

Lok'nStore Group plc

Annual Report and Accounts

for the year ended 31 July 2022



LOK'n STORE

Self Storage

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Dynamic new store opening schedule driving future growth.

We are a **leading Company** in the fast-growing UK self-storage market. We opened our first self-storage centre in February 1995 and have **grown consistently over the last 27 years** with 40 self-storage centres operating across England and Wales.

We have been listed on the AIM market since June 2000.

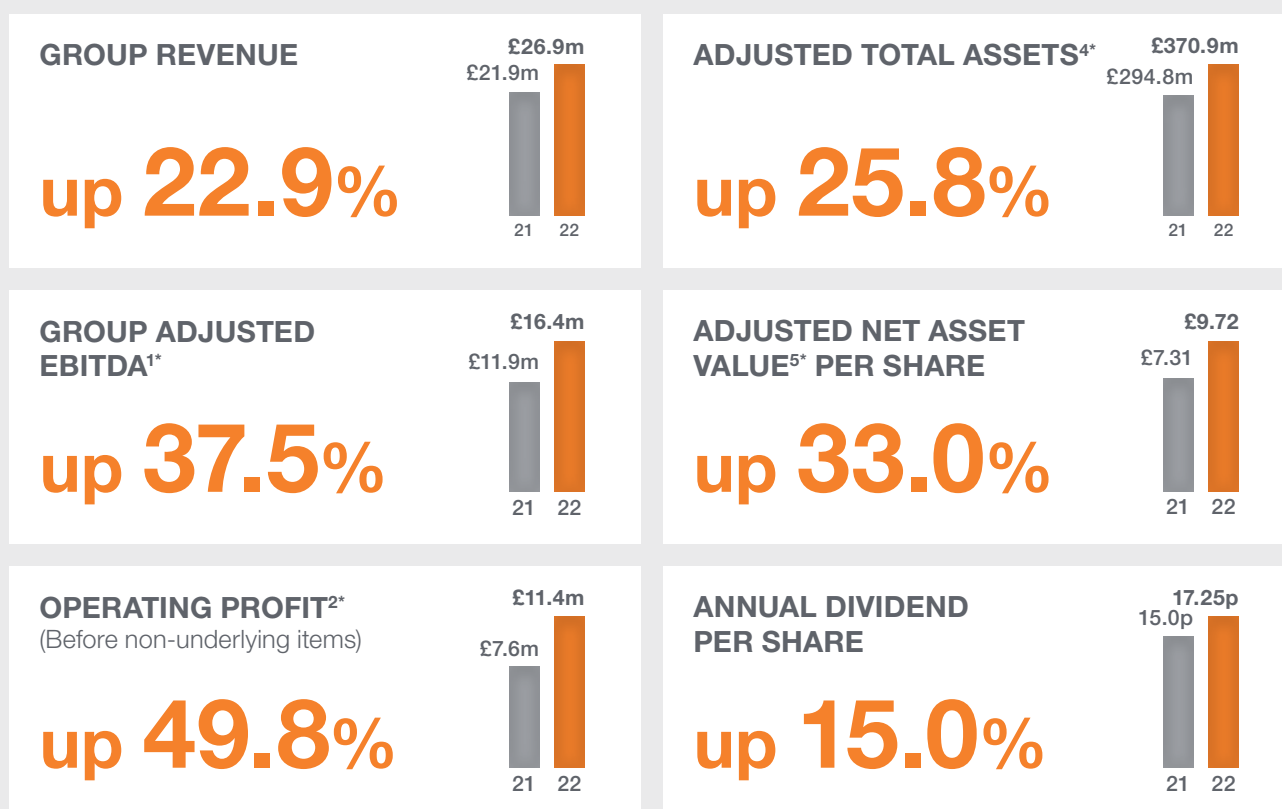
We operate our own stores and manage stores for third party owners. Storage services are available to both household and business customers at our highly branded Lok'nStore centres.



To find out more visit:
www.loknstore.co.uk/investors

Highlights

Lok'nStore, the **fast-growing AIM listed self-storage company**, is pleased to announce its Preliminary Results for the year ended 31 July 2022.



“Lok'nStore's business has moved ahead significantly with revenue up 22.9% and EBITDA up 37.5% on last year. Demand for UK self-storage assets remains strong, and this has driven our Net Asset Value per share up by 33% to £9.72. Trading since the year-end has been good.

We are on site at four new Landmark stores which will open within the next 12 months and can be completed using cash on hand. At 31 July 2022, our secured pipeline of ten new sites increases owned space by 44.1%. This pipeline of new stores will add further momentum to sales and earnings growth. We have reduced our net debt to £20.3 million and our business model enables us to build out the pipeline as market circumstances dictate.

We aim to build more Landmark stores in the under-supplied UK market. We are growing the business from a strong financial platform that gives us great flexibility to respond to market circumstances. We have multiple levers to allocate our capital in ways which are most accretive to our shareholders through the economic cycle, and we are confident that we will continue to increase net assets, cash flows and dividends.”

Andrew Jacobs
Executive Chairman

Record

REVENUE
AND PROFITS

Significant increase

IN NET ASSET VALUE

Dynamic Pipeline

DRIVING FUTURE GROWTH

STRONG REVENUE AND PROFIT GROWTH

- Group Revenue £26.9 million up 22.9% (2021: £21.9 million)
- Group Adjusted EBITDA^{1*} £16.4 million up 37.5% (2021: £11.9 million)
- Operating Profit before non-underlying items^{2*} £11.4 million up 49.8% (2021: £7.6 million)
- Operating Profit after non-underlying items £17.2 million up 130.0% (2021: £7.5 million)

DRIVEN BY SOLID OPERATING METRICS

- Achieved rate on occupied space up 13% to £25.6 per sq. ft (2021: £22.7 per sq. ft)
- Managed store revenue £2.8 million up 107%
- Cost Ratio^{13*} reduced to 38.5% (2021: 44.9%)

CASH FLOW GROWTH DRIVES ELEVENTH CONSECUTIVE YEAR OF DIVIDEND INCREASE

- Cash Available for Distribution (CAD)^{3*} per share up 36.6% to 38.7 pence (2021: 28.4 pence)
- Annual dividend increased by 2.25 pence to 17.25 pence per share up 15% (2021: 15 pence per share) – covered 2.24 times by CAD

SIGNIFICANT INCREASE IN NET ASSET VALUE

- Adjusted Net Asset Value^{5*} per share up 33% to £9.72 per share (2021: £7.31 per share)

DISCIPLINED USE OF CAPITAL LEADS TO STRONG BALANCE SHEET AND LOW DEBT

- Sale and manage back of four stores at a 22.8% premium to 31 July 2021 valuations delivering £37.9 million of net sale proceeds in cash
- £46.5 million cash at year-end (2021: £9.1 million)
- Net debt (excluding lease liabilities and deferred finance costs) reduced to £20.3 million (2021: £56.3 million)
- Loan to value ratio^{6*} down to 6.6% (2021: 21.0%)
- £25 million accordion executed – increases bank facility to £100 million
- Bank facility extended by one year to April 2026

DYNAMIC PIPELINE^{8*} OF NEW LANDMARK STORES WILL DELIVER FURTHER GROWTH

- 4 new stores currently on site will add over 218,000 sq. ft. of new trading space
- Secured store pipeline^{9*} total of 10 sites will add 44.1% to owned new space over the coming years

WELL POSITIONED FOR THE FUTURE

- New store openings and rate increases will lead to further revenue and profit growth
- Trading momentum continues post year end with same-store revenue up 13.6% for August and September 2022 compared to the same period last year
- Strategy unchanged – increase revenue from existing stores and open more new Landmark stores
- Flexibility to respond to market circumstances

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* For all of the definitions of the terms used in the highlights above refer to our Key Performance Indicators on pages 24 and 25.

Chairman's Statement



“Increased Asset values reflect strong trading and investor interest in self-storage.”

Andrew Jacobs
Executive Chairman

I am delighted to be reporting another year of great results for Lok'nStore, delivering a strong operating and financial performance. We have seen significant growth in revenue, profits, and asset values, enabling the Group to increase the dividend.

These excellent results can be summarised as:

- 22.9% increase in Group Revenue
- 37.5% growth in Group Adjusted EBITDA
- Sale and manage back of four stores at a 22.8% premium to July 2021 valuations
- Low debt and LTV
- 33% increase in Adjusted Net Asset Value per share
- Dynamic new store opening schedule
- Increase of 15% in annual dividend
- Operational GHG emissions down 92.5% since 2005

These results demonstrate Lok'nStore's delivery of our commitment to deliver sustainable growth through all stages of the economic cycle. Continued investor interest in the UK self-storage sector demonstrated by market transactions underpins the increased value of our assets and our strategy to open more Landmark stores.

The detail behind these results is discussed further in our Financial Review.

Significant Increase in Net Asset Value

Adjusted Total Group Assets^{4*} have moved upwards sharply in the year by 27.3% to £375.2 million mainly due to the trading strength of our business, as well as investor interest in self-storage assets and our investment in new stores.

Our trading assets are independently valued by Jones Lang La Salle (JLL) on 31 July each year and this year produced a total valuation of £279.0 million (2021: £234.9 million), an uplift in the value of our freehold and leasehold trading stores of £44.1 million. £30 million of this uplift comes from the maiden valuations of our new stores in Warrington and Stevenage.

The Same Store uplift in the value of our freehold and leasehold trading stores (adjusting for the disposal of the four trading stores and the new stores in Warrington and Stevenage) is £45.9 million.

£15.5 million of the same store uplift comes from the impact of improved cash flows of the same store portfolio that was valued last year.

This demonstrates the impact operating performance has on asset values and why one of our key objectives remains to fill existing stores and continue improving pricing.

The balance of the same-store uplift of £30.4 million comes from improvements in the Discount Rate and Exit Yield applied to the valuations. On our owned freehold trading stores we have seen exit yields improving on average by 68 basis points, with discount rates improving by 116 basis points. This demonstrates that the UK self-storage Market is attracting significant interest from institutional investors.

The Exit Yield and Discount Rates applied in the valuations are validated by transactional evidence. We are well positioned to benefit from future changes with our high-quality portfolio of stores, and Landmark store development pipeline. As we enter a new interest rate cycle, rising yields and discount rates may reduce the value of the stores, but we expect any reductions will soon be offset by new store openings and the continued revenue growth of the business.

More details on the valuation of our trading stores can be found in the Property Review on page 26 and in note 12(a) of the financial statements on page 97.

ANNUAL DIVIDEND **17.25 PENCE** PER SHARE UP **15%**



£12.2m
INVESTED IN NEW
STORES THIS YEAR

33%
INCREASE IN NET
ASSET VALUE PER
SHARE TO £9.72

Further Dividend Growth

The Directors are proposing a final dividend of 12.25 pence per share (2021: 10.67 pence) following the interim dividend payment of 5.0 pence per share in June 2022, bringing the total distribution for the year to 17.25 pence per share, an increase of 2.25 pence per share up 15% (2021: 15 pence per share) and our eleventh year of increase in a row.

As announced last year, the Board has reviewed the Company's dividend policy in the context of its disciplined approach to capital allocation.

Considering the cash-generative qualities of the business and noting the requirement to invest in the Landmark store opening programme, Lok'nStore will pursue a progressive dividend policy which reflects the strong long-term underlying cash flow growth of the business.

Subject to approval at the Company's AGM on 8 December 2022 the final dividend will be paid on 6 January 2023 to shareholders on the register on 25 November 2022. The ex-dividend date will be 24 November 2022. The final deadline for Dividend Reinvestment Election by investors is 9 December 2022.

Sale and Manage-Back of Four Stores

On 31 January 2022, the Group completed the Sale and Manage-Back of four stores for a total gross consideration of £39.0 million representing a 22.8% uplift on the independent external valuation of the stores at 31 July 2021.

Sale and manage-back of stores, when appropriate, demonstrate how the Group can manage its cash generation and control its debt. At the same time, we can increase the quality of our portfolio by investing in new more environmentally efficient Landmark stores.

This transaction was immediately accretive to Group net asset value and has provided net sales proceeds of c.£37.9 million for reinvestment into new, faster growing Landmark stores. Further detail is set out in the Financial Review.

Due to the sale of four trading stores half-way through the financial year and the opening of two new stores it has been necessary this year to provide some 'Same Store Analysis'. This quantifies the improvement in the core business in the year unrelated to the opening of new stores, and more particularly in this financial year, the sale and manage-back of previously owned stores. The same store analysis is set out in the Managing Director's Review on page 19.

Investment in New Stores

This year we invested £12.2 million in new store development.

Following the receipt of £37.9 million from the Sale and Manage-Back transaction reported above we can report a year-end LTV ratio (net of cash) of only 6.6% (2021: 21.0%) and a very low level of net debt of only £20.3 million, down from £56.3 million in the previous year (Refer to note 29b).

During the year we opened two new owned stores in Warrington and Stevenage. Early trading in these two stores has been excellent. Trading at our new stores continues to exceed expectations and this underpins our confidence that our pipeline will add further to sales and earnings growth. The Group continues to find high-quality sites for new Landmark stores. The current secured pipeline adds 44.1% more trading space to our total owned portfolio.

We are on site at four Stores, in Basildon, Bedford, Staines and Peterborough which will all open in 2023. This will mean increased capital expenditure in the coming twelve months. We are also due to go on site shortly at Kettering on behalf of a third-party Managed Store client.

* See our Key Performance Indicators on pages 24 and 25.

Chairman's Statement continued

Capital Expenditure

It is generally our intention to commence the construction and fit out of all our pipeline stores as soon as all planning and enabling works have been completed.

Self-storage benefits from the short lead time between breaking ground and store opening of only around twelve months. We have only committed future capital expenditure at the four stores where we are on site all of which will be open and producing cash within the next 18 months. We have a high degree of flexibility regarding start dates for further building at other sites. We can therefore adapt our development programme quickly to react to changing economic circumstances.

We are seeing material cost inflation in building costs which we continue to monitor closely, particularly for future buildouts as the four developments currently on site are on fixed cost contracts.

Because our own pricing achieved increased at 13% over the past year, we are not seeing input costs increase at such a level that would impact the viability of the projects we have currently under review.

We report more generally on operating/trading costs in the Financial Review on page 30.

Planning permissions

The planning process remains challenging. The system is complex, successful outcomes can take considerable time to achieve, and the process consumes a significant amount of management time. Despite its challenges, during the year we secured planning consents on the Kettering and Peterborough sites.

Managed Stores

Our strategy to grow the number of stores we manage for third party owners, enables the Group to earn

revenue without having to commit capital, to amortise fixed central costs over a wider operating base and drive further traffic to our website which benefits our entire operation.

We had a particularly good year with managed stores generating managed store income of £2.79 million, up 107% from the previous year (2021: £1.35 million). In the management fees table on page 22 we separate recurring management fees from non-recurring fees. Recurring management fees increased by 49% in the year with non-recurring fees (planning, store opening and supplementary fees) increasing by a spectacular 217%.

Lok'nStore manages 16 trading stores for third-party owners with a property value approaching £150 million. Our current pipeline includes an additional managed store which will take the total number of managed stores to 17.



Our People

We always rely on our amazing people to deliver these impressive results. I am delighted to say that all of our colleagues continue to benefit from the success of the business with significant bonuses paid to all staff members.

We will continue to invest in training to develop and deepen the skills of our team members and create internal succession as the business continues to expand. To support our colleagues with the rising cost of living we brought forward annual pay reviews of our store teams and ensured all colleagues in the business received an annual salary review. We continue to keep salary levels under review to ensure that all of our employees are paid fairly, and we continue to promote equity ownership to our colleagues via our Share Investment Plan and the granting of options.

Board Changes

At the Company Annual General Meeting in December 2021, Edward Luker retired from the board. I would like to personally thank Edward for his support, wisdom and challenge over many years.

Jeff Woyda joined the board as a Non-Executive Director in September 2021 and has now replaced Edward Luker as Senior Non-Executive Director. Jeff also now chairs the Remuneration Committee and is a member of the Audit Committee.

Liquidity and Cash Flow

At 31 July 2022, the Group had cash balances of £46.5 million, a significant increase on last year's £9.1 million following the sale-and-manage-back of four stores and strong operating cash generation. The Group has a £100 million five-year revolving credit facility which together with cash provides all the financing needs for the current secured pipeline.

Following the execution of a one-year extension the facility now runs until April 2026. The Group is not obliged to make any repayments on its loan facility prior to its expiration in April 2026.

Cash inflow from operating activities before investing and financing activities was £18.6 million in the year to 31 July 2022 up 52.4% (2021: £12.2 million).

Debt and Bank Covenants

The average cost of bank debt on drawn facilities for the year was 1.71% (2021: 1.54%). All of the Group's total drawn bank debt of £66.8 million (2021: £65.4 million) is unhedged. At the date of this Report the Group's current cost of debt is running at 3.72% as rates have moved higher since the year-end.

At the year-end interest cover was ten times tested on a 12-month rolling basis, against a covenant of 2.5 times. At the year-end our loan-to-value ratio based on net bank debt was 6.6% versus a bank covenant of 60% providing a large cushion of comfort. Both the LTV and Interest covenants exclude the gearing effects of IFRS 16 as agreed with our banks.

Environmental, Social and Governance

We are working hard to create an environmentally sustainable business for all our customers, our colleagues, local communities and the wider environment. Lok'nStore have been reporting on ESG factors since 2005 and was the first listed UK self-storage company to do so. Since then, we have been continually active and our operational GHG emissions are 96.5% lower than if we had taken no action since 2005.

In recent years, the Lok'nStore Environmental committee, consisting of colleagues in various roles across the business and including three Board members have been focused on practical improvements we can make to our environmental footprint.

Details of our environmental performance along with our commitments and targets can be found in our Environmental and Social report from page 45.

Our business model provides strength and adapts quickly in an uncertain world

Looking forward during this period of economic and market uncertainty, it is worth emphasising Lok'nStore's robust business model.

We operate with a high EBITDA margin, sheltering the business from cost increases. Debt and leverage are low, and we have considerable cash on hand. Importantly the Company can pause capital expenditure quickly if market conditions dictate and the ongoing business requires little maintenance capital expenditure. At the year-end, we are onsite at four stores where the capex required to complete these projects is £22.3 million, compared to the £46.5 million of cash on hand.

The Company has 17,000 customers who come from a diverse social and economic background and whose reasons for storing are widely diverse. Customers pay on a rolling four weekly up front basis. As a result, bad debt continues to be low at 0.21% of revenue. Each customer is relatively small with no self-storage customer accounting for more than 0.3% of revenue. Additionally, the UK self-storage market remains under-supplied, and demand remains strong.

Chairman's Statement continued

We are experiencing some cost increases in the short term, but these are largely or wholly balanced by our ability to increase our own achieved rate. We have also taken steps to mitigate the energy cost increases, for instance we now use 88% of the electricity generated in stores that have PV installed.

Our Objectives

Our objectives remain to:

- Steadily increase cash available for distribution (CAD) per share enabling a predictable growth of the dividend
- Fill existing stores and improve achieved rates
- Develop our secured pipeline of sites into new Landmark stores
- Acquire more sites and build more new Landmark stores
- Increase the number of stores we manage for third parties

Outlook

This year's results are excellent with all metrics sharply higher, and trading since the period end is good. The continued strong demand and high occupancy levels across our stores give us pricing opportunities in the coming year.

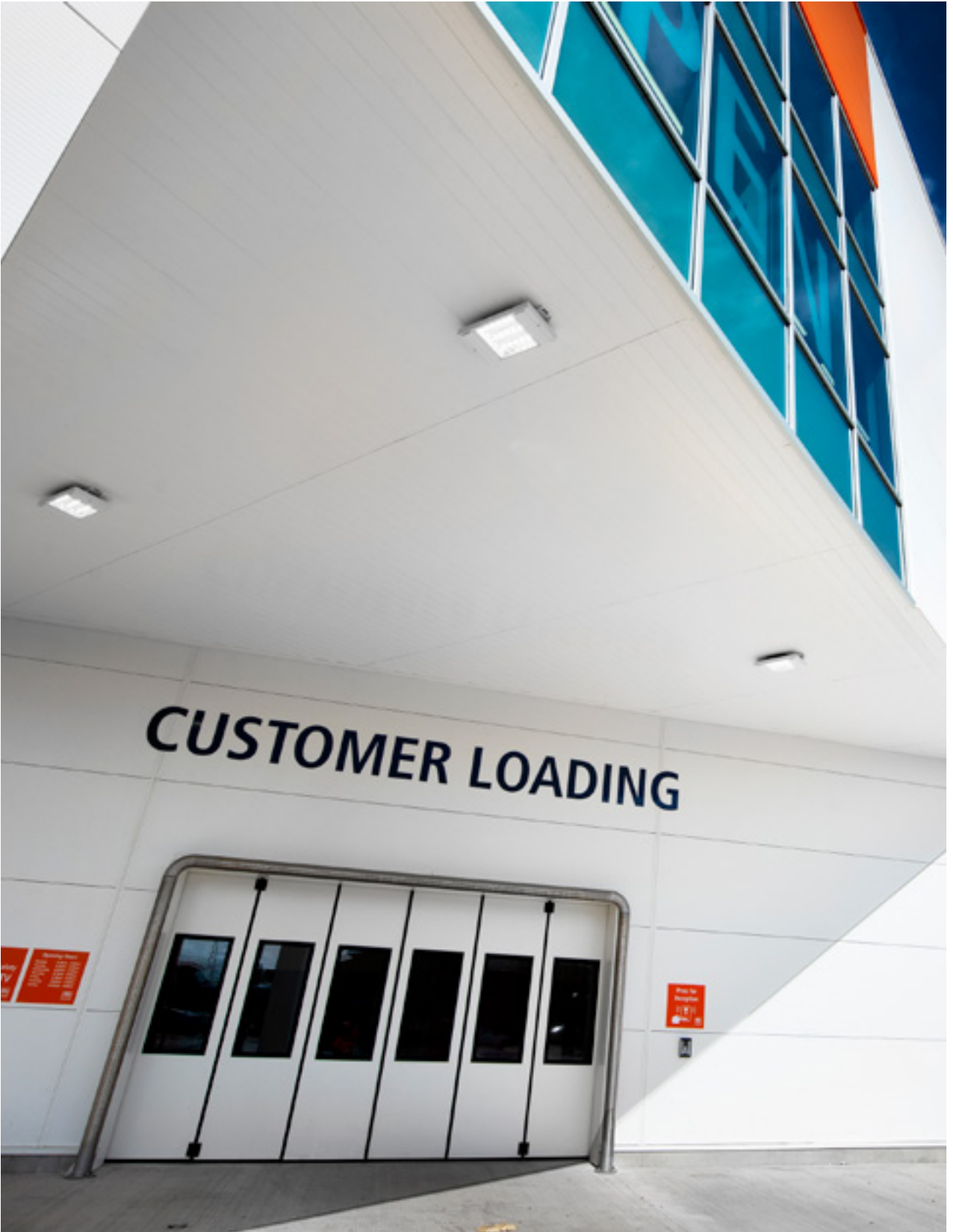
Lok'nStore continues to experience strong year to year revenue growth on a same store basis and this will be enhanced by the three stores opened this year and the opening of four new stores opening over the coming year. Our new secured store pipeline of new stores will add 44.1% more owned trading space over coming years. Over the medium to long term these factors will continue to increase revenue, profits and asset value substantially. This strength enables Lok'nStore to confidently look through the current external market turbulence.

We have an exciting period of growth ahead. With Lok'nStore's resilient and flexible business model enabling the business to manage its conservative debt structure the Board is confident the Group will continue to thrive.

Andrew Jacobs

Executive Chairman

28 October 2022



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Group at a Glance

Lok'nStore Group plc is one of the **leading companies** in the fast-growing UK self-storage market.

We opened our first self-storage centre in 1995 and have grown consistently over the last 27 years, currently with 40 self-storage centres trading across England and one in Wales.

We have been listed on the AIM Market since June 2000 and the Board accounts for 28.6% of the Total Voting Rights (TVR) in the ordinary shares of the Company (2021: 29.4%).

We offer self-storage from our own stores, and management services to third-party storage owners. Self-storage and other storage services are available to both household and business customers at our highly branded Lok'nStore stores.

HOUSEHOLD STORAGE

- Storage rooms
- Vehicle storage
- Student packages
- Forces and services packages

BUSINESS STORAGE

- Pallet storage
- Self-storage archiving
- Flexible space
- Commercial vehicle storage

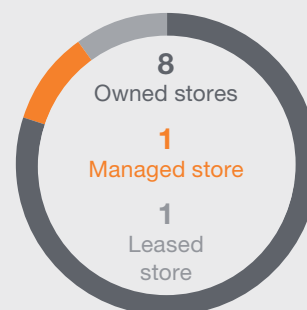
REVENUE BY CUSTOMER TYPE



NUMBER OF TRADING STORES BY TYPE



NUMBER OF PIPELINE STORES BY TYPE



17,000
CUSTOMERS

178
EMPLOYEES

Our Locations

- Stores**
 - Aldershot
 - Ashford
 - Basingstoke
 - Bristol
 - Broadstairs
 - Cardiff
 - Chichester
 - Crawley
 - Crayford
 - Dover
 - Eastbourne
 - Exeter
 - Fareham
 - Farnborough
 - Gillingham
 - Gloucester
 - Harlow
 - Hedge End
 - Hemel Hempstead
 - Horsham
 - Ipswich
 - Leicester
 - Luton
 - Maidenhead
 - Milton Keynes
 - Northampton Central
 - Northampton Riverside
 - Oldbury
 - Poole
 - Portsmouth
 - Reading
 - Salford
 - Southampton
 - Sunbury
 - Swindon
 - Tonbridge
 - Wellingborough

- New Stores**
 - Stevenage
 - Warrington
 - Wolverhampton

- Pipeline Stores**
 - Altrincham
 - Barking
 - Basildon
 - Bedford
 - Bolton
 - Bournemouth
 - Cheshunt
 - Kettering
 - Peterborough
 - Staines

3
NEW STORES

40
STORAGE CENTRES
TRADING

10
PIPELINE
STORES



To find out more about
our store locations visit:
www.loknstore.com

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NOW OPEN



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LANDMARK STORE WARRINGTON



58,175

LETTABLE SQUARE FEET

NOW



OPEN

This Landmark site on the busy Winwick Road in Warrington is the town's first purpose built self-storage facility.

This ultra-modern building is opposite the Warrington Wolves Rugby League stadium and a large Tesco Extra superstore, numerous car dealers and smaller shops. The significant North-South arterial road upon which the store is located has high traffic levels at all times of day and the prominence combined with the modern offering achieves great awareness of our storage product amongst the local population of over 200,000 people.

Lok'nStore Warrington opened January 2022 and early trading has been very encouraging.

The UK Self-Storage Market

The UK Self-Storage Market at a Glance

The Self-Storage Association UK Annual Industry Survey 2022 reports that the UK self-storage industry is made up of 2050 sites offering 52 million sq. ft. of space.

Market Overview

As reported in the Self-Storage Association UK (SSA UK) Annual Industry Survey 2022 the UK self-storage market continues to grow but remains under-developed relative to Australia and the US. In the UK there are an estimated 1,429 self-storage facilities plus an additional 621 containerised sites, providing a total of 52 million sq. ft. of storage space. With a population of 68 million people in the UK this equates to only 0.76 sq. ft. per person. Occupancy rates across the UK industry at 31 December 2021 of built space was 83.3%. This has increased from 76.2% at the start of the pandemic.

The structure of the UK industry is changing. When the industry first emerged companies were predominately single owner sites often located in industrial areas, but larger operators (defined as operators managing ten or more sites), such as Lok'nStore, have recently been developing purpose-built stores in retail-facing locations offering customers a higher standard of product and service.

The main barriers to entry to the market remain the difficulty in finding and securing suitable sites as well as gaining the appropriate planning consents. As a result, larger operators now own or manage around a third of all facilities which translates to 45% of market share in terms of revenue and space. Currently Lok'nStore is the fifth largest operator in the UK by number of stores.

Drivers of Demand for Self-Storage

Demand for self-storage by both household and business customers is driven by a specific need based on changing circumstances as well as economic activity and business confidence.

For household customers their need is often linked to a life event where they will need space temporarily, for example, to turn a box room into a home office, but increasingly householders are using storage on a semi-permanent basis to free up space at home or store belongings they don't have room for.

Business customers use self-storage for a variety of purposes including storage of goods, excess or seasonal stock, document archiving or storage of equipment and tools. Businesses tend to store for longer than household customers and take larger units, although they also take advantage of self-storage for temporary periods to support seasonal sales or office moves or refurbishments.

During the pandemic many of our customers were providing critical services distributing medical and other essential supplies. We include the NHS, GP surgeries, care and home support services and government departments amongst our customers.

Lok'nStore's Opportunity in the Market

The SSA UK Annual Industry Survey 2022 notes that public awareness of and demand for self-storage is increasing. We know that on average customers chose a store within five miles of their home or business. With a secured pipeline of ten stores, a further four stores at lawyers and a continuing programme of evaluating further site opportunities, Lok'nStore is well placed to attract new customers and add further momentum to the growth of our sales and profits.

Combining the Group's competitive strengths (recognised brand, excellent customer service, rigorous cost control) and the attractive market dynamics of the storage sector (growing sector, under supply, resilience during economic downturn) with our strong balance sheet and flexible operating and ownership model (see our portfolio strategy), we believe Lok'nStore can take advantage of the opportunities presented and continue its growth without significantly increasing risk.



Lok'nStore Hemel Hempstead

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Our Business Model

WHAT WE DO



- Buy or lease prominent sites
- Build highly visible orange Landmark storage centres
- Offer clean, dry, secure storage to business and household customers
- Offer managed storage services to third-party owners

40

UK STORES CURRENTLY TRADING
(INCLUDING 16 MANAGED STORES)



HOW WE CREATE VALUE



- Take a strategic and tactical approach to site selection
- Increase our asset base
- Careful cost control
- Drive store EBITDA growth through a closely managed occupancy and pricing strategy
- Earn fees from managing stores on behalf of others
- Carefully balanced use of leverage

£26.9m

GROUP REVENUE
(2021: £21.9 MILLION)



Our overriding objective is to increase the Cash Available for Distribution (CAD) enabling a predictable growth of the dividend from a rising asset base while maintaining a conservatively geared balance sheet.

SHARING VALUE WITH OUR STAKEHOLDERS

SHAREHOLDERS



- High-quality earnings
- Growing NAV per share
- Progressive dividend policy

17.25p

ANNUAL DIVIDEND PER SHARE



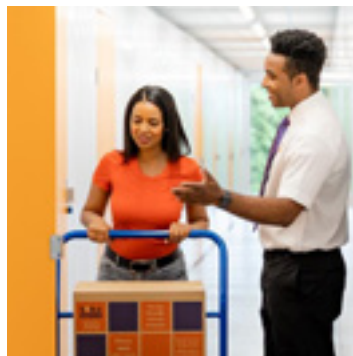
CUSTOMERS



- Easy to locate stores
- Friendly and high-quality customer service
- Wide range of storage solutions
- Transparent and open contracts

Rated Excellent

ON GOOGLE WITH AN AVERAGE SCORE OF 4.7 OUT OF 5 FROM OVER 3,500 REVIEWS



OUR PEOPLE



- Personal development through the Lok'nStore Academy
- Regular opportunities for career progression through our expanding store portfolio
- Uncapped bonus scheme
- Share ownership plans
- Regular gifts and rewards for all colleagues

£0.73m

PAID OUT IN BONUSES TO STORE TEAMS (2021: £1.0 MILLION)



Our Strategy

OUR OBJECTIVES	ACHIEVEMENTS IN 2022	STRATEGY IN ACTION
<p>STEADILY INCREASE CASH AVAILABLE FOR DISTRIBUTION (CAD) PER SHARE</p>	<p>CAD per share up 36.7% to 38.7 pence (2021: 28.4 pence)</p>	<p>15% INCREASE IN ANNUAL DIVIDEND TO 17.25 PENCE PER SHARE (2021: 15 PENCE PER SHARE)</p>
<p>FILL EXISTING STORES AND IMPROVE PRICING</p>	<p>We continued to improve our online visibility through evolution of our search engine strategy</p> <p>We focused on developing our teams' sales and customer service through the Lok'nStore Academy</p>	<p>TWO THIRDS OF STORES OVER 80% OCCUPIED AT YEAR END</p>
<p>ACQUIRE MORE SITES TO BUILD NEW LANDMARK STORES</p>	<p>3 landmark stores opened during the year</p> <p>10 stores secured in planning or development</p> <p>Planning permissions achieved at Peterborough and Kettering</p>	<p>1 NEW SITE ACQUIRED IN BOLTON</p>
<p>INCREASE THE NUMBER OF STORES WE MANAGE FOR THIRD PARTIES</p>	<p>1 managed store in development and 1 opened during the year</p>	<p>RECURRING MANAGED STORE FEES UP 49% KETTERING SITE ACQUIRED BY THIRD PARTY INVESTOR</p>

Managing Director's Review



“Excellent operating performance drives significant growth of asset values.”

Neil Newman-Shepherd
Managing Director

Lok'nStore Group has had another successful year delivering against all of our strategic objectives. Once again revenue, profits and asset values have all moved sharply ahead. In coming years our pipeline of new stores will substantially increase the proportion of our store space which is new or purpose-built and will add further momentum to the growth of sales and profits.

Trading

Group revenue for the year was £26.9 million, up 22.9% year on year (2021: £21.9 million) driven by occupancy increases and improved pricing across our stores. This revenue growth led to a 37.5% increase in Group Adjusted EBITDA.

- Total self-storage revenue £24.1 million up 17.3%
- Adjusted Store EBITDA £14.9 million up 23.7%
- Unit pricing up 13.0%
- Managed store revenue £2.8 million up 107%
- Recurring management revenue £1.31 million up 49%
- £12.2 million invested in our portfolio of stores this year

Total Adjusted Store EBITDA, a key performance indicator of profitability and cash flow of the business, increased 23.7% to £14.88 million (2021: £12.03 million). The overall Adjusted EBITDA margin across all stores was higher again at 61.6% (2021: 58.3%) with the Adjusted Store EBITDA margins of the freehold stores at 65.5% (2021: 63.1%) and the leasehold stores at 53.3% (2021: 46.5%).

As the business develops the balance of the stores continues to shift towards Landmark freehold stores and managed stores which have a higher-than-average Adjusted Store EBITDA margin at 65.5% and 100% respectively versus 61.6% across all stores. The impact of this will be to continue to increase the average Adjusted Store EBITDA margin of the Group overall, and this effect is accentuated by operating more stores from a relatively fixed central cost base. In this context the new stores in the pipeline will make a larger than average contribution to Group profits and asset values as they become established trading units.

In the table on page 20, we show how the performance of the stores varies between freehold and leasehold stores. Currently 43.3% of Lok'nStore branded trading space is owned freehold, 20.5% is leasehold and 36.2% is managed stores.

The freehold stores produce 71.8% (2021: 76.9%) of the Adjusted Store EBITDA and account for 91.4% (2021: 91.8%) of valuations (including secured pipeline stores). Leaseholds trade on lower margins due to the rent payable, but nevertheless the 53.3% margin achieved is substantial, and leads to a higher return on capital than the freehold stores which require much larger capital expenditure to buy the land and buildings.

This mix of tenures with their different risk and return characteristics provides flexibility in the balance sheet and opportunities to create value throughout the property and economic cycle.

Managing Director's Review continued

Performance – Same Store Analysis¹⁴

FYE 31 July 2022

	Headline Store Performance 31 July 2022		Same Store Performance 31 July 2022	
	£'000	Percentage Increase %	£'000	Percentage Increase %
Group revenue	26,902	22.9	25,299	30.7
Self-storage revenue	24,076	17.3	22,473	24.9
Store Adjusted EBITDA	14,884	23.7	14,137	34.8
Group EBITDA	16,349	37.5	14,390	39.1
Operating profit (before non-underlying)	11,421	49.8	10,889	71.7
Operating profit (after non-underlying)	17,160	130.0	16,628	168.9
Operating costs	10,365	5.4	9,522	7.5
Profit before tax	15,874	146.2	15,343	197.0
Store EBITDA Margins	61.6%		62.9%	

Portfolio Analysis and Performance Breakdown

As at 31 July 2022

	Number of Stores	% of Valuation	% of Adjusted Store EBITDA	Adjusted Store EBITDA Margin (%)	% Lettable Space	When Fully Developed	
						Number of Stores	Total % Lettable Space
Freehold	15	80.4	71.8	65.5	43.3	23	51.8
Leaseholds	9	8.6	28.2	53.3	20.5	10	15.4
Managed Stores	16	–	–	100.0	36.2	17	32.8
Total Stores Trading	40	–	–	–	–	50	–
Pipeline Stores*							
Owned – Freehold	8	11.0	–	–	–	–	–
Owned – Leasehold	1	–	–	–	–	–	–
Managed Stores	1	–	–	–	–	–	–
Total Stores	50	100	100	61.6	100	50	100

* Applies to the ten contracted stores only.

17.3%

INCREASE IN
STORAGE REVENUE

23.7%

INCREASE IN
ADJUSTED
STORE EBITDA

13%

INCREASE IN
PRICE PER OCCUPIED
SQUARE FOOT

In the table below we show how the performance breaks down across the stores based on age. Clearly older stores have had more time to fill up and produced 72.8% EBITDAR margins. Over time as new stores and pipeline sites go through their life cycle they will progress towards similar margins, adding substantially to revenues and profits.

Operating Performance by Age of Store (Lok'nStore Owned Stores Only)

Weeks Old	Pipeline	Under 100	100 to 250	Over 250	Total
Year Ended 31 July 2022					
Sales £'000		481	3,734	19,961	24,176 ¹
Stores Adjusted EBITDA £'000		(400)	2,504	12,780	14,884
EBITDA Margin (%)		(83.2%)	67.1%	64.0%	61.6%
Store Adjusted EBITDAR £'000		(395)	2,504	14,523	16,632
EBITDAR Margin (%)		(82.2%)	67.1%	72.8%	68.8%
As at 31 July 2022 ('000 sq. ft.)					
Maximum Net Area	561	169	285	1,018	2,033
Freehold/Long Leasehold ('000 sq. ft.)	511	169	285	583	1,548
Short Leasehold ('000 sq. ft.)	50	-	-	435	485
Number of Stores					
Freehold	8	3	5	11	27
Short Leasehold	1	-	-	9	10
Total Stores	9	3	5	20	37²

1 In respect of the Farnborough Store (over 250 weeks) the total store revenue includes a £100,000 contribution receivable from Group Head Office.

2 The 37 stores include performance of the four sale and manage-back stores up to 31 January 2022 prior to their disposal. At the year-end the total number of owned stores was 33.

Marketing

New customers are typically drawn to Lok'nStore by three key drivers:

- Our distinctive Landmark stores
- Google and other search engines
- Existing or previous customers and customer referrals

Store visibility remains pivotal to our marketing efforts. With their prominent positions, distinctive design, and bright orange elevations our stores raise the profile of the Lok'nStore brand and help to generate a substantial proportion of our business. Our Landmark stores are in highly prominent locations, and we continually invest in new signage and lighting at our existing stores as well as creating striking designs for our new Landmark stores, to promote and enhance their visual prominence and engage the local community.

The internet continues to be the main media channel for our advertising. Our website at www.loknstore.co.uk is one of the most established self-storage websites in the UK. The website delivers a high level of customer experience across desktop and mobile devices. Any new development of the website begins with a mobile first focus. 60% of visits to the website in the year were from a mobile device, consistent with last year. This is a very dynamic area, and we are committed to its continued development. We believe the internet provides a strong competitive advantage for the major operators such as Lok'nStore with relatively large marketing budgets.

Pipeline of New Stores

Against this background of ever improving operating performance, we have invested £12.2 million (2021: £26.9 million) in new store development this year and we have a new store pipeline of ten secured stores by the reporting date, which will take the total to 50 stores. These will all be purpose-built Landmark stores in highly prominent locations and will add substantially to the Group's capacity for revenue, profit and asset growth.

We believe that the UK self-storage market is still in its infancy with low penetration and increased consumer awareness leading to faster fill up rates.

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Managing Director's Review continued

Sale and Manage-Back of Four of our Freehold Stores

On 31 January 2022, the Group executed the Sale and Manage-Back of four of its freehold stores for a total gross consideration of £39.0 million realising a significant premium of 22.8% to the stores valuation at 31 July 2021. The purchaser was an existing institutional managed-store client wholly independent of Lok'nStore and its Directors.

Lok'nStore continue to manage the stores located in Basingstoke, Cardiff, Horsham, and Portsmouth, as branded Lok'nStore operations maintaining the operational footprint of the business. Lok'nStore will receive management and performance fees for managing them on behalf of their new owner. The total consideration of £39 million receivable was subject to a £1.8 million downward adjustment in respect of certain committed works to be completed by Lok'nStore at two of the sites.

The net proceeds of the sale will be recycled into new, fast-growing Landmark stores.

In the year to 31 July 2021, the four stores generated revenue of £2.54 million and contributed £1.54 million to Group EBITDA. In the six months to 31 January 2022, the four stores generated revenue of £1.50 million and contributed £0.97 million to Group EBITDA. In the six months post the sale in January 2022, the Group has received management fees of £0.151 million in respect of the manage-back arrangement which flow directly to Group EBITDA. The historic cost of the four stores was £13.75 million and their stated fair value at 31 July 2021 was £31.75 million.

This transaction does not impact the Group's ability to grow its annual dividend in line with market expectations and which is well covered by projected CAD profit levels of the business going forward.

Managed Stores Revenue Increasing

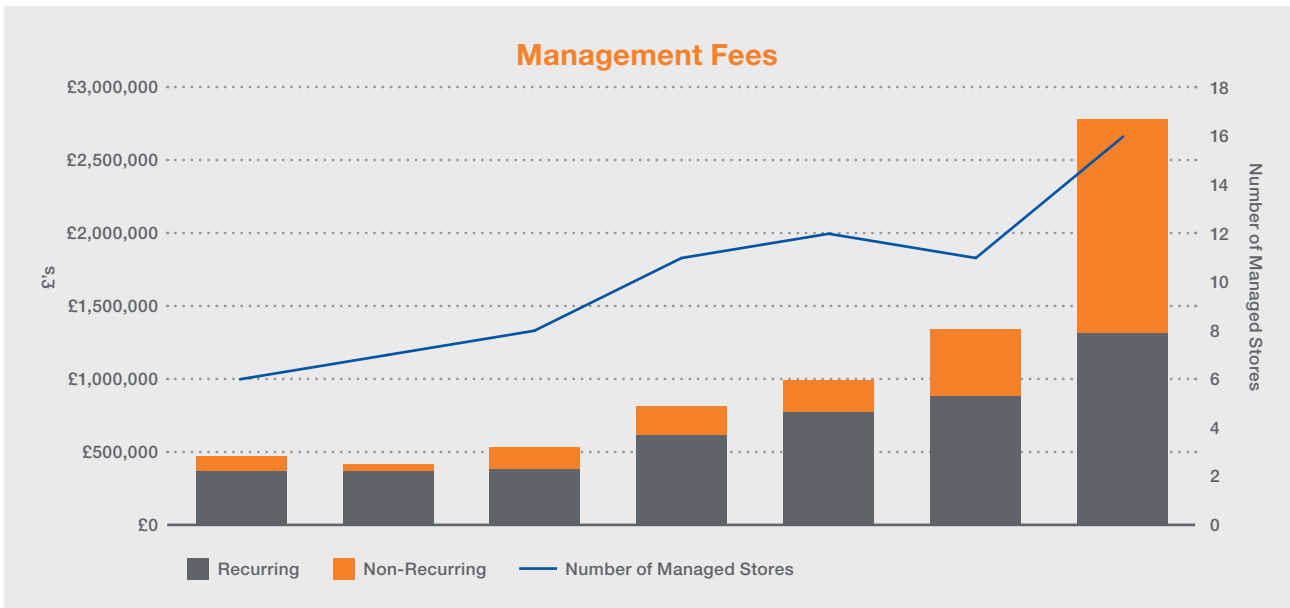
Total managed store revenue in the year was up by 107% to £2.79 million.

Recurring management fees were up by 49% to £1.31 million as we increased the number of stores under management, including opening the new Landmark store in Wolverhampton in March 2022 as well as the four stores transacted to a managed store client in January 2022. At the year-end we had 16 Managed Stores operating with the Kettering store due to go on site in the coming months.

Income from non-recurring fees was up dramatically in the year to £1.47 million. Although these fees are irregular in nature, this demonstrates the contractually embedded value in the managed stores income stream. Non-recurring fees come from various sources such as including planning success fees, construction and advisory fees and fees crystallised when an asset transaction occurs.

	Percentage Increase %	Group Year ended 31 July 2022 £	Group Year ended 31 July 2021 £
Management fees			
Recurring fees			
Base management fees		722,084	515,940
Administration and compliance fees		86,916	59,500
Management performance fees		504,379	307,184
	49%	1,313,379	882,624
Non-recurring fees			
Construction & advisory fees		12,500	12,500
Supplementary fees		1,459,177	451,140
	217%	1,471,677	463,640
Total management fees	107%	2,785,056	1,346,264

The graph below shows how our historical management fees have grown and indicates a strong correlation between the total management fee income and the number of stores under management.



Future

Lok'nStore has had an excellent year, with all our trading and financial metrics moving ahead briskly, demonstrating the strength of the self-storage business model throughout the economic cycle. Trading has remained good since the year-end.

We are currently experiencing some cost pressure, but the business is sheltered from this effect by high EBITDA margins and our ability to raise rates charged.

Against the background of a strong performance from our existing stores, we have a secured pipeline of ten new stores plus a further

four at lawyers all of which will add considerable momentum to sales and earnings growth in the future. Our flexible model allows us to develop these new stores when market circumstances dictate.

Neil Newman-Shepherd

Managing Director

28 October 2022



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Key Performance Indicators

What we mean when we say ... (and why we use these Key Performance Indicators (KPIs))

In addition to IFRS accounting performance measures we use some Alternative Performance Measures (APMs) to help us explain how the underlying business is performing.

Here we identify those measures and explain what we mean when we use them and, importantly, why we use them:

1. Group Adjusted Earnings before interest, tax, depreciation and amortisation

Adjusted EBITDA is defined as EBITDA before losses or profits on disposal, share-based payments, acquisition costs, non-underlying items and which demonstrates the cash generative qualities of the business.

2. Non-underlying items

Refers to one-off items of a non-operational nature which arose during the year, and which may relate to asset disposals, abortive site acquisition costs, or other costs and which are likely to be infrequent events. (Refer to note 4 of the Financial Statements).

3. Cash Available for Distribution (CAD)

Is calculated as Adjusted EBITDA less total net finance cost, less capitalised maintenance expenses, New Works Team costs and current tax. This measures the capacity of the business to pay dividends or pay down debt. The Cash Available for Distribution per share is CAD divided by the number of shares in issue less shares held in the Employee Benefit Trust (EBT). The calculation of the CAD and the CAD per share is set out in the Financial Review.

4. Adjusted Total Group Assets

The value of adjusted total assets of £370.9 million (2021: £294.8 million) is calculated by adding the independent valuation of the leasehold properties of £24.2 million (2021: £22.1 million) less their corresponding net book value (NBV) £7.2 million (2021: £7.6 million) to the total assets in the Statement of Financial Position of £353.9 million (2021: £280.3 million). This provides clarity on the significant value of the leasehold stores as trading businesses which, under the Group's accounting policy on leases, are only presented at their book values within the Statement of Financial Position.

5. Adjusted Net Asset Value per share (NAV per share)

Adjusted Net Asset Value per share is the net assets adjusted for the valuation of leasehold stores (properties held under leases) 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 shares are excluded from the number of shares. The calculation of the Net Asset Value per share is set out in the Financial Review.

6. Loan to Value ratio (LTV)

Measures the net debt of the business expressed as a percentage of total property assets giving a perspective on the gearing of the business. The calculation is based on net debt (excluding deferred finance costs) of £20.3 million expressed as a percentage of the total properties independently valued by JLL of £279.0 million (2021: £234.9 million) and development land assets of £29.2 million (2021: £33.7 million) totalling £308.2 million (2021: £268.6 million) as set out in the Financial Review in the Analysis of Total Property Value table.

7. Average Cost of Debt

The average cost of debt is calculated by taking the total interest paid on the Group's Revolving Credit Facility in the quarterly/weekly charging periods throughout the year and taking an average based on the whole financial year. Apart from the Group's Revolving Credit Facility the Group has no other bank debt. The average cost of debt 1.71% (2021: 1.54%).

8. Pipeline Sites

Sites for new stores that either we have exchanged contracts on or have agreed heads of terms and are progressing with our lawyers towards completion. We have 14 pipeline sites of which ten are contracted and four are progressing with lawyers. We currently have 24 owned stores trading with an additional 16 managed stores trading. When these 14 sites are fully developed, we will have a total of 54 stores.

9. Secured Pipeline Sites

The ten sites for new stores on which we have exchanged legal contracts. Of these nine stores are Lok'nStore owned Stores and one will be a managed store. When these ten sites are fully developed, we will have a total of 50 stores.

10. Adjusted Store EBITDA

Group Adjusted EBITDA (see 1 over) before the deduction of central and head office costs. Unlike Group Adjusted EBITDA this measure excludes the impact of IFRS 16 and includes leasing charges as normal operating costs of each store. The measure is designed to give clarity on the recurring operating cash flow of the business and provides important information on the underlying performance of the trading stores and shows the cash-generating core of the business. Use of this metric enables us to provide additional information on store EBITDA contributions (after leasing costs) and the margins analysed between freehold and leasehold stores and according to the age of the stores. This analysis is set out in a table in the Financial Review.

11. Gearing

Refers to the level of debt compared to equity capital, usually expressed in percentage form. It is a measure of a company's financial leverage and shows the extent to which its operations are funded by lenders versus shareholders. Gearing can be measured by a number of ratios, and we use the debt-to-equity ratio in this document. The calculation of the gearing percentage, also referred to as the net debt to equity ratio is set out in note 17 of the Financial Statements.

12. Group Adjusted EBITDAR

is Group Adjusted EBITDA before the deduction of rent. The measure is designed to give clarity on the effect of the rent payable by leasehold stores and how its elimination enables a comparison between the operating performance of freehold stores (which do not pay rent) and leasehold stores which pay rent. This analysis is set out in a table in the Financial Review.

13. Cost Ratio

Calculates the ratio of the total operating costs of the business as set out in the Financial Review, expressed as a percentage of total Group revenue (note 1), giving a perspective on the cost efficiency of the business when compared to the cost ratio of the previous year. The Cost Ratio has been reduced further to 38.5% (2021: 44.9%).

14. Same Store Analysis

This measure is used to give transparency on improvements in the operating business in the year unrelated to the opening of new stores, closure of old stores, and more particularly in this financial year, the sale and manage-back of previously owned stores (Basingstoke, Cardiff, Horsham and Portsmouth stores) commenting on stores that were open and trading at both financial year ends 31 July 2021 and 31 July 2022. The same store key performance measure helps to illustrate the performance of the underlying business.

See also the glossary on page 123.

Property Review

Store and Portfolio Strategy

Our strategy is to continue to increase the number of stores we operate without stretching our balance sheet. The core focus of this strategy is the acquisition of highly prominent freehold locations in busy towns and cities in England where we will build well-branded Landmark stores.

Lok'nStore's rising 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.

Flexible Approach to Site Acquisition

All the projects noted below are part of our strategy of actively managing our operating portfolio to ensure we are maximising both trading potential and 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 are focused on allocating capital in the most efficient manner to achieve our objectives.

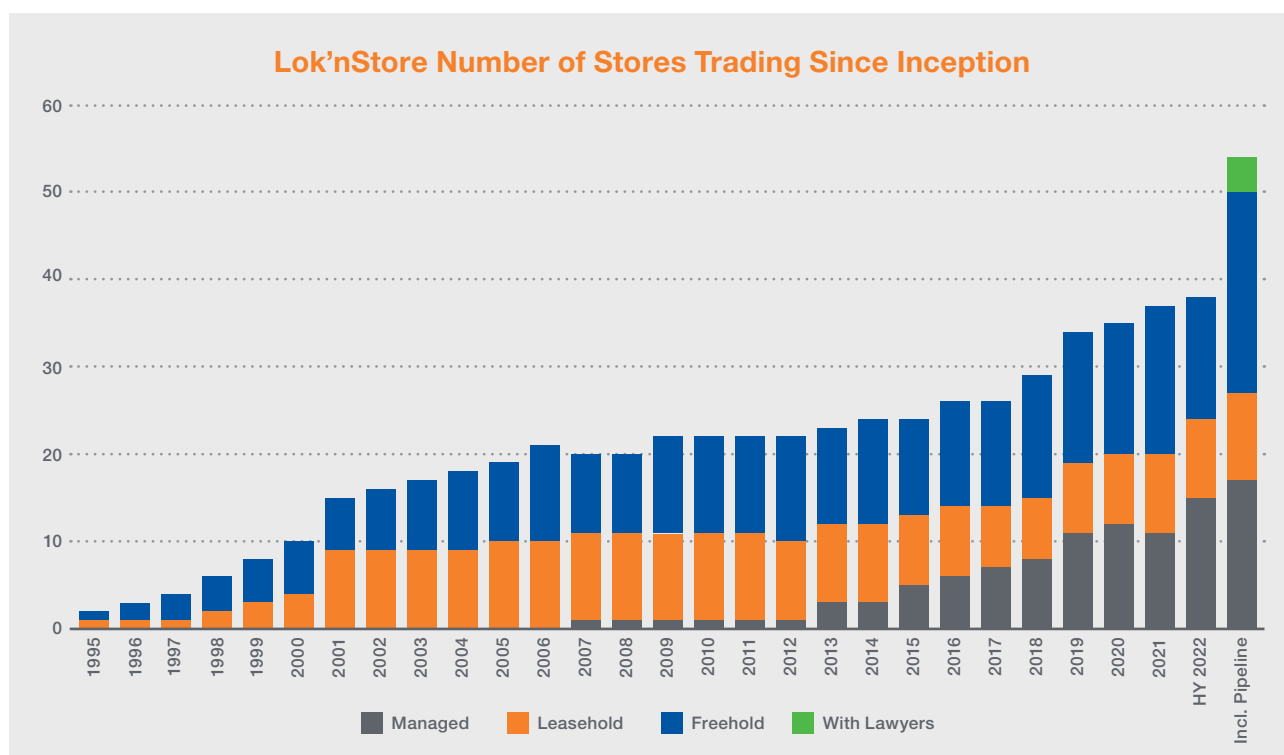
We prefer to own freeholds if possible, and where opportunities arise, we will seek to acquire the freehold of our leasehold stores. However, we are happy to take leases on appropriate terms and benefit from the advantages of a lower entry cost, with further options to create value later in the store's life cycle.

Sale and Manage-Back of Stores

We also consider selling established stores on sale and manage-back contracts in order to recycle the capital into the development of new Landmark stores and manage the balance sheet as part of our successful growth strategy and disciplined capital allocation. Indeed, some of our stores have been freehold, leasehold, and managed stores during their operating life cycle.

In the period we successfully completed on the sale and manage back of four older stores which raised net proceeds of £37.9 million to be recycled into new Landmark stores.

The table below illustrates the rapid growth of store numbers and the changing tenure mix over time including the growth of managed stores over recent years.



40

STORES NOW TRADING

10

NEW LANDMARK STORES SECURED

29.6%

ADDED BY NEW STORES TO TRADING SPACE

Our most important consideration is always the trading potential of the store rather than the property tenure and sale and manage-backs have these additional advantages:

- i) The critical mass of store numbers benefits the business (e.g. through Google search and sharing of other marketing costs)
- ii) It spreads the central management costs
- iii) Through the performance and exit fees we are exposed to the trading and capital upside without committing capital

At 31 July 2022, Lok'nStore operated 24 of its own stores. Of these Lok'nStore owns 15 freehold and 9 leasehold stores. All nine leasehold stores are all inside the Landlord and Tenant Act providing us with security of tenure. The average unexpired term of the Group's leaseholds is 10 years and one month as at 31 July 2022. We operate 16 further stores under management contracts.

The lease on the Sunbury store expired on the 30/07/2022. We are in dialogue with the landlord regarding a new lease on the existing site or in a new site. In the meantime, we continue to trade from the current store which benefits from being inside the Landlord and Tenant Act.

Summary of our current pipeline at 31 July 2022:

Store	Size sq. ft.	Status	On site at 31 July 2022 sq. ft.	On site at 31 October 2022 sq. ft. (Additional)	On site after 31 October 2022 sq. ft. (Additional)
Bedford	55,978	On site – opening early 2023	55,978		
Peterborough	45,900	On site – opening spring 2023	45,900		
Staines	66,500	On site – opening summer 2023	66,500		
Basildon	49,700	On site – opening summer 2023	49,700		
Kettering	45,900	On site autumn 2022 – opening autumn 2023		45,900	
Bournemouth	75,100	Planning consent granted			75,100
Cheshunt	60,300	Planning consent granted			60,300
Altrincham	63,900	Planning application submitted			63,900
Barking	84,200	Design			84,200
Bolton	59,100	Design			59,100
Total – 10 stores	606,578		218,078	45,900	342,600
Total On site at 31 July 2022					218,078
Sq. ft. Trading (including Managed Stores) at 31 July 2022					2,046,673
Trading + On site at 31 July 2022					2,264,751
% Increase from on site sq. ft.					10.60%
Total secured pipeline					606,578
Sq. ft. Trading (including Managed Stores) at 31 July 2022					2,046,673
Trading + secured pipeline at 31 July 2022					2,653,251
% Increase from secured pipeline sq. ft.					29.64%

Our Exciting Landmark Store Pipeline

- We have ten stores in our current Secured Pipeline of which eight are freehold, one is leasehold and one managed
- We are on site at four stores that will open during 2023 with a fifth site due to commence shortly
- Four new store opportunities are progressing with lawyers
- Current Pipeline of ten contracted stores adds 29.6% of extra trading space to the overall portfolio, 44.1% to our owned portfolio and 5.9% to the managed portfolio

All ten stores in our Secured Pipeline⁹ are in prominent locations with large catchment areas and little established competition and demonstrate the Group's ability to source high-quality sites adding to future sales and earnings growth. These eye-catching buildings, with their distinctive orange Lok'nStore branded livery and prominent signage, create highly visible landmarks, which continue to be a big source of new customers.

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Property Review continued

During the year we opened three new stores in Warrington, Stevenage, and Wolverhampton. Early trading in all new stores has been very encouraging. We acquired one new site during the year and have a further four sites progressing with lawyers.

Store Opening Programme by Year

Financial Year	Store Opening Pipeline	Lok'nStore Capital Expenditure Remaining	Growth lettable area Owned Portfolio	Cumulative growth lettable area Owned portfolio	Growth lettable area Total portfolio	Cumulative growth lettable area Total portfolio
2023	4	£28.0	17.1%	17.1%	10.7%	10.7%
2024	3	£18.1	10.7%	27.8%	8.8%	19.5%
2025	3	£26.0	16.3%	44.1%	10.1%	29.6%
	10	£72.1	44.1%		29.6%	

Portfolio Breakdown

When the contracted development pipeline of ten sites has been completed Lok'nStore will operate from 50 stores including 17 managed stores. In addition, four further new store opportunities are progressing with lawyers. The secured pipeline sites represent a combination of nine owned and one managed store. These will add 606,578 sq. ft. of new capacity adding 44.1% to freehold and leasehold owned trading space and 5.9% to the managed store portfolio delivering a 29.6% increase in overall trading space.

Portfolio Breakdown As at 31 July 2022	No of Stores/Sites	Trading Lok'nStore	Trading Managed	Pipeline	Secured	With Lawyers
Freehold & Long Leasehold	15	15	–	–	–	–
Leaseholds	9	9	–	–	–	–
Pipeline (Freehold)	12	–	–	12	8	4
Pipeline (Leasehold)	1	–	–	1	1	–
Managed Stores (Trading)	16	–	16	–	–	–
Managed Stores (Pipeline)	1	–	–	1	1	–
Total	54	24	16	14	10	4
MLA sq. ft.	2,888,251	1,271,873	774,800	841,578	606,578	235,000

Managed Stores

- Circa £150 million of Store assets under management
- 49% increase in recurring management fees earned

Lok'nStore manages an increasing number of stores for third-party owners. Under this model Lok'nStore can provide a turnkey package for investors wishing to own trading self-storage assets. The investor supplies the capital for the project which Lok'nStore manages. Lok'nStore will buy, build and operate the stores under the Lok'nStore brand and within our current management structure.

During the period the Group opened the Wolverhampton Managed Store on 25 March 2022. The new Kettering store will be on site autumn 2022 and open in 2023.

For managed stores Lok'nStore receives a standard monthly management fee, a performance fee based on certain return hurdles and fees on a successful exit. We also charge acquisition, planning and branding fees. This allows Lok'nStore to earn revenue from our expertise and knowledge of the self-storage industry without committing our capital. We can amortise various fixed central costs over a wider operating base and drive more visits to our website, moving it up the internet search rankings and benefitting all the stores we both own and manage.

This strategy improves the risk adjusted return of the business by increasing the operating footprint, revenues and profits without committing capital. There is a strong correlation between the total management fee income and the number of stores under management.

We now manage approaching £150 million of assets under this structure on which we generated managed store income of £2,785,056 this year, up 107% (2021: £1,346,264) from the previous year. We expect this to continue increasing steadily over the coming years as more managed stores are opened. Second half income was stronger and includes additional fees from store openings and non-recurring fees contributed to benefit additional supplementary fees (Initial branding fees etc). Managed store income is generated from our existing platform and central management, resulting in an effective margin from this activity of 100%.

Growing Store Property Assets and Net Asset Value

- Adjusted Total Assets £370.9 million⁴ up 25.8% on last year (2021: £294.8 million)
- Adjusted Net Asset Value of £9.72 pence per share up 33% on last year (2021: £7.31 per share)
- Value of operating stores £279.0 million up 18.8% on last year (2021: £234.9 million)
- Total property assets £309.7 million up 14.7% on last year (2021: £270.1 million)

Our freehold and leasehold stores have been independently valued by Jones Lang LaSalle (JLL) at £279.0 million (as at 31 July 2022 (2021: £234.9 million)).

Adding our stores under development at cost, and land and buildings held at director valuation, our total property valuation is up 14.7% to £309.7 million (2021: £270.1 million). The increase in the values of properties which were also valued by JLL last year was 22.6% (2021: 22.8%).

The significant change in property valuation is referred to further in the Financial Review section of the Strategic Report and is detailed in note 12(a) of the notes to the financial statements. The principal drivers for this increase are:

- The trading stores have continued to trade at high occupancy. The stabilised occupancy assumed by JLL is materially unchanged at 88.23% (2021: 88.85%)
- Discount Rates and Exit Yields applied by JLL have also compressed this year
- Transactional activity in the UK and across Europe remains strong
- There is an increasing amount of capital looking to access the self-storage market, with a real step change in the interest in the sector, with major private equity and institutions either having entered the market, (Schroders, Legal and General and the Carlyle Group) or are looking to enter the market. More recently, Angelo Gordon, GIC and Heitman have committed significant capital to the sector, with other institutions looking to enter the market either through direct acquisition or by funding new store developments

Post year-end we have seen considerable market turbulence which may have an effect on the future valuations of our stores but which may be offset to some degree by improvements in trading and trading outlook. In note 12(a) we set out the likely effects of a 50 bps and a 100 bps increase / decrease in Discount Rate and Exit Yield.

“Self-storage is widely viewed as an inflation hedge. The sector has proved itself as a resilient asset class that generally performs well during economic stress events as was seen during the Global Financial Crisis and the COVID-19 pandemic.”

JLL

2022 Valuation report

Financial Review



“Disciplined capital allocation and investment into fast-growing Landmark assets.”

Ray Davies
Finance Director

The Group has reported record revenue and profits with all KPI metrics up on the previous year.

Financial Results

- Group Revenue £26.9 million up 22.9% (2021: £21.9 million)
- Group Adjusted EBITDA* £16.4 million up 37.5% (2021: £11.9 million)
- Profit before Tax £15.9** million up 146.3% (2021: £6.5 million)
- Operating Profit £17.2 million up 130.0% (2021: £7.5 million)
- Cash available for Distribution (CAD) per share up 36.6% to 38.7 pence (2021: 28.4 pence)
- Final dividend up 14.8% to 12.25 pence per share (2021: 10.67 pence per share)
- Cash balance £46.5 million (2021: £9.1 million)
- Bank facility extended by one year to April 2026

On 20 October 2021, the Group executed the accordion arrangement embedded within the Revolving Credit Facility which increases the loan facilities available to the Group from £75 million to £100 million.

In addition, the Group has also agreed a one-year extension on its existing joint banking facility. The facility is a joint agreement with ABN AMRO NV and NatWest Bank plc participating equally and is closely aligned to the terms of the Group's previous facility. ABN AMRO NV replaced Lloyds Bank plc in June 2021 as one of the Group's banking partners.

The facility, which was due to expire in April 2025, will now run until April 2026 providing funding for more Landmark site acquisitions. The two principal bank covenants (LTV and Senior Interest) and margin are unaffected by the execution of the accordion and this extension of term.

Amendments to the Facility Agreement dealing with the transition from LIBOR to SONIA (Sterling Over Night Indexed Average) have also been made, fulfilling the UK regulator's requirements ahead of LIBOR's phasing out after 31 December 2021.

Management of Interest Rate Risk

Lok'nStore generates an increasing cash flow from its strong asset base with a low LTV net of cash of 6.6% and a low average cost of debt of 1.71%. The value of the Group's assets underpins a resilient business model with stable and rising cash flows and low credit risk giving the business a firm base to fund future growth.

Interest Expense and Bank Borrowings

- Average cost of debt 1.71% (2021: 1.54%)
- Average cost of debt (on active revolving loans at 31 July 2022) 2.71% (2021: 1.55%)

With £66.8 million of gross debt currently drawn against the £100 million bank facility the Group is not committed to enter into interest rate hedged instruments but continues to keep the matter under review. It is not the current intention of the Group to do so at this time given our low level of net debt, low loan to value ratio and high interest cover. During the year the Group has continued to benefit from relatively low lending rates although it is recognised that interest rates are now rising.

* See our Key Performance Indicators on pages 24 and 25.

** A significant part of this increase in profit before tax is due to the profit of £5.94 million arising on the sale of four trading stores, which is "non-recurring" and separately disclosed in the Income Statement below "adjusted EBITDA" and in note 4 to the financial statements (non-underlying costs). Operating profit is therefore increased by this amount.

£26.9m

GROUP REVENUE
UP 22.9%

£16.4m

GROUP ADJUSTED
EBITDA UP 37.5%

£17.2m

OPERATING PROFIT
UP 130%

The gross bank interest expense (before capitalisation of interest costs, non-utilisation fees and loan amortisation fees) for the year was £1.30 million (2021: £0.85 million), due to higher average debt and higher average costs of borrowing. These average costs of borrowing have continued to rise after the year-end and the Group's current cost of debt is running at 3.72%.

The Group continues to monitor closely the effects of rising interest rates on its senior interest covenant, which is tested on a 12-month rolling basis, and the Group's flexible business model will enable it to take appropriate steps to mitigate its effects should it be required.

Capitalised interest in the year on our store development programme was £589,983 (2021: £380,193). Total finance costs in the Statement of Comprehensive income increased to £1.33 million (2021: £1.02 million).

Lok'nStore will continue to report on the Cash available for Distribution (CAD) which aims to look through the statutory accounts and give a clear picture of the ongoing ability of the Company to generate cash flow from the operating business that can be used to pay dividends, make investments in new stores, or pay down debt. CAD was up 38.1% for the year.

As agreed with the banks, both the Loan to Value and Senior Interest covenants set out in our bank facility continue to be tested excluding the effects of IFRS 16. For covenant calculation purposes, debt / LTV will continue to exclude right of use assets and the corresponding lease liabilities created by IFRS 16. When testing the Senior Interest Covenant, property lease costs will continue to be a deduction in the calculation of EBITDA, in accordance with the accounting principles in force prior to 1 January 2019.

Earnings Per Share

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

	Group Year ended 31 July 2022 £'000	Group Year ended 31 July 2021 £'000
Total profit for the financial year attributable to owners of the parent	12,077	3,283
	2022 No. of shares	2021 No. of shares
Weighted average number of shares		
For basic earnings per share	29,287,451	29,035,104
Dilutive effect of share options ¹	549,321	527,846
For diluted earnings per share	29,836,772	29,562,950

¹ Further options that could potentially dilute EPS in the future are excluded from the above because they are not dilutive in the period presented. Full details of share options are included in notes 21 to 25.

	Group 2022 Pence	Group 2021 Pence
Earnings Per Share		
Basic		
Total basic earnings per share	41.24p	11.33p
Diluted		
Total diluted earnings per share	40.48p	11.10p

Basic earnings per share were 41.24 pence (2021: 11.33 pence per share) and diluted earnings per share were 40.85 pence (2021: 11.10 pence per share).

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Operating Costs

Cost Ratio

- Group operating costs amounted to £10.4 million for the year (2021: £9.8 million) up by 5.4%
- Cost ratio^{13*} reduced further to 38.5% (2021: 44.9%)

We have a strong record of disciplined control of our Group operating costs with same store costs increasing by 7.5% (Refer to same store analysis of Group operating costs in the table below).

In the year Group operating costs at a headline level were up 5.4% year on year as we opened new Landmark stores in Warrington and Stevenage. We provide a breakdown below. Overall, the cost ratio continues to decrease as we grow revenue and continue to bear down on costs.

Future cost increases are likely to be driven by the expansion of the business in the areas of rates, staffing and marketing.

Historically, overall cost increases have been mainly driven by the expansion of the business, however we are now seeing some other cost pressures through energy (significant) and some wage costs (moderate), and the insurance market has hardened considerably as it re-rates its risk/premium positions in the light of store fires in the wider self-storage sector.

Property costs increased by 10.9%. These costs mainly constitute rates, light and heat and property maintenance and have risen in recent years as we felt the effects of higher rates and energy bills and as we opened our new Landmark stores which are generally larger and therefore incur higher rates bills.

Staff costs increased by 1.9% as we staffed the new stores which was offset by lower performance bonuses to our store colleagues.

The 7.3% increase in overhead costs is principally due to a stepped increase in audit fees as the audit profession adjusts its fee rates in response to higher regulatory costs. Legal and professional costs related to work on rent reviews, corporate tax, increased valuation costs for additional work commissioned by the Group for valuation work completed by JLL, and general compliance work also increased. Peel Hunt were appointed joint broker during the year adding to the overall brokerage costs.

Bank charges which now contain a full year amortisation charge (non-cash) in respect of bank fees charged for the £25 million accordion and the one-year RCF extension also increased. Amortisation charges for 2022 were £215,845 (2021: £158,216). Other administrative costs (computer support, telephones, PPS and marketing etc) show no material cost pressures.

Group Operating Costs

Group Operations	Increase in costs %	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Property costs	10.9	5,304	4,783
Adjustment for property lease rentals	12.0	(1,746)	(1,559)
Property and premises costs	10.4	3,558	3,224
Staff costs	1.9	5,369	5,269
Overheads	7.3	1,438	1,341
Total	5.4	10,365	9,834

On a same store basis, excluding the financial effects of the four trading stores sold and the new stores opened in Warrington and Stevenage, the table below shows the overall Group cost increased by 7.5%.

Group Operations Same Store analysis	Increase (decrease) in costs %	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Property costs	11.6	3,135	2,808
Staff costs	4.3	5,062	4,853
Overheads	10.8	1,325	1,195
Total	7.5	9,522	8,856

* See our Key Performance Indicators on pages 24 and 25.

Cash Flow and Financing

At 31 July 2022, the Group had cash balances of £46.5 million (2021: £9.1 million) the large increase from the previous year was due to the successful sale-and-manage-back of four stores during the year for net cash proceeds of £37.9 million.

Cash inflow from operating activities before investing and financing activities was £18.57 million in the year to 31 July 2022 up 52.4% (2021: £12.19 million).

Increasing Cash Flow Supports 15% Annual Dividend Increase

- Annual dividend 17.25 pence per share up 15% (2021: 15 pence per share)
- Cash Available for Distribution (CAD) of 38.7 pence per share (2021: 28.4 pence per share)
- Cash Available for Distribution (CAD) up 38.2%

CAD provides a clear picture of ongoing cash flow available for dividends, new store development or debt repayment.

	Group Year ended 31 July 2022 £'000	Group Year ended 31 July 2021 £'000
Analysis of Cash Available for Distribution (CAD)		
Group Adjusted EBITDA (Per Statement of Comprehensive Income)	16,349	11,890
Property lease rents	(1,746)	(1,559)
Net finance costs paid (excluding re-financing costs)	(1,395)	(969)
Capitalised maintenance expenses	(120)	(193)
New Works Team	(125)	(129)
Current tax (note 9)	(1,572)	(798)
	(4,958)	(3,648)
Cash Available for Distribution	11,391	8,242
Increase in CAD over last year £	3,149	2,069
Increase in CAD over last year %	38.2%	33.5%
	Number	Number
Closing shares in issue (less shares held in EBT)	29,380,333	29,063,575
CAD per share	38.7p	28.4p
Increase in CAD per share over last year	36.7%	33.3%

Financial Review continued

Analysis of the core underlying business after adjustment for non-underlying items

During the year, the Group has benefited from a higher than usual level of non-recurring management fees of £1.47 million and exceptional gains principally resulting from the sale of the four sale and manage-back stores totalling £5.74 million. In the table below we separate these non-underlying items and non-recurring management fee income to show the performance of the underlying business.

	2022 £'000			2021 £'000		
	Underlying business	Non-underlying items and non-recurring management fee income	Total	Underlying business	Non-underlying items and non-recurring management fee income	Total
Revenue	25,430	1,472¹	26,902	21,428	464 ¹	21,892
Total property, staff, distribution, and general costs	(10,553)	–	(10,553)	(10,001)	–	(10,001)
Adjusted EBITDA¹	14,877	1,472	16,349	11,427	464	11,891
Depreciation	(4,727)	–	(4,727)	(4,149)	–	(4,149)
Equity-settled share-based payments	(201)	–	(201)	(118)	–	(118)
Non-underlying items	–	5,739 ²	5,739	–	(160) ²	(160)
	(4,928)	5,739	811	(4,267)	(160)	(4,427)
Operating profit	9,949	7,211	17,160	7,160	304	7,464
Finance income	42	–	42	1	–	1
Finance cost	(1,328)	–	(1,328)	(1,017)	–	(1,017)
Profit before taxation	8,663	7,211	15,874	6,144	304	6,448

1 Represents non-recurring management fees.

2 Refer note 4 of the notes to the financial statements for the analysis of non-underlying items.

Analysis of Cash Available for Distribution (CAD) after adjustment for non-underlying items

	2022 £'000	2021 £'000
Cash Available for Distribution	11,391	8,242
Adjustment for non-recurring management fees	(1,472)	(464)
Cash Available for Distribution on the underlying business	9,919	7,778
Increase in CAD over last year £	2,141	
Increase in CAD over last year %	27.5%	
	Number	Number
Closing shares in issue (less shares held in EBT)	29,380,333	29,063,575
CAD per share	33.8p	26.8p
Increase in CAD per share over last year	26.1%	

Taxation

The Group has made a current tax provision against earnings in this period of £1.7 million (2021: £0.8 million) based on a corporation tax rate of 19% (2021: 19%). The deferred tax provision which is calculated at forward corporation tax rates of 25% is substantially a tax provision against the potential crystallisation (sales) of revalued properties and past 'rolled over' gains and amounts to £63.2 million (2021: £46.8 million).

The external revaluation of the trading stores and the rolled over gains made on the sale and manage-back of the four stores during the period have both contributed to the uplift in the total deferred tax provision at the year-end (See note 20).

Gearing^{11*} (excluding IFRS 16 lease liabilities)

At 31 July 2022 the Group had £66.8 million of gross bank borrowings (2021: £65.4 million) representing gearing of 9.9% (2021: 37.2%) on net debt of £20.3 million (2021: £56.3 million). After adjusting for the uplift in value of short leaseholds which are stated at depreciated historic cost in the statement of financial position at £7.2 million (2021: £7.6 million), gearing is 9.1% (2021: 33.8%). After adjusting for the deferred tax liability carried at year-end of £54.2 million gearing drops to 7.1% (2021: 26.4%).

Gearing^{11*} (including IFRS 16 lease liabilities)

At 31 July 2022 the Group had £66.8 million of gross bank borrowings (2021: £65.4 million) and £10.9 million of lease liabilities (2021: £11.2 million) representing gearing of 15.2% (2021: 44.6%) on net debt of £35.5 million (2021: £67.5 million). After adjusting for the uplift in value of short leaseholds which are stated at depreciated historic cost in the statement of financial position at £7.2 million (2021: £7.6 million), gearing is 17.0% (2021: 40.7%).

After adjusting for the deferred tax liability carried at year-end of £63.2 million gearing drops to 12.6% (2021: 31.7%).

Capital Expenditure

The Group has an active new store development programme. The Group has grown through a combination of building new stores, existing store improvements and relocations. We have concentrated on extracting value from existing assets and developing through collaborative projects and management contracts.

Capital expenditure during the period totalled £12.2 million. This was primarily the purchase of the Peterborough site, together with ongoing construction and fit out works at our sites in Stevenage, final costs on Warrington prior to opening, as well as planning and pre-development works at our Bedford, Bournemouth, Peterborough, Altrincham, Barking and Cheshunt sites.

The Group has capital expenditure contracted but not provided for in the financial statements of £11.21 million (2021: £6.16 million). We carefully evaluate the ongoing economic and trading position before making any further capital commitments and can reduce capex quickly if the market deteriorates.

Strong Balance Sheet, Efficient Use of Capital, Low Debt

- Revolving Credit Facility (RCF) increased to £100 million
- £12.2 million invested in new store pipeline (2021: £26.9 million)
- Net debt – (excluding leases) £20.3 million (2021: £56.3 million)
- Loan to Value Ratio (LTV) net of cash 6.6% (2021:21.0%)
- Cost of debt averaged 1.71% in the year (2021:1.54%) on £66.8 million debt (2021: £65.4 million)

Lok'nStore has a good credit model, with low debt and gearing and which is strongly cash generative from an increasing asset base. Increased bank facilities, on competitive margins, and extended to April 2026, positions the business well for the future.

Statement of Financial Position

Group net assets at the year-end were £205.3 million, up 35.7% (2021: £151.3 million). Freehold properties were independently valued at 31 July 2022 at £254.8 million up 19.7% (2021: £212.8 million). Please refer to the table of property values on page 36.

The Parent Company's net assets have increased because of the £6.0 million dividend paid up from Lok'nStore Limited, the principal operating business of the Group.

Market Valuation of Freehold and Leasehold Land and Buildings

It is the Group's policy to commission an independent external valuation of its properties at each financial year-end.

Our freehold stores have been independently valued by Jones Lang LaSalle (JLL) at £254.8 million (2021: £212.8 million).

Accordingly, Adjusted Total Group Assets⁴ have moved upwards sharply in the year to £370.9 million up 25.8% on 31 July (2021: £294.8 million). A significant contributor to this increase was the uplift from the external valuation at 31 July 2022 combined with the trading strength of our business, as well as our investment in new stores.

* See our Key Performance Indicators on pages 24 and 25.

Financial Review continued

In this twelve-month period, we saw a same-store uplift in valuations of £43.7 million in our freehold and leasehold trading stores, a 24.1% increase. The like for like comparison excludes the Sale and Manage-Back of four stores located in Basingstoke, Cardiff, Horsham and Portsmouth, and the maiden valuations on our new stores in Warrington and Stevenage.

£30.4 million of this valuation uplift comes from improvements in both the Discount Rate and Exit Yield applied to the valuations. On our owned freehold trading stores, we have seen exit yields compress on average from 6.15% at 31 July 2021 to 5.47% at 31 July 2022, with Average Discount rates at 7.02% compared to an average of 8.18% at 31 July 2021. These improving metrics reflect the increasing investor demand for UK Self Storage assets.

The remaining £15.5 million of valuation uplift comes from the impact of improved cash flows of the same store portfolio that were valued last year.

At the full year-end in July 2021, we saw significant improvements in the cash flow assumptions applied by JLL and these have been improved further in this 2022 valuation demonstrating the impact operating performance has on asset values and why one of our key objectives remains to fill existing stores and continue improving pricing. We are well positioned to benefit from future changes with our high-quality portfolio of stores. The Exit Yield and Discount Rates applied are validated by transactional evidence.

It remains the Group's established policy to undertake a comprehensive external valuation at each year-end and we will do so at the next year end at 31 July 2023.

Valuations

It is not the intention of the Directors to make any further significant disposals of trading stores, although individual disposals may be considered where value can more easily be added by recycling the capital into new stores.

The valuations of our freehold property assets are included in the Statement of Financial Position at their fair value.

The value of our leasehold stores in the valuation totals £24.3 million (2021: £22.1 million) but they are held at cost less accumulated depreciation in the Statement of Financial Position.

A deferred tax liability arises on the revaluation of the properties and on the rolled-over gain arising from the disposal of some properties. It is not envisaged that any tax will become payable in the foreseeable future on these disposals due to the availability of rollover relief.

We have reported by way of a note, the underlying value of these leasehold stores in revaluations and adjusted our Net Asset Value (NAV) calculation accordingly to include their value. This ensures comparable NAV calculations. An analysis of the valuations achieved is set out in the table below.

Analysis of Total Property Value

	No. of Stores/Sites	31 July 2022 Valuation £	No. of Stores/Sites	31 July 2021 Valuation £
Freeholds ¹ valued by JLL ²	15	254,775	17	212,800
Leaseholds valued by JLL ³	9	24,250	9	22,100
Subtotal	24	279,025	26	234,900
Sites in development at cost ¹	9	29,215	12	33,675
Subtotal ⁴	33	308,240	38	268,575
Freehold land & Buildings at Director valuation	1	1,500	1	1,500
Total	34	309,740	39	270,075

1 Includes £440,522 of capitalised interest during the year (2021: £314,891).

2 Includes related fixtures and fittings (refer note 12).

3 The nine leaseholds valued by JLL 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 ten years and one month at the date of the 2022 valuation.

4 Loan to value calculation based on these property values.

Total freehold properties account for 92.2% of all property values (2021: 91.8%).

Increase in Adjusted Net Asset Value per Share

- Adjusted Net Asset Value per share up 33% to £9.72 (2021: £7.31)

Adjusted Net Assets per Share are the net assets of the Group adjusted for the valuation of leasehold stores and deferred tax 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 (zero) are excluded from the number of shares.

At July 2022, the Adjusted Net Asset Value per share (before deferred tax) increased 33% to £9.72 from £7.31 last year.

This increase is a result of higher property values on our existing stores as the strength of our Landmark stores is recognised, combined with cash generated from operations less dividend payments, offset in part by an increase in the shares in issue due to the exercise of a small number of share options during the year.

Analysis of Net Asset Value (NAV)

	31 July 2022 £'000	31 July 2021 £'000
Net assets	205,346	151,259
Adjustment to include operating/short leasehold stores at valuation		
Add: JLL leasehold valuation	24,250	22,100
Deduct: leasehold properties and their fixtures and fittings at NBV	(7,224)	(7,630)
	222,372	165,729
Deferred tax arising on revaluation of leasehold properties ¹	(4,256)	(3,618)
Adjusted net assets	218,116	162,111
	Number (‘000s)	Number (‘000s)
Shares in issue		
Opening shares in issue	29,687	29,633
Shares issued for the exercise of options	317	54
Closing shares in issue	30,004	29,687
Shares held in EBT	(623)	(623)
Closing shares for NAV purposes	29,381	29,064
Adjusted net asset value per share after deferred tax provision	£7.42	£5.58
	31 July 2022 £'000	31 July 2021 £'000
Adjusted net asset value per share before deferred tax provision		
Adjusted net assets (see above)	218,116	162,111
Deferred tax liabilities and assets recognised by the Group	63,214	46,760
Deferred tax arising on revaluation of leasehold properties ¹	4,256	3,618
Adjusted net assets before deferred tax	285,586	212,489
Closing shares for NAV purposes	29,381	29,064
Adjusted Net Asset Value per share before deferred tax provision	£9.72	£7.31

¹ A deferred tax adjustment in respect of the uplift in the value of the leasehold properties has been included, calculated by applying the substantively enacted corporation tax rate of 25% (2021: 25%). 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.

Financial Review continued

Post Balance Sheet

Acquisition of a development site in Milton Keynes

On 4 October 2022, we exchanged contracts on a freehold development opportunity in Watling Street, Milton Keynes subject to planning. This highly visible roadside location in the north west of the city complements our existing leasehold store, 7 miles to the south east. Once developed the store will add c. 60,000 sq. ft. of lettable area.

Summary

Lok'nStore Group operates within the UK self-storage industry which is still an immature sector with strong growth prospects. With a low loan to value ratio and plenty of headroom on our bank facilities this market presents an excellent opportunity for further growth of Lok'nStore's business. Recently opened Landmark stores and our ambitious new store pipeline demonstrate the Group's ability to use those strengths to exploit the opportunities available throughout the economic cycle.

Ray Davies

Finance Director

Section 172 Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in a way he or she considers, in good faith, would be the most likely to promote the success of the company for the benefit of its members as a whole. In doing this Section 172, requires a director to have regard to:

- the likely consequences of any decision in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- maintaining a reputation for high standards of business conduct; and
- the need to act fairly with members of the company.

The Directors give careful consideration to the factors set out above in discharging their duties under Section 172, details of which are contained throughout this Report. The Board's obligations under Section 172 are considered at Board meetings within each relevant section of the Board pack.

The stakeholders we consider in this regard are our employees, our customers, our shareholders, our suppliers and the environment. The Board recognises that building good relationships with our stakeholders will help us to deliver our strategy in line with our long-term values and operate the business in a sustainable way.

The Board regularly receives reports from management on issues concerning customers, the environment, suppliers, employees and investors, which are discussed and incorporated into decision-

making particularly with respect to the Board's Section 172 obligations (S172). During the year, the Board increased its bank facility by £25 million up to £100 million and extended the term by one year to April 2026, thereby increasing the Group's liquidity and working capital to pursue its growth strategy for shareholders. The Board also executed the sale and manage-back of four older stores generating over £37 million of net cash which is now available to recycle into new state-of-the-art Landmark stores. These new stores will in due course generate more growth in revenue, profits and dividends for shareholders but also will have a positive environmental effect as the new stores will have solar PV and be generally more energy efficient.

Further information on our approach to S172 is to be found in the following sections of our Annual Report:

Employees	<ul style="list-style-type: none"> • Chairman's Statement • Managing Director's Review • Environmental and Social 	<ul style="list-style-type: none"> • Page 4 • Page 19 • Page 45
Customers	<ul style="list-style-type: none"> • Chairman's Statement • Managing Director's Review • Environmental and Social 	<ul style="list-style-type: none"> • Page 4 • Page 19 • Page 45
Suppliers and partners	<ul style="list-style-type: none"> • Environmental and Social • Governance 	<ul style="list-style-type: none"> • Page 45 • Page 53
Investors	<ul style="list-style-type: none"> • Chairman's Statement • Managing Director's Review • Financial Review • Governance 	<ul style="list-style-type: none"> • Page 4 • Page 19 • Page 30 • Page 53
Environment & Sustainability	<ul style="list-style-type: none"> • Chairman's Statement • Managing Director's Review • Environmental and Social Report 	<ul style="list-style-type: none"> • Page 4 • Page 19 • Page 45
Longer Term	<ul style="list-style-type: none"> • Chairman's Statement • Managing Director's Review • Financial Review • Principal Risks and Uncertainties 	<ul style="list-style-type: none"> • Page 4 • Page 19 • Page 30 • Page 40

Principal Risks and Uncertainties

Principal Risks and Uncertainties in Operating our Business

Risk management has been a fundamental part of the successful development of Lok'nStore. The process is designed to improve the probability of achieving our strategic objectives, keeping our employees safe, protecting the interests of our shareholders and key stakeholders, and enhancing the quality of our decision-making through understanding the risks inherent in both the day-to-day operations and the strategic direction of the Group as well as their likely impact.

Management of our risks helps us protect our reputation, which is very important to the ability of the Group to attract customers, particularly with the growth of social media. We always try to communicate clearly with our customers, suppliers, local authorities, communities, employees, and shareholders, and to listen and take account of their views. We operate strict Health and Safety policies and procedures and more information on these can be found on page 51.

Our Risk Management Governance

The Board has overall responsibility for the management of the Group's risks. As the Group's strategic direction is reviewed and agreed the Board identifies the associated risks and works to reduce or mitigate them using an established risk management framework in conjunction with the executive management team. This is a continuing and evolving process as we review and monitor the underlying risk elements relevant to the business.

Risk Management Framework

The risk register covers all areas of the business including property, finance, employees, insurance, customers, strategy, governance, and disaster recovery. The risks are categorised by risk area and numerically rated based on a combination of 'likelihood' and 'consequences and impact' on the business. The combination of these two becomes the 'risk factor' and any factor with a rating over 15 is reported to the Board.

Risk Management Team

Ray Davies, Finance Director, is the Board member responsible for ensuring that the risk management and related control systems are effective, and that the communication channels between the Board and the Executive Management team are open and working correctly. The Executive Management Team is responsible for the day-to-day management of the risk factors. Responsibility for identifying, managing, and controlling the risk is assigned to an individual as shown on the risk register depending on the business area. Reporting against the risks forms part of the monthly executive management meeting and the risk factor may be amended if applicable. There are also sub-committees for particular risk areas which meet regularly. The Risk Management and Reporting Structure is shown below.



Principal Risks

The principal risks our business faces, and our key mitigations are outlined in the table below.

Risk	Description	Key Mitigation
Interest Rate and Liquidity Risk	The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk (for details please see note 17).	<ul style="list-style-type: none"> Regular review by the Board (full details are set out in the Financial Review, page 30). Debt and interest are low relative to assets and earnings. With interest rates rising, this risk per se is increasing, however the Executive and the Board monitor this position carefully through the Group's detailed operating reports produced on a weekly basis and detailed financial and accounting reports produced on a monthly basis. Could reduce debt, if required, by executing 'Sale and Manage-Back' arrangements on mature stores or slow the rate of site development.
Tax Risk	Changes to tax legislation may impact the level of corporation tax, capital gains tax, VAT and stamp duty land tax which would in turn affect the profits of the Group.	<ul style="list-style-type: none"> Regular monitoring of changes in legislation. Use of appointed professional advisers and trade bodies.
Treasury Risk	The Group may face increased costs from adverse interest rate movements. The Bank of England has raised base rates six times since February 2022 and is currently 2.25% up from 0.1% in March 2020.	<ul style="list-style-type: none"> On 20 October 2021, the Group executed the accordion arrangement embedded within the Revolving Credit Facility which increases the facilities available to the Group from £75 million to £100 million. In addition, the Group has also agreed a one-year extension on its existing joint banking facility. The facility, which was due to expire in April 2025, will now run until April 2026 providing funding for more Landmark site acquisitions. The two principal bank covenants (LTV and Senior Interest) and margin are unaffected by the execution of the accordion and this extension of term. Lok'nStore is a robust business which generates an increasing cash flow from its strong asset base with a low LTV net of cash of 6.6% (2021: 21.0%) and a low average cost of debt of 1.71%. The value of the Group's assets underpins a flexible business model with stable and rising cash flows and low credit risk giving the business a firm base for growth. Average cost of debt 1.71% (2021: 1.54%) Average cost of debt (active revolving loans) 2.71% (2021: 1.55%) With £66.8 million of gross debt currently drawn against the £100 million bank facility the Group is not committed to enter into hedging instruments but continues to keep the matter under review. It is not the intention of the Group to enter into an interest rate hedging arrangement at this time given our low level of net debt, low loan to value ratio and high interest cover and the Group has continued to benefit from relatively low lending rates although recognising that these rates are now rising, and the group is regularly monitoring this risk. The Group monitors compliance with its bank covenants closely and during the year it complied with all of its bank covenants.

Principal Risks and Uncertainties continued

Risk	Description	Key Mitigation
Property Valuation Risk	The external independent valuations of the stores are sensitive to both operational trading performance of the stores and also wider market conditions. It follows that a reduction in operational performance or a deterioration of market conditions could have a material adverse impact on the Net Asset Value (NAV) of the Group.	<ul style="list-style-type: none"> Regular monitoring of any changes in market conditions and transactions occurring within our marketplace. Use of independent professional valuers who are experts in the self-storage sector. There is regular contact with the current valuer JLL and discussions around market values and transactions within the sector, including post year-end. Previous experience of downturns, such as the Dotcom and global financial crises, has demonstrated that Self Storage has considerable resilience. Stores are predominantly Landmark stores in prime locations and are all UK based and predominantly located in the affluent South of England. The Group is therefore not exposed to overseas/ international/ currency risks etc. Operational management teams with the skills, experience, and motivation to continue to drive operational performance.
Environmental Risk	<p>Flooding.</p> <p>Increased requirement to reduce waste and greenhouse gas emissions and reduce environmental impact on the environment.</p>	<ul style="list-style-type: none"> Flood risk due diligence undertaken on all prospective site acquisitions. Flood protection measures in place at all stores. Group has been measuring environmental impact since 2005 and is committed to manage waste effectively and control polluting emissions. All new construction has solar power on the roofs of its buildings.
Property Acquisition	Acquiring new sites is a key strategic objective of the business but we face significant competition from other uses such as hotels, car showrooms and offices as well as from other self-storage operators.	<ul style="list-style-type: none"> We hold weekly property meetings to manage the search process and property purchases. Use of property acquisition consultants. Regular communication with agents. Attendance at industry relevant property events.
Planning Permission	<p>The process of gaining planning permissions remains challenging.</p> <p>Planning approval is increasingly dependent on Social or Environmental enhanced features such as BREEAM standards, as well as local planners demands for green spaces, cycle and footpaths etc, all adding cost and complexity to a planning project.</p>	<ul style="list-style-type: none"> Where we can we acquire sites subject to planning. We work with an established external planning consultant. Our property team has over 20 years' experience in obtaining planning consents for our stores.
Construction	<p>Poor construction may affect the value of the property and/or the efficient operation of the store.</p> <p>Rising costs of developing a store may mean site opportunities which do not meet management's return on investment criteria may not be taken up.</p>	<ul style="list-style-type: none"> We use a design and build contract with a variety of established contractors. We use external project managers. All projects are overseen by our property team which has over 20 years' experience. Construction projects are subject to a tender process. Rising costs are factored into our financial modelling to ensure the required returns are achievable.

Risk	Description	Key Mitigation
Maintenance/ Damage	Damage to properties through poor maintenance or flood or fire could render a store inoperable.	<ul style="list-style-type: none"> • Regular site checks by team members. • Rolling maintenance plan for all stores. • Comprehensive disaster recovery plan. • Appropriate insurance cover.
Increased Competition	An increasing number of competitors in the industry may negatively impact Lok'nStore's existing operations (e.g. pricing/available sites).	<ul style="list-style-type: none"> • Established criteria for site selection including: <ul style="list-style-type: none"> – Prominent locations – High visibility – Distinctive designs and bright orange elevations and signage to attract customers. • Continued investment in the Group's website and internet marketing. • Ensure high levels of customer service through training and monitoring.
Employee Retention	Loss of employees may affect our ability to operate our stores and provide the high levels of customer service expected.	<ul style="list-style-type: none"> • Aim to offer a good work/life balance and career development. • Regular reviews of remuneration levels against market. • Achievable bonus systems. • Generous Employee Share Schemes. • High-quality training within the Lok'nStore Academy (for further information see page 51). • Intranet for improved communications. • Established Employee rewards programme.
Cyber security and IT System Breach	A breach of our IT systems might adversely affect the operations and income of the business resulting in potential fines, customer compensation and causing reputational damage to the Group.	<ul style="list-style-type: none"> • Regularly reviewed IT security systems. • Well communicated policies and procedures for handling and managing a systems breach.
Future Pandemic Risk	A spread of the virus and social protection measures which may be introduced by Government may adversely affect the operations and financial performance of the business and adversely impact on the health of staff.	<ul style="list-style-type: none"> • The Group has a well-defined policy and response developed and executed throughout the recent Covid-19 pandemic. • Our Covid-19 Group Safe Response has been documented in detail in the Managing Director's Review on page 20 in the 2021 Annual Report and is not repeated here.

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Environmental and Social

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ENVIRONMENTAL MATTERS

Key Highlights

- Commitment to install PV generation on all new stores
- Operational GHG emissions down 92.5% since 2005
- Waste to landfill down 97% since 2005
- Eliminated all single use plastic in packaging range
- Gas use down 7% this year
- Waste down 32% this year
- Water use down 34% this year

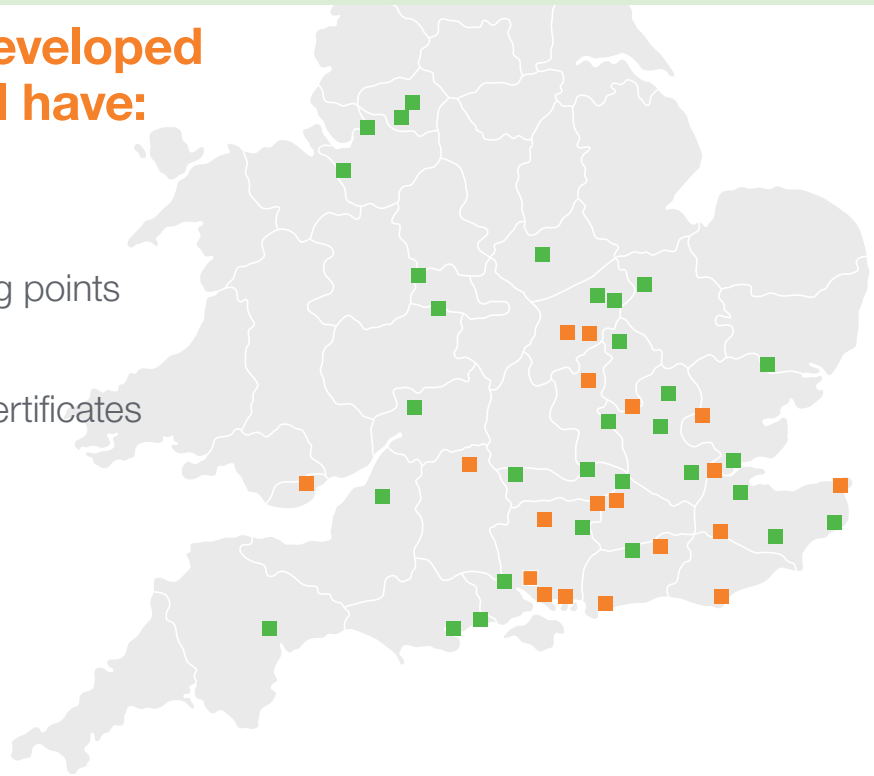
Environmental Matters

53%

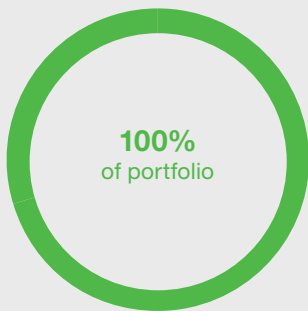
OF TRADING STORES
HAVE PHOTOVOLTAIC
PANELS

All New Stores Developed by Lok'nStore will have:

- Photovoltaic panels
- BREEAM accreditation
- Electric Vehicle charging points
- LED Lighting
- Energy Performance Certificates



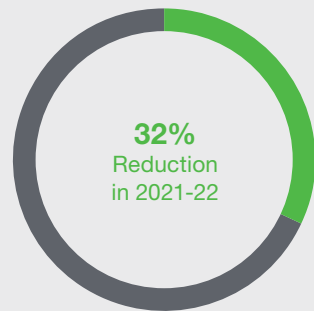
RENEWABLE ELECTRICITY



NUMBER OF STORES WITH EV CHARGERS



WASTE TO LANDFILL



Self-Storage Association (SSA) Environmental Initiative of the Year Finalists

Lok'nStore are proud to have been finalists of the SSA Environmental Initiative of the Year Award, having entered our Waste Reduction initiative reported last year. Lok'nStore are at the forefront of environmental initiatives within the industry, with the Lok'nStore Environmental Committee continuously reviewing processes and initiatives that will drive our environmental impact down.



For more details of these initiatives please visit:
<https://www.loknstore.co.uk/environment/>

100%

RENEWABLE
ELECTRICITY

32%

REDUCTION IN
WASTE THIS YEAR

100%

OF NEW STORES TO
HAVE PHOTOVOLTAIC
AND EV CHARGERS

Environmental Management and Performance

Lok'nStore is committed to its green policies. We have been actively monitoring and measuring our environmental impacts since 2005. By monitoring environmental key performance indicators (eKPIs) including greenhouse gas emissions (GHG), water use and waste, and reviewing them against our stated Environmental Policy, we continue to achieve our stated aims; to manage waste effectively, control polluting emissions and to encourage suppliers to minimise their impact on the environment.

The UK government requires all quoted companies to report on their GHG emissions as part of their annual Director's Report under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

As in previous years, Lok'nStore engaged Trucost, a leading company in environmental, carbon data and risk, to review the Group's reporting of environmental impacts for the financial year ended 31 July 2022. A summary of their findings is included below. More detail can be found on our website.

Highlights for the Year ended 31 July 2022

The Group's operational Greenhouse Gas (GHG) emissions (direct and indirect) increased by 20%, rising from a low base of 75 tCO₂e to 89 tCO₂e. Following nine years of decrease, the small increase this year reflects largely on the return of travel in the business following the emergence from the pandemic. Normalising these emissions by annual revenue allows intensity comparisons to be made. Lok'nStore recorded a 21% higher emission intensity of 4.14 tCO₂e per £million in 2021-22. Over the long term, since 2005, we have reduced these emissions by 92.5%.

Impact	Result	Comment
Direct Operational GHG Emissions (Scope 1)	✓	During FY2021-22 Lok'nStore's Scope 1 emissions increased by 20% to 89 tCO ₂ e from 75 tCO ₂ e. This year we had a 50% increase in direct GHG emissions from fuel used in travel. We saw a 7% decrease in natural gas consumption.
Indirect Operational GHG Emissions (Scope 2)	✓	Whilst we experienced an increase of 10% in total use of electricity across all of our sites, this is reflective of the increased demand for self-storage and therefore use of our sites. We continue to emit no indirect operational GHG emissions due to long-standing supply contacts for renewable electricity and our own onsite photovoltaic.
Renewable Energy Generation	✓	Generation of electricity from our solar panels installed on our buildings is dependent on both the number of panels fitted and sunshine hours and a 15% increase in energy generated at our sites is largely reflective of more sunshine hours during the period. PV solar panels will continue to be installed on new stores to increase electricity generated by our operations.
Water Consumption	✓	In the year 2021-22, we have seen a 34% decrease in water consumption even though the total number of stores trading has increased. Water intensity decreased by 34%.
Waste Generation and Recycling	✓	In the year 2021-22 total waste generation decreased by 32% while the total number of trading sites increased. When adjusted for intensity we saw a 25% decrease in landfill waste.
The Group's environmental reporting is consistent with 'Environmental Key Performance Indicators: Reporting Guidelines for UK Business 2006'.		
Lok'nStore's GHG reporting for 2021-22 aligns with government guidelines.		
Trucost found that Lok'nStore assessed and disclosed all material environmental impacts – GHG emissions, water consumption and waste generation for its own facilities.		

- ✓ – improvement in environmental performance year on year
- ✓ – improvement in some measures during the year

This year, Lok'nStore had an increase in travel by its colleagues due to the relaxation of COVID-19 restrictions and the precautions we took as a business to minimise its impact. This has seen an increase in Scope 1 direct GHG emissions from car use by colleagues. Pre-pandemic, colleague travel contributed to Scope 1 GHG emissions of 170 tCO₂e in 2018-19 which compares to 89 tCO₂e in the reporting year.

Like many businesses COVID-19 accelerated Lok'nStore's embrace of technology which allowed us to hold more meetings remotely while still supporting our ever-expanding store network.

The Board considers the impact our operations have on the environment and minimising them wherever possible. We will continue to monitor and report our environmental impacts in line with government guidelines.

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Environmental Matters continued

Our drive to net zero operational GHG emissions

Lok'nStore's Greenhouse Gas (GHG) emissions from direct operational sources are limited to natural gas use, used for heating and hot water only, and transport related fuel use. Lok'nStore decreased its Natural Gas use by 7% in the year. The Natural Gas decrease is explained by replacement of gas boilers at the end of their useful life with electric boilers, which take's advantage of our electricity from 100% renewable sources. The increase in transport fuel in the year is explained by the return to travel by colleagues, who travel for management and training purposes within our regionally diverse business. This comparatively low generation of GHG's and our efforts since 2005 to monitor and reduce our operational GHG emissions, scope 1 and 2, have resulted in a significant 92.5% decrease over that time, even as the business has grown from 19 to 40 stores. We continue to monitor and implement strategies to minimise this very small tail of our direct emissions.

Lok'nStore Environmental Commitments and Targets

Lok'nStore has monitored and reported on GHG emissions since 2005 and has addressed many other environmental factors along the way. Lok'nStore remains committed to positively impacting the environment. This year, Lok'nStore is introducing targets that align with previous good performance with continued progress in this area. The following targets recognise the need of continuing our ever-evolving environmental commitments and the engagement of our colleagues to drive these forward.

OUR TARGETS

- To obtain Energy Performance Certificates for all owned stores
- To complete a feasibility study on battery storage to complement future PV systems
- To increase the number of stores with PV systems
- Complete a feasibility study to retro fit all stores that are suitable for PV
- Review the benefit of swapping diesel van to an electric van
- To trial the retro fitting of LED lighting in place of lower efficiency fittings

OUR COMMITMENTS

- Install EV charging across all new stores
- Optimising energy usage in stores
- Engage with our colleagues and customers about our Green Credentials
- Review internal processes to continuously make green improvements
- Install PV on all new stores

CASE STUDY – Packaging

In 2019, Lok'nStore made a conscious decision to remove all single use plastic from its retail displays in our Stores and online to improve our customers' environmental choice in this area. We also took the decision to introduce paper tape to our range; plastic packing tape is not recyclable and renders the boxes unlikely to be recycled if it remains on the box when entering the recycling process. By introducing paper tape, to be sold alongside our boxes, this results in both products being 100% recyclable when used in conjunction with one another.

These activities have helped our customers to make environmentally positive buying decisions. Lok'nStore has replaced all single use plastic packaging on our padlocks and multi-use furniture protection covers with recyclable cardboard packaging. When creating the design, we moved away from gloss sticky labels by printing directly on to the packaging we have achieved a 100% recyclable package. The addition of the well-known recycling logo ensures that our customers are aware they can put this packaging in to their recycling. The result is that, with the addition of this recyclable packaging, we have eliminated all single use plastic and we are proud that 84% of our retail items are now fully recyclable.

Lok'nStore Reduction in Environmental Impact

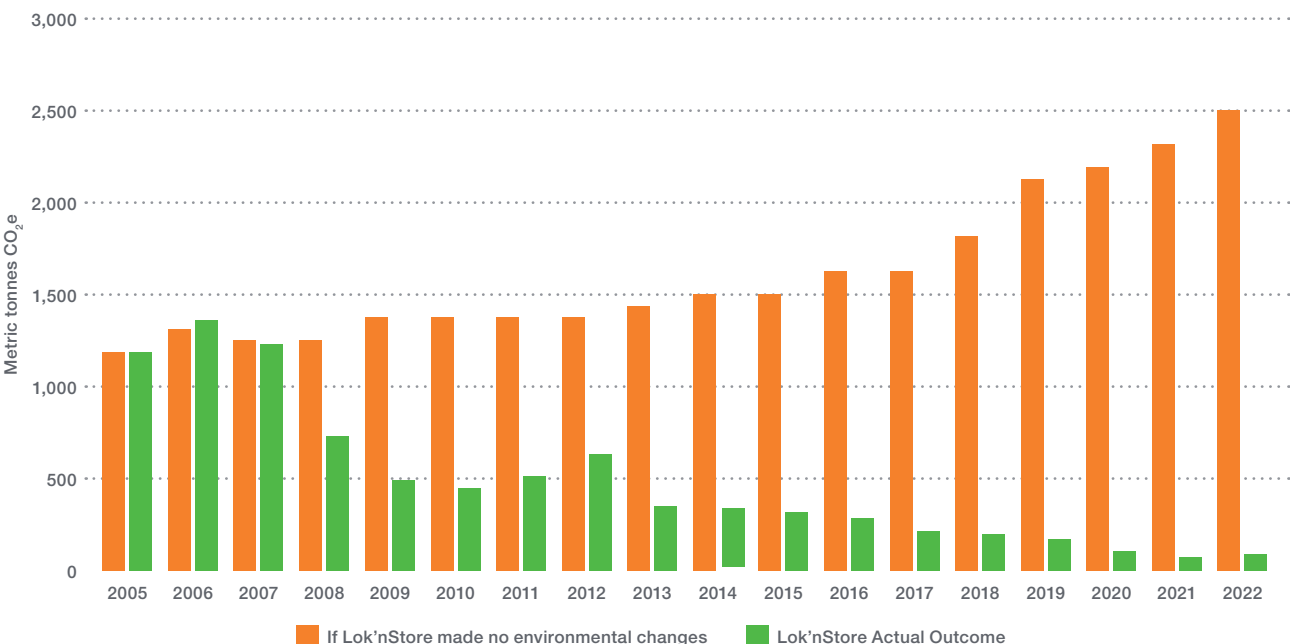
Lok'nStore began reporting on environmental factors in 2005. Since then, Lok'nStore has been making conscious decisions to make a positive environmental impact, especially targeting lower GHG emissions. Consistently, Lok'nStore have reported on Scope 1&2 emissions, water consumption and waste as a base point for environmental reporting.

In the table below it is clear that since 2005 Lok'nStore has made a series of impactful decisions to reduce its environmental footprint prior to the known importance of Net Zero. Similarly, the graph below shows how Lok'nStore's emissions would look if the same environmental decisions of 2005 had been continued over the 16 years alongside its current portfolio of stores.

Impact	2005	2022	Increase or decrease %	Result
Number of Stores	19	40		
Operational GHG Emissions (scope 1 and 2)	1,189 metric tonnes CO ₂ e	89 metric tonnes CO ₂ e	92.5% decrease	✓
Direct Operational GHG Emissions (Scope 1)	212 metric tonnes CO ₂ e	89 metric tonnes CO ₂ e	58% decrease	✓
Indirect Operational GHG Emissions (Scope 2)	977 metric tonnes CO ₂ e	0 metric tonnes CO ₂ e	100% decrease	✓
Water Consumption	5,143m ³	2,356m ³	54% decrease	✓
Total Waste	913 metric tonnes	73 metric tonnes C	92% decrease	✓
Renewable Energy Generation	0 stores with PV	21 stores with PV		✓

2005 VS 2022 96.5% Reduction in GHG Emissions

How it could have been – if Lok'nStore had taken no action to limit it's impact on the environment



Social Matters

Our Team

At 31 July 2022 we had 178 employees (2021: 171 employees). We treat our employees with dignity and respect and are committed to providing a positive attitude and an enjoyable working environment. We have a professional open and customer 1st focused culture. Colleagues can exchange ideas, share best practice and offer suggestions for improvement through regular meeting with managers and directors. Our Central Support Team are visiting and in daily telephone communication with our store colleagues to promote the Company objectives, review performance, celebrate success and manage risk factors.

We encourage our team members to build on their skills, through the Lok'nStore Academy and regular performance reviews. Training courses and team meetings are held regularly at the Group's head office and our store colleagues are joined for lunch by our Central Support team, Head Office colleagues and the Executive Directors. This gives the senior management team an opportunity to monitor and assess the culture throughout the business.

We promote and underpin our customer 1st focused culture and celebrate success constantly through a variety of channels including regular email communication to colleagues, through the Lok'nStore intranet and through monthly bonus letters sent to all store colleagues. All of these are fully branded and use positive language to promote company values.

Remuneration of all Group colleagues is reviewed annually to ensure all of our employees are paid fairly and to ensure we can attract and retain the correct talent to support our expansion.

The Board would like to thank all colleagues for their commitment to our customers and for their hard work and efforts over the year.

Employee Benefit Trust

The Employee Benefit Trust owns 623,212 shares (2021: 623,212 shares), the costs of which are shown as a deduction from shareholders' funds. Full details are provided in note 28 – Own Shares.

Social Initiatives	Comment
Bonus Schemes	✓ We are delighted to say that all of our colleagues continue to benefit from the success of the business through our bonus schemes. During the year, we paid over £0.73 million in bonuses to those colleagues.
Opportunity to buy and receive Shares	✓ Lok'nStore has a share incentive plan (SIP) which all employees are eligible to participate in. 72% of our employees are enrolled members of our share scheme, with 46% of employees being investing members.
Colleague Engagement Activities	✓ Colleagues are given the opportunity to take part in internal competitions run via our engaging intranet. We also celebrate company and individual successes throughout the year.
Annual Party	✓ Lok'nStore hosts an annual party for all colleagues to attend.
Internal Progression Routes	✓ At Lok'nStore, we aim to fill most positions through internal promotions. 55% of our current store managers have been promoted internally.
Development and Training	✓ All colleagues are supported to learn and develop through internal and external training. We provide internal training workshops, process update training as well as apprenticeships and National Vocational Qualification.

The Lok'nStore Environmental Committee

In recent years we have introduced an Environmental Committee that meets quarterly to review and discuss practical steps we can take as a business to further reduce our impact on the environment. The committee members consist of stakeholders at all levels of the business whose roles all have a direct link to our environmental performance.

The Environmental Committee includes two Executive Board Directors and a Non-Executive Director, Simon Thomas, who has special responsibility on the Board for environmental matters. We regularly discuss our successes and environmental projects with colleagues through internal communications. This gives all employees the opportunity to raise ideas of how we can further improve our environmental performance and the engagement with all areas of the business.

The Lok'nStore Academy

The Lok'nStore Academy continues to bring strategic and operational benefits to the business, aligning our training under one branded project, providing personal development opportunities to all of our team members. During the year the Academy offered a number of training courses which have been delivered via virtual training sessions. Our continuing growth and dynamic pipeline of new stores allows our colleagues to grow as the business grows.

Development of our teams through the Academy supports our strategic aim to fill future Store Manager roles internally. Today 55% of our Store Managers are internal appointments having all developed from a Customer Service Assistant role. We aim to improve this percentage as the business grows, giving us committed and talented team members at the customer-facing heart of our business. The Academy encompasses all in-house training and quality audits such as our monthly mystery shop programme and standards audits and performance reviews.



Our Customers

We believe in clarity and transparency when communicating with our customers. Our website is informative yet engaging and, where necessary, clearly explains our terms of business without hiding anything in the small print. We are open and honest about our products and services and do not employ pressure selling techniques or attempt to take advantage of any vulnerable groups. If we make a mistake, we acknowledge it, deal with the problem quickly and learn from our error. We listen to our customers as we know that they can help us improve our service to them. In return a substantial amount of our business comes from previous customers, existing customers taking more space and customer referrals.

Our Suppliers

We are committed to conducting our business with suppliers in a fair and honest manner, with openness and integrity, operating in accordance with the terms and conditions agreed upon. We expect our suppliers to operate to these same principles.

Policy on Payment of Suppliers

The Group does not follow any formal code or standard on payment practice. The Company's policy, which is also applied by the Group, is to ensure that, in the absence of dispute, all suppliers are dealt with in accordance with standard payment practice, whereby all outstanding trade accounts are settled within the terms agreed with the supplier at the time of the supply or otherwise, 30 days from invoice date. At the year-end the credit taken from suppliers by the Group was 39 days (2021: 39 days).

Health and Safety

The Board recognises the prime importance of maintaining high standards of Health and Safety and healthy working conditions for our teams, customers, visitors, contractors, and other people who may be affected by our business activities. Lok'nStore has a Property Risk Committee which meets periodically and considers issues relevant to Health and Safety and other risk issues within the Group, under the overall supervision of Ray Davies, Finance Director, who carries Board responsibility for risk management.

The Health and Safety policy is reviewed by the Committee on an annual basis. It is also amended to include changes to Health and Safety Law as they occur. The Health and Safety policy clearly sets out the duties and responsibilities of the Managing Director, managers, and all colleagues within the Group.

The Strategic Report as set out in pages 12 to 43 was approved by the Board of Directors and authorised for issue on 28 October 2022 and signed on its behalf by:

Andrew Jacobs
Executive Chairman
28 October 2022

Ray Davies
Finance Director
28 October 2022

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**OPEN 7
DAYS A
WEEK**

Self Storage

**NOW
OPEN**

RECEPTION



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LANDMARK STORE WOLVERHAMPTON



52,100

SQUARE FEET OF MAXIMUM
LETTABLE AREA

NOW



OPEN

Lok'nStore Wolverhampton is a Landmark five storey facility which sits on the leading road to the very large Bentley Bridge destination retail park.

Adjacent to food, retail and leisure uses the store is well located to serve the large population around it.

Developed for a management services client Lok'nStore will receive high quality income from the store's performance. In return the managed services client will benefit from Lok'nStore's excellent operational expertise.

Early trading has been very good.

Board of Directors and Advisers

EXECUTIVE DIRECTORS



Andrew Jacobs (63)
Executive Chairman

Experience

Andrew established Lok'nStore 27 years ago after eight years working in the Japanese equity market. Andrew is responsible for strategy, corporate finance, and property. He has an MPhil in Economics from Cambridge University and a BSc in Economics from LSE.

Key Areas of Expertise

Strategy, corporate finance, economics, and property.



Ray Davies (65)
Finance Director

Experience

Ray is a Fellow of the Institute of Chartered Accountants and a Fellow of the Institute of Chartered Secretaries and Administrators. Prior to joining Lok'nStore in 2004, Ray held several senior finance positions in listed companies in the construction, health and fitness sectors.

Key Areas of Expertise

Finance and accounting, corporate reporting, risk management, legal, tax and compliance.



Neil Newman-Shepherd (45)
Managing Director

Experience

Neil joined the Lok'nStore Group in October 2006 becoming Sales Director in November 2015. Prior to joining Lok'nStore, Neil gained retail experience at Wickes and Woolworths plc. Neil is responsible for sales, operations, marketing and people.

Key Areas of Expertise

Sales, marketing, and human resource management.

DIRECTORS


The Board of Directors is supported by an Assistant Company Secretary who assists the Chairman with the setting of meeting agendas and provides the information to the Board members prior to the meetings. A procedure to enable Directors to take independent professional advice if required has been agreed by the Board and formally confirmed by all Directors.

A. Jacobs	Executive Chairman
R.A. Davies	Finance Director
N. Newman-Shepherd	Managing Director
J. Woyda 	Independent Senior Non-Executive Director (Appointed 1 September 2021)
S.G. Thomas	Non-Executive Director
R.J. Holmes 	Non-Executive Director
C.P. Peal 	Non-Executive Director
E.T.D. Luker	Retired as Director and Senior Non-Executive Director December 2021

 Audit Committee

 Remuneration Committee

 Chairman

 Find out more about the Company's committees on page 62.

THE BOARD HAS OVER **100 YEARS** OF SELF-STORAGE EXPERIENCE

NON-EXECUTIVE DIRECTORS



Jeff Woyda (60)
Senior Independent
Non-Executive Director

Experience

Jeff joined the Board on 1 September 2021 as an independent Non-Executive Director. During his extensive and varied career Jeff, a qualified accountant, has held a number of senior executive positions and is currently Chief Financial Officer and Chief Operating Officer of Clarkson plc, a FTSE 250 company and the world's leading provider of integrated shipping services and investment banking capabilities to the shipping and offshore markets.

Key Areas of Expertise

Finance and technology, strategic development, financial management, investor relations and corporate governance.



Simon Thomas (62)
Non-Executive Director

Experience

Simon joined Lok'nStore in 1997 following successful careers in the publishing and finance sectors. He worked at Reed International, Swiss Bank Corporation, Nomura International and co-founded the emerging markets investment trust business at LCF Edmond de Rothschild. Simon is particularly interested in environmental economics and natural capital.

Key Areas of Expertise

Corporate finance and environmental performance.



Richard Holmes (62)
Non-Executive Director

Experience

Richard joined Lok'nStore in 2000 having held senior marketing and commercial roles in Unilever, Boots as Marketing Director and Commercial Director and latterly Specsavers as Group Marketing Director.

Key Areas of Expertise

Marketing including digital marketing and customer experience



Charles Peal (67)
Non-Executive Director

Experience

Charles joined Lok'nStore in 2007. Charles started his career in 1977 at 3i Group, the leading UK quoted Venture Capital Company. He was Chief Executive of Legal and General Ventures from 1988 to 2000 and has served on several boards since then.

Key Areas of Expertise

Capital Markets and Fund Management.

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ADVISERS

In addition, the Board is advised by:

Secretary and Registered Office: Dentons Secretaries Limited, One Fleet Place, London, EC4M 7WS

Nominated Adviser and Brokers: finnCap Limited, One Bartholomew Close, London, EC1A 7BL

Nominated Adviser and Brokers: Peel Hunt LLP, 100 Liverpool Street, London, EC2M 2AT

Statutory Auditor: RSM UK Audit LLP, 25 Farringdon Street, London, EC4A 4AB

Registrars: Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL

Solicitors: Dentons, UKMEA LLP, One Fleet Place, London, EC4M 7WS

Solicitors: RWK Goodman, LLP, 69 Carter Lane, London, EC4V 5EQ

Solicitors: Russell-Cooke, 2, Putney Hill, London, SW15 6AB

Direct and Indirect Tax Advisors: BDO LLP, 55 Baker Street, London, W1U 7EU



To find out more visit:
www.loknstore.com/investors/the-board

Corporate Governance

Corporate Governance Statement

The Board of Lok'nStore Group plc has always sought to operate the highest level of governance standards appropriate to the size and nature of the Company.

The Group applies the Quoted Companies Alliance's Corporate Governance code ('QCA Code').

As Chairman it is my responsibility to ensure the Company complies with the QCA Code and where the Company deviates to explain why the Directors believe this to be in the best interests of the Company. In this section, we demonstrate our Company's good corporate

governance structure and, where our practices differ from the expectations set by the QCA Code, why they do so. You can find more information including our reporting directly referenced to the ten principles of the QCA code on the corporate governance page in the investor section on our website. These are also summarised below and referenced to the relevant content within the Annual Report.

Our Governance Structure



QCA Code Principle	Reporting Location	Compliant With Code
1 Establish a strategy and business model which promote long-term value for shareholders.	Our business model is set out on pages 16 to 17 and our strategic objectives and achievements in the year are set out on page 18. The principal risks associated with the business model are set out in the Principal Risks and Uncertainties section on pages 40 to 43.	✓
2 Seek to understand and meet shareholder needs and expectations.	Under Shareholder Relations on page 61 we discuss how we seek to understand and meet shareholder needs and expectations. Andrew Jacobs, Executive Chairman, is responsible for shareholder liaison.	✓
3 Take into account wider stakeholder and social responsibilities and their implications for long-term success.	How we work with and take into account wider stakeholder interests is detailed in the Environmental and Social Section on pages 44 to 51.	✓
4 Embed effective risk management, considering both opportunities and threats, throughout the organisation.	Our approach to risk management is detailed on page 40 and our principal risks are outlined on pages 41 to 43. Our approach to internal control and specifically internal audit is set out on page 58.	✓
5 Maintain the Board as a well-functioning, balanced team led by the Chair	The Board structure is reported on pages 58 to 62. Our committees are detailed in this section of the annual report but can also be found on our website: https://www.loknstore.co.uk/investors/	✓
6 Ensure that between them the Directors have the necessary up-to-date experience, skills, and capabilities	Our Directors' biographies can be found on pages 54 to 55 and further information on the balance of skills and capabilities within our Board can be found in the commentary on Board Evaluation on page 60.	✓
7 Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	We set out this year's information in the Corporate Governance section on page 60.	✓
8 Promote a corporate culture that is based on ethical values and behaviours	Please see our Environmental and Social matters on pages 44 to 51.	✓
9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	Please see the Corporate Governance Section from page 52.	✓
10 Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Please see the Corporate Governance Section, specifically page 61. Results of voting at our AGMs can be found on the announcements page of our website: https://www.loknstore.co.uk/investors/announcements/	✓

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Internal Control

The Board is responsible for ensuring that the Group has established and operates a system of internal control. In this context, internal control is defined as those policies and processes established to ensure that business objectives are achieved cost effectively, assets and shareholder value are safeguarded, and laws, regulations and policies are complied with. Controls can provide reasonable but not absolute assurance that risks are identified and adequately managed to achieve business objectives and to minimise material errors, losses and fraud or breaches of laws and regulations.

The Group operates a strict system of internal financial control, which is designed to ensure that the possibility of misstatement or loss is kept to a minimum. There is a comprehensive system in place for financial reporting and the Board receives a number of reports to enable it to carry out these functions in the most efficient manner.

These procedures include the preparation of management accounts, forecast variance analysis and other ad hoc reports. There are clearly defined authority limits throughout the Group.

The Group continues to develop the internal audit function utilising operational management to make unannounced store visits as part of a process supported by audit control checklists and other procedures. This undertaking has contributed to sales by promoting efficient store management, but also addresses risk and credit control, cash and store banking, and space and customer management. The internal audit checks are designed to ensure any fraud or mismanagement is quickly identified. The Group has a whistle-blowing procedure within its employee handbook, which is issued to all colleagues. All employees may raise concerns about malpractice or improper or potentially illegal behaviour in confidence without concern of victimisation or disciplinary action.

The Board

Three Executive Directors and Four Non-Executive Directors

Meets:	Considers:	Receives:
Meets regularly throughout the year (9 times in the current year). See page 60 for table recording Board attendance.	<ul style="list-style-type: none"> Financial strategy Company performance Major investments Capital resources Risk management Reporting to shareholders 	<ul style="list-style-type: none"> Detailed management accounts against budgets A current trading appraisal Minutes of all subcommittees The Risk Register The Conflicts Register

The Directors

The Board consists of three Executive Directors and four Non-Executive Directors (following the retirement of Edward Luker in December 2021). The expertise of the Directors covers Company Law, Corporate Finance, Economics, Finance and Accounting, Corporate Reporting, Risk Management, Tax and Compliance, Marketing, Operations, Property Law and Strategy.

Activities

The Non-Executive Directors provide considerable support to the Executive Chairman and while much of this is via informal meetings, telephone calls and email correspondence, the Non-Executive Directors also lend their expertise and experience to other members of the management team.

Conflicts of Interest

The Directors have a responsibility to act in the best interests of the Group and its shareholders and in keeping with this responsibility it is imperative that Directors are aware of and properly manage potential conflicts of interest. The table below shows the directorships that the Group Directors hold in other Companies and Trusts both inside and outside the Group:

Andrew Jacobs

Andrew Jacobs (UK) Limited
Andrew Jacobs LLP
Lok'nStore Limited*
The Box Room (Self-Storage) Ltd*

Ray Davies

Ash Road SS Limited
Davies Elise Consulting Limited
Lok'nStore Limited*
Lok'nStore Trustee Limited*
ParknCruise Limited*
Semco Engineering Limited*
Semco Machine Tools Limited*
Southern Engineering and Machinery Co. Limited*
The Box Room (Self-storage) Ltd*
Gypsy Moth Storage Limited
(formerly Chichester Storage Limited)
Broadstairs Storage Limited

Neil Newman-Shepherd

Lok'nStore Limited*

Jeff Woyda

Clarkson (Trustees) Limited
Clarkson Capital Ltd
Clarkson Dry Cargo Limited
Clarkson Holdings Limited
Clarksons Overseas Shipbroking Limited
Clarkson PLC
Clarkson Property Holdings Limited
Clarkson Research Holdings Ltd
Clarkson Research Services Limited
Clarkson Sale and Purchase Limited
Clarkson Shipbrokers Limited
Clarkson Shipbroking Group Limited
Clarkson Tankers Limited
Clarksons Platou Legal Services Limited
Clarksons Structured Asset Finance Ltd
H. Clarkson & Company Limited
Halcyon Shipping Ltd
J.O. Plowright & Co. (Holdings) Limited
LevelSeas Ltd
Maritech Development Limited
Maritech Holdings Limited
Maritech Limited
Maritech Services Limited
Seafix Limited

Overseas Directorships

Afromar Properties (PTY) Limited
Bonus Plus Investments Limited
Clarkson Logistics (HK) Limited
Clarkson Shipping Services Acquisition USA LLC
Clarkson Shipping Services India Private Limited
Clarksons Hong Kong Limited
Clarksons Norway AS
Clarksons Shipping Services USA LLC
Clarksons Singapore Pte. Limited
Clarksons (South Africa) (Pty) Limited
Clarksons USA Inc
Diligent Challenger Limited

Directorships held by Jeff Woyda in the last five years

J.O. Plowright & Co. (Holdings) Limited
Clarksons Platou Securities Limited
Oilfield Publications Ltd
LNG UK PLC
Clarkson Logistics Limited
Clarksons Platou Futures Limited
International Transport Intermediaries Club Limited

Overseas

Clarksons Platou Asia Limited
Clarksons Platou AS
Clarksons Platou Asia Pte. Limited

Trusteeships

The Clarkson Foundation CIO
The Clarkson PLC Pension Scheme
J.O. Plowright & Co. (Holdings) Limited Pension and Assurance Scheme

Simon Thomas

Lok'nStore Limited*
Simon Thomas (UK) Limited

Richard Holmes

Lok'nStore Limited*
Lok'nStore Trustee Limited*
Moorfield Eye Hospital NHS Foundation Trust
The Schiehallion Fund Limited**

Charles Peal

No other directorships

* Lok'nStore Group Companies

** Guernsey registered company

Corporate Governance continued

Conflicts of interest arise where an individual's personal interests or those interests related to legitimate outside roles may conflict with the interests of the Group. This could, for example, inhibit open discussions or lead to a perception that the individual is acting outside of the Group's interests.

It is recognised that conflicts of interest will inevitably occur from time to time and that Directors legitimately undertake roles outside of the Group. The Board therefore believes it is important to be transparent in terms of such interests and to ensure they are properly recorded and, where necessary, Directors will withdraw from decision-making if there is a danger of conflict.

Board Evaluation and Composition

Board Attendance

Board Attendance during the year is set out in the table below. Meetings have often been a mix of physical attendees with occasions when Directors have dialled in via Zoom in order to participate.

Board Attendance	Board	Audit Committee	Remuneration Committee	Annual General Meeting	% Attendance
Total Number of Meetings in 2021-2022	9	3	1	1	
Executive Directors					
Andrew Jacobs	9	n/a	n/a	1	100%
Ray Davies	9	n/a	n/a	1	100%
Neil Newman-Shepherd	8	n/a	n/a	1	89%
Non-Executive Directors					
Simon Thomas	9	n/a	n/a	1	100%
Edward Luker (retired December 2021)	4	2	1	1	100%
Charles Peal	9	3	n/a	1	100%
Richard Holmes	9	n/a	1	1	100%
Jeff Woyda	8	n/a	n/a	1	89%

The 2021 QCA Code expects companies to, 'evaluate Board performance based on clear and relevant objectives, seeking continuous improvement'. Our Executive Directors are evaluated on a quarterly basis via the company's senior management review system in which objectives are set and performance against these objectives is subsequently measured. Remuneration is linked to these objectives and may include relevant performance targets such as the number of new properties acquired or revenue growth. Our Non-Executives were evaluated informally within this year's review of our Board composition, and we report on this below.

The UK Corporate Governance Code's requirement is that a smaller company should have at least two Non-Executive Directors that are deemed independent.

A register of interests is maintained by the Assistant Company Secretary and is circulated to the Directors in advance of each Board meeting. Conflicts of interest are considered and authorised by the Board as they arise.

We report, in note 31, related party transactions. Additionally, in the interests of transparency and in compliance with the 2021 QCA Code (Provision 10) include items which, while not strictly falling within the definition of a related party transaction, are still considered matters of interest. We therefore report on the Lok'nStore Group plc dividends received by all Directors, including Non-executive Directors, and do not consider these to be material business relationships which would impair their independence.

Following the retirement of Edward Luker, three of our Non-Executive Directors have served for longer than nine years and were therefore no longer deemed independent under this Code. Our adopted code, the Quoted Companies Alliance Code, takes a more pragmatic approach stating that, 'length of tenure does not automatically affect independence' and that the Board should, 'make a decision regarding such Director's independence.'

As part of our review of the Board composition this year we looked at the ability of our Non-Executive Directors to be objective, the experience each of our Non-Executive Directors brings to the business and the contribution they have made in the year.

We established that the broad range of skills, expertise, and attitude amongst the Executive and Non-Executive Directors includes all the matters that the Company deals with – strategy, property, finance, human resources, marketing and organisation. Furthermore, the long experience of Board Members continues to be considered an asset and all express challenges freely and robustly.

We also met with potential Non-Executive Directors to explore what expertise they might bring to the Board and discussed the balance between new experiences and increasing costs. After careful consideration we concluded that although the current composition of the Board remains effective it was in the best interest of shareholders and the Company as a whole to appoint a new independent Non-Executive Director with the necessary skills and a wealth of knowledge and experience held in senior roles across multiple disciplines to contribute to the Group for its next stage of growth. Accordingly, Jeff Woyda was appointed as an independent Non-Executive Director on 1 September 2021. His biography details are set out in this Report on page 55.

Although Non-Executive Directors who have served over nine years must offer themselves for re-election at every Annual General Meeting, and accordingly Simon Thomas, Charles Peal and Richard Holmes offer themselves for re-election at every AGM, the Group considers the Non-Executive Directors to be independent and therefore compliant with the Code.

Directors' Remuneration

The Remuneration Committee consists of Jeff Woyda (Chairman of the Committee) and Richard Holmes. The Committee meets and considers, within existing terms of reference, the remuneration policy and makes recommendations to the Board for each Executive Director. The Committee's remuneration policy aims to design a package that will align the interests of Executive Directors and those of shareholders. The Executive Directors' remuneration consists of a package of basic salary, bonuses and share options, which are linked to corporate achievements and these levels are determined by the Remuneration Committee.

Performance-related bonuses are calculated in accordance with strict and measurable performance criteria. There are no specific performance conditions relating to the historic grant of share options beyond the share price performance.

There are appropriate performance criteria which apply for the grant of future share options to Directors and senior managers in the business as part of their participation in long-term performance awards in order to meet the objectives of the business and accord with accepted corporate governance.

The details of each Director's remuneration are set out in note 8 in the financial statements and in the Remuneration Report on page 66. The Committee meets once a year and considers proposals from the Executive Chairman.

Shareholder Relations

We aim to provide balanced, clear and transparent communications which allow our shareholders to understand our performance, strategy and prospects. Further aiding transparency is the fact that the Group has a straightforward capital structure with only one class of shares and one bank facility.

The Directors also meet and discuss the performance of the Group with shareholders throughout the year with specific schedules to visit institutional investors, analysts and the media being held after the announcement of the half-year and full-year results. At the AGM the Board gives a presentation of events and progress during the year. Attendee shareholders are encouraged to mix and engage with the Directors after the formal business of the AGM has concluded.

Regular Regulatory News Service announcements (RNS) are made via the London Stock Exchange throughout the year keeping all shareholders informed about acquisitions, trading conditions, Director dealings etc. Queries raised by a shareholder, either verbally or in writing, are promptly answered by whoever is best placed on the Board to do so.

Accounting Dates and Reporting Calendar 2022

January	H1 Period-End
February	Pre-close Trading Statement (H1)
April	Interim Results announced
July	Financial Year-End
August	Pre-close Trading Statement
November	Preliminary Statement
December	AGM

Corporate Governance continued

Accountability and Audit

The Board believes that the audited Annual Report and Accounts play an important part in presenting all shareholders with an assessment of the Group's position and prospects. The Strategic Report contains a detailed consideration of the Group's position and prospects.

Board Committees

The following section introduces the Group's committees, members and the terms of reference.

Nomination Committee

A Nomination Committee would oversee the appointment of a new Director. Due to the relatively small size of the Company, the Board does not believe that a Nomination Committee is necessary. In the event of a proposal to appoint a new Director, this is discussed at a full Board meeting with each member being given the opportunity to meet the individual concerned prior to any formal decision being taken. Each member of the Board is subject to the re-election provisions of the Articles of Association, which require them to offer themselves for re-election at least once every three years.

Remuneration Committee

The Remuneration Committee consists of Jeff Woyda (Chairman of the Committee since January 2022 following Edward Luker's retirement) and Richard Holmes. The Committee meets once a year and considers, within existing terms of reference, the remuneration policy and makes recommendations to the Board for each Executive Director. Further the Committee considers proposals from the Executive Chairman on the remuneration of the operational management team especially in relation to bonus share option awards under the long-term performance-related pay schemes.

The Committee's remuneration policy aims to design a package that will align the interests of Executive Directors and those of shareholders. The Executive Directors' remuneration consists of a package of basic salary, bonuses and long-term performance-related pay including share options, which are linked to corporate achievements and these levels are determined by the Remuneration Committee. The details of each Director's remuneration are set out in the Remuneration Report on page 66 and more details are given in note 8 in the financial statements.

Audit Committee

The Company has an Audit Committee, to whom the external auditor, RSM UK Audit LLP, reports. The Committee consists of Charles Peal (Chairman of the Committee) and Jeff Woyda (since January 2022). Charles Peal is the Committee's Nominated Financial Expert (for details of Charles' experience please see his biography on page 55). The Committee is responsible for the relationship with the Group's external auditor and the review of the Group's financial reporting and internal controls.

The Committee meets prior to the announcement of the Group's financial results to consider the Auditor's Findings Report and consider any corresponding recommendations. It also convenes to discuss and review the findings of the external JLL Valuation Report prior to the Group's year-end results. The Committee would also convene prior to the Group's interim financial results and at other times should it be necessary.

The Audit Committee also undertakes a formal assessment of the auditor's independence each year, which includes:

- a review of non-audit services provided to the Group and related fees;
- discussion with the auditor of a written report detailing all relationships with the Company and any other parties that could affect independence or the perception of independence;
- a review of the auditor's own procedures for ensuring the independence of the audit firm and partners and team members involved in the audit, including the regular rotation of the audit partner every five years; and
- obtaining written confirmation from the auditor that, in their professional judgement, they are independent.

An analysis of the fees payable to the external audit firm in respect of both audit and non-audit services during the year is set out in note 7 to the financial statements.

The Committee is satisfied that the external auditor remains independent in the discharge of their audit responsibilities. The Board will continue to review the Company's corporate governance and annual reporting against the QCA Code and to implement appropriate systems in order to support the Directors in executing their responsibilities to all of the Company's stakeholders.

On behalf of the Board.

Andrew Jacobs
Executive Chairman

28 October 2022

Directors' Report

The Directors submit their report and the audited financial statements of the Company and of the Group for the year ended 31 July 2022.

Principal Activity

The principal activity of the Group during the year was that of providing self-storage and related services.

Review of the Business and Future Developments

A detailed account of the Group's progress during the year and its prospects are set out in the Chairman's Statement on pages 4 to 8 and the Strategic Report on pages 12 to 43. The key performance indicators are set out in the Highlights on page 2 and discussed in more detail in the Financial Review on page 30 and the Managing Director's Review on page 19. Commentary on financial risk management is included on page 40 and disclosures on financial instruments are provided in note 17. The Carbon energy reporting disclosures have been provided in the Environmental Report on pages 45 to 49.

Going Concern

A review of the Group's business activities, together with the matters likely to influence its future development, performance and its position in the wider market is set out in the Strategic Report. The financial position of the Group, its cash flows and borrowing facilities are shown in the Statement of Financial Position, Statement of Cash Flows and corresponding notes and policies contained within the financial statements.

Further information concerning the Group's objectives, policies, its financial risk management objectives as well as details of financial instruments and credit and liquidity risk are also found in the Strategic Report and in the notes to the financial statements (See note 17).

The Directors can report that, based on the Group's budgets and financial projections, which include a recognition of the inflationary effect of rising costs and the expected impact on the Group, they have satisfied themselves that the business is a going concern.

The Group operates a Revolving Credit Facility of £100 million. The increased facility continues to provide funding for new Landmark site acquisitions to support the Group's ambitious growth plans. The facility is a joint agreement with ABN AMRO N.V. and NatWest Bank plc participating equally and runs until April 2026. The interest rate is set at the Sterling Overnight Index Average (SONIA) plus a 1.50%-1.75% margin based on a loan to value covenant test. The Group is fully compliant with all bank covenants and undertakings and is not obliged to make any repayments prior to expiration. Further details are provided in note 18 (Borrowings).

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 of £46.5 million (2021: £9.1 million), undrawn committed facilities at 31 July 2022 of £33.2 million (2021: £9.6 million) and cash generated from operations of £18.6 million (2021: £12.2 million).

With interest rates rising, this risk per se is increasing, however the Executive and the Board monitor this position carefully through the Group's detailed operating reports produced on a weekly basis and detailed financial and accounting reports produced on a monthly basis. The Group's bank covenant compliance is reviewed as part of this process. The Bank's senior interest covenant is tested quarterly on a 12-month rolling basis.

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.

Dividend

The Directors propose that a final dividend of 12.25 pence per share will be paid to the shareholders (2021: 10.67 pence per share). The total estimated dividend to be paid is £3.6 million based on the number of shares in issue at 14 October 2022 as adjusted for shares held in the Employee Benefit Trust. This is subject to approval by shareholders at the Annual General Meeting on 8 December 2022 and has not been included as a liability in these financial statements. The ex-dividend date will be 24 November 2022; the record date 25 November 2022; with an intended payment date of 6 January 2023. The final deadline for Dividend Reinvestment Election (DRIP) is 9 December 2022.

Events after the Reporting Date

Reportable events after the reporting date are set out in note 34 in the financial statements.

Directors

The following Directors held office during the year and subsequently:

A Jacobs	Executive Chairman
RA Davies	Finance Director
N Newman-Shepherd	Managing Director
ETD Luker	Senior Non-Executive (Until 9 December 2021 before retiring)
SG Thomas	Non-Executive
RJ Holmes	Non-Executive
CP Peal	Non-Executive
J Woyda	Senior Non-Executive (1 January 2022 onwards)

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Directors' Report continued

Details of the interests of the Directors in the shares of the Company are set out below and details of their remuneration are disclosed in note 8 of the financial statements. Biographical details of the Directors are set out on pages 54 and 55.

Reappointment of Directors

Richard Holmes and Charles Peal who have over 18 and 15 years tenure respectively as Non-Executives are required to offer themselves for re-election at every AGM and accordingly offer themselves for re-election at the next AGM. Simon Thomas by virtue of his accumulated tenure both as an Executive and a Non-Executive Director also offers himself for re-election at the next AGM.

Ray Davies and Neil Newman-Shepherd new retire by rotation and offer themselves for re-election

Edward Luker, the Senior Non-Executive Director, after many dedicated years of service to the Group retired in December 2021 and the Board has previously recorded its appreciation of the significant contribution that he has made to the business over his many years on the Board.

Jeff Woyda became Senior Independent Non-Executive on 1 January 2022.

Directors' and Officers' Liability Insurance

The Company has liability insurance covering the Directors and Officers of the Company and its subsidiaries.

Substantial Shareholdings

The Directors have been notified or are aware that the following are interested in 3% or more of the issued Ordinary Share capital of the Company as at 14 October 2022:

	Current rank	% at 14 October 2022	Number of shares	Total shares in Issue	% at 15 October 2021	Number of shares	Total shares in issue
Andrew Jacobs	1	17.34	5,203,600		17.52	5,203,600	
Canaccord Genuity Wealth Management (inst)	2	9.02	2,706,550		8.42	2,500,000	
Investec Wealth & Investment	3	7.36	2,207,997		4.38	1,300,454	
Blackrock	4	5.07	1,552,510		6.67	1,979,376	
Simon Thomas	5	4.77	1,430,000		5.14	1,525,000	
Stonehage Fleming	6	3.41	1,023,569		3.47	1,030,235	
Interactive Investor	7	3.36	1,007,354		3.63	1,079,020	
Hargreaves Lansdown	8	3.04	912,593		3.41	1,013,602	
Canaccord Genuity Wealth Management (Retail)	9	3.02	905,570				
Represents total shares in issue				30,008,099			29,692,749

Market Valuation of Freehold Land and Buildings

The changes in property, plant and equipment during the year and details of property valuations at 31 July 2022 are shown in note 12(a) to the Financial Statements. Further commentary on the property portfolio is contained in the Property Review on page 26 and in the Financial Review on page 30.

Share Buy-back Authority

Authority will be sought at the Company's AGM on 8 December 2022 from shareholders to approve a share buyback authority. The buy-back authority will only be exercised in circumstances where the Directors regard such purchases to be in the best interests of shareholders as a whole.

Statement of Disclosure of Information to the Auditor

The Directors who were in office at the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Stakeholder Engagement

Effective engagement with stakeholders at Board level and throughout our business is crucial to fulfilling the Group's strategic objectives. We continue to be collaborative with all stakeholder groups including customers, employees, suppliers, local authorities, regulators, funders and investors. This approach necessarily involves listening to and taking account of their views and feedback, while also being open to change.

Political Donations

The Group made no political donations during the year (2021: nil).

Corporate Governance

The Group's statement on Corporate Governance can be found in the Corporate Governance Report on pages 56 to 62. The Corporate Governance Report forms part of the Directors' Report and is incorporated into it by cross-reference.

Annual General Meeting

The Board considers the Annual General Meeting an important opportunity to present to shareholders the Company's performance and intends to hold its Annual General Meeting at 5.30 pm on 8 December 2022 to be held at the offices of finnCap Group, One Bartholomew Close, London EC1A 7BL.

Auditor

A resolution to reappoint RSM UK Audit LLP as auditor will be put to the members at the Annual General Meeting. A formal notice together with explanatory circular and Form of Proxy will be sent to shareholders.

On behalf of the Board.

Ray Davies

Finance Director

28 October 2022

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Remuneration Report

Although the Group is not required to set out a formal Remuneration Report, we set out below the key components of the Directors' remuneration in accordance with AIM Rule 19.

Base Salary: Provides competitive fixed remuneration to retain key employees and reflect their level of skill, experience and expertise, scope of responsibilities and performance in the context of the role and set by reference to the market.

Annual and Monthly Bonuses: Aligns reward to key Group strategic objectives and drives short-term performance.

Long Term Incentive Plan: Following strict performance criteria aligns Executive Director interests with those of shareholders and rewards achievement of the long-term plan. (See below and note 24(b) of the financial statements for details of the Scheme). Certain senior managers who are in a position to significantly influence the performance of the Group also participate in the Scheme.

All Employee Scheme: The Group operates an HMRC approved Share Incentive Plan (SIP). This encourages share ownership by all employees and allows them to share in the long-term success of the Group. R Davies and N Newman-Shepherd, Executive Directors, also participate in this scheme.

Other Benefits: The benefits reported in the table below all relate to medical insurance premiums paid on behalf of the Directors. An additional benefit is Death in Service Insurance typically at four times base salary (subject to a cap of £0.5 million).

Service Contracts: Executive Directors' service contracts operate on a rolling basis without a specific end-date providing for one year's notice on the part of the Company and six months' notice on the part of the employee. Non-Executive Directors do not have service contracts with the Company but rather their appointments are governed by letters of appointment.

Directors' Remuneration

Directors' Remuneration 2022	Salary £	Bonuses £	Benefits £	Sub Total £	Pension £	Gains on Share Options £	Total £
Executive:							
A Jacobs	223,842	146,500	7,387	377,729	–	1,360,277	1,738,006
RA Davies	174,087	49,287	5,587	228,961	6,963	456,995	692,919
N Newman-Shepherd	97,521	100,523	2,793	200,837	3,901	11,058	215,796
Non-Executive:							
J Woyda	27,364	–	–	27,364	–	–	27,364
SG Thomas	23,881	–	5,570	29,451	–	–	29,451
RJ Holmes	23,881	–	–	23,881	–	–	23,881
ETD Luker	9,950	–	–	9,950	–	–	9,950
CP Peal	23,881	–	–	23,881	–	–	23,881
	604,407	296,310	21,337	922,054	10,864	1,828,330	2,761,248

Directors' Remuneration 2021	Salary £	Bonuses £	Benefits £	Sub Total £	Pension £	Gains on Share Options £	Total £
Executive:							
A Jacobs	215,233	132,500	6,568	354,301	–	–	354,301
RA Davies	165,797	45,946	5,434	217,177	6,631	–	223,808
N Newman-Shepherd	91,210	179,545	2,571	273,326	3,648	–	276,974
Non-Executive:							
SG Thomas	22,743	–	5,087	27,830	–	14,436	42,266
RJ Holmes	22,743	–	–	22,743	–	–	22,743
ETD Luker	28,430	–	–	28,430	–	–	28,430
CP Peal	22,743	–	–	22,743	–	–	22,743
J Woyda	20,848	–	–	20,848	–	–	20,848
	589,747	357,991	19,660	967,398	10,279	14,436	992,113

Details of the Directors' remuneration is shown above.

The highest paid Director did not accrue any pension rights during the year. The benefits in kind all relate to medical insurance premiums paid on behalf of the Directors. The number of Directors to whom retirement benefits are accruing under money purchase pension schemes in respect of qualifying service is two (2021: two).

The following table shows a summary of the options held by Directors under all schemes. Refer to notes 22 to 25 for details.

	Total at 31 July 2021	Options Granted	Options Exercised	Unapproved Scheme	Approved CSOP Share Options	Total at 31 July 2022
2022						
Executive Directors						
A Jacobs – Unapproved	206,087	–	(206,087)	–	–	–
A Jacobs – PPP	160,000	40,000	–	200,000	–	200,000
A Jacobs total	366,087	40,000	(206,087)	200,000	–	200,000
RA Davies – Unapproved	246,977	–	(65,000)	181,977	–	181,977
RA Davies – CSOP	7,742	–	(7,742)	–	2,941	2,941
RA Davies – PPP	160,000	38,236	–	198,236	–	198,236
RA Davies total	414,719	38,236	(72,742)	380,213	2,941	383,154
N Newman-Shepherd – Unapproved	135,599	–	–	135,599	–	135,599
N Newman-Shepherd – CSOP	8,618	–	(1,400)	7,218	964	8,182
N Newman-Shepherd – PPP	240,000	59,422	–	299,422	–	299,422
N Newman-Shepherd total	384,217	59,422	(1,400)	442,239	964	443,203
All Directors total	1,165,023	137,658	(280,229)	1,022,452	3,905	1,026,357

The grant of options to Executive Directors and senior management is recommended by the Remuneration Committee based on their contribution to the Group's success. The options vest after two and a half, three or five years, subject to the performance criteria attached to the options.

Unapproved Share Options – Long-Term Partnership Performance Plan (PPP)

On 2 July 2019, the Group adopted the Company Long-Term Partnership Performance Plan (PPP). The Plan is a discretionary benefit offered by the Company for the benefit of selected key employees including Executive Directors. Its main purpose is to increase the interest of the employees in the Group's long-term business goals and performance through share ownership. It contains specific performance criteria. Further details are set out in note 24(b) of the financial statements.

On behalf of the Board and signed on its behalf by:

Andrew Jacobs

Executive Chairman

Ray Davies

Finance Director

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report, and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors have elected under company law and are required by the AIM Rules of the London Stock Exchange to prepare the Group financial statements in accordance with UK adopted International Accounting Standards and have elected under company law to prepare the company financial statements in accordance with UK adopted International Accounting Standards and applicable law.

The Group and Company financial statements are required by law and UK adopted International Accounting Standards to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the Directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether they have been prepared in accordance with UK adopted International Accounting Standards and;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Lok'nStore Group plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report

to the Members of Lok'nStore Group plc

Opinion

We have audited the financial statements of Lok'nStore Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 July 2022 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of change in equity, the consolidated and company statements of financial position, the consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 July 2022 and of the group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;

- the Parent Company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of Our Audit Approach

Key audit matters	Group	Parent Company
	<ul style="list-style-type: none"> • Valuation of property, plant and equipment 	<ul style="list-style-type: none"> • None
Materiality	Group <ul style="list-style-type: none"> • Overall materiality: £916,000 (2021: £617,000) • Performance materiality: £687,000 (2021: £463,000) 	Parent Company <ul style="list-style-type: none"> • Overall materiality: £554,000 (2021: £469,000) • Performance materiality: £415,000 (2021: £351,000)
Scope	Our audit procedures covered 100% of revenue, 100% of total assets and 100% of profit before tax.	

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group and Parent Company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent Auditor's Report continued

to the Members of Lok'nStore Group plc

Valuation of property, plant and equipment

Key audit matter description

At 31 July 2022 the fair value of freehold properties was £239.8m (2021: £199.6m). Disclosures relating to the property valuations are included in note 12(a) in the financial statements.

Property valuation is inherently subjective in nature and the Group employs external valuers to apply professional judgement concerning market conditions and factors impacting the valuation of individual freehold properties.

Fair values are calculated using actual and forecast inputs such as occupancy, capitalisation rates, maximum lettable area, operating expenses and net revenue per square foot by property as at 31 July 2022.

We consider property valuation to be a Key Audit Matter due to the material nature of these assets to the Group's financial statements, the degree of subjectivity, complexity and estimation uncertainty inherent in the valuation, and the allocation of resources in the audit.

How the matter was addressed in the audit

Our approach to auditing the valuations included the following:

- We tested the integrity of the information provided to the external valuer by management by agreeing key inputs such as actual occupancy and profitability to underlying records and source evidence;
- We evaluated the competence, capabilities, independence and objectivity of those preparing the external valuation report;
- We assessed the scope of the work which the external valuer was requested to perform by management and the valuation methodology applied;
- We discussed the valuations with the external valuer and challenged them on the key assumptions applied. We focused on properties we identified as having significant or unusual valuation movements (compared to underlying performance or previous periods);
- We utilised an independent auditor's expert in property valuation to assist the audit team in assessing the appropriateness of the valuation methodology adopted by the external valuer and in assessing the assumptions applied to a sample of specific properties as instructed by the audit team;
- We benchmarked the valuations and valuation inputs to comparable businesses in the sector;
- We challenged management to justify the reasons for the significant uplift in value in the year, which included challenge of the assumptions used in the model (particularly in respect of trading forecasts and comparison of those forecasts to actual results); and
- We audited the disclosures relating to the property valuation, including disclosure of the critical estimates and judgements made by management.

Our Application of Materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent Company
Overall materiality	£916,000 (2021: £617,000)	£554,000 (2021: £469,000)
Basis for determining overall materiality	Profit-based formula with materiality representing 5.6% of "adjusted EBITDA" and 0.3% of total assets.	10% of profit before tax
Rationale for benchmark applied	"Adjusted EBITDA" is considered to represent the underlying trading performance of the business and is a key metric used by management. Profitability also impacts the valuation of trading stores, which represent the majority of total assets.	Benchmark is considered to represent potential return to investors
Performance materiality	£687,000 (2021: £463,000)	£415,000 (2021: £351,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £46,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £27,700 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An Overview of the Scope of our Audit

The group consists of 8 components, all of which are based in the UK.

Full scope audit procedures were completed on the consolidated and parent company financial statements. The scope of our audit covered 100% of revenue, 100% of total assets and 100% of profit before tax included in the consolidated financial statements and no component auditors were used.

Subsidiaries that were subject to audit exemption were audited to group materiality as part of the audit of the consolidated financial statements.

Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing management's going concern assessment covering the 12 month period from the date of approval of the financial statements
- Checking the mathematical accuracy of the underlying financial model
- Assessing management's sensitivity analysis, including considering the impact on bank loan covenants

- Reviewing covenant compliance calculations
- Reviewing the appropriateness of going concern disclosures in the financial statements

We concluded that the directors' assessment was appropriate in the circumstances and have no key observations to make.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent Auditor's Report continued

to the Members of Lok'nStore Group plc

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on Other Matters Prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to Report by Exception

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 68, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The Extent to which the Audit was Considered Capable of Detecting Irregularities, Including Fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient

appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the Group and Parent Company operate in and how the Group and Parent Company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

Legislation/Regulation	Additional audit procedures performed by the audit engagement team included:
IFRS/UK-adopted IAS and Companies Act 2006	<ul style="list-style-type: none"> • Review of the financial statement disclosures and testing to supporting documentation; and • Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	<ul style="list-style-type: none"> • Inspection of advice received from tax advisors; and • Consideration of whether any matter identified during the audit required reporting to an appropriate authority outside the entity.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Cut-off in revenue recognition	<ul style="list-style-type: none"> • Testing the accuracy of the revenue recognised around the year end on a sample basis through obtaining supporting documentation and performing re-calculations of revenue to be recognised; and • Testing a sample of one-off management fees to check that the period in which the conditions for recognition were met.
Management override of controls	<ul style="list-style-type: none"> • Testing the appropriateness of journal entries and other adjustments; • Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and • Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our Report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Graham Ricketts (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP,
Statutory Auditor

Chartered Accountants
25 Farringdon Street
London, EC4A 4AB

28 October 2022





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LANDMARK STORE STEVENAGE



55,026

SQUARE FEET OF MAXIMUM
LETTABLE AREA

NOW



OPEN

Lok'nStore acquired and developed this Landmark location, situated in a prominent location on a busy roundabout to the south of the town, where all the traffic to the A1 as well as to and from the south of the town passes.

This site neighbours a very busy Starbucks, BP petrol station, as well as a number of offices and car dealerships.

This Landmark store with its striking design can be seen from all and early trading has been great.

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2022

	Notes	Group Year ended 31 July 2022 £'000	Group Year ended 31 July 2021 £'000
Revenue	1	26,902	21,892
Total property, staff, distribution, and general costs	2	(10,553)	(10,001)
Adjusted EBITDA¹		16,349	11,891
Depreciation	7	(4,727)	(4,149)
Equity-settled share-based payments		(201)	(118)
Non-underlying items	4	5,739	(160)
		811	(4,427)
Operating profit		17,160	7,464
Finance income	5	42	1
Finance cost	6	(1,328)	(1,017)
Profit before taxation		15,874	6,448
Income tax expense	9	(3,796)	(3,165)
Profit for the year attributable to Owners of the Parent	27a	12,078	3,283
Other comprehensive income			
Items that will not be reclassified to profit and loss			
Fair value movement in property valuation	12	60,171	47,718
Deferred tax relating to change in property valuation	20	(14,284)	(18,224)
Other comprehensive income		45,887	29,494
Total comprehensive income for the year attributable to Owners of the Parent		57,965	32,777
Earnings per share attributable to owners of the Parent			
Basic			
Total basic earnings per share	11	41.24p	11.33p
Diluted			
Total diluted earnings per share	11	40.48p	11.10p

1 Adjusted EBITDA is defined in the accounting policies section of the notes to this Report.

Consolidated Statement of Changes in Equity

For the year ended 31 July 2022

	Attributable to owners of the Parent					
	Share Capital £'000	Share Premium £'000	Other Reserves £'000	Revaluation Reserve £'000	Retained Earnings £'000	Total Equity £'000
31 July 2020	297	10,560	8,455	75,975	26,095	121,382
Profit for the year	-	-	-	-	3,283	3,283
Other comprehensive income:						
Increase in property valuation net of deferred tax	-	-	-	29,494	-	29,494
Total comprehensive income for the year	-	-	-	29,494	3,283	32,777
Transactions with owners:						
Dividend paid	-	-	-	-	(3,865)	(3,865)
Share-based payments	-	-	118	-	-	118
Transfers in relation to share-based payments	-	-	(26)	-	26	-
Deferred tax relating to share options	-	-	591	-	-	591
Exercise of share options	1	255	-	-	-	256
Reserve transfer on disposal of assets	-	-	-	(165)	165	-
Transfer additional depreciation on revaluation net of deferred tax	-	-	-	(568)	568	-
Total transactions with owners	1	255	683	(733)	(3,106)	(2,900)
31 July 2021	298	10,815	9,138	104,736	26,272	151,259
Profit for the year	-	-	-	-	12,078	12,078
Other comprehensive income:						
Increase in property valuation net of deferred tax	-	-	-	45,887	-	45,887
Total comprehensive income for the year	-	-	-	45,887	12,078	57,965
Transactions with owners:						
Dividend paid	-	-	-	-	(4,601)	(4,601)
Share-based payments	-	-	201	-	-	201
Transfers in relation to share-based payments	-	-	(180)	-	180	-
Deferred tax relating to share options	-	-	(57)	-	-	(57)
Exercise of share options	3	576	-	-	-	579
Reserve transfer on disposal of assets	-	-	-	(20,258)	20,258	-
Transfer additional depreciation on revaluation net of deferred tax	-	-	-	(821)	821	-
Total transactions with owners	3	576	(36)	(21,079)	16,658	(3,878)
31 July 2022	301	11,391	9,102	129,544	55,008	205,346

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Company Statement of Changes in Equity

For the year ended 31 July 2022

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Other Reserves £'000	Total Equity £'000
31 July 2020	297	10,560	15,650	1,912	28,419
Profit and total comprehensive income for the year	–	–	4,793	–	4,793
Transactions with owners:					
Equity settled share-based payments	–	–	–	118	118
Transfer in relation to share-based payments	–	–	26	(26)	–
Exercise of share options	1	255	–	–	256
Dividends paid	–	–	(3,865)	–	(3,865)
Total transactions with owners	1	255	(3,839)	92	(3,491)
31 July 2021	298	10,815	16,604	2,004	29,721
Profit and total comprehensive income for the year	–	–	5,756	–	5,756
Transactions with owners:					
Equity settled share-based payments	–	–	–	201	201
Transfer in relation to share-based payments	–	–	180	(180)	–
Exercise of share options	3	576	–	–	579
Dividends paid	–	–	(4,601)	–	(4,601)
Total transactions with owners	3	576	(4,421)	21	(3,821)
31 July 2022	301	11,391	17,939	2,025	31,656

Consolidated and Company Statements of Financial Position

31 July 2022

Company Registration No. 04007169

	Notes	Group 31 July 2022 £'000	Group 31 July 2021 £'000	Company 31 July 2022 £'000	Company 31 July 2021 £'000
Assets					
Non-current assets					
Property, plant and equipment	12a	292,848	255,652	–	–
Investments	13	–	–	2,871	2,670
Right of use assets	12b	10,424	10,503	–	–
		303,272	266,155	2,871	2,670
Current assets					
Inventories	14	143	290	–	–
Trade and other receivables	15	3,988	4,273	28,785	27,051
Cash and cash equivalents	17c	46,465	9,105	–	–
Financial assets		–	509	–	–
Total current assets		50,596	14,177	28,785	27,051
Total assets		353,868	280,332	31,656	29,721
Liabilities					
Current liabilities					
Trade and other payables	16	(7,229)	(5,841)	–	–
Lease liabilities	19	(1,612)	(1,258)	–	–
Taxation		(989)	(365)	–	–
		(9,830)	(7,464)	–	–
Non-current liabilities					
Borrowings	18	(66,196)	(64,941)	–	–
Lease liabilities	19	(9,282)	(9,908)	–	–
Deferred tax	20	(63,214)	(46,760)	–	–
		(138,692)	(121,609)	–	–
Total liabilities		(148,522)	(129,073)	–	–
Net assets		205,346	151,259	31,656	29,721
Equity					
Equity attributable to owners of the Parent					
Called up share capital	21	301	298	301	298
Share premium		11,391	10,815	11,391	10,815
Other reserves	26a/b	9,102	9,138	2,025	2,004
Retained earnings	27a/b	55,008	26,272	17,939	16,604
Revaluation reserve		129,544	104,736	–	–
Total equity		205,346	151,259	31,656	29,721

As permitted by section 408 Companies Act 2006, the Parent Company's statement of comprehensive income has not been included in these financial statements. The profit and comprehensive income for the year ended 31 July 2022 was £5.8 million (2021: £4.8 million).

Approved by the Board of Directors and authorised for issue on 28 October 2022 and signed on its behalf by:

Andrew Jacobs
Executive Chairman

Ray Davies
Finance Director

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Consolidated Statement of Cash Flows

For the year ended 31 July 2022

	Notes	Group Year ended 31 July 2022 £'000	Group Year ended 31 July 2021 £'000
Operating activities			
Cash generated from operations	29a	18,569	12,187
Income tax paid		(1,060)	(800)
Net cash inflow from operating activities		17,509	11,387
Investing activities			
Proceeds of sale & manage-back stores		37,922	–
Proceeds of sale of land (net of disposal costs) – Wolverhampton		–	1,509
Proceeds of sale of land (net of disposal costs) – Southampton		–	1,676
Purchase of property, plant and equipment	12a	(11,961)	(26,474)
Interest received		13	1
Net cash generated by / (used in) in investing activities		25,974	(23,288)
Financing activities			
Proceeds of bank borrowings utilised for store development and bank refinancing		1,386	14,077
Finance costs paid including bank refinancing		(1,741)	(969)
Lease liabilities paid		(1,746)	(1,559)
Equity shares purchased for treasury (net of costs)		–	(693)
Equity shares sold from treasury (net of costs)		–	846
Equity dividends paid		(4,601)	(3,865)
Proceeds from issuance of Ordinary Shares (net)		579	103
Net cash (used in) / generated from financing activities		(6,123)	7,940
Net increase / (decrease) in cash and cash equivalents in the year		37,360	(3,961)
Cash and cash equivalents at beginning of the year		9,105	13,066
Cash and cash equivalents at end of the year		46,465	9,105

No statement of cash flows is presented for the Company as it had no cash flows in either year.

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 Fleet Place, London, EC4M 7WS, UK. Copies of this Annual Report and Accounts may be obtained from the Company's head office at 112 Hawley Lane, Farnborough, Hants, GU14 8JE or the investor section of the Company's website at <http://www.loknstore.co.uk>. The principal activities of the Group and the nature of its operations are described in the Strategic Report.

Basis of Accounting

The financial statements for the year ended 31 July 2021 were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements for the year ended 31 July 2022 have been prepared in accordance with UK-adopted International Accounting Standards (IFRS) as adopted by the UK Endorsement Board. This change in the basis of preparation is required by UK company Law for the purpose of financial reporting as a result of the UK's exit from the European Union on 31 January 2020. This change does not constitute a change in accounting policy, rather a change in framework which is required to group the use of IFRS into company law. There is no impact on the recognition, measurement or disclosure between the two frameworks in the year reported.

The Group has applied all accounting standards and interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretation Committee applicable to companies reporting under UK adopted IFRS relevant to its operations and effective for accounting periods beginning on or after 1 August 2021. There was no material impact on the adoption of these.

The statutory accounts for the year ended 31 July 2022 will be delivered to the Registrar of Companies following the Company's Annual General Meeting and will be available from the investor section of the Company's website at <http://www.loknstore.co.uk>.

The financial statements have been prepared on the historic cost basis except that certain trading properties and non-current financial assets are stated at fair value.

Standards, Amendments, Improvements & Interpretations Applicable¹

At the date of authorisation of these financial statements the following standards, which have not been applied in these financial statements, were in issue but not yet effective.

	Effective Date – P/c on or after
Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (issued on 25 June 2020)	1 January 2021
Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021)	1 April 2021

¹ The above standards have been endorsed by both the EU and the UK. EU-IFRS at 31 December 2020 were adopted for use within the UK (from 1 January 2021) by Regulation 4 of Statutory Instrument 2019/685.

Endorsed Standards, Amendments, Improvements & Interpretations Available for Early Adoption in the UK

	Effective Date – P/c on or after	Endorsed in the UK?	Endorsed in the EU?
Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020)	1 January 2022	Y	Y
IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)	1 January 2023	Y	Y
Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021)	1 January 2023	Y	N Not endorsed
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)	1 January 2023	N Not endorsed	Y
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021)	1 January 2023	N Not endorsed	Y

Accounting Policies continued

Endorsed Standards, Amendments, Improvements & Interpretations Available for Early Adoption in the UK continued

The Directors do not anticipate that the adoption of these revised standards, amendments and interpretations will have a significant impact on the figures included in the financial statements in the period of initial application.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (and its subsidiaries) made up to 31 July each year. Control is achieved where the Company has power over the investee, exposure, or rights to variable returns from the investee and the ability to use its power to vary those returns.

Intra-group transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation, except to the extent that intra-group losses indicate an impairment.

Going Concern

The Directors can report that, based on the Group's budgets and financial projections, which include a recognition of the inflationary effect on rising costs, on the Group, they have satisfied themselves that the business is a going concern. The impact of rising costs and increasing bank interest rates and the measures the Directors have taken to mitigate its effects are set out in the Managing Director's Review on page 19.

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 £46.5 million (2021: £9.1 million), undrawn committed bank facilities at 31 July 2022, based on the Group's facility of £100 million, of £33.2 million (2021: £9.6 million – based on £75 million facility), and cash generated from operations in the year ended 31 July 2022 of £18.6 million (2021: £12.2 million).

In October 2021, the Group executed the accordion arrangement embedded within the Revolving Credit Facility which increases the facilities available to the Group to £100 million. In addition, the Group has also agreed a one-year extension on its existing joint banking facility with National Westminster Bank/Royal Bank of Scotland plc and ABN AMRO Bank N.V. The facility, which was due to expire in April 2025, will now run until April 2026 providing funding for more Landmark site acquisitions to support the Group's ambitious growth plans.

With interest rates rising, interest risk per se is increasing, however the Executive and the Board monitor this position carefully through the Group's detailed operating reports produced on a weekly basis and detailed financial and accounting reports produced on a monthly basis. The Group's bank covenant compliance is reviewed as part of this process. The Bank's senior interest covenant is tested quarterly on a 12-month rolling basis.

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.

Revenue Recognition

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

a) Self-storage Revenue

Self-storage revenue is recognised over the period for which the space is occupied by the customer on a time apportionment basis. The price at which customers store their goods is dependent on size of unit and store location. Customers are invoiced on a four-weekly cycle in advance and revenue is recognised based on time stored to date within the cycle. When customers vacate, they are rebated the unexpired portion of their four weekly advance payment (subject to a seven-day notice requirement). Revenue is recognised evenly over the period of self-storage.

b) Retail Sales

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

c) Insurance

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

The Group provides insurance to customers through a block policy purchased from its insurer. Block policyholders supply VAT exempt insurance transactions as principals rather than insurance-related services as intermediaries and accordingly insurance income received from the customer is recognised as revenue rather than offset against the costs of the block policy. The key characteristics of a block policy are that:

- There is a contract between the block policyholder and the insurer which allows the block policyholder to effect insurance cover subject to certain conditions.
- The Group acting in our own name as the block policyholder procures insurance cover for third parties from the insurer.
- There is a contractual relationship between the block policyholder and third parties under which the insurance is procured.
- The block policyholder stands in place of the insurer in effecting the supply of insurance to the third parties.
- The Group is not exposed to any insured losses arising from its insurance activity and therefore insurance risk.

d) Management Fee Income

Management fees earned for managing stores not owned by the Group are recognised over the period for which the services are provided. Fees are invoiced monthly based on revenue performance. Additional performance fees may be earned if an individual Managed Store's EBITDA performance exceeds agreed thresholds. Periodic fees may also be earned for additional specific services provided and are invoiced when that service has been completed. Revenue is recognised for each performance condition once the condition has been met.

Segmental Information

In accordance with the requirements of IFRS 8 Operating Segments, the Group has reviewed its identifiable business segments and the information used and provided internally to the Board, which is considered to be the Chief Operating Decision Maker, in order to make decisions about resource allocation and performance management. Financial information is reported to the Board with revenue and profit analysed between self-storage activity and serviced archive and records management activity. All activities arise in the United Kingdom and the Group has determined that there is one operating segment.

Adjusted EBITDA

Adjusted EBITDA is defined as EBITDA before losses or profits on disposal, share-based payments, acquisition costs, and non-underlying items.

Operating Profit

Operating profit is defined as profit after all costs except finance income, finance costs and taxation.

Taxation

Income tax expense represents the sum of the current tax payable and deferred tax.

Current tax payable or recoverable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because some items of income or expense are taxable or deductible in different years or may not be taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Accounting Policies continued

Taxation continued

Deferred tax is the tax which may be payable or recoverable in the future arising from the temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the 'balance sheet liability method'. Deferred tax is provided in full on the differences between the revalued amount of trading property assets carried in the Statement of Financial Position and their corresponding tax bases.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised except for when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the reporting date.

Tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the tax is also recognised directly in other comprehensive income.

Retirement Benefits

The amount charged to profit or loss in respect of pension costs is the contributions payable to money purchase schemes in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position. There are no defined benefits schemes.

Equity Settled Share-Based Payments

The cost of providing share-based payments to employees is charged to profit or loss over the vesting period of the related share options. The cost is based on the fair value of the options determined at grant date using the Black-Scholes pricing model, which is appropriate given the vesting and other conditions attaching to the options. The charge is adjusted to reflect expected and actual levels of vesting.

Property, Plant and Equipment

Freehold properties are measured at fair value which represents the Group's assessment of the highest and best use of the asset. Gains or losses arising from the changes in fair value of the trading properties are included in Other Comprehensive Income for the period in which they arise unless a decrease in fair value exceeds the cumulative valuation surplus for a particular asset, in which case the excess is recognised in profit or loss. A comprehensive external valuation is performed annually at each reporting date.

Short leasehold improvements, fixtures, fittings and equipment, and motor vehicles are carried at cost less accumulated depreciation. Expenditure related to the improvement of the buildings is capitalised and depreciated over the remaining period of the lease term.

Assets in the course of construction and land held for development of new stores (development property assets) are carried at cost, less any recognised impairment loss. Depreciation of these assets (excluding land) commences when the assets are ready for their intended use.

Depreciation is provided on all property, plant and equipment other than freehold land and development property assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life as follows:

Freehold property	over 50 years straight line
Long leasehold property	over unexpired lease period or renewal term
Short leasehold improvements	over unexpired lease period or renewal term
Fixtures, fittings, and equipment	5% to 15% reducing balance
Computer equipment	over 2 years straight line
Motor vehicles	25% reducing balance

The assets' residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate on an annual basis. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The additional depreciation arising from the revaluation of freehold and long leasehold properties of £1,094,722 (2021: £710,593) is included within total depreciation on the face of the statement of comprehensive income and transferred from the revaluation reserve to retained earnings each year.

Impairment of Property, Plant and Equipment

At each reporting date the Group reviews the carrying amounts of its property, and plant and equipment assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. Where an impairment loss is subsequently reversed, the carrying amount of the assets or cash-generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leases – the Group as Lessee

Initial and subsequent measurement of the right of use asset

A right of use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the Group.

The right of use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation methods applied are as follows:

- Leased property – on a straight-line basis over the shorter of the lease term or useful life.

The right of use asset is adjusted for any re-measurement of the lease liability and lease modifications, as set out below.

Initial Recognition of the Lease Liability

On commencement of a contract (or part of a contract) which gives the Group the right to use an asset for a period of time in exchange for consideration, the Group recognises a right of use asset and a lease liability unless the lease qualifies as a 'short-term' lease or a 'low-value' lease.

Where the lease term is 12 months or less and the lease does not contain an option to purchase the leased asset, lease payments are recognised as an expense on a straight-line basis over the lease term.

For leases where the underlying asset is 'low-value', lease payments are recognised as an expense on a straight-line basis over the lease term.

Accounting Policies continued

Leases – the Group as Lessee continued

Initial Measurement of the Lease Liability

The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease, or the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined.

The lease term is the non-cancellable period of the lease plus extension periods that the Group is reasonably certain to exercise and termination periods that the Group is reasonably certain not to exercise.

Lease payments include fixed payments, less any lease incentives receivable, variable lease payments dependant on an index or a rate (such as those linked to SONIA) and any residual value guarantees. Variable lease payments are initially measured using the index or rate when the leased asset is available for use.

Subsequent Measurement of the Lease Liability

The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments. Interest on the lease liability is recognised in profit or loss, unless interest is directly attributable to qualifying assets, in which case it is capitalised in accordance with the Group's policy on borrowing costs.

Re-measurement of the Lease Liability

The lease liability is adjusted for changes arising from the original terms and conditions of the lease that change the lease term, the Group's assessment of its option to purchase the leased asset, the amount expected to be payable under a residual value guarantee and/or changes in lease payments due to a change in an index or rate. The adjustment to the lease liability is recognised when the change takes effect and is adjusted against the right of use asset, unless the carrying amount of the right of use asset is reduced to zero, when any further adjustment is recognised in profit or loss.

Adjustments to the lease payments arising from a change in the lease term or the lessee's assessment of its option to purchase the leased asset are discounted using a revised Discount Rate. The revised Discount Rate is calculated as the interest rate implicit in the lease for the remainder of the lease term, or if that rate cannot be readily determined, the Group's incremental borrowing rate at the date of reassessment.

Lease Modifications

A lease modification is a change that was not part of the original terms and conditions of the lease and is accounted for as a separate lease if it increases the scope of the lease by adding the right to use one or more additional assets with a commensurate adjustment to the payments under the lease.

For a lease modification not accounted for as a separate lease, the lease liability is adjusted for the revised lease payments, discounted using a revised Discount Rate. The revised Discount Rate used is the interest rate implicit in the lease for the remainder of the lease term, or if that rate cannot be readily determined, the lessee company's incremental borrowing rate at the date of the modification.

Where the lease modification decreases the scope of the lease, the carrying amount of the right of use asset is reduced to reflect the partial or full termination of the lease. Any difference between the adjustment to the lease liability and the adjustment to the Right of use asset is recognised in profit or loss.

For all other lease modifications, the adjustment to the lease liability is recognised as an adjustment to the Right of use asset.

Investments

Shares in subsidiary undertakings are considered long-term investments and are classified as non-current assets in the Parent Company's statement of financial position. All investments are stated at cost. Provision is made for any impairment in the value of non-current asset investments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis. Net realisable value is based upon estimated selling prices less any costs of disposal. Provision is made for obsolete and slow-moving items.

Financial Instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument. IFRS 9 covers the classification, measurement and derecognition of financial assets and liabilities.

The impairment model under IFRS 9 requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses. The significant financial assets held by the Group that are affected by the impairment losses recognised under IFRS 9 are trade and other receivables.

The Company holds intercompany loan and receivables balances with the subsidiaries of the Group as disclosed in note 15. The Directors do not estimate there to be a material impact on the Company only Financial Statements from the recognition of impairment provisions for the loans and receivables.

Bank Borrowings and Finance Costs

Interest-bearing bank loans are recorded at the proceeds received net of direct issue costs. Issue costs are amortised against the carrying value amount of the loan over the period of the loan with the cost recognised in profit and loss as part of finance costs.

Borrowing costs are recognised in profit or loss in the year in which they are incurred, unless the costs are incurred as part of the development of a qualifying asset, when they will be capitalised. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. Commencement of capitalisation is the date when the Group incurs expenditure for the qualifying asset, incurs borrowing costs and undertakes activities that are necessary to prepare the assets for their intended use. In the case of suspension of activities during extended periods, the Group suspends capitalisation. The Group ceases capitalisation of borrowing costs when substantially all of the activities necessary to prepare the asset for use are complete.

The Group has an active store development programme and in accordance with IAS 23 (Borrowing costs) has material qualifying assets that take a substantial period of time to develop from acquisition to ultimate store opening. Accordingly borrowing costs have been capitalised in the current year that are directly attributable to the acquisition, construction and fit-out of these qualifying store assets. The Group funds these developments from a general bank revolving credit facility and the capitalisation rate applied is the average cost of these funds. When an individual store development is complete, and the store has opened capitalisation of attributable borrowing costs ceases. In the current year £589,843 (2021: £380,193) interest was capitalised in respect of nine qualifying development assets.

Derivative Financial Instruments and Hedge Accounting

The Group's activities expose it to interest rate risk. The Group has historically used interest rate swap contracts to hedge these exposures. There were no financial derivatives held by the Group at 31 July 2022 or at 31 July 2021. The Group does not use derivative financial instruments for speculative or for any other purposes.

The use of financial derivatives is governed by the Group's policies as approved by the Board of Directors. The Group documents its risk management objectives and strategy for undertaking hedging transactions within the Group's Risk Register. The Group also documents its assessment both at hedge inception and on an on-going basis to assess whether the derivatives that are used are effective in offsetting changes in fair value or cash flows of the hedged items.

Accounting Policies continued

Trade Receivables

For trade receivables, expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the ageing of the receivable. The risk of a default occurring always takes into consideration all possible default events over the expected life of those receivables (the lifetime expected credit losses).

Trade receivables as indicated in note 15 are £1.20 million (2021: £1.45 million). As described in note 15 the Group's exposure to credit risk is low and the Group's credit model is solid. The Directors have assessed the impact of future impairment losses recognised for trade receivables under IFRS 9 at 31 July 2022 based on actual losses experienced over the past five years and concluded that the impact on impairment losses recognised under IFRS 9 to be immaterial.

Liabilities and Equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets. Equity instruments issued by the Group are recorded as the proceeds received, net of direct issue costs. Interest-bearing loans and overdrafts are initially measured at fair value net of direct transaction costs and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds net of transaction costs and the settlement or redemption of borrowings is recognised over the term of the borrowing. Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost using the effective interest rate method.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash and short-term deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash. The carrying amounts of these assets approximate to their fair value and the risk of changes in value is not significant.

Financial Assets

Trade and other debtors and amounts due from Group undertakings which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost being the transaction price less any amounts settled and any impairment losses. Where the Group is entitled to receive cash under a management services agreement at a future specified date this is recorded as a financial asset at the current fair value of the cash ultimately receivable. Where this amount is receivable, in more than one year, the financial asset is presented as a non-current asset. Where the amounts are now due and payable and have been invoiced accordingly, the amount is treated as a debtor.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Impairment of Financial Assets

A financial asset is credit-impaired when events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

The expected credit loss recognised in profit or loss for a credit impaired financial asset is the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Net Debt

Net debt comprises the borrowings of the Group less cash and cash equivalents.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Employee Benefit Trust

The Group operates an employment benefit trust and has de facto control of the shares held by the trust and bears their benefits and risks. The Group records certain assets and liabilities of the trust as its own. Finance costs and administrative expenses are charged as they accrue.

Own Shares

The cost of own shares held by the employee benefit trust (ESOP shares) and treasury shares is shown as a deduction from retained earnings. Earnings per share are calculated on the net shares in issue.

Dividends

Dividends are recognised when declared during the financial year.

Critical Accounting Estimates a) and b) and Judgements c) and d)

The preparation of 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 commissions an external valuation of its self-storage stores. This valuation uses a discounted cash flow methodology which is based on current and projected net operating income. Principal assumptions underlying management's estimation of the fair value are those relating to stabilised occupancy levels, expected future growth in storage fees and operating costs, maintenance requirements, capitalisation rates and Discount Rates.

A more detailed explanation of the background and methodology adopted in the valuation of the Group's trading properties is set out in note 12(a) together with estimation sensitivities undertaken. The carrying value of land and buildings held at valuation at the reporting date was £239.8 million (2021: £199.6 million) as shown in the table in note 12(a).

b) Assets in the Course of Construction and Land Held for Store Development ('Development Property Assets')

The Group's development property assets are held in the statement of financial position at historic cost and are not valued externally. In acquiring sites for redevelopment into self-storage facilities, the Group estimates and makes judgements on the potential lettable storage space that it can achieve in its planning negotiations, together with the time it will take to achieve maturity. In addition, assumptions are made on the storage fees that can be achieved at the store by comparison with other stores within the portfolio and within the local area. These judgements, taken together with estimates of operating costs and the projected construction cost, allow the Group to calculate the potential net operating income at maturity, projected returns on capital invested and therefore justify the proposed purchase price of the site at acquisition.

Following the acquisition, regular reviews are carried out taking into account the status of the planning negotiations, and revised construction costs or capacity of the new facility, for example, to make an assessment of the recoverable amount of the development property. The Group reviews all development property assets for impairment at each reporting date in the light of the results of these reviews. Once a store is opened it is valued as a trading store.

The carrying value of development property assets at the reporting date was £29.2 million (2021: £33.7 million). Please see note 12(a) for more details.

Accounting Policies continued

Critical Accounting Estimates a) and b) and Judgements c) and d) continued

c) Classification of Self-storage Facilities as Owner-occupied Properties Rather than Investment Properties

The Directors consider that Lok'nStore Group plc is the Parent Company of a 'Trading business' and is not wholly or mainly engaged in making investments.

The Group is an integrated storage solutions business offering a range of services to its customers. We provide services to our customers under contracts for the provision of storage services which do not give them any property or tenancy rights and a large number of the stores we operate are from properties where we do not own the land or the buildings. The assets we do own are valued on the basis of the trading cash flows that the operating businesses generate.

The Group continues to develop its managed stores' business where it uses its operational and logistic expertise to provide a full range of services to customers in stores we manage for third-party owners. In recent years the Group has developed many new managed stores all of which are owned by third-party investors and managed by Lok'nStore.

Previously owned sites at Woking, Ashford, Swindon, and Crayford, have been the subject of sale and manage-back transactions by which Lok'nStore has retained the management of the business when a third-party owner acquired the business, land and buildings. In this year another four trading stores were the subject of sale and manage-back transactions by which Lok'nStore has retained the management of the business.

All of this trading activity, including active management and marketing activity, as well as the self-storage income earned from our leasehold stores' activity, demonstrate that the holding of land is not a core activity because the trading operation is not dependent on the ownership of land. See the chart on page 26 for the changing ownership structure of the stores.

The Group has always and continues to comply with all of the usual accounting and tax protocols consistent with a trading business. As at the year-end, Lok'nStore operates 24 owned stores mainly in southern England, although in recent years we have expanded our historically southern England focused geographic footprint into the Southwest (Exeter), Wales (Cardiff) and the Northwest (Salford, Warrington, and Altrincham). Of the 24 stores, Lok'nStore owns the freehold interest in 15 stores, nine of the stores are held under commercial leases. There are a further 16 managed stores operating under management contracts for third-party owners making a total of 40 stores trading under the Lok'nStore brand.

One of the features of Lok'nStore's strategy is to increase the number of stores we manage for third parties selling our expertise in storage solutions management, operating systems and marketing, through management fees rather than retaining a proprietary interest in land and buildings.

The classification of self-storage facilities as owner-occupied properties rather than investment properties has resulted in the recognition of fair value gains in 2022 (net deferred of tax) of £45.9 million (2021: £29.5 million) in Other Comprehensive Income rather than the Income Statement.

d) Application of IFRS 16

The Group uses judgement to assess whether the interest rate implicit in the lease is readily determinable. When the interest rate implicit in the lease is not readily determinable, the Group estimates the incremental borrowing rate based on its external borrowings secured against a similar asset, adjusted for the term of the lease.

Notes to the Financial Statements

For the year ended 31 July 2022

1 Revenue

Analysis of the Group's revenue is shown below:

	Group 2022 £'000	Group 2021 £'000
Stores trading		
Self-storage revenue	21,585	18,165
Insurance revenue	2,239	2,079
Retail sales (packing materials etc)	252	285
Total self-storage revenue – owned stores	24,076	20,529
Management fees – managed stores	2,785	1,346
Sub-total	26,861	21,875
Non-storage income	41	17
Total revenue per statement of comprehensive income	26,902	21,892

The Group has one operating segment, being self-storage in the UK.

2 Property, Staff and General Costs

	Group 2022 £'000	Group 2021 £'000
Property and premises costs	5,304	4,783
Property rentals	(1,746)	(1,559)
Net property and premises costs	3,558	3,224
Staff costs	5,369	5,269
General overheads	1,438	1,341
Sub-total operating costs	10,365	9,834
Retail products cost of sales (see note 3)	188	167
	10,553	10,001

3 Cost of Sales of Retail Products

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

	Group 2022 £'000	Group 2021 £'000
Retail	113	125
Insurance	23	14
Other	52	28
	188	167

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For the year ended 31 July 2022

4 Non-underlying items

	Group 2022 £'000	Group 2021 £'000
Profit on sale of trading stores ¹	5,936	–
Liquidated damages received on development ²	175	–
Abortive site costs ³	(372)	–
Profit on sale of land at Wolverhampton ⁴	–	265
Loss on sale of vacant property at Southampton ⁵	–	(425)
	5,739	(160)

2022

- Profit arising on the sale and manage-back of four trading stores located at Basingstoke, Cardiff, Horsham, and Portsmouth.
- Liquidated damages received on the late delivery of a new store development which has subsequently opened.
- The Group's active search for suitable development sites for new Landmark stores has resulted in some abortive costs – mainly around planning and associated professional costs.

2021

- Profit on sale of land at Wolverhampton: During the period development land with the benefit of planning permission was sold on a sale and manage-back basis.
- In December 2020, we completed the sale of our vacant property in Southampton, Hampshire for £1.6 million (net of disposal costs) (Net Book Value c. £2 million) eliminating over £150,000 p.a. of residual costs.

5 Finance Income

	Group 2022 £'000	Group 2021 £'000
Bank interest	42	1

Interest receivable arises on cash and cash equivalents (see note 17).

6 Finance Costs

	Group 2022 £'000	Group 2021 £'000
Bank interest	707	469
Non-utilisation fees	166	120
Bank loan arrangement fees	216	158
Interest on lease liabilities	239	270
	1,328	1,017

7 Profit before Taxation

	Group 2022 £'000	Group 2021 £'000
Profit before taxation is stated after charging:	£'000	£'000
Depreciation and amounts written off property, plant, and equipment:		
Depreciation based on historic cost	2,316	2,178
Depreciation based on revalued assets	1,094	710
Depreciation of property, plant and equipment (note 12a)	3,410	2,888
Depreciation of right of use assets	1,314	1,261
Loss on disposal of fixed assets	3	–
	4,727	4,149

Amounts payable to RSM UK Audit LLP and their associates for audit and non-audit services:

	Group 2022 £'000	Group 2021 £'000
Audit services		
– UK statutory audit of the Company and consolidated accounts	125	80
Other services		
– interim agreed upon procedures	9	9
	134	89
Comprising:		
Audit services	125	80
Non-audit services	9	9
	134	89

8 Employees

	Group 2022 No.	Group 2021 No.
The average monthly number of persons (including Directors) employed by the Group during the year was:		
Store management	151	145
Administration	27	26
	178	171

	Group 2022 £'000	Group 2021 £'000
Costs for the above persons:		
Wages and salaries	4,174	4,369
Social security costs	819	555
Pension costs	135	130
	5,128	5,054
Share-based remuneration (options)	201	118
	5,329	5,172

Share-based remuneration is separately disclosed in the statement of comprehensive income. Wages and salaries of £154,920 (2021: £107,304) have been capitalised as additions to property, plant and equipment as they are directly attributable to the acquisition of these assets.

All other employee costs are included in staff costs in the statement of comprehensive income.

In relation to pension contributions, there was £32,807 (2021: £14,292) outstanding at the year-end. There were no employees employed by Lok'nStore Group plc in the year other than the Directors (2021: nil).

Notes to the Financial Statements continued

For the year ended 31 July 2022

8 Employees continued

Directors' Remuneration 2022	Emoluments £	Bonuses £	Benefits £	Sub Total £	Pension £	Gains on Share Options £	Total £
Executive:							
A Jacobs	223,842	146,500	7,387	377,729	–	1,360,277	1,738,006
RA Davies	174,087	49,287	5,587	228,961	6,963	456,995	692,919
N Newman-Shepherd	97,521	100,523	2,793	200,837	3,901	11,058	215,796
Non-Executive:							
J Woyda	27,364	–	–	27,364	–	–	27,364
SG Thomas	23,881	–	5,570	29,451	–	–	29,451
RJ Holmes	23,881	–	–	23,881	–	–	23,881
ETD Luker	9,950	–	–	9,950	–	–	9,950
CP Peal	23,881	–	–	23,881	–	–	23,881
	604,407	296,310	21,337	922,054	10,864	1,828,330	2,761,248

Directors' Remuneration 2021	Emoluments £	Bonuses £	Benefits £	Sub Total £	Pension £	Gains on Share Options £	Total £
Executive:							
A Jacobs	215,233	132,500	6,568	354,301	–	–	354,301
RA Davies	165,797	45,946	5,434	217,177	6,631	–	223,808
N Newman-Shepherd	91,210	179,545	2,571	273,326	3,648	–	276,974
Non-Executive:							
SG Thomas	22,743	–	5,087	27,830	–	14,436	42,266
RJ Holmes	22,743	–	–	22,743	–	–	22,743
ETD Luker	28,430	–	–	28,430	–	–	28,430
CP Peal	22,743	–	–	22,743	–	–	22,743
J Woyda	20,848	–	–	20,848	–	–	20,848
	589,747	357,991	19,660	967,398	10,279	14,436	992,113

Details of the Directors' remuneration are shown above.

The highest paid Director did not accrue any pension rights during the year. The benefits in kind all relate to medical insurance premiums paid on behalf of the Directors. The number of Directors to whom retirement benefits are accruing under money purchase pension schemes in respect of qualifying service is two (2021: two).

9 Taxation

	Group 2022 £'000	Group 2021 £'000
Current tax:		
UK corporation tax – current year	1,572	798
UK corporation tax – adjustment in respect of prior period	111	–
Total UK corporation tax	1,683	798
Deferred tax:		
Origination and reversal of temporary differences	2,113	260
Impact of change of rate on closing balance	–	2,107
Total deferred tax	2,113	2,367
Total income tax expense for the year	3,796	3,165

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

	2022 £'000	2021 £'000
Profit before tax	15,874	6,448
Tax on ordinary activities at the effective standard rate of corporation tax in the UK of 19% (2021: 19%)	3,016	1,225
Depreciation of non-qualifying assets	377	263
Share-based payment charges in excess of corresponding tax deduction	(337)	(20)
Impact of change in tax rate on closing deferred tax balances	–	2,107
Adjustments in respect of prior periods – corporation tax	111	(375)
Tax effect of rolled over gains on sale of property	432	–
Other	197	(35)
Income tax expense for the year	3,796	3,165
Effective tax rate	24%	49%

In addition to the amount charged to profit or loss for the year, deferred tax relating to the revaluation of the Group's properties of £14.3 million (2021: £18.2 million) has been recognised as a debit/credit directly in other comprehensive income (see note 20 on deferred tax).

The current rates of corporation tax are calculated at a rate of 19%. The deferred tax balances are measured at the substantively enacted rates of corporation tax being 19% until 31 March 2023 and a rate of 25% thereafter.

Notes to the Financial Statements continued

For the year ended 31 July 2022

10 Dividends

	2022 £'000	2021 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 July 2021 (10.67 pence per share)	3,132	–
Interim dividend for the year to 31 July 2022 (5.00 pence per share)	1,469	–
Final dividend for the year ended 31 July 2020 (9.00 pence per share)	–	2,612
Interim dividend for the year to 31 July 2021 (4.33 pence per share)	–	1,253
	4,601	3,865

In respect of the current year the Directors paid an interim dividend of 5.00 pence per share to shareholders on 10 June 2022. The Directors propose that a final dividend of 12.25 pence per share will be paid to the shareholders. The total estimated final dividend to be paid is approximately £3.6 million based on the number of shares in issue at 14 October 2022 as adjusted for shares held in the Employee Benefits Trust.

This is subject to approval by shareholders at the Annual General Meeting on 8 December 2022 and has not been included as a liability in these financial statements. The ex-dividend date will be 24 November 2022; the record date 25 November 2022; with an intended payment date of 6 January 2023. The final deadline for Dividend Reinvestment Election (DRIP) is 9 December 2022.

11 Earnings per Share

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

	Group 2022 £'000	Group 2021 £'000
Total profit for the financial year attributable to owners of the parent	12,078	3,283

	2022 No. of Shares	2021 No. of Shares
Weighted average number of shares		
For basic earnings per share	29,287,451	29,035,104
Dilutive effect of share options ¹	549,321	527,846
For diluted earnings per share	29,836,772	29,562,950

¹ Further options that could potentially dilute EPS in the future are excluded from the above because they are not dilutive in the period presented. Full details of share options are included in notes 22 to 25.

	Group 2022 Pence	Group 2021 Pence
Earnings per share		
Basic		
Total basic earnings per share	41.24p	11.33p
Diluted		
Total diluted earnings per share	40.48p	11.10p

12a) Property, Plant and Equipment

Group	Development Property Assets at Cost £'000	Land and Buildings at Valuation £'000	Short Leasehold Improvements at Cost £'000	Fixtures, Fittings and Equipment at Cost £'000	Motor Vehicles at Cost £'000	Total £'000
Cost or valuation						
1 August 2020	29,885	141,366	3,997	26,943	10	202,201
Additions	21,688	325	3,560	1,281	–	26,854
Transfers	(16,654)	13,157	–	3,497	–	–
Disposals	(1,243)	(1,497)	–	(1,301)	–	(4,041)
Revaluations	–	46,266	–	–	–	46,266
31 July 2021	33,676	199,617	7,557	30,420	10	271,280
Depreciation						
1 August 2020	–	–	2,269	12,664	10	14,943
Depreciation	–	1,453	240	1,195	–	2,888
Disposals	–	–	–	(750)	–	(750)
Revaluations	–	(1,453)	–	–	–	(1,453)
31 July 2021	–	–	2,509	13,109	10	15,628
Net book value at 31 July 2021	33,676	199,617	5,048	17,311	–	255,652
Cost or valuation						
1 August 2021	33,676	199,617	7,557	30,420	10	271,280
Additions	10,611	756	158	663	–	12,188*
Transfers	(15,072)	11,234	–	3,838	–	–
Disposals	–	(30,101)	–	(3,615)	–	(33,716)
Revaluations	–	58,299	–	–	–	58,299
31 July 2022	29,215	239,805	7,715	31,306	10	308,051
Depreciation						
1 August 2021	–	–	2,509	13,109	10	15,628
Depreciation	–	1,872	296	1,242	–	3,410
Disposals	–	–	–	(1,963)	–	(1,963)
Revaluations	–	(1,872)	–	–	–	(1,872)
31 July 2022	–	–	2,805	12,388	10	15,203
Net book value at 31 July 2022	29,215	239,805	4,910	18,918	–	292,848

* Including capitalised interest costs of £589,843 (2021: £380,193).

The Group has an active store development programme and in accordance with IAS 23 (Borrowing costs) has material assets that take a substantial period of time to develop from acquisition to ultimate store opening. Accordingly borrowing costs of £589,843 (2021: £380,193) have been capitalised that are directly attributable to the acquisition, construction and fit-out of these qualifying store assets. £149,321 of this amount relates to development stores which opened during the year leaving a balance of £440,522 carried in development property assets. If all property, plant and equipment were stated at historic cost the carrying value would be £111.4 million (2021: £113.0 million).

Notes to the Financial Statements continued

For the year ended 31 July 2022

12a) Property, Plant and Equipment continued

Capital expenditure during the year totalled £12.2 million (2021: £26.9 million). This was primarily the purchase of the Peterborough site, together with ongoing planning, construction and fit out works at other sites, principally at our Warrington and Stevenage stores and the completion of construction works at our Leicester and Salford stores. Disposals during the period relate to the sale and manage-back of four trading stores. Costs relating to the planning and pre-development works on our Bournemouth, Cheshunt, Peterborough and Staines sites also featured.

Property, plant and equipment (non-current assets) with a carrying value of £292.8 million (2021: £255.7 million) are pledged as security for bank loans.

Independent External Market Valuation of Freehold and Leasehold Land and Buildings

Fair Value Measurement

The fair value hierarchy within which the fair value measurements are categorised is level 3, in accordance with IFRS 13 (Fair value measurement).

On 31 July 2022, an independent professional valuation was prepared by Jones Lang LaSalle Limited (JLL) in respect of 15 freehold, and nine leasehold stores operated by Lok'nStore. The valuation was prepared in accordance with the RICS Valuation – Global Standards 2021 – UK national supplement, published by The Royal Institution of Chartered Surveyors (the RICS Red Book) and the valuation methodology is explained in more detail below. The valuations were prepared on the basis of Fair Value as a fully equipped operational entity having regard to trading potential. The valuation was provided for accounts purposes and as such, is a Regulated Purpose Valuation as defined in the Red Book. In compliance with the disclosure requirements of the RICS Red Book JLL have confirmed that:

- This is the seventh year that JLL has been appointed to value the properties.
- The valuers who prepared the valuation have the necessary skills and experience having been significantly involved in the sector.
- JLL do not provide other significant professional or agency services to the Company.
- In relation to the preceding financial year of JLL the proportion of the total fees payable by the Company to the total fee income of the firm is less than 5% and is minimal.

The valuation report indicates a total valuation for all properties valued of £279.0 million (2021: £234.9 million) of which £254.8 million (2021: £212.8 million) relates to freehold properties, and £24.2 million (2021: £22.1 million) relates to properties held under leases.

Freehold land and buildings are carried at valuation in the statement of financial position. Short leasehold improvements at properties held under leases are carried at cost rather than valuation in accordance with IFRS.

For the trading properties the valuation methodology explained in more detail below is based on fair value as fully equipped operational entities, having regard to trading potential. Of the £254.8 million (2021: £212.8 million) valuation of the freehold properties £16.6 million (2021: £14.7 million) relates to the net book value of fixtures, fittings and equipment, and the remaining £238.2 million (2021: £198.1 million) relates to freehold properties.

The 2022 valuation includes and reflects movements in value which have resulted from the operational performance of the stores and market movements in the investment environment.

Valuation Methodology

Jones Lang LaSalle Limited (JLL) have adopted the profits method of valuation and cross-checked with the direct comparison method based on recent transactions in the sector, which is the main method of pricing adopted by purchasers of self-storage properties. The carrying value of freehold land and buildings of £239.8 million also includes £1.5 million of assets held at directors' valuation (see below).

JLL have valued the assets on an individual basis and have disregarded any portfolio effect.

The profits method of valuation considers the cash flow generated by the trading potential of the self-storage facility. Due to the specialised design and use of the buildings, the value is typically based on their ability to generate a net income from operating as self-storage facilities.

JLL have constructed a discounted cash flow model. This sets out their explicit assumptions on the underlying cash flow that they believe could be generated by a Reasonably Efficient Operator at each of the properties, both at the valuation date and in the near future as the properties increase their occupancy and rates charged to customers. Judgements are made as to the trading potential and likely long-term sustainable occupancy.

Stable occupancy depends upon the nature of demand, size of property and nearby competition, and allows for a reasonable vacancy rate to enable the operator to contract units to new customers. In the valuation the assumed stabilised occupancy level for the 24 trading stores (both freeholds and leaseholds) averages 88.23% (2021: 88.5%).

Expenditure is deducted (such as business rates, staff costs, repair and maintenance, utilities, marketing and bad debts) as well as an operator's charge which takes account of central costs. JLL also make an allowance for long-term capex requirements where applicable. The assumptions used by JLL include:

- The cash flow for freeholds runs for an explicit period of ten years, after which it is capitalised at an all risks yield which reflects the implicit future growth of the business, or a hypothetical sale.
- The cash flow for leaseholds continues for the unexpired term of the lease.
- The Discount Rate applied has had regard to recent transactions, weighted average costs of capital and target return in other asset types with adjustments made to reflect differences in the risk and liquidity profile.
- The weighted average annual Discount Rate adopted (for both freeholds and leaseholds) is 7.21% (2021: 9.24%).
- The Discount Rates used in the freehold valuation ranges from 6.50% to 8.75% (2021: 7.5% to 9.25%).
- The yield arising from the first year of the projected cash flow is 5.30% (2021: 6.49%), rising to 6.79% (2021: 7.61%) in year five.
- JLL have assumed purchasers' costs of 6.80% (2021: 6.80%).
- The average assumed stabilised occupancy is 88.23% (2021: 88.85%).
- The average Exit Yield assumed is 6.16% (2021: 6.73%).

The comparison method considers recent transactions where self-storage properties have sold, and then adjusts them based on a multiple of current earnings, and a capital value per square foot. They are adjusted to reflect differences in location, physical characteristics, local supply and demand, tenure and trading levels.

The Group has reported that the Lok'nStore trading stores have performed very well in terms of increasing pricing while maintaining occupancy over the course of the year.

For leaseholds, the same methodology has been used as for freehold property, except that no sale of the assets in the tenth year is assumed, but the discounted cash flow is extended to the expiry of the lease. The average unexpired term of the Group's operating leaseholds is approximately ten years and one month as at 31 July 2022 (11 years and one month: 31 July 2021). Valuations for stores held under leases are not reflected in the statement of financial position and the assets in relation to these stores are carried at cost less accumulated depreciation.

Notes to the Financial Statements continued

For the year ended 31 July 2022

12a) Property, Plant and Equipment continued

Valuation Methodology continued

In 2011, one of the Group store's leases was renegotiated and includes a ten-year option to renew the leases from March 2026 to March 2036. The option to extend is only operable in the event that all four of the leases applicable to this store are extended and this option is personal to Lok'nStore or another 'major self-storage operator', to be approved by the landlord (approval not to be unreasonably withheld). The JLL valuation on this store is based on this Special Assumption that the option to extend the lease for ten years is exercised. This is consistent with the approach taken in previous years.

Self-storage valuations are complex and involve a degree of judgement. As a guide and assuming all other factors or constant, improvements in a store's EBITDA would lead to an increase in that store's valuation. Conversely, an increase in Exit Yield and Discount Rate would result in a lower valuation and vice-versa. The effect of a change in more than one input would magnify the impact on the valuation. Inputs moving in opposite directions, such as price and occupancy improving but capitalisation rates increasing could result in no net impact on valuations.

As an example of the sensitivity of capitalisation rates;

- A 50bpts decrease in the Exit Yields and Discount Rate would result in a £27.75 million increase in this year's valuation.
- A 100bpts decrease in the Exit Yields and Discount Rate would result in a £62.0 million increase in this year's valuation.
- A 50bpts increase in the Exit Yield and Discount Rate would result in a £23.1 million decrease in this year's valuation.
- A 100bpts increase in the Exit Yield and Discount Rate would result in a £42.5 million decrease in this year's valuation.

It is the Company's policy to conduct independent valuations of all trading assets at the end of each financial year. At the interim half year stage, the directors will consult with JLL to consider whether there has been any material change in market conditions. If there has been then the Directors will instruct an Independent Valuation at this point.

Directors' Valuation of Land and Property

Land & Buildings at the rear of the new Salford trading store

Following the opening of the new Salford store in 2021, there is available land and building at the rear of the new store which is suitable for rent on commercial terms to third party users. Based on negotiated rents with tenants, the Directors continue to place a Directors' Valuation of £1.5 million (2021: £1.5 million) on this land and building.

The total value of land and property carried at Directors' Valuation at 31 July 2022 is £1.5 million (2021: £1.5 million).

12b) Right of use assets (ROU)

The Group accounts for the value of its property leases on the balance sheet by the recognition of a right of use asset (the right to use the leased item) and a corresponding financial liability to pay rentals due over the property lease term. This treatment relates to the Group's property leases. The Group has no leases on any other types of assets.

The Group recognises right of use assets (ROU) of £10.4 million at 31 July 2022 (2021: £10.5 million) and total lease liabilities of £10.9 million, (2021: £11.2 million) with depreciation charges of £1.31 million (2021: £1.26 million) and lease interest charges of £0.2 million (2021: £0.3 million).

Detailed analysis is provided in the tables below:

	Group 31 July 2022 £'000	Group 31 July 2021 £'000
Total annual rents payable under property leases	1,746	1,559

	Group 31 July 2022 £'000	Group 31 July 2021 £'000
Right of use asset (ROU)	10,424	10,503
Current Lease Liability		
Amounts due within one year	1,612	1,258
Non-current Lease Liability		
Amounts due in one to two years	1,174	1,085
Amounts due in three to five years	2,774	2,585
Amounts due in more than five years	5,334	6,238
Non-current Lease Liability	9,282	9,908
Total lease liability	10,894	11,166

	Group 31 July 2022 £'000	Group 31 July 2021 £'000
Property rentals	1,746	1,559
Depreciation of right of use asset (ROU)	(1,314)	(1,261)
Interest charged on lease liability	(239)	(270)
Impact on Comprehensive Income	193	28

The Group has no leases on any other types of assets. The Present Value of all future operating lease payments is calculated using 2.2% (2021: 2.2%) as an incremental borrowing rate as the single Discount Rate. The right of use assets are depreciated based on the individual lease term of the separate leases.

Notes to the Financial Statements continued

For the year ended 31 July 2022

13 Investments

Company investments in subsidiary undertakings	£'000
31 July 2020	2,552
Capital contributions arising from share-based payments	118
31 July 2021	2,670
Capital contributions arising from share-based payments	201
31 July 2022	2,871

The Company holds more than 20% of the share capital of the following companies, all of which are incorporated in England and Wales:

Company Name	Company Registration No.	Class of Shareholding	% of Shares and Voting Rights		Nature of Entity
			Directly	Indirectly	
Lok'nStore Limited [‡] #	02902717	Ordinary	100	–	Self-storage
Lok'nStore Trustee Limited [‡] †	03788705	Ordinary	–	100	Trustee
Southern Engineering and Machinery Company Ltd [‡] #	00381670	Ordinary	–	100	Self-storage
Semco Machine Tools Limited [‡] #	01025573	Ordinary	–	100	Dormant
Semco Engineering Limited [‡] #	01164294	Ordinary	–	100	Dormant
ParknCruise Limited [‡] †	10329934	Ordinary	–	100	Dormant
The Box Room (Self-storage) Limited [‡] †	06840417	Ordinary	–	100	Self-storage

‡ These companies are subsidiaries of Lok'nStore Limited.

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

* These companies have taken the exemption from audit under Section 479A of the Companies Act 2006.

† The address of these companies is 112, Hawley Lane, Farnborough, Hants. GU14 8JE.

The address of these companies is 1, Fleet Place, London. EC4M 7WS.

14 Inventories

	Group 2022 £'000	Group 2021 £'000
Consumables and goods for resale	143	290

The amount of inventories recognised in Group cost of sales as an expense during the year was £112,887 (2021: £124,656) (See note 3). The Company had no inventory in either year.

15 Trade and Other Receivables

	Group 2022 £'000	Group 2021 £'000
Trade receivables	1,198	1,451
Other receivables	2,318	881
Taxation	–	1,497
Prepayments and accrued income	472	444
	3,988	4,273

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

Other receivables include monies receivable from the managed stores for services provided by the Group. The 2021 taxation debtor of £1.497 million was a VAT repayment owed to the Group by HMRC which was received post year-end.

The following balances existed between the Company and its subsidiaries at 31 July:

	Company 2022 £'000	Company 2021 £'000
Net amount due from Lok'nStore Limited	28,785	27,051

The amount due from Lok'nStore Limited is interest free. The balance is repayable on demand.

Trade Receivables

In respect of its self-storage business the Group does not typically offer credit terms to its customers and hence the Group is not exposed to significant credit risk. All customers are required to pay in advance of the storage period. Late charges are applied to a customer's account if they are more than ten days overdue in their payment. The Group provides for receivables based upon sales levels and estimated recoverability. There is a right of lien over the customers' goods, so if they have not paid within a certain time frame the Group has the right to sell the items they store to cover the debt owed by the customer. Trade receivables that are overdue are provided for based on estimated irrecoverable amounts, determined by reference to expected credit losses.

For individual self-storage customers, the Group does not perform credit checks. However, this is mitigated by the fact that all customers are required to pay in advance. Before accepting a new business customer who wishes to use a number of the Group's stores, the Group uses an external credit rating to assess the potential customer's credit quality and defines credit limits by customer. There are no customers who represent more than 5% of the total balance of trade receivables.

Included in the Group's trade receivables balance are receivables with a carrying amount of £100,214 (2021: £89,329) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group holds a right of lien over its self-storage customers' goods if these debts are not paid. The average age of these receivables is 53 days past due (2021: 55 days past due). The Group does not expect credit losses on intra-group balances.

Ageing of Past Due but Not Impaired Receivables

	Group 2022 £'000	Group 2021 £'000
0–30 days	22	14
30–60 days	8	4
60+ days	70	71
Total	100	89

Movement in the allowance for credit losses

	Group 2022 £'000	Group 2021 £'000
Balance at the beginning of the year	147	189
Impairment losses recognised	30	22
Amounts written off as uncollectible	(77)	(64)
Balance at the end of the year	100	147

The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further provision required.

Notes to the Financial Statements continued

For the year ended 31 July 2022

15 Trade and Other Receivables continued

Ageing of Impaired Trade Receivables

	Group 2022 £'000	Group 2021 £'000
0–30 days	–	–
30–60 days	–	–
60+ days	100	147
Total	100	147

16 Trade and Other Payables

	Group 2022 £'000	Group 2021 £'000
Trade payables	1,849	1,385
Taxation and social security costs	1,014	370
Other payables	588	690
Accruals and deferred income	3,778	3,397
	7,229	5,842

The Directors consider that the carrying amount of trade and other payables approximates fair value. The Company had no trade and other payables in either year.

17 Financial Instruments

Capital Management and Gearing

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

The capital structure of the Group consists of debt, which include the borrowings disclosed in note 18, cash and cash equivalents and equity attributable to the owners of the Parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity. The Group's banking facilities require that management give regular consideration to interest rate hedging strategy. The Group has complied with this during the year with hedging forming a Board agenda item for discussion at each Board meeting.

The Group's Board reviews the capital structure on an on-going basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital.

The Group seeks to have a relatively conservative gearing ratio (the proportion of net debt to equity) balancing the overall level with the opportunities for the growth of the business. The Board considers at each review the appropriateness of the current ratio in light of the above. The Board is currently satisfied with the Group's gearing ratio.

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

	Group 2022 £'000	Group 2021 £'000
Gearing – Bank borrowings		
Gross debt – bank borrowings*	(66,785)	(65,399)
Cash and cash equivalents	46,465	9,105
Net debt	(20,320)	(56,294)
Total equity – balance sheet	205,346	151,259
Net debt to equity ratio	9.9%	37.2%

* Gross debt is the total amount of bank debt drawn before any amortisation of bank arrangement fees.

	Group 2022 £'000	Group 2021 £'000
Total Gearing – Bank borrowings and lease liabilities		
Gross debt – bank borrowings*	(66,785)	(65,399)
Gross debt – lease liabilities	(10,894)	(11,166)
Cash and cash equivalents	46,465	9,105
Net debt	(31,214)	(67,460)
Total equity – balance sheet	205,346	151,259
Net debt to equity ratio	15.2%	44.6%

* Gross debt is the total amount of bank debt drawn before any amortisation of bank arrangement fees.

The movement of the Group's gearing ratio arises principally through the combined effect of an increase in the value of its trading properties, and the cash generated from operations, offset primarily by drawdown of debt to fund the acquisition of the development site in Peterborough. The Group's gearing ratio was also enhanced by the profitable disposals during the year relating to the sale and manage-back of four trading stores.

The Group's operating cash was also applied to ongoing planning, construction and fit out works at other sites, principally at our Warrington and Stevenage stores and the completion of construction works at our Leicester and Salford stores. Costs relating to the planning and pre-development works on our Bournemouth, Cheshunt, Peterborough and Staines sites also featured.

Exposure to credit and interest rate risk arises in the normal course of the Group's business.

A Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of interest rates. The Group previously has hedged through the deployment of interest rate swaps although the Group had no such instruments in place at 31 July 2021 or 31 July 2022. The Board continues to keep its hedging policy under periodic review.

B Debt management

Debt is defined as non-current and current borrowings, as detailed in note 18. Equity includes all capital and reserves of the Group. The Group is not subject to externally imposed capital requirements.

The Group borrows through a joint revolving credit facility with Royal Bank of Scotland/NatWest Bank plc and ABN AMRO Bank secured on its store portfolio and other Group assets, excluding intangibles, with a net book value of £292.8 million (2021: £255.7 million).

Borrowings are arranged to ensure the Group fulfils its strategy of growth and development of its stores and to maintain short-term liquidity. As at the reporting date the Group has a committed revolving credit facility of £100 million (2021: £75 million) providing undrawn committed facilities at 31 July 2022 of £33.2 million. This facility runs to April 2026, and details are provided in note 18 (Borrowings).

Notes to the Financial Statements continued

For the year ended 31 July 2022

17 Financial Instruments continued

Capital Management and Gearing continued

C Interest rate risk management

The Group's policy on interest rate management is agreed at Board level and is reviewed on an on-going basis. All borrowings are denominated in Sterling and are detailed in note 17. The Group has a number of revolving loans within its overall revolving credit facility and as such is exposed to interest rate risks at the time of renewal arising from any upward movement in the SONIA rate. With the rising level of interest rates, the Board monitors closely its effect on the business and has levers in place to mitigate the effects.

Cash balances held in current accounts attract no interest, but surplus cash is transferred daily to a treasury deposit account which earns interest at the prevailing money market rates. All amounts are denominated in Sterling. The balances at 31 July 2022 are as follows:

	Group 2022 £'000	Group 2021 £'000
Variable rate treasury deposits [#]	45,371	7,604
SIP trustee deposits	63	63
Cash in operating current accounts	1,031	1,430
Other cash and cash equivalents	–	8
Total cash and cash equivalents	46,465	9,105

[#] On 7 July 2022, the Group placed £15.0 million on Treasury Deposit Reserve on a 3-month fixed rate at 1.36% which ended on 7 October 2022. On its maturity date this amount was rolled over into a 4-month fixed rate on Treasury Deposit Reserve at 2%.

Also, on 7 July 2022, the Group placed £15.0 million on Treasury Deposit Reserve on a 4-month fixed rate at 1.55% which ends on 7 November 2022.

The Group reviews the current and forecast projections of cash flow, borrowing and interest cover as part of its monthly management accounts review. In addition, an analysis of the impact of significant transactions is carried out regularly, as well as a sensitivity analysis of the impact of movements in interest rates on gearing and interest cover.

D Interest rate sensitivity analysis

Over the longer term, significant changes in interest rates may have an impact on consolidated earnings.

At 31 July 2022, it is estimated that an increase of one percentage point in interest rates would have reduced the Group's annual profit before tax by £667,846 (2021: £653,989) and conversely a decrease of one percentage point in interest rates would have increased the Group's annual profit before tax by £667,846 (2021: £653,989). There would have been no effect on amounts recognised directly in other comprehensive income. The sensitivity has been calculated by increasing by 1% the average variable interest rate of 1.71% and applying to the variable rate borrowings of £68.8 million in the year (2021: £65.4 million/1.54%).

E Cash management and liquidity

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note B above is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Short-term money market deposits are used to manage liquidity whilst maximising the rate of return on cash resources, giving due consideration to risk.

F Foreign currency management

The Group operates solely in the United Kingdom and as such all of the Group's financial assets and liabilities are denominated in Sterling and there is no exposure to exchange risk.

G Credit risk

The credit risk management policies of the Group with respect to trade receivables are discussed in note 15. There has not been a significant change in credit quality.

The Group has a strong credit model with customers paying four-weekly in advance for their storage. The Group has no significant concentration of credit risk, with exposure spread across 17,000 customers (2021: 16,000) and with no individual self-storage customer accounting for more than 1% of total revenue and no entities under common control (e.g., Government) accounting for more than 5% of total revenues.

The Group holds a right of lien over its self-storage customers' goods if customer debts are not paid although this is used relatively infrequently within the context of overall customer numbers and only ever as a final stage in the debt recovery process.

The credit risk on liquid funds is limited because the counterparty is a bank with high credit ratings assigned by international credit-rating agencies, in line with the Group's policy which is to borrow from major institutional banks when arranging finance.

The Group's maximum exposure to credit risk at 31 July 2022 was £2.26 million (2021: £1.48 million) on receivables and £46.5 million (2021: £9.1 million) on cash and cash equivalents.

H Maturity analysis of financial liabilities

The undiscounted contractual cash flow maturities are as follows:

	Trade and Other Payables £'000	Borrowings £'000	Interest on Borrowings £'000
2022 – Group			
Over five years	–	–	–
From two to five years	–	66,785	3,131
From one to two years	–	–	1,809
Due after more than one year	–	66,785	4,940
Due within one year	4,207	–	1,809
Total contractual undiscounted cash flows	4,207	66,785	6,749
	Trade and Other Payables £'000	Borrowings £'000	Interest on Borrowings £'000
2021 – Group			
Over five years	–	–	–
From two to five years	–	65,399	2,248
From one to two years	–	–	1,010
Due after more than one year	–	65,399	3,258
Due within one year	2,856	–	1,010
Total contractual undiscounted cash flows	2,856	65,399	4,268

Lease liabilities are separately disclosed in note 19.

Notes to the Financial Statements continued

For the year ended 31 July 2022

17 Financial Instruments continued

Capital Management and Gearing continued

I Fair values of financial instruments

	Group 2022 £'000	Group 2021 £'000
Categories of financial assets and financial liabilities		
Financial assets measured at amortised cost		
Trade and other receivables ¹	3,516	2,824
Cash and cash equivalents	46,465	9,105
Financial liabilities measured at amortised cost		
Trade and other payables	(4,207)	(2,856)
Lease liabilities	(10,894)	(11,166)
Bank loans	(66,196)	(64,941)

¹ Includes £1.0 million (gross) relating to fees receivable from the Aldershot managed Store classified in Other Debtors, plus Trade Receivables of £1.2 million plus Other Receivables of £1.3 million.

The fair values of the Group's cash and short-term deposits and those of other financial assets equate to their carrying amounts. The amounts are presented net of provisions for doubtful receivables and allowances for impairment are made where appropriate.

J Company's financial instruments

The Company's financial assets are amounts owed by subsidiary undertakings amounting to £28.8 million (2021: £27.1 million) which are classified as loans and receivables, and the investment in its subsidiary undertaking of £2.87 million (2021: £2.67 million). These amounts are denominated in Sterling. The Company has no financial liabilities.

18 Borrowings

	Group 2022 £'000	Group 2021 £'000
Bank borrowings		
Non-current		
Bank loans repayable in more than two years but not more than five years		
Gross	66,785	65,399
Deferred financing costs	(589)	(458)
Net bank borrowings	66,196	64,941
Non-current borrowings	66,196	64,941

- £25 million accordion executed and increases bank facility from £75 million to £100 million
- Bank facility extended by one year to April 2026
- Migration from LIBOR to an alternative risk-free reference rate (SONIA)

On 20 October 2021, the Group executed the accordion arrangement embedded within the Revolving Credit Facility which increases the facilities available to the Group from £75 million to £100 million.

In addition, the Group has also agreed a one-year extension on its existing joint banking facility with National Westminster Bank/ Royal Bank of Scotland plc and ABN AMRO Bank N V. The facility, which was due to expire in April 2025, will now run until April 2026 providing funding for more Landmark site acquisitions.

The two principal bank covenants (LTV and Senior interest) and margin are unaffected by the execution of the accordion and this extension of term. Margin/pricing is also unaffected.

Amendments to the Facility Agreement dealing with the transition from LIBOR to SONIA (Sterling Over Night Indexed Average) have also been made, fulfilling UK regulators' requirements ahead of LIBOR's phasing out after 31 December 2021.

The Group currently has £66.8 million drawn against its facility, which is secured with National Westminster Bank/ RBS and ABN AMRO jointly by legal charges and debentures over the freehold and leasehold properties and other tangible assets of the business with a net book value of £292.8 million (2021: £255.7 million) together with cross-company guarantees from Group companies.

With current facility utilisation at £66.8 million and combined with cash balances of £46.5 million the £100 million facility provides around £79.7 million of available cash headroom.

19 Lease Liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the leases. Where this cannot be readily determined the Present Value of all future operating lease payments is calculated using 2.2% (2021: 2.2%) as an incremental borrowing rate as the Discount Rate.

After the application of a weighted depreciation charge based on the individual lease term of the separate leases and the imputation of an interest charge at 2.2% (2021: 2.2%) as part of the amortisation of the lease liability the total lease liabilities are shown below.

	Group 2022 £'000	Group 2021 £'000
Lease liabilities attributable to right of use assets		
Current lease liabilities		
Amounts due within one year	1,612	1,258
Non-current lease liabilities		
Amounts due in one to two years	1,174	1,085
Amounts due in three to five years	2,774	2,585
Amounts due in more than five years	5,334	6,238
Non-current lease liabilities	9,282	9,908
Total lease liabilities	10,894	11,166
	Group 2022 £'000	Group 2021 £'000
Lease liabilities attributable to right of use assets		
Balance brought forward	11,166	12,455
Increase in property rentals	1,235	–
Lease repayments	(1,746)	(1,559)
Lease interest (non-cash)	239	270
Total lease liabilities	10,894	11,166

The portfolio of property leases all have similar characteristics. Subject to periodic future rent reviews, typically every five years, there are no variable lease payments. The Group has no leases on any other types of assets.

The total future commitments due under non-cancellable leases is set out in note 30 (Commitments under Property Leases).

Notes to the Financial Statements continued

For the year ended 31 July 2022

20 Deferred Tax

	Group 2022 £'000	Group 2021 £'000
Deferred tax liability		
Liability at start of year	46,760	26,760
Total charge to income for the year	2,113	2,367
	48,873	29,127
Tax charged directly to other comprehensive income	14,284	18,224
Charge / (credit) to share-based payment reserve	57	(591)
Liability at end of year	63,214	46,760

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

	Accelerated Capital Allowances £'000	Other Temporary Differences £'000	Revaluation of Properties £'000	Rollover Gain on Disposal £'000	Share Options £'000	Total £'000
At 31 July 2020	3,649	479	19,939	2,956	(263)	26,760
Charge to income for the year	1,479	130	–	758	–	2,367
Charge to other comprehensive income	–	–	18,224	–	–	18,224
Credit to share-based payment reserve	–	–	–	–	(591)	(591)
At 31 July 2021	5,128	609	38,163	3,714	(854)	46,760
Charge to income for the year	591	–	–	1,522	–	2,113
Charge to other comprehensive income	–	–	9,978	4,306	–	14,284
Credit to share-based payment reserve	–	–	–	–	57	57
At 31 July 2022	5,719	609	48,141	9,542	(797)	63,214

The increase in the deferred tax liability arises substantially from a combination of an increase in the valuation of the Group's stores and a provision for the gain arising on the sale of the four sale and manage-back stores which will in due course be subject to a roll-over relief claim.

The deferred tax provision is substantially a tax provision against the potential crystallisation (sales) of revalued properties and past 'rolled over' gains and amounts to £63.2 million (2021: £46.8 million), the crystallisation of which is within the Board's control.

21 Share Capital

Authorised:	2022	2021
	£'000	£'000
35,000,000 ordinary shares of 1 pence each (2021: 35,000,000)	350	350
Allotted, issued and fully paid ordinary shares	2022	2021
	£'000	£'000
Balance at start of year	298	297
Options exercised during the year	3	1
Balance at end of year	301	298
	Called up, Allotted and Fully Paid Number	Called up, Allotted and Fully Paid Number
Number of shares at start of the year	29,686,787	29,633,290
Options exercised during the year	316,758	53,497
Number of shares at end of the year	30,003,545	29,686,787

The Company has one class of Ordinary Shares which carry no right to fixed income.

22 Equity-Settled Share-Based Payment Plans

The Group operates three equity-settled share-based payment plans: one approved and two unapproved share option schemes.

The Company has granted the following share options:

2022 Summary	As at 31 July 2021 No. of Options	Granted	Exercised	Lapsed/ Surrendered	As at 31 July 2022 No. of Options
Unapproved Share Options (refer note 24(a))	683,950	1,163	(280,323)	–	404,790
Unapproved Share Options (PPP Scheme) – refer note 24(b))	990,000	277,658	–	–	1,267,658
Approved CSOP Share Options (refer note 25)	86,476	12,542	(36,435)	–	62,583
Total	1,760,426	291,363	(316,758)	–	1,735,031

2021 Summary	As at 31 July 2020 No. of Options	Granted	Exercised	Lapsed/ Surrendered	As at 31 July 2021 No. of Options
Unapproved Share Options (refer note 24(a))	715,104	8,608	(39,762)	–	683,950
Unapproved Share Options (PPP Scheme) – refer note 24(b))	830,000	280,000	–	(120,000)	990,000
Approved CSOP Share Options (refer note 25)	97,935	2,276	(13,735)	–	86,476
Total	1,643,039	290,884	(53,497)	(120,000)	1,760,426

Notes to the Financial Statements continued

For the year ended 31 July 2022

22 Equity-Settled Share-Based Payment Plans continued

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

	Total at 31 July 2021	Options Granted	Options Exercised	Unapproved Scheme	Approved CSOP Share Options	Total at 31 July 2022
2022						
Executive Directors						
A Jacobs – Unapproved	206,087	–	(206,087)	–	–	–
A Jacobs – PPP	160,000	40,000	–	200,000	–	200,000
A Jacobs – total	366,087	40,000	(206,087)	200,000	–	200,000
RA Davies – Unapproved	246,977	–	(65,000)	181,977	–	181,977
RA Davies – CSOP	7,742	–	(7,742)	–	2,941	2,941
RA Davies – PPP	160,000	38,236	–	198,236	–	198,236
RA Davies total	414,719	38,236	(72,742)	380,213	2,941	383,154
N Newman-Shepherd – Unapproved	135,599	–	–	135,599	–	135,599
N Newman-Shepherd – CSOP	8,618	–	(1,400)	7,218	964	8,182
N Newman-Shepherd – PPP	240,000	59,422	–	299,422	–	299,422
N Newman-Shepherd total	384,217	59,422	(1,400)	442,239	964	443,203
All Directors total	1,165,023	137,658	(280,229)	1,022,452	3,905	1,026,357

	Total at 31 July 2020	Options Granted	Options Exercised	Unapproved Scheme	Approved CSOP Share Options	Total at 31 July 2021
2021						
Executive Directors						
A Jacobs – Unapproved	206,087	–	–	206,087	–	206,087
A Jacobs – PPP	80,000	40,000	–	120,000	–	120,000
A Jacobs – total	286,087	40,000	–	326,087	–	326,087
RA Davies – Unapproved	246,977	–	–	246,977	–	246,977
RA Davies – CSOP	7,742	–	–	–	7,742	7,742
RA Davies – PPP	80,000	40,000	–	120,000	–	120,000
RA Davies total	334,719	40,000	–	366,977	7,742	374,719
N Newman-Shepherd – Unapproved	172,421	–	(36,822)	135,599	–	135,599
N Newman-Shepherd – CSOP	10,661	–	(2,043)	–	8,618	8,618
N Newman-Shepherd – PPP	120,000	60,000	–	180,000	–	180,000
N Newman-Shepherd total	303,082	60,000	(38,865)	315,599	8,618	324,217
Non-Executive Directors						
SG Thomas – Unapproved	5,217	–	–	5,217	–	5,217
All Directors total	929,105	140,000	(38,865)	1,013,880	16,360	1,030,240

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 two and a half, three or five years, subject to the performance criteria attached to the options.

Under the CSOP Approved Share Option scheme (note 25) and the Unapproved Share Options scheme (note 24(a)), 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. Exercise of an option is subject to continued employment or in the case of unapproved options at the discretion of the Board. The life of each option granted is six and a half to seven years. There are no cash settlement alternatives.

The rules governing the PPP scheme are disclosed in note 24b.

Under the CSOP Approved Share Option scheme (note 25) and the Unapproved Share Options scheme (note 24(a)), 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 and a half years which is part way between vesting (two and a half to three years after grant) and lapse (ten 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 and a half years).

Under the Partnership Performance Plan (note 24(b)), 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. For options granted on 31 July 2022, the expected term is assumed to be 10.34 years (2021 :11.76 years), which is halfway between vesting and lapse. The vesting date is based upon the assumption that the CAD and/or NAV targets are met at the same time as the share price target is met, and the lapse date is the fifteenth anniversary of the grant. The risk-free rate of return is the UK gilt rate at date of grant commensurate with the expected term (i.e.10.34 years).

The total charge for the year relating to employer share-based payment schemes was £201,385 (2021: £117,586), all of which relates to equity-settled share-based payment transactions.

23 Enterprise Management Initiative Scheme

The Company operated a share option scheme under the Enterprise Management Initiative (EMI).

The Group has for some years no longer met the EMI Scheme qualifying criteria. Accordingly, there were no options issued under this scheme during the year, and no options remained at the year-end. The scheme is now closed.

24a) Unapproved Share Options

The Company issues unapproved share options, the vesting conditions of which have been met.

Movements in the year are shown below:

	Options 2022 Number	Weighted Average Exercise Price 2022 Pence	Options 2021 Number	Weighted Average Exercise Price 2021 Pence
Outstanding at 1 August	683,950	188.16	715,104	179.08
Granted during the year	1,163	1020.00	8,608	735.00
Exercised during the year	(280,323)	165.95	(39,762)	143.29
Outstanding at 31 July	404,790	205.93	683,950	188.16
Exercisable at 31 July	386,074	183.25	663,093	174.22

Notes to the Financial Statements continued

For the year ended 31 July 2022

24a) Unapproved Share Options continued

The options outstanding at 31 July 2022 had a weighted average remaining contractual life of 2.5 years (2021: 2.8 years). The exercise prices for shares exercisable at 31 July 2022 ranged from 108.5 pence per share to 527.0 pence per share.

The following sets out the movements in the year in respect of unapproved share options held by the Directors of the Company.

	As at 31 July 2021	Granted	Exercised	As at 31 July 2022	Exercise Price Pence	Date from which Exercisable	Expiry Date
A Jacobs	206,087	–	(206,087)	–	1.085 – 2.855	31/7/15 – 6/8/18	31/7/22 – 6/8/25
R Davies	246,977	–	(65,000)	181,977	0.850 – 2.135	31/7/10 – 31/7/17	31/7/17 – 31/7/27
N Newman-Shepherd	135,599	–	–	135,599	1.360 – 3.875	31/7/16 – 31/7/20	31/7/18 – 31/7/27
Total	588,663	–	(271,087)	317,576			

24b) Unapproved Share Options – Partnership Performance Plan (PPP)

On 2 July 2018, the Group adopted the Company Partnership Performance Plan (PPP).

The Plan is a discretionary benefit offered by the Company for the benefit of selected key employees. Its main purpose is to increase the interest of the employees in the Group's long-term business goals and performance through share ownership. Shares purchased or received under the Plan, any cash received under the Plan and any gains obtained under the Plan are not part of salary for any purpose except to any extent required by statute.

The Remuneration Committee of the Board of the Company shall have the right to decide, in its sole discretion, whether or not awards will be granted and to which employees those awards will be granted.

A summary of the structure and rules of the Plan are set out below:

Structure

- Options are granted on Lok'nStore Group plc shares.
- The exercise price is £6 per share, well above the market price at inception to allow the issuance of more options increasing member returns if ambitious targets are hit.
- Options are to be issued to participants in five annual tranches from July 2018 to July 2022.
- Participants will have ten years to exercise from vesting dates.
- Performance criteria are geared to achievement of ambitious long-term plan.
- Performance targets of share price, NAV and CAD thresholds for each award. NAV and CAD thresholds to be determined each year by the Remuneration Committee.
- Alternative exercise methods can be considered by the Group:
 - Participants may exercise and hold or exercise and sell – paying tax arising
 - Group delivers net profit to participants in cash or shares

Main Rules and Conditions

- Conditional on participants remaining in employment with the Group.
- All options vest if there is a change of control.
- Includes Good/Bad Leaver clauses.
- The Scheme is entirely at the discretion of the Remuneration Committee who act on behalf of the Board.

Movements in the year are shown below:

	Options Number	Weighted Average Exercise Price Pence
Outstanding at 1 August 2021	990,000	600.00
Granted during the year	277,658	600.00
Lapsed during the year	–	–
Outstanding at 31 July 2022	1,267,658	600.00
Exercisable at 31 July 2022	–	–

The following unapproved share options have been granted to Directors of the Company during the year.

	As at 31 July 2021	Granted	As at 31 July 2022	Exercise Price Pence	Date from which Exercisable	Expiry Date	Performance Conditions Met
A Jacobs	40,000	–	40,000	600.00	31/07/2023	31/07/2033	Yes
A Jacobs	40,000	–	40,000	600.00	31/07/2024	31/07/2034	Yes
A Jacobs	40,000	–	40,000	600.00	31/07/2025	31/07/2035	Yes
A Jacobs	40,000	–	40,000	600.00	31/07/2026	31/07/2036	Yes
A Jacobs	–	40,000	40,000	600.00	31/07/2027	31/07/2037	
A Jacobs – Total	160,000	40,000	200,000				
R Davies	40,000	–	40,000	600.00	31/07/2023	31/07/2033	Yes
R Davies	40,000	–	40,000	600.00	31/07/2024	31/07/2034	Yes
R Davies	40,000	–	40,000	600.00	31/07/2025	31/07/2035	Yes
R Davies	40,000	–	40,000	600.00	31/07/2026	31/07/2036	Yes
R Davies	–	38,236	38,236	600.00	31/07/2027	31/07/2037	
R Davies – Total	160,000	38,236	198,236				
N Newman-Shepherd	60,000	–	60,000	600.00	31/07/2023	31/07/2033	Yes
N Newman-Shepherd	60,000	–	60,000	600.00	31/07/2024	31/07/2034	Yes
N Newman-Shepherd	60,000	–	60,000	600.00	31/07/2025	31/07/2035	Yes
N Newman-Shepherd	60,000	–	60,000	600.00	31/07/2026	31/07/2036	Yes
N Newman-Shepherd	–	59,422	59,422	600.00	31/07/2027	31/07/2037	
N Newman-Shepherd – Total	240,000	59,422	299,422				

Notes to the Financial Statements continued

For the year ended 31 July 2022

25 CSOP Approved Share Options

On 2 June 2010, the Group adopted a Company Share Option Plan (CSOP). The CSOP achieved HMRC approval on 28 June 2010. There are no performance conditions attached to share options issued under CSOP.

Movements in the year are shown below:

	Options 2022 Number	Weighted Average Exercise Price 2022 Pence	Options 2021 Number	Weighted Average Exercise Price 2021 Pence
Outstanding at 1 August	86,476	372.48	97,935	376.83
Granted during the year	12,542	1020.00	2,276	735.00
Forfeited/surrendered during the year	–	–	–	–
Exercised during the year	(36,435)	312.97	(13,735)	327.59
Outstanding at 31 July	62,583	326.78	86,476	372.48
Exercisable at 31 July	35,220	382.85	59,725	315.37

The options outstanding at 31 July 2022 had a weighted average remaining contractual life of 4.3 years (2021: 5.9 years).

The exercise prices for shares exercisable at 31 July 2022 ranged from 207.0 pence per share to 527.0 pence per share. The inputs into the Black-Scholes model used to value the options granted during the year are as follows:

Date of Grant	Expected Life (Years)	Share Price at Date of Grant (Pence)	Exercise Price (Pence)	Expected Volatility (%)	Expected Dividend Yield (%)	Risk-Free Interest Rate (%)	Fair Value Charge per Award (Pence)
31 July 2021	5.90	735.00	735.00	34.05	1.81	0.38	199.00
31 July 2022	4.30	1020.00	1020.00	35.10	1.54	1.71	322.00

The following CSOP approved share options have been granted to Directors of the Company. The expected price volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

	As at 31 July 2021	Granted	Exercised	As at 31 July 2022	Exercise Price (Pence)	Date from which Exercisable	Expiry Date
R Davies	7,742	2,941	(7,742)	2,941	10.20	31/7/25	31/7/32
N Newman-Shepherd	8,618	964	(1,400)	8,182	10.20	31/7/25	31/7/32
	16,360	3,905	(9,142)	11,123			

26a) Other Reserves

Group	Merger Reserve £'000	Other Reserve £'000	Capital Redemption Reserve £'000	Share-based Payment Reserve £'000	Total £'000
31 July 2020	6,295	1,294	34	832	8,455
Share-based remuneration (options)	–	–	–	118	118
IFRS 2 – transfer retained earnings	–	–	–	(26)	(26)
Tax charge relating to share options	–	–	–	591	591
31 July 2021	6,295	1,294	34	1,515	9,138
Share-based remuneration (options)	–	–	–	201	201
IFRS 2 – transfer retained earnings	–	–	–	(180)	(180)
Tax charge relating to share options	–	–	–	(57)	(57)
31 July 2022	6,295	1,294	34	1,479	9,102

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. The revaluation reserve is a non-cash non-distributable reserve that reflects the uplift between market (fair) value of the Group's store assets and their historic book value.

Share-based Payment Reserve

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 amounted to £180,391 (2021: £26,419).

26b) Other Reserves

Company	Other Reserve £'000	Share-based Payment Reserve £'000	Total £'000
31 July 2020	1,114	798	1,912
Share-based remuneration (options)	–	118	118
IFRS 2 – transfer to/from retained earnings	–	(26)	(26)
31 July 2021	1,114	890	2,004
Share-based remuneration (options)	–	201	201
IFRS 2 – transfer to/from retained earnings	–	(180)	(180)
31 July 2022	1,114	911	2,025

Notes to the Financial Statements continued

For the year ended 31 July 2022

27a) Retained Earnings

Group	Retained Earnings before Deduction of Own Shares £'000	Own Shares (note 28) £'000	Retained Earnings Total £'000
31 July 2020	26,595	(500)	26,095
Profit attributable to owners of Parent for the financial year	3,283	–	3,283
Transfer from revaluation reserve			
Additional depreciation on revaluation	568	–	568
Transfer from share-based payment reserve (note 26a)	26	–	26
Reserve transfer on disposal of assets	165	–	165
Dividend paid	(3,865)	–	(3,865)
31 July 2021	26,772	(500)	26,272
Profit attributable to owners of Parent for the financial year	12,078	–	12,078
Transfer from revaluation reserve			
Additional depreciation on revaluation	821	–	821
Transfer from share-based payment reserve (note 26a)	180	–	180
Reserve transfer on disposal of assets	20,258	–	20,258
Dividend paid	(4,601)	–	(4,601)
31 July 2022	55,508	(500)	55,008

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.

27b) Retained Earnings

Company	Retained Earnings before Deduction of Own Shares £'000	Own Shares (note 28) £'000	Retained Earnings Total £'000
31 July 2020	15,650	–	15,650
Profit attributable to owners of Company for the financial year	4,793	–	4,793
Transfer from share-based payment reserve (note 25b)	26	–	26
Dividend paid	(3,865)	–	(3,865)
31 July 2021	16,604	–	16,604
Profit attributable to owners of Company for the financial year	5,756	–	5,756
Transfer from share-based payment reserve (note 25b)	180	–	180
Dividend paid	(4,601)	–	(4,601)
31 July 2022	17,939	–	17,939

28 Own Shares

	EBT Shares Number	EBT Shares £	Treasury Shares Number	Treasury Shares £	Own Shares Total £
31 July 2021 and 31 July 2022	623,212	499,910	–	–	499,910

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 July 2022, the Trust held 623,212 (2021: 623,212) Ordinary Shares of 1 pence each with a market value of £6,356,762 (2021: £4,580,608). No shares were transferred out of the scheme during the year (2021: nil).

No options have been granted under the EBT. The EBT waived its dividends in full. No other dividends were waived during the year.

29 Cash Flows

a) Reconciliation of Profit Before Tax to Cash Generated from Operations

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Profit before tax	15,874	6,448
Depreciation and loss on disposal	4,727	4,149
Equity-settled share-based payments	201	118
Non-underlying items (note 4)	(5,739)	160
Interest receivable	(42)	(1)
Interest payable – bank borrowings	1,089	747
Interest payable – lease liabilities	239	270
Decrease / (increase) in financial asset	509	(148)
Decrease / (increase) in inventories	148	(20)
Decrease / (increase) in receivables	285	(645)
Increase / (decrease) in payables	1,278	1,109
Cash generated from operations	18,569	12,187

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

Net bank debt is defined as non-current and current borrowings, as detailed in note 18 less cash and cash equivalents.

	Group 2022 £'000	Group 2021 £'000
Increase / (decrease) in cash in the year	37,360	(3,961)
Change in net debt resulting from cash flows	(1,386)	(14,077)
Movement in net debt in year	35,974	(18,038)
Net bank debt brought forward	(56,294)	(38,256)
Net bank debt carried forward	(20,320)	(56,294)

Notes to the Financial Statements continued

For the year ended 31 July 2022

30 Commitments Under Property Leases

At 31 July 2022 the total future minimum lease payments as a lessee under non-cancellable leases were as follows:

	Group 2022 £'000	Group 2021 £'000
Land and Buildings		
Amounts due:		
Within one year	1,727	1,612
Between two and five years	4,737	4,583
After five years	6,273	6,863
	12,737	13,058

Property 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.

The Group's property leases on its leased stores are recognised as a right of use asset and as a corresponding liability at the year-end.

31 Related Party Transactions

The Company provides share options for the employees of Lok'nStore Limited. The capital contributions arising from these share-based payments are separately disclosed under investments in note 13.

The aggregate remuneration of the Directors, and the other key management personnel of the Group, is set out below. Further information on the remuneration of individual Directors is found in note 8.

	Group 2022 £'000	Group 2021 £'000
Short-term employee benefits – Directors	922	968
Short-term employee benefits – Other key management	373	469
Post-employment benefits – Directors	11	10
Post-employment benefits – Other key management	8	18
Share-based payments	201	118
Social security costs – Directors	370	120
Social security costs – Other key management	49	56
Total	1,934	1,759

The Group recognises a number of management personnel that are important to retain within the business in order for it to achieve its strategic plan. Accordingly, these are recognised as key personnel and are participants in the Long-Term Performance Plan. They are included in the table above.

Group Director Shareholdings – Dividends Received

In respect of the total dividends paid during the year of £4.6 million (2021: £3.87 million), the Group Directors received the amounts set out in the table below:

Director's Dividend Income	Holding No.	Final 2021 10.67 pence per Share £	Interim 2022 5.0 pence per Share £	Total 2022 £	Total 2021 £
Executive:					
A Jacobs*	5,513,950	588,338	275,698	864,036	658,776
R Davies	73,832	7,878	3,692	11,570	8,400
N Newman-Shepherd	30,739	3,280	1,537	4,817	4,098
Non-Executive:					
SG Thomas*	1,691,190	180,450	84,560	265,010	203,733
RJ Holmes	289,606	30,901	14,480	45,381	41,004
CP Peal	600,629	64,087	30,031	94,118	84,797
J Woyda	2,419	258	121	379	105
ETD Luker	–	–	–	–	4,666
	8,202,365	875,192	410,119	1,285,311	1,005,579

* Andrew Jacobs and Simon Thomas dividend income above includes their respective holdings in their individual pension funds.

Managed Stores – Group Director Shareholdings

The relationship between Lok'nStore Group plc and the Managed Stores which it manages have been reported in detail in last year's financial statements and is not repeated here.

Although the Director holdings in Managed Stores falls outside of the definition of related party transactions they are disclosed here, as in previous years, for transparency and are set out in the table below:

Director	Wolverhampton No. of Shares	Broadstairs No. of Shares	Exeter No. of Shares
Andrew Jacobs	36,800	38,160	240,000
Charles Peal	–	–	500,000
Simon Thomas	–	–	160,000
Total shareholding	36,800	38,160	900,000
Issued Share Capital	189,341	189,690	3,970,000
% of Issued Share Capital	19.4%	20.1%	22.7%

Notes to the Financial Statements continued

For the year ended 31 July 2022

31 Related Party Transactions continued

Managed Stores – Group Director Shareholdings continued

- These shareholdings relate to three Managed Stores, each in separate corporate vehicles, which have very specific EIS tax advantages. The Directors' respective shareholdings in these companies have remained unchanged since their initial investment.
- The Lok'nStore Directors have no other shareholdings in any other Managed Stores.
- Changes in UK Tax legislation mean that these EIS tax advantages no longer exist, and these reliefs are no longer available for Managed Store opportunities that may be undertaken in the future.
- Under UK Takeover Panel protocols in relation to the Rule 9 Waiver agreed each year with Lok'nStore Group plc, necessary to preserve the Group's share buyback authority, Andrew Jacobs cannot, by agreement with the Panel, purchase any more Lok'nStore shares. As such the three EIS investment vehicles represented an opportunity for Mr Jacobs to hold additional self-storage assets in tax efficient vehicles.
- Lok'nStore Group operate 16 Managed Stores, currently trading, and have a further one secured Managed Stores in the pipeline making a total of 17 Managed Stores. The Managed Store strategy is a well-developed one which enables the Group to increase the operational footprint of Lok'nStore branded stores without the balance sheet risk of ownership.
- At 31 July 2022, Lok'nStore has a total of 50 stores (40 currently trading and a pipeline of ten secured stores).
- The terms of the Management Services Agreements executed between Lok'nStore and with Wolverhampton, Broadstairs and Exeter were executed at arm's length on normal commercial terms with independent Director(s) who were not directors of Lok'nStore and therefore unconnected. The commercial terms are all similar to, and consistent with, those agreed with other third-party Managed Store owners.
- The Board of Lok'nStore Group plc have governance protocols in place to ensure that there are no conflicts of interest between the Group and the shareholders of the Wolverhampton, Broadstairs and Exeter stores. Specifically, Mr Jacobs could not hold a disproportionate holding in the EIS Managed Stores not commensurate with his shareholding in Lok'nStore Group plc.

32 Capital Commitments

The Group has capital expenditure contracted but not provided for in the financial statements of £11.21 million (2021: £6.16 million) relating to commitments to complete the ongoing construction of our sites in Bedford and Peterborough and final contract commitments on our completed sites at Warrington and Stevenage. We are also committed on the Staines Store project in respect of the land and main build contract and the Basildon Store in respect of the lease commitment which commences when practical completion of the building is delivered to us at the end of March 2023.

33 Guarantees

The Company has guaranteed the bank borrowings of Lok'nStore Limited, a subsidiary company. As at the year-end, that company had gross bank borrowings of £66.8 million (2021: £65.4 million).

34 Events after the Reporting Date

Acquisition of a development site in Milton Keynes

On 4 October 2022, we exchanged contracts, subject to planning, on a freehold development opportunity in Watling Street, Milton Keynes. This new highly visible roadside location in the north west of the city complements our existing leasehold store, seven miles to the south east. Once developed the store will add circa 60,000 sq. ft. of lettable area.

Glossary

Abbreviation

APM	Alternative performance measure
Adjusted EBITDA	Earnings before all depreciation and amortisation charges, losses or profits on disposal, share-based payments, acquisition costs, non-underlying items and non-recurring professional costs, finance income, finance costs and taxation
Adjusted Store EBITDA	Adjusted EBITDA (see above) but before central and head office costs
AGM	Annual General Meeting
Bps	Basis Points
CAD	Cash available for Distribution
Capex	Capital Expenditure
CGU	Cash-generating units
CO₂ e	Carbon Dioxide Equivalents
CSOP	Company Share Option Plan
DRIP	Dividend Reinvestment Plan
EBT	Employee Benefit Trust
EIS	Enterprise Investment Scheme
(eKPIs)	Environmental key performance indicators
EMI	Enterprise Management Incentive Scheme
ESOP	Employee Share Option Plan
EU	European Union
GHG	Greenhouse gas
HMRC	His Majesty's Revenue and Customs
IAS	International Accounting Standard
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
JLL	Jones Lang LaSalle
KPI	Key Performance Indicator
LFL	Like for like
LTPPP	Long Term Partnership Performance Plan
LTV	Loan to Value Ratio
MWh	Megawatt Hour
NAV	Net Asset Value
NBV	Net Book Value
Operating Profit	Earnings before interest and tax (EBIT)
PPP	Partnership Performance Plan
PV	Photovoltaic
QCA	Quoted Companies Alliance
RICS	Royal Institution of Chartered Surveyors
RNS	Regulatory News Service
ROU	Right of Use Asset
SIP	Share Incentive Plan
SME	Small and medium sized enterprises
SONIA	Sterling Overnight Index Average
Sq. ft.	Square feet
tCO₂e	Tonnes of carbon dioxide equivalent
TVR	Total voting rights
VAT	Value added tax

Our Store Locations

- Aldershot, Hampshire
- Altrincham, Cheshire
- Ashford, Kent
- Barking, London
- Basildon, Essex
- Basingstoke, Hampshire
- Bedford, Bedfordshire
- Bolton, Lancashire
- Bournemouth, Dorset
- Bristol, Gloucestershire
- Broadstairs, Kent
- Cardiff, Glamorgan
- Cheshunt, Hertfordshire
- Chichester, West Sussex
- Crawley, West Sussex
- Crayford, Kent
- Dover, Kent
- Eastbourne, East Sussex
- Exeter, Devon
- Fareham, Hampshire
- Farnborough, Hampshire
- Gillingham, Kent
- Gloucester, Gloucestershire
- Harlow, Essex
- Hedge End, Southampton
- Hemel Hempstead, Hertfordshire
- Horsham, West Sussex
- Ipswich, Suffolk
- Kettering, Northamptonshire
- Leicester, East Midlands
- Luton, Bedfordshire
- Maidenhead, Berkshire
- Milton Keynes, Buckinghamshire
- Northampton Central, Northamptonshire
- Northampton Riverside, Northamptonshire
- Oldbury, West Midlands
- Peterborough, Northamptonshire
- Poole, Dorset
- Portsmouth, Hampshire
- Reading, Berkshire
- Salford, Lancashire
- Southampton, Hampshire
- Staines, Surrey
- Stevenage, Hertfordshire
- Sunbury, Middlesex
- Swindon, Wiltshire
- Tonbridge, Kent
- Warrington, Cheshire
- Wellingborough, Northamptonshire
- Wolverhampton, Staffordshire

- Open Stores
- Pipeline Stores
- New Stores in Period



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