

December 2012

Dear Shareholder

**Corporate Update, Year-end Results, AGM and Dividend**

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I am writing to you to bring you up to date on some positive developments for the Company.

**Corporate Update**

Laxey Partners, who have been substantial shareholders since November 2009, have sold their entire shareholding of 29.03% in Lok'nStore Group Plc to a number of investors in November, most notably Montecito Storage Investors LLC . As previously announced in October, Ian Wright of Laxey Partners resigned from the Board of Lok'nStore.

Montecito, headed by Douglas Hampson, bought 4,033,909 shares, representing 15.75% of the issued share capital of the Company. On 19 December 2012, Douglas was appointed to the Board as a non-executive director.

Douglas Hampson has spent over 30 years in the self-storage industry, having set up the first self-storage facility in Europe in 1980. Over the last 30 years he has developed and sold a number of self-storage businesses including Abbey Self-Storage, British Self-Storage and Keepsafe. Douglas is currently the owner of Lockaway Self-Storage in London and Adams Self-Storage in the north of England.

We are very pleased that Douglas has agreed to join the Board of Lok'nStore. His extensive knowledge of founding, operating and selling self-storage businesses will be a valuable addition to our Board. We are also particularly delighted to have replaced Laxey Partners, who were not supportive of many aspects of your Board's strategy, with Montecito and a number of institutional shareholders, some new to Lok'nStore. This gives us an excellent foundation to continue the progress of the last 12 months as well as our development programme into 2013 and beyond.

**Results**

For the record, the results for Lok'nStore for the financial year to 31 July 2012 were released on 29 October in which the Group reported record revenue and profit. In case you missed it, a copy of the Report and Accounts is available on our website at:

[http://www.loknstore.com/investor\\_results\\_and\\_research\\_notes.asp](http://www.loknstore.com/investor_results_and_research_notes.asp)

Highlights of the Report included Group Revenue of £12.77 million-up 18% - and Group Operating profit up 36% to £2.14 million.

During the year, we obtained planning permission for the new Maidenhead store where will start building immediately in the new year with opening now scheduled for autumn 2013. The new store in Crawley which is on a management contract opened in November. We also have a management contract for a new store in Aldershot (construction in 2013).

**AGM**

We held our Annual General Meeting on 30 November 2012 and all resolutions put to the meeting were passed.

**Increase in Dividend**

In August we wrote to you about a change to dividend policy and in particular the Board's recommendation that a final dividend of 4 pence per share be paid to shareholders in December, bringing the dividend for the full year up to 5 pence per share, a very significant increase of 67% from last year. We are pleased to let you know that the proposal was passed at the AGM and the dividend was paid on 17 December 2012.

The intention of the Board is that the dividend policy should be progressive and in future the Group's dividend payments will reflect the growth in the underlying cash generated by the business. The interim dividend will represent approximately one-third of the total for the year with the balance paid at the full year.

We have made arrangements to provide shareholders with the opportunity to participate in a Dividend Reinvestment Program (DRIP). This will allow Lok'nStore shareholders the choice of using their cash dividends to buy more Lok'nStore shares. Rather than receiving a dividend cheque through the post or having their bank account credited with the dividend payment, shareholders will be able to choose to use their cash dividend to buy additional shares. Our registrars, Capita have written to you separately with more details of this scheme.

**VAT**

In the Government's Annual Budget in March the Chancellor announced proposals to correct some anomalies in the VAT regime and this included its application to self-storage. Previously some self-storage companies operated within the VAT regime while others were outside it. With effect from 1 October 2012, VAT was extended to include all UK self-storage operations.

Unlike many operators in the self-storage industry who have operated outside the VAT regime, Lok'nStore has remained within the scope of VAT. Therefore this change to the legislation will have no direct impact on the Group or its customers. However, most of our competitors who were de-registered are responding to this change either by increasing prices to help them absorb the tax or by reducing margins. This clearly has and will continue to have a positive effect on Lok'nStore's competitive position.

May I take this opportunity to thank you for your support in 2012 and wish you a prosperous 2013.



Simon Thomas  
Chairman