: 0.4%).

Cash inflow from operating activities before interest and capital expenditure was £1.5 million (31.01.10: £1.3 million). As well as using cash generated from operations to fund some capital expenditure, the Group has a five year revolving credit facility with Royal Bank of Scotland Plc. This provides sufficient liquidity for the Group's current needs. Period end borrowings were £28.1 million (31.01.10: £28.0 million). Net debt was £21.9 million (31.01.10: £24.2 million). Interest is payable on the loan at a rate of between 1.25% and 1.35% over LIBOR. Non-utilisation charges are 0.25% on the value of the undrawn facility. Undrawn committed facilities at the period-end amounted to £11.9 million (31.01.10: £11.9 million). The facility is secured on the existing property portfolio. The loan facility runs until February 2012 and during the period the Group comfortably complied with all debt covenants.

Prevailing economic conditions have caused LIBOR rates to remain at low levels. Lok'nStore has managed its debt aggressively against this and the average interest rate paid for the six month period since July 2010 was 1.85% compared to 1.81% for the year to 31 July 2010 and 1.79% for the corresponding six months ended 31 January 2010. Interest on bank borrowings for the period increased marginally to £264,014 from £253,364 in the corresponding six months ended 31 January 2010. The net interest charge increased marginally from £246,980 to £253,170.

From 1 August 2009 under IAS 23 ('Borrowing Costs') we are required to capitalise interest against our development pipeline in accordance with changes to International Financial Reporting Standards. The Group's date of adoption was 1 August 2009, (the first annual period commencing after the IAS 23 effective date of 1 January 2009). All of the Groups current qualifying assets predate the date of adoption and accordingly under the transitional adoption arrangements no borrowing costs have been capitalised against them in the period. A component of the interest cost incurred by the Group arises from the £10.8 million of development sites that the Group is currently carrying. The interest against this cost has not been capitalised. If interest had been capitalised, the Group's adjusted profit would have been approximately £99,790 higher for the period (31.01.10: £98,250).

Administration Expenses

	Increase/ (decrease) in costs (y-y)	31 January 2011 £	31 January 2010 £	31 July 2010 £
Property costs	(4.0%)	**1,669,781**	1,739,834	3,467,011
Staff costs	6.3%	**1,395,055**	1,312,784	2,702,965
Overheads	(7.4%)	**523,440**	565,237	1,090,818
Total	(0.8%)	**3,588,276**	3,617,855	7,260,794

While the Group has grown its business through a combination of new site acquisition, existing store improvements and relocations, it has placed any further site acquisition and development on hold while the current economic conditions persist. Consequently, capital expenditure during the period totalled only £0.26 million, which relates to minor works at some stores and planning and preparatory expenditures at the Reading, Portsmouth, Southampton and Maidenhead sites. Capital expenditure is likely to be limited over the remainder of the financial year. The Company has no further capital commitments beyond minor works to existing properties. We will consider conditions in the wider economy and the UK self-storage market in particular before committing to any further new developments.

Balance Sheet

Balance sheet net assets at the period-end increased to £39.7 million (31.07.10 £39.1 million; 31.01.10: £37.2 million) mainly as a result of profits earned during the period less the increase in the deferred tax provision.. Freehold property values were unchanged over the period at £59.4 million. This valuation translates into an adjusted Net Asset Value per share of £2.29 before deferred tax provision (31.07.10: £2.24; 31.01.10: £2.10) as reported above.

The Employee Benefit Trust owns 623,212 shares (31.01.10: 623,212), the costs of which are shown as a deduction from shareholders' funds. The Company is holding in Treasury a total of 1,142,000 of its own Ordinary Shares of 1 pence each with an aggregate nominal value of £11,420 for an aggregate cost of £2,092,902. At 31 January 2011 these treasury shares represent 4.27% of the Company's issued share capital (31.01.10: 4.27%). The total number of Ordinary Shares in issue is 26,758,865 (31.01.10: 26,758,865).

Costs

During the period we continued to squeeze costs with total administrative expenses amounting to £3.59 million for the period (31.01.10: £3.62 million) a decrease of 0.8%. Of this premises costs which accounted for 46.5% (31.01.10: 48.1%) of these costs were down 4%, staff costs at 38.9% (31.01.10: 36.3%) were up 6.3% and overheads at 14.6% of the total (31.01.10: 15.6%) were down 7.4%.

Dividend

In respect of the current year, the Directors propose an interim dividend of 0.33 pence per share and will be paid to shareholders on 6 June 2011 to shareholders on the register on 6 May 2011. The ex-dividend date is 4 May 2011. The total estimated dividend to be paid is £82,479 based on the number of shares currently in issue as adjusted for net shares held in the Employee Benefit Trust and held in Treasury. This interim dividend is consistent with the previous interim dividend and compares to a 2010 total annual dividend of 1 pence per share (comprising 0.33 pence per share by way of an interim dividend and 0.67 pence by way of a final dividend).

People

At 31 January 2011 we had 106 employees (2010: 106). They are committed and motivated to help maintain the exemplary levels of friendly service that Lok'nStore provides to its customers. I would like to thank all of our staff for their commitment to our business and for their continued hard work.

Outlook

Lok'nStore has performed well in difficult economic conditions and we are encouraged by current business.

We have a flexible business model which generates cash from an increasing asset base. While economic conditions appear to have stabilised, we will continue to focus on growing the cash flow from the existing portfolio by increasing occupancy, revenues, and controlling costs. Our existing growth rates can be maintained over the coming periods without significant capital expenditure and new building and in the near future we will maintain our position of constraining new capital expenditure commitments but will adapt our building and acquisition strategy when we see economic recovery gaining traction. Self-storage remains an attractive growth market in the UK and Lok'nStore remains well positioned within it.

Simon Thomas
Chairman

8 April 2011

Consolidated Statement of Comprehensive Income
For the six months ended 31 January 2011

	Notes	Unaudited Six months ended 31 January 2011 £	Unaudited Six months ended 31 January 2010 £	Audited Year ended 31 July 2010 £
Revenue	3	**5,419,451**	5,187,234	10,420,440
Cost of sales	4	**(120,311)**	(115,463)	(225,049)
Gross profit		**5,299,140**	5,071,771	10,195,391
Administrative expenses		**(3,588,276)**	(3,617,855)	(7,260,794)
EBITDA		**1,710,864**	1,453,916	2,934,597
Depreciation based on historic cost		**(670,269)**	(781,749)	(1,574,470)
Additional depreciation based on revalued assets		**(133,476)**	(138,145)	(258,007)
		(803,745)	(919,894)	(1,832,477)
Equity settled share-based payments		**(49,819)**	(95,964)	(181,436)
Loss on sale of motor vehicles		**-**	(452)	(452)
		(853,564)	(1,016,310)	(2,014,365)
Operating profit		**857,300**	437,606	920,232
Profit before net finance cost		**857,300**	437,606	920,232
Finance income		**10,844**	6,384	18,979
Finance cost		**(264,014)**	(253,364)	(508,687)
Profit before taxation		**604,130**	190,626	430,524
Income tax expense	5	**(217,448)**	(129,469)	(209,400)
Profit for the financial period				
Attributable to owners of the parent		**386,682**	61,157	221,124
Other comprehensive income before tax				
Increase in asset valuation		**431,351**	375,727	2,454,580
Income tax relating to increase in asset valuation		**(116,466)**	(104,430)	(388,426)
Total comprehensive income for the period/year, net of tax		**314,885**	271,297	2,066,154
Total comprehensive income for the year				
Attributable to owners of the parent		**701,567**	332,454	2,287,278
Earnings per share	6			
Basic		**1.55p**	0.24p	0.88p
Diluted		**1.53p**	0.24p	0.88p

Consolidated Statement of Changes in Equity

For the six months ended 31 January 2011

	Share capital £	Share premium £	Other reserves £	Revaluation reserve £	Retained earnings £	Total £
31 July 2009 Audited	**267,589**	**698,044**	**13,159,539**	**19,758,314**	**3,088,522**	**36,972,008**
Increase in asset valuation	–	–	–	375,727	–	375,727
Income tax relating to increase in asset valuation	–	–	–	(104,430)	–	(104,430)
Income and expense recognised directly in equity	–	–	–	271,297	–	271,297
Profit for the period	–	–	–	–	61,157	61,157
Total comprehensive income	–	–	–	271,297	61,157	332,454
Dividend paid	–	–	(249,937)	–	–	(249,937)
Total transactions with owners	–	–	(249,937)	–	–	(249,937)
Transfer	–	–	–	(100,348)	100,348	–
Share based remuneration	–	–	95,964	–	–	95,964
31 January 2010 Unaudited	**267,589**	**698,044**	**13,005,566**	**19,929,263**	**3,250,027**	**37,150,489**
Increase in asset valuation	–	–	–	2,078,853	–	2,078,853
Deferred tax relating to increase in asset valuation	–	–	–	(283,996)	–	(283,996)
Other comprehensive income	–	–	–	1,794,857	–	1,794,857
Profit for the year	–	–	–	–	159,967	159,967
Total comprehensive income	–	–	–	1,794,857	159,967	1,954,824
Dividend paid	–	–	(82,479)	–	–	(82,479)
Total transactions with owners	–	–	(82,479)	–	–	(82,479)
Transfer	–	–	–	(87,998)	87,998	–
Share based remuneration	–	–	85,472	–	–	85,472
31 July 2010 Audited	**267,589**	**698,044**	**13,008,559**	**21,636,122**	**3,497,992**	**39,108,306**
Increase in asset valuation	–	–	–	431,351	–	431,351
Income tax relating to increase in asset valuation	–	–	–	(116,466)	–	(116,466)
Other comprehensive income	–	–	–	314,885	–	314,885
Profit for the year	–	–	–	–	386,682	386,682
Total comprehensive income	–	–	–	314,885	386,682	701,567
Dividend paid	–	–	(167,457)	–	–	(167,457)
Total transactions with owners	–	–	(167,457)	–	–	(167,457)
Transfer	–	–	–	(96,102)	96,102	–
Share based remuneration	–	–	49,819	–	–	49,819
31 January 2011 Unaudited	**267,589**	**698,044**	**12,890,921**	**21,854,905**	**3,980,776**	**39,692,235**

All amounts are attributable to owners of the parent.

Consolidated Balance Sheet
31 January 2011

	Notes	Unaudited Six months ended 31 January 2011 £	Unaudited Six months ended 31 January 2010 £	Audited Year ended 31 July 2010 £
Non-current assets				
Property, plant and equipment	8a	**72,004,427**	70,714,671	72,180,099
Property lease premiums	8b	**2,928,294**	2,841,752	2,860,781
		74,932,721	73,556,423	75,040,880
Current assets				
Inventories		**67,813**	70,091	70,085
Trade and other receivables	9	**1,263,712**	1,413,378	1,190,756
Cash and cash equivalents		**6,191,881**	3,880,989	5,364,031
		7,523,406	5,364,458	6,624,872
Total assets		**82,456,127**	78,920,881	81,665,752
Current liabilities				
Trade and other payables	10	**(3,529,460)**	(3,268,821)	(3,674,438)
		(3,529,460)	(3,268,821)	(3,674,438)
Non-current liabilities				
Bank borrowings	11	**(28,054,395)**	(28,019,375)	(28,036,885)
Deferred tax	12	**(11,180,037)**	(10,482,196)	(10,846,123)
		(39,234,432)	(38,501,571)	(38,883,008)
Total liabilities		**(42,763,892)**	(41,770,392)	(42,557,446)
Net assets		**39,692,235**	37,150,489	39,108,306
Equity				
Called up share capital		**267,589**	267,589	267,589
Share premium		**698,044**	698,044	698,044
Other reserves	14	**12,890,921**	13,005,566	13,008,559
Retained earnings	15	**3,980,776**	3,250,027	3,497,992
Revaluation reserve		**21,854,905**	19,929,263	21,636,122
Total equity attributable to owners of the parent		**39,692,235**	37,150,489	39,108,306

Consolidated Cash Flow Statement
For the six months ended 31 January 2011

	Notes	**Unaudited Six months ended 31 January 2011 £**	Unaudited Six months ended 31 January 2010 £	Audited Year ended 31 July 2010 £
Operating Activities				
Cash generated from operations	17a	**1,469,376**	1,309,291	3,466,294
Net cash from operating activities		**1,469,376**	1,309,291	3,466,294
Investing activities				
Purchase of property plant and equipment and property lease premiums		**(264,233)**	(236,913)	(555,104)
Sale of property, plant and equipment		**-**	2,900	2,900
Interest received		**10,844**	6,384	18,979
Net cash used in investing activities		**(253,389)**	(227,629)	(533,225)
Financing activities				
Increase in borrowings – bank loans		**-**	17,510	-
Interest paid		**(220,680)**	(196,977)	(465,353)
Equity dividends paid		**(167,457)**	(249,937)	(332,416)
Net cash used in financing activities		**(388,137)**	(429,404)	(797,769)
Net increase in cash and cash equivalents in the period		**827,850**	652,258	2,135,300
Cash and cash equivalents at beginning of the period		**5,364,031**	3,228,731	3,228,731
Cash and cash equivalents at end of the period		**6,191,881**	3,880,989	5,364,031

Notes to the Interim Results

1 General information
Lok'nStore Plc is an AIM listed company incorporated and domiciled in the United Kingdom. The address of the registered office is 1 London Wall, London EC2Y 5AB, UK. Copies of this Interim Statement may be obtained from the Company's head office at 112, Hawley Lane, Farnborough, Hants. GU14 8JE or the investor section of the Company's website at http://www.loknstore.com.

2 Basis of preparation
The Interim Results for the six months ended 31 January 2011 have been prepared on the basis of the accounting policies expected to be used in the 2011 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 ("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 8 April 2011, are unaudited. The Interim Results do not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006.

Comparative figures for the year ended 31 July 2010 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.

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

a) Estimate of fair value of trading properties
The Group values its self-storage stores using a discounted cash flow methodology which is based on projections of net operating income. Principal assumptions underlying management's estimation of the fair value are those relating to stabilised occupancy levels, expected future growth in storage rents and operating costs, maintenance requirements, capitalisation rates and discount rates. A more detailed explanation of the background and methodology adopted in the valuation of the Group's trading properties is set out in the annual financial statements. The carrying value of properties held at valuation at the balance sheet date was £59.4 million;(31.07.10: £59.4 million; 31.01.10: £57.6 million).

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

C&W note that although there were a number of transactions in 2007, the only two significant transactions since 2007 are the sale of a 51% share in Shurgard Europe which was announced in January 2008 and completed on 31 March 2008 and the sale of the former Keepsafe portfolio by Macquarie to Alligator Self Storage which was completed in January 2010. C&W observe that in order to provide a rational opinion of value at the present time it is necessary to assume that the self storage sector will continue to perform in a way not greatly different from that being anticipated prior to the "credit crunch". However, C&W have reflected negative sentiment in their capitalisation rates and they have reflected current trading conditions in their cash flow projections for each property. C&W state that there is therefore greater uncertainty attached to their opinion of value than would be anticipated during more active market conditions.

The Board concur with this view.

Although the Board did not commission an external valuation at 31 January 2011, it is mindful of the need to accord with the measurement principles of International Financial Reporting Standards as adopted by the European Union. Accordingly the property valuations at the half-year are Directors' valuations. After consultation with our external valuers, the Directors considered that there had been a negligible movement in market yields since the July year-end and therefore no market yield shift assumption has been applied at 31 January 2011 to our properties externally valued at 31 July 2010. The Directors therefore consider that it is appropriate to maintain the portfolio valuation without modification. Also no yield shift has been applied to the Reading site valued for its residential development potential as this value was substantially reduced at 31 July 2008, to a value which remains appropriate at 31 January 2011.

2 Basis of preparation (continued)

As a result, on a same store basis Lok'nStore's freehold and operating leasehold properties which were independently valued by C&W at £10.8 million as at 31 July 2010 have been maintained at 31 January 2011 at £10.8 million. Together with our stores under development at cost including our Maidenhead site (included in non-current property lease premiums), our total property is stated at £81.0 million (31.07.10: £81.0 million: 31.01.10: £78.4 million).

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

The Group's development property assets are held in the balance sheet at historic cost and are not valued externally. In acquiring sites for redevelopment into self-storage facilities, the Group estimates and makes judgments on the potential net lettable storage space that it can achieve in its planning negotiations, together with the time it will take to achieve maturity occupancy level. In addition, assumptions are made on the storage rent that can be achieved at the store by comparing with other stores within the portfolio and within the local area. These judgements taken together with estimates of operating costs and the projected construction cost, allow the Group to calculate the potential net operating income at maturity and projected returns on capital invested and hence to support the purchase price of the site at acquisition. Following the acquisition, regular reviews are carried out taking into account the status of the planning negotiations, revised construction costs or capacity of the new facility, for example, to make an assessment of any impairment to the carrying value of the development property held at historic cost. The Group reviews all development property assets for impairment at each balance sheet date in the light of the results of these reviews. Once a store is opened, then it is valued as a trading store. The carrying value of development property assets at the balance sheet date was £10.8 million (31.01.10: £10.8 million) of which £2.9 million relating to the long lease at Maidenhead was classified as a property lease premium in the balance sheet (31.01.10: £2.8 million).

c) Dilapidations

The Group has a number of stores operating under leasehold tenure. From time to time, in accordance with the Group's stated objective to maximise shareholder value, it may choose not to renew a lease, particularly where alternative premises have been sourced and customers can be moved into the new premises. In these circumstances the Group may incur repairing and decoration liabilities ('dilapidations') based on the tenant's obligation to the landlord to keep the leasehold premises in good repair and decorative condition. Landlords in these circumstances will normally serve a schedule of dilapidations on the tenant setting out a list of items to be remedied. This may also refer to obligations on the tenant to reinstate any alterations works previously undertaken by the tenant under a Licence for Alterations. Such claims will always be negotiated robustly by Lok'nStore and may require legal, valuation and surveyor's expertise, particularly if it can be shown that the landlord's interest in the premises has not been diminished by the dilapidations. As such, evaluations of actual liabilities are always a critical judgement and any sums provided to be set aside can only be an estimate until a settlement is concluded.

The carrying value of the provision for dilapidations at the balance sheet date was £Nil (31.01.10: £Nil).

Notes to the Interim Results (continued)

3 Revenue

Revenue represents amounts derived from the provision of self-storage accommodation and related services to customers outside the Group which fall within the Group's ordinary activities after deduction of trade discounts and value added tax. The Group's net assets, revenue and profit before tax are attributable to one principal activity, the provision of self-storage accommodation and related services. These all arise in the United Kingdom.

	Unaudited Six months ended 31 January 2011 £	Unaudited Six months ended 31 January 2010 £	Audited Year ended 31 July 2010 £
Stores trading			
Self-storage income	**4,833,876**	4,593,016	9,259,949
Other storage related income	**516,005**	521,739	1,034,889
Ancillary store rental income	**2,609**	2,609	5,217
Management fees	**10,717**	11,116	21,622
Sub-Total	**5,363,207**	5,128,480	10,321,677
Stores under development			
Non-storage income	**56,244**	58,754	98,763
Total revenue per statement of comprehensive income	**5,419,451**	5,187,234	10,420,440

3b Segmental information

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board to allocate resources to the segments and to assess their performance. There remains one business segment as the Group's net assets, revenue and profit before tax are attributable to one principal activity, the provision of self-storage accommodation and related services after deduction of trade discounts and value added tax. These all arise in the United Kingdom. No individual customer accounts for more than 1% of total revenue and no group of entities under common control (e.g. Government) account for more than 10% of total revenues.

4 Cost of sales

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

	Unaudited Six months ended 31 January 2011 £	Unaudited Six months ended 31 January 2010 £	Audited Year ended 31 July 2010 £
Retail	**69,493**	76,580	144,337
Insurance	**21,190**	10,247	21,190
Van Hire	**29,628**	28,636	59,552
	120,311	115,463	225,049

5 Taxation

	Unaudited Six months ended 31 January 2011 £	Unaudited Six months ended 31 January 2010 £	Audited Year ended 31 July 2010 £
Deferred tax charge/(credit) for the period	**217,448**	129,469	209,400
Total tax charge/(credit) for the period	**217,448**	129,469	209,400

No current tax charge arises due to the availability of tax losses brought forward.

6 Earnings per Ordinary Share

The calculation of earnings per ordinary share is based on the following profit and on the following weighted average number of shares in issue.

	Unaudited Six months ended 31 January 2011 £	Unaudited Six months ended 31 January 2010 £	Audited Year ended 31 July 2010 £
Profit/(loss) for the financial period	**386,682**	61,157	221,124

	No. of shares	No. of shares	No. of shares
Weighted average number of shares for basic earnings per share	**24,993,653**	24,993,653	24,993,653
Dilutive effect of share options	**238,865**	45,882	49,502
	25,232,518	25,039,535	25,043,155
Earnings/(loss) per share			
Basic	**1.55p**	0.24p	0.88p
Diluted	**1.53p**	0.24p	0.88p

623,212 shares held in the Employee Benefit Trust and 1,142,000 treasury shares are excluded from the above.

7 Dividends

Amounts recognised as distributions to equity holders in the period:	**Unaudited Six months ended 31 January 2011 £**	Unaudited Six months ended 31 January 2010 £	Audited Year ended 31 July 2010 £
Final dividend for year ended 31 July 2009 (1.00 pence per share)	-	249,937	249,937
Interim dividend for half year ended 31 January 2010 (0.33 pence per share)	-	-	82,479
Final dividend for year ended 31 July 2010 (0.67 pence per share)	167,457	-	-
	167,457	**249,937**	**332,416**

8a Property, plant and equipment

Group	Development properties at cost £	Land and buildings £	Short leasehold improvements £	Fixtures, fittings and equipment at cost £	Motor vehicles at cost £	Total £
Net book value at 31 July 2009	7,953,749	51,946,049	1,335,780	9,684,181	121,070	71,040,829
Net book value at 31 January 2010	7,945,934	52,157,016	1,249,834	9,257,781	104,106	70,714,671
Net book value at 31 July 2010	7,934,163	54,130,943	1,189,536	8,833,640	91,817	72,180,099
Cost or valuation						
01-Aug-10	7,934,163	54,130,943	2,539,569	15,606,879	157,525	80,369,079
Additions	70,735	78,868	29,958	17,159	–	196,720
Reclassification	(86,870)	86,870	–	–	–	–
Disposals	–	–	–	–	–	–
Revaluations	–	182,770	–	–	–	182,770
31-Jan-11	7,918,028	54,479,451	2,569,527	15,624,038	157,525	80,748,569
Depreciation						
01-Aug-10	–	–	1,350,033	6,773,239	65,707	8,188,979
Depreciation	–	248,582	60,270	484,062	10,831	803,745
Disposals	–	–	–	–	–	–
Revaluations	–	(248,582)	–	–	–	(248,582)
31-Jan-11	–	–	1,410,303	7,257,301	76,538	8,744,142
Net book value at 31 January 2011	**7,918,028**	**54,479,451**	**1,159,224**	**8,366,737**	**80,987**	**72,004,427**

Notes to the Interim Results (continued)

8a Property, plant and equipment (continued)

The capital expenditure during the period was £0.2 million, which relates to minor works at some stores and planning and preparatory expenditures at the development sites.

Market valuation of freehold and leasehold land and buildings

Following the comprehensive external valuation at 31 July 2010 by C&W, the freehold and leasehold properties have not been externally valued at 31 January 2011, although in accordance with the Group's established policy it is the intention to do so at the next year end at 31 July 2011. Although the Board did not commission an external valuation at this interim it is mindful of the need to accord with the measurement principles of International Financial Reporting Standards as adopted by the European Union. Accordingly after consultation with our external valuers, the Directors considered that there had been a negligible movement in market yields and therefore no market yield shift assumption has been applied at 31 January 2011 to our properties externally valued at 31 July 2010. The Directors therefore consider that it is appropriate to maintain the portfolio valuation without modification. Also no yield shift has been applied to the Reading site valued for its residential development potential as this value was substantially reduced at 31 July 2008, to a value which remains appropriate at 31 January 2011.

As a result, on a same store basis, Lok'nStore's freehold and operating leasehold properties which were independently valued by Cushman & Wakefield ('C&W') at £70.2 million as at 31 July 2010 have been maintained at 31 January 2011 at £70.2 million. Together with our stores under development at cost and our Maidenhead site (included in non-current property lease premiums), our total property is stated at £81.0 million (31 July 2010: £81.0 million).

Land and buildings are carried at valuation in the balance sheet. Short leasehold properties held under operating leases are carried at cost rather than valuation in accordance with IFRS. Progress has been made in enhancing the value of development sites which are held at cost of £10.8 million, with a more imaginative collaborative scheme on our Maidenhead site.

Market uncertainty

The Directors consider, based on opinion available that the market for self-storage assets has remained relatively resilient to the downturn in property values generally and increasing yields seen in the wider property market. The market conditions generally and the lack of transactions, particularly since the full extent of the banking and wider credit crisis manifested itself, only serve to increase the degree of uncertainty that must attach to any opinion of value given at the present time. (Refer also to note 2a on critical accounting estimates and judgments in relation to fair value of trading properties).

8b Property lease premiums

The carrying value of development property assets at the balance sheet date was £10.8 million (31.01.10: £10.8 million) of which £2.9 million relating to the long lease at Maidenhead is classified as other non-current asset in the balance sheet (31.01.10: £2.8 million). This represents a lease premium paid on entering the lease and other related costs. The lease runs until 31 March 2076. A peppercorn rent is payable until 2027 and a market rent thereafter.

9 Trade and other receivables

	Unaudited Six months ended 31 January 2011 £	Unaudited Six months ended 31 January 2010 £	Audited Year ended 31 July 2010 £
Due within one year:			
Trade receivables	**823,540**	835,667	794,131
Other receivables	**52,105**	76,595	47,483
Prepayments and accrued income	**388,067**	501,116	349,142
	1,263,712	1,413,378	1,190,756

10 Trade and other payables

	Unaudited Six months ended 31 January 2011 £	Unaudited Six months ended 31 January 2010 £	Audited Year ended 31 July 2010 £
Trade payables	**539,002**	486,725	460,527
Taxation and social security costs	**347,205**	315,172	391,743
Other payables	**872,697**	896,846	957,352
Accruals and deferred income	**1,770,556**	1,570,078	1,864,816
	3,529,460	3,268,821	3,674,438

11 Bank borrowings

	Unaudited Six months ended 31 January 2011 £	Unaudited Six months ended 31 January 2010 £	Audited Year ended 31 July 2010 £
Bank loans repayable in one to two years			
Gross	**28,089,416**	28,089,416	28,089,416
Deferred financing costs	**(35,021)**	(70,041)	(52,531)
Net bank loans repayable in one to two years	**28,054,395**	28,019,375	28,036,885

The bank loans are secured by legal charges and debentures over the freehold and leasehold properties and other assets of the business with a net book value of £82.5 million together with cross-company guarantees of Lok'nStore Limited. The revolving credit facility is for a five-year term and expires on 5 February 2012. 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 1.25%–1.35% Royal Bank of Scotland plc margin.

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

	Unaudited Six months ended 31 January 2011 £	Unaudited Six months ended 31 January 2010 £	Audited Year ended 31 July 2010 £
Debt	**(28,089,416)**	(28,089,416)	(28,089,416)
Cash and cash equivalents	**6,191,881**	3,880,989	5,364,031
Net debt	**(21,897,535)**	(24,208,427)	(22,725,385)
Balance sheet equity	**39,692,235**	37,150,489	39,108,306
Net debt to equity	**55.20%**	65.20%	58.10%

Notes to the Interim Results (continued)

12 Deferred tax

	Unaudited Six months ended 31 January 2011 £	Unaudited Six months ended 31 January 2010 £	Audited Year ended 31 July 2010 £
Provision at start of period	**10,846,123**	10,248,297	10,248,297
Charge to income in the period	**217,448**	129,469	209,400
Charge/ (credit) to equity in period	**116,466**	104,430	388,426
Provision at end of period	**11,180,037**	10,482,196	10,846,123

The deferred tax liability arises predominantly on the revaluation of the properties and on the rolled over gain arising from the disposal of the Kingston and Woking sites. In due course the site of the existing Reading store is likely to be sold with the benefit of its permission for residential development and the proceeds will be reinvested in our new store pipeline. It is not the intention of the Directors to make any other significant disposals of operational self-storage centres in the foreseeable future. At present, it is not envisaged that any tax will become payable in the foreseeable future due to the trading losses brought forward and the availability of rollover relief.

13 Equity-settled share-based payment plans

The Group operates four equity settled share-based payment plans, an Enterprise Management Initiative ('EMI') scheme, an approved scheme, a CSOP approved scheme and an unapproved share option scheme. The rules of the scheme are similar in all material respects. The grant of options to executive directors and senior management is recommended by the Remuneration Committee on the basis of their contribution to the Group's success. The options vest after three years.

The Group has the following share options:

Summary	As at 31 July 2010	Granted	Exercised	Lapsed/ surrendered	**As at 31 January 2011**
Enterprise Management Initiative Scheme	491,901	–	–	(91,656)	**400,245**
Unapproved Share Options	2,192,212	–	–	(268,344)	**1,923,868**
CSOP Approved Share Options	179,020	–	–	(10,000)	**169,020**
Total	2,863,133	–	–	(370,000)	**2,493,133**
Options held by Directors	1,655,000	–	–	–	**1,655,000**
Options not held by Directors	1,208,133	–	–	(370,000)	**838,133**
Total	2,863,133	–	–	(370,000)	**2,493,133**

Summary	As at 31 January 2010	Granted	Exercised	Lapsed/ surrendered	As at 31 July 2010
Enterprise Management Initiative Scheme	491,901	–	–	-	**491,901**
Approved Share Options Scheme	5,837	–	–	(5,837)	**-**
Unapproved Share Options	2,076,906	126,980	–	(11,674)	**2,192,212**
CSOP Approved Share Options	–	179,020	–	–	**179,020**
Total	2,574,644	306,000	–	(17,511)	**2,863,133**
Options held by Directors	1,480,000	175,000	–	–	**1,655,000**
Options not held by Directors	1,094,644	131,000	–	(17,511)	**1,208,133**
Total	2,574,644	306,000	–	(17,511)	**2,863,133**

The exercise price of the options is equal to the closing mid-market price of the shares on the trading day previous to the date of the grant. The exercise of options awarded has been subject to the meeting of performance criteria geared primarily to sales growth with the key non-market performance condition being the achievement of £10 million annual turnover. Exercise of an option is subject to continued employment. The life of each option granted is seven years. There are no cash settlement alternatives.

The expected volatility is based on a historical review of share price movements over a period of time, prior to the date of grant, commensurate with the expected term of each award. The expected term is assumed to be six years which is part way between vesting (three years after grant) and lapse (10 years after grant). The risk free rate of return is the UK gilt rate at date of grant commensurate with the expected term (i.e. six years).

The total charge for the period relating to employer share-based payment schemes was £49,819 (31.01.10: £95,964), all of which relates to equity-settled share-based payment transactions.

14 Other reserves

Group	Merger reserve £	Other distributable reserve £	Capital redemption reserve £	Share-based payment reserve £	Total £
1 August 2009	**6,295,295**	**5,735,556**	**34,205**	**1,094,483**	**13,159,539**
Share-based remuneration (options)	–	–	–	95,964	95,964
Dividend paid	–	(249,937)	–	–	(249,937)
31 January 2010	**6,295,295**	**5,485,619**	**34,205**	**1,190,447**	**13,005,566**
Share-based remuneration (options)	–	–	–	85,472	85,472
Dividend paid	–	(82,479)	–	–	(82,479)
31 July 2010	**6,295,295**	**5,403,140**	**34,205**	**1,275,919**	**13,008,559**
Share-based remuneration (options)	–	–	–	49,819	49,819
Dividend paid	–	(167,457)	–	–	(167,457)
31 January 2011	**6,295,295**	**5,235,683**	**34,205**	**1,325,738**	**12,890,921**

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.

15 Retained earnings

Group	Retained earnings before deduction of own shares £	Own shares (note 16) £	Retained earnings Total £
1 August 2009	**5,681,334**	**(2,592,812)**	**3,088,522**
Profit for the financial period	61,157	–	61,157
Transfer from revaluation reserve	100,348	–	100,348
31 January 2010	**5,842,839**	**(2,592,812)**	**3,250,027**
Loss for the financial period	159,967	–	159,967
Transfer from revaluation reserve	87,998	–	87,998
1 August 2010	**6,090,804**	**(2,592,812)**	**3,497,992**
Profit for the financial period	**386,682**	**–**	**386,682**
Transfer from revaluation reserve	**96,102**	**–**	**96,102**
31 January 2011	**6,573,588**	**(2,592,812)**	**3,980,776**

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 Groups 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 Company'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 make available of a reasonable line of stock to satisfy investor demand as and when required.

Notes to the Interim Results (continued)

16 Own shares

	ESOP shares Number	ESOP shares £	Treasury shares Number	Treasury shares £	Own shares total £
31 January 2010, 31 July 2010 and 31 January 2011	**623,212**	**499,910**	**1,142,000**	**2,092,902**	**2,592,812**

Lok'nStore Limited holds a total of 1,142,000 of its own ordinary shares of 1 pence each for treasury with an aggregate nominal value of £11,420 for an aggregate cost of £2,092,902 at an average price of £1.818 per share. These shares represent 4.27% of the Company's called-up share capital. The maximum number of shares held by the Company in the period was 1,142,000. No shares were disposed of or cancelled in the period.

Distributable reserves have been reduced by £2,092,902 for the purchase cost of these shares.

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 2011, the Trust held 623,212 (31.01.10: 623,212) ordinary shares of 1 pence each with a market value of £780,573 (31.01.10: £584,427).

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

17 Cash flows

(a) Reconciliation of profit/(loss) to net cash flows from operating activities

	Unaudited Six months ended 31 January 2011 £	Unaudited Six months ended 31 January 2010 £	Audited Year ended 31 July 2010 £
Profit before tax	**604,130**	190,626	430,524
Depreciation	**803,745**	919,894	1,832,477
Share-based employee remuneration	**49,819**	95,964	181,436
Loss on disposal of fixed assets	**-**	452	452
Interest receivable	**(10,844)**	(6,384)	(18,979)
Interest payable	**264,014**	253,364	508,687
Decrease / (increase) in inventories	**2,271**	(2,986)	(2,980)
Decrease in receivables	**605,695**	568,030	10,140
(Decrease) / increase in payables	**(849,454)**	(709,669)	(524,537)
Net cash inflow from operating activities	**1,469,376**	1,309,291	3,466,294

17 Cash flows (continued)

(b) Reconciliation of Net Cash Flow to Movement in Net Debt

Net debt is defined as debt on non-current and current borrowings, less cash balances held in current accounts and surplus cash transferred daily to 'one-day' or 'two-day' treasury deposits.

	Unaudited Six months ended 31 January 2011 £	Unaudited Six months ended 31 January 2010 £	Audited Year ended 31 July 2010 £
Increase in cash in the period	**827,850**	652,258	2,135,300
Change in net debt resulting from cash flows	**-**	-	-
Movement in net debt in period	**827,850**	652,258	2,135,300
Net debt brought forward	**(22,725,385)**	(24,860,685)	(24,860,685)
Net debt carried forward	**(21,897,535)**	(24,208,427)	(22,725,385)

18 Commitments under operating leases

At 31 January 2011, the total future minimum lease payments under non-cancellable operating leases were as follows:

The Group as a lessee

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

	Unaudited Six months ended 31 January 2011 £	Unaudited Six months ended 31 January 2010 £	Audited Year ended 31 July 2010 £
Land and buildings			
Amounts due:			
Within one year	**1,277,222**	1,454,692	1,287,352
Between two and five years	**4,668,888**	5,818,768	4,709,408
After five years	**6,455,244**	6,169,480	7,018,703
	12,401,354	13,442,940	13,015,463

Operating lease payments represent rentals payable by the Group for certain of its properties.

Typically leases are negotiated for a term of 20 years and rentals are fixed for an average of five years.

19 Events after the reporting period

There were no reportable events after the balance sheet date.

Notes to the Interim Results (continued)

20 Related party transactions
The following balances existed between the Company and its subsidiaries at 31 January.

	31 January 2011 £	31 January 2010 £	31 July 2010 £
Net amount due from Lok'nStore Limited	**5,939,763**	6,520,831	6,019,763

The amount due from Lok'nStore Limited is interest free. The balance is repayable on demand, however the Company has no present intention to demand repayment within one year.

The Group maintains a service agreement for strategic services with Value Added Services Limited, a company in which Andrew Jacobs and Simon Thomas have a beneficial interest. Fees are settled monthly and there were no outstanding amounts due to Value Added Services Limited at the period-end (31.01.10: £Nil). The maximum balance outstanding at any time during the period was £24,242 (ex VAT) (31.01.10: £24,100).

The Company has an agreement with Keith Jacobs, a brother of Andrew Jacobs and Colin Jacobs, for the provision of marketing services and support to the Company on a consultancy basis. The fees payable to Keith Jacobs during the period under this arrangement were £10,436 (31.01.10: £10,624). There was an outstanding amount due to Keith Jacobs at the period-end of £1,717 (31.01.10: £Nil).

21a Capital commitments
The Group has capital expenditure contracted but not provided for in the financial statements of £132,984 (31.01.10: £182,214) relating to minor works at existing stores and planning fees.

21b Guarantees
The Company has guaranteed the bank borrowings of Lok'nStore Limited. As at the period-end, that Company had gross bank borrowings of £28.1 million (31.01.10: £28.1 million).

21c Contingent liability – valued added tax
As an ancillary activity, Lok'nStore acts as an intermediary in relation to supplies of exempt insurance to customers for which it receives a commission. In November 2007, Lok'nStore originally approached HMRC, on a purely voluntary and unprompted basis, to request the implementation of a Partial Exemption Special Method (PESM). Lok'nStore, advised by Baker Tilly Tax & Accounting Limited, maintained that the standard partial exemption method, i.e. one based on the values of the various different income streams, resulted in a wholly distortive restriction of input tax. Lok'nStore remains of the view that revenue is a poor proxy for the 'use' of the majority of the input tax incurred by Lok'nStore and, as a consequence, the standard method does not provide a fair result.

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

21c Contingent liability – valued added tax (continued)

Position at balance sheet date

There are two appeals lodged at the Tax Tribunal; one in respect of the proposed PESM going forward and the other in respect of the SMO calculations for the past VAT periods. It has been agreed with the Tribunal and HMRC that the second appeal (i.e. the SMO appeal) will be stood over pending the outcome of the first appeal in respect of the proposed PESM.

On a range of outcomes, on a worst case scenario, the overall liability in relation to input tax claimed up to the end of January 2011 which may become repayable to HMRC totals £345,270 (31.01.10: £306,681; 31.07.10: £327,765) based on the standard method restriction. Of this £195,187 (31.01.10: £189,582; 31.07.10: £192,830) relates to capital expenditure inputs (balance sheet) and £150,083 (31.01.10: £117,098; 31.07.10: £134,935) relates to income statement items. Alternatively, if a special method is agreed, this may give a restriction of around 1%, in which case the total amount of VAT (plus interest) to be assessed by HMRC would on the figures above give a special method restriction of £79,923 (31.01.10: £74,091; 31.07.10: £77,005). On a pro rata basis this potential liability between restricted inputs gives a liability of £53,107 (31.01.10: £49,836; 31.07.10: £51,472) relating to capital expenditure inputs (balance sheet) and £26,816 (31.01.10: £24,255; 31.07.10: £25,533) relating to income statement items. Interest would be added to both totals.

It is not impossible that there should be no restriction of input tax incurred as calculations indicate that the proposed PESM, using a mixed floor space and values based method, gives a minimal restriction. As a result, no restriction of input tax will be required under this method on the basis that the de minimis limits are not breached.

While this remains an ongoing dispute with HMRC and while the outcome at present remains uncertain it is not considered that any material provision is necessary.

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