RNS Final Results

# INTERIM RESULTS

LOK'N STORE GROUP PLC

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Lok'nStore Group PLC
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**LOK'NSTORE GROUP PLC**
**("Lok'nStore" or "the Group")**

**Lok'nStore Group Plc, the AIM quoted self-storage company announces interim results for the six months to 31 January 2024**

**Revenue**

**Headline**

- ✓ Group Revenue £14.17 million up 4.3% (31.01.2023: £13.58 million)
- ✓ Headline Self Storage Revenue up 4.9% to £13.33 million (31.01.2023: £12.70 million)
- ✓ Group Adjusted EBITDA[1] £7.65 million down 3.6% (31.01.2023: £7.93 million)

**Same Store[14]**

- ✓ Same Store Group Revenue[15] £13.93 million up 2.6% (31.01.2023: £13.58 million)
- ✓ Same Store Self Storage Revenue[15] £13.09 million up 3.1% (31.01.2023: £12.70 million)
- ✓ Same Store Group Adjusted EBITDA[1] £7.86 million down 0.9% (31.01.2023: £7.93 million)

**This Same Store analysis and all other Alternative Performance Measures (APM's) denoted by superscripts are explained in the key performance indicators (KPIs) definitions below**.

**Operating Metrics**

- ✓ Pricing up 4.0% (31.01.2023: 9.2%) to £27.37 per sq. ft (31.01.2023: £26.45 per sq. ft)
- ✓ Occupied unit space down by 2.9% to 22,639 sq. ft to 862,554 sq. ft
- ✓ Same Store stores[15] EBITDA margins 58.9% (31.01.2023: 60.3%)

**Banking, net debt and liquidity**

- ✓ £10.0 million out of total debt of £43.7 million fixed at all-in cost of 5.2% at 31 January 2024
- ✓ £15.0 million cash at period-end (31.07.2023: £42.1 million) (31.01.2023: £40.3 million)
- ✓ Net debt (excluding lease liabilities and deferred finance costs) £28.8 million (31.07.2023: £12.3 million) (31.01.2023: £26.5 million)
- ✓ Loan to Value ratio[6] (net of cash) 8.3% (31.07.2023: 3.7%) (31.01.2023: 8.9%)

**NAV per share**

- ✓ Adjusted Net Asset Value[5] per share up 0.1% to £9.87 per share (31.07.2023: £9.86 per share) (31.01.2023: £9.15 per share) (Refer Financial Results for detailed calculation)

**New store Pipeline**[8]

- ✓ Two new Landmark stores opened.
  - Basildon in period
  - Kettering (managed) just after period-end (9 February 2024)
- ✓ Two new Landmark stores on site in Staines and Bromborough (managed) will open in 2024
- ✓ Sunbury leasehold store to be closed and customers moved to a new effective freehold store in Staines and other freeholds
- ✓ Planning permission received at Barking, Cheshunt and Eastbourne.
  - Cheshunt expected to be on site by the end of 2024.
- ✓ The Board is keeping under review when to go on site at the other pipeline stores dependent on the economic cycle.

**Recommended Cash Offer of Lok'nStore Group Plc by Shurgard Self Storage Ltd "Shurgard") ("the Offer")**

- ✓ On 11 April 2024 the boards of Shurgard and Lok'nStore announced that they had reached agreement on the terms of a recommended cash offer to be made by Shurgard at 1,110 pence per share (the Offer).
- ✓ The Directors intend to unanimously recommend the Offer.
- ✓ The Offer contains a customary price adjustment in respect of any dividends declared, made or paid after 11 April 2024 and hence the Board is not recommending a dividend at this interim stage.
- ✓ It is proposed that the Offer will be implemented by a Scheme of Arrangement ("the Scheme")

**For all of the definitions of the terms used in the highlights above refer to the KPI notes section below.**

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

"Lok'nStore's revenue has moved ahead with Group Revenue up 4.3% and headline self-storage revenue up by 4.9%. With this muted growth and some cost increases, Group Adjusted EBITDA of £7.65 million was down 3.6%. Customer demand remains above levels seen pre-pandemic, although it has been lower compared to the same period 12 months ago."

"We have made progress on our new store pipeline with our new Landmark store in Basildon opened in December and Kettering opened in early February. We are on site at two locations in Staines and Bromborough, both of which will open in 2024."

**Enquiries:**

| | |
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# Chair's Statement

**Trading**
At a headline level we report a 4.3% increase in Group Revenue.  Same-Store Group Revenue grew by 2.6% over the last year.

Occupied unit space was down 2.9% in the first half compared with the same period last year. Our pricing moved forward by 4.0% when compared with 31 January 2023.

Customer demand remains above levels seen pre-pandemic, although it has been lower compared to the same period 12 months ago,

Our new stores in Bedford, Peterborough and Basildon accounted for £0.45 million of operating costs as we expand our portfolio of Landmark assets. On a Same Store basis, costs have increased by £0.43 million or 7.7%.  £0.39 million of this relates to property cost increases from Rent, Energy and Business rates.

The cash cost of bank interest paid (before capitalisation of interest costs, non-utilisation fees and loan amortisation fees) in the period was £1.27 million (31.01.2023: £1.34 million). This broadly unchanged position reflects the outcome of rising rates offset by the reduction in drawn debt (See below).

**Net Asset Value**
In line with the Group's normal policy, we have not conducted an interim valuation of trading assets in this period, however following the Offer, the document relating to the Scheme ("the Scheme Document") will include an independent external valuation in respect of Lok'nStore's property portfolio commissioned in accordance with Rule 29 of the Takeover Code. The Scheme Document will be circulated to shareholders within the next few weeks.

Adjusted Net Asset Value per share has moved up 1 penny to £9.87 per share since last year-end (31 July 2023: £9.86 per share) (31 January 2023 £9.15 per share).

Since the last year-end at 31 July 2023 Jones Lang LaSalle (JLL), considers that the yields and discount rates which were applied at the July 2023 year-end have not materially changed.

We have two new stores in Staines and Basildon which will have their maiden external valuation in July 2024,. More details on the valuation of our trading stores can be found in note 11 of the financial statements.

**Investment in new Stores**
In the period we invested £18.5 million in new store development. We opened two new stores in Basildon and Kettering (9 February 2024). The Basildon store is our first purpose built leasehold Landmark store.

We are also on site in Staines and Bromborough.  At Staines we are positioned above an Aldi supermarket and will open at the end of April 2024. We are on site at Bromborough on behalf of a third-party Managed Store client.

At 31 January 2024, the remaining capital expenditure required to complete the Staines and Basildon stores is £2.63 million, all of which can be paid out of cash.

**New Store pipeline**
Beyond the stores currently on site, we have a further 7 stores in our pipeline.  In the last few months, we have achieved planning at Barking, Cheshunt and Eastbourne.  Bournemouth, Milton Keynes and Altrincham all have live planning applications submitted.

It is our intention to go on site at the Cheshunt store before the end of 2024. We will build a c.60,000 sq. ft. Landmark store along with retail space for a discount food retailer. The discount food retailer will pay a lease premium to Lok'nStore on completion of planning matters and make further payments to Lok'nStore through the building programme as work progresses.

We carefully evaluate the ongoing economic and trading position before making any further capital commitments and can reduce capex quickly if the market deteriorates.

**Closure of Sunbury Leasehold Store**

In line with our continuing strategy of recycling older stores into purpose-built Landmark stores and leases into freeholds, we will close the Sunbury leasehold store in early FY25. Our policy over many years has been that we are happy with leasehold stores which provide a higher return on capital than freeholds, but that we prefer freeholds if and when the opportunity arises. Over the years we have both bought out the freeholds of existing leasehold stores and also built new freehold stores elsewhere and moved the customers from the leasehold to the freehold store.

In this case the closure of the Sunbury store has been timed to coincide with the opening of our new store in Staines in Spring 2024, a few miles away. The Staines store is an effective freehold, being on a 250-year lease at peppercorn rent. We expect to move a number of the current Sunbury customers to the new Staines store and other local freehold stores. Therefore, we expect the new Staines store to be trading cash positively quickly. As the lease of the Sunbury store expired in August 2022, the store was valued at £0 in the July 2023 valuation.

The move from an older building to a new purpose-built Landmark store improves our brand image to our customers, removes latent capital expenditure and further reduces our environmental impact. The move from a leasehold to an effective freehold also reduces operational gearing by removing the property rental charge.

The closure will result in a modest reduction in the expected Group Revenue in the coming years. In FY23, the Sunbury store generated £1.3 million in revenue and £0.6 million of EBITDA.

**Managed Stores**

Our strategy includes increasing the number of stores we manage for third party owners. This enables the Group to earn revenue without having to commit capital, to amortise fixed central costs over a wider operating base and direct further traffic to our website which benefits our entire operation.
Lok'nStore manages 17 stores for third-party owners including the Kettering store which opened in February 2024. This will increase to 18 managed stores once the Bromborough store opens in Autumn 2024.

During the period, we generated total Managed Store income of £0.78 million, with recurring fees of £0.75 million (31.01.2023: £0.82 million), down 5.1%. While base management fees, calculated as a percentage of revenue, were higher, performance fees based on EBITDA were slightly lower due to the higher operating costs of the Managed Stores.

In the management fees table in the Business and Financial Review, we separate recurring management fees from non-recurring fees. Non-recurring fees relate to one-off fees generated from planning, store opening, construction and advisory and supplementary fees.

**Cash Flow, Debt and Bank Covenants**

The company continues to be in a strong financial position with low net debt.

On 11 August 2023, the Group paid down £19.02 million out of its recent equity placing proceeds reducing the balance on its Revolving Credit Facility, pending redrawing over time for its future deployment on the Group's pipeline stores.

In December 2023, the Group entered into five-year interest rate swaps on £10.0 million of its floating rate debt. The two separate swaps of £5.0 million each were executed at a SONIA swap rate of 3.51%, providing an all-in effective rate payable on this swap of 5.2% and will result in estimated saving of c.£0.2 million of interest payable in the coming year.

A conservative capital structure and a strong Balance Sheet remain a key focus for the business. We report a period-end LTV ratio (net of cash) of 8.3% (31.07.2023: 3.7%) and a low level of net debt of £28.8 million, (31.07.2023: £12.3 million) (refer to note 24b). At 31 January 2024, the Group had cash balances of £14.97 million. Cash inflow from operating activities before investing and financing activities was £6.81 million in the year to 31 January 2024 (31.01.2023: £7.85 million).

The Group has a £100 million five-year Revolving Credit Facility. The Group is not obliged to make any repayments on its loan facility prior to its expiration in April 2026.

The floating average cost of bank debt on drawn facilities for the period was 6.72% (31.01.2023: 4.13%). as rates have moved higher. Except for the £10 million of fixed debt, the Group's remaining drawn bank debt of £33.7 million (31.01.2023: £66.8 million) is unhedged. At the date of this Report the Group's current cost of blended debt after including the positive effect of the hedging is running at 6.63%.

At the period-end senior interest cover was 3.8 times finance charges on gross debt tested on a 12-month rolling basis, against a bank covenant of 2.5 times. On a quarterly and a monthly testing at 31 January 2024, the cover had risen to over 4 times. At the period-end our loan-to-value ratio based on net bank debt was 8.3% versus a bank covenant of 60%.

**Recommended Cash Offer of Lok'nStore Group Plc by Shurgard Self Storage Ltd ("Shurgard") ("The Offer")**

On 11 April 2024, the Boards of Shurgard and Lok'nStore announced that they have reached agreement on the terms of a recommended cash offer to be made by Shurgard to acquire the entire issued and to be issued share capital of Lok'nStore (the 'Acquisition').

Under the terms of the Offer, Lok'nStore Shareholders will be entitled to receive 1,110 pence in cash for each Lok'nStore Share. The Directors intend to unanimously recommend the Offer.

The Offer is expected to be effected by means of a Court-sanctioned scheme of arrangement between Lok'nStore and Scheme Shareholders under Part 26 of the Companies Act 2006, although Shurgard reserves the right to effect the Acquisition by way of a Takeover Offer.

The Offer contains a customary price adjustment in respect of any dividends declared, made or paid after 11 April 2024 and hence the Board are not recommending a dividend at this interim stage.

**Environmental progress**

Our Environmental targets for FY24 are:

- Decarbonise our business to be Net Zero in our operations by 2040
- Assess recommended improvements from current EPCs and action as appropriate
- Trial the installation of a battery at one store
- To increase the number of stores with PV systems
- Continue the roll out of LED lights for all stores
- Obtain BREEAM accreditation at one store
- Determine a route to eliminate waste destined for landfill

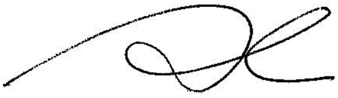
**Our business Objectives**

Our business objectives are to:

- Fill existing stores and improve pricing
- Develop our pipeline into new Landmark stores
- Acquire more sites to build new Landmark stores
- Increase the number of stores we manage for third parties

**Outlook**
In the short term our focus is to drive the operating performance of all of our existing stores. We have opened stores in Basildon and Kettering and will be opening shortly in Staines and Bromborough.  We expect to go on site at Cheshunt before the end of 2024.  The Board are keeping under review when to go on site at the other pipeline stores.

Since 31 January 2024 Lok'nStore has continued to observe positive but muted revenue growth.  Headline stores revenue in February and March 2024 was 4.2 per cent. up on the same period last year, compared to year-on-year growth of 13.7 per cent. in the same period in 2023.



**Andrew Jacobs**
Chair
19 April 2024

## Notes – 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 EBITDA (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 and non-underlying items 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 material and 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) which do not attract a dividend. 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 £384.2 million (31.07.2023: £392.9 million) (31.01.2023: £353.0 million) is calculated by adding the independent valuation of the leasehold properties of £27.2 million (31.07.2023: £27.2 million) (31.01.2023: £22.9 million) less their corresponding net book value (NBV) £6.9 million (31.07.2023: £6.9 million (31.01.2023: £7.0 million) to the total assets in the Statement of Financial Position of 363.9 million (31.07.2023 £372.6 million) (31.01.2023 £337.1 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 period-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 £28.8 million expressed as a percentage of the total freehold and leasehold properties independently valued by JLL of £301.9 million (31.07.2023: £301.9 million) and development land assets of £45.2 million (31.07.2023: £30.6 million) totalling £347.1 million (31.07.2023: £332.5 million) (31.01.2023: £297.5 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 floating debt was 6.72% (31.07.2023: 4.77%) (31.01.2023: 4.13%%).

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 a contract exchange. We have 9 pipeline sites of which 8 are contracted and one progressing with lawyers. At 31 January 2024, we have 26 Owned Stores trading with an additional 16 Managed Stores trading. When these 11 sites are fully developed, we will have a total of 54 stores – 36 will be owned by the Group and 18 will be Managed Stores managed on behalf of third-party owners. The Kettering store recently opened after the period-end in February 2024 making 17 Managed Stores trading, When the Bromborough site, which is currently being built opens in the Autumn, we will have 18 Managed Stores trading.

9. **Secured Pipeline Sites –** The ten sites for new stores on which we have exchanged legal contracts. Of these, eight stores are Lok'nStore Owned Stores and two will be Managed Stores.

10. **Adjusted Store EBITDA** is Group Adjusted EBITDA (see 1 above) before the deduction of central and Head Office costs. Unlike Group Adjusted EBITDA, this measure excludes the impact of IFRS 16 and includes property rentals payable 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 16 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 increased to 45.2% (31.07.2023: 43.6 %) (31.01.2023: 40.7 %)

14. **Same Store Group –** This measure is used to give transparency on the performance in the operating business in the period unrelated to the opening of new stores, and commenting on stores that were open and trading at both 31 January 2023 and 31 January 2024 financial period-ends. The Same Store key performance measure helps to illustrate the performance of the underlying business.

15. **Same Store Self-Storage** – This measure is the Same Store Group measures, but less management income received from the management of the Managed Store portfolio. This is used to give transparency on the underlying trading of the self-storage business.

**See also the glossary**

# Business and Financial Review:

## The Performance of Our Stores

**Headline**

- ✓ Group Revenue £14.17 million up 4.3% (31.01.2023: £13.58 million)
- ✓ Group Adjusted EBITDA[1] £7.65 million down 3.6% (31.01.2023: £7.93 million)
- ✓ Price up 4.0% (31.01.2023: 9.2%)

**Same Store[14]**

- ✓ Same Store Self Storage Revenue[15] £13.09 million up 3.1% (31.01.2023: £12.70 million)
- ✓ Same Store Group Revenue[15] £13.93 million up 2.6% (31.01.2023: £13.58 million)
- ✓ Same Store Group Adjusted EBITDA[1] £7.86 million down 0.9% (31.01.2023: £7.93 million)
- ✓ Same Store EBITDA margin decreased to 58.9% from 60.3%

### Revenue

Revenue growth in FY24 is muted with self-storage revenue up 4.3%. Same-store self-storage revenue was up 3.1% on the previous year.

Price per sq. ft of occupied space which was up 4.0% period to period (31.01.2023: 9.2%).Customer demand remains above levels seen pre-pandemic, although it has been lower compared to the same period 12 months ago. This resulted in occupied unit space down 2.9% in the first half compared with the same period last year.

**Ancillary Sales**

Ancillary sales consisting of boxes, packaging materials, insurance and other sales were up 2.2% to £1.29 million (31.01.2023: £1.26 million) accounting for 9.7% (31.01.2023: 10.5%) of self-storage revenues.

### Portfolio Analysis and Performance Breakdown

In the table below we show how the performance of the stores varies between freehold and leasehold stores. Currently 46.0% of Lok'nStore owned trading space is freehold, 20.3% is leasehold and 33.7% is in Managed Stores.

The overall adjusted Same Store EBITDA margin across all stores decreased to 58.9% from 60.3%. Adjusted Same Store EBITDA margins of the freehold stores increased to 66.0% (31.1.2023: 64.7%).

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 62.8% and 100% respectively versus 55.3% across all stores.

| Portfolio Analysis and Performance Breakdown | Number of stores | % of Property Valuation | % of Adjusted Store EBITDA | Adjusted Store EBITDA Margin (%) | % lettable space | When Fully Developed | |
|---|---|---|---|---|---|---|---|
| | | | | | | Number of stores | Total % lettable space |
| **As at 31 January 2024** | | | | | | | |
| Freehold Stores | 17 | 83.7 | 74.1 | 62.8 | 46.0 | 25 | 51.2 |
| Leasehold Stores | 10 | 7.0 | 25.9 | 41.2 | 20.3 | 10 | 17.4 |
| Managed Stores | 16 | – | – | 100.0 | 33.7 | 18 | 31.3 |
| **Total stores trading** | **43** | | | | **100.0** | **53** | **100.0** |
| **Pipeline Stores (secured)*** | | | | | | | |
| Owned – Freehold | 8 | 9.3 | – | – | – | – | – |
| Owned – Leasehold | – | – | – | – | – | – | – |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Managed | 2 | – | – | – | – | – | – |
| **Total secured Pipeline Stores** | **10** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Total Stores** | **53** | **100** | **100** | **55.3** | **100** | **53** | **100** |

*Applies to the 10 contracted stores only.

| **Analysis of Stores**<br>**As at 31 Jan 2024** | No of Stores/Sites | Stores Trading Lok'nStore | Stores Trading Managed | Pipeline Total |
|---|---|---|---|---|
| Freeholds | 17 | 17 | – | – |
| Leaseholds | 10 | 10 | – | – |
| Pipeline (Freehold) | 8 | – | – | 8 |
| Pipeline (Leasehold) | – | – | – | – |
| **Sub-total 'Owned Stores'** | **35** | **27** | **–** | **8** |
| Managed Stores (Trading) | 16 | – | 16 | – |
| Managed Stores (Pipeline) | 2 | – | – | 2 |
| **Sub-total 'Managed Stores'** | **18** | **–** | **16** | **2** |
| **Total No. of Stores.** | **53** | **27** | **16** | **10** |
| **MLA sq. ft.** | **2,781,454** | **1,424,098** | **775,947** | **581,409** |

The freehold stores produce 74.1% (31.1.2023: 72.1%) of the Adjusted store EBITDA and account for 93.0% (31.1.2023: 92.3%) of valuations (including secured pipeline stores).

Leaseholds trade on lower margins due to the rent payable, but nevertheless the 41.2% margin achieved is attractive and leads to a higher return on capital than the freehold stores which require much larger capital expenditure to buy the land and buildings.

### Operating Performance at a glance (Lok'nStore freehold and leasehold stores only)

In the Operating Performance table below, we show how the performance breaks down across the stores, based on the age of store. Older stores have had more time to fill-up and produce higher EBITDA returns.

| **Weeks Old** | **Secured Pipeline** | **Under 100** | **100 to 250** | **Over 250** | **Total** |
|---|---|---|---|---|---|
| **Six months ended 31 January 2024** | | | | | |
| Sales £000 | | 818 | 1,239 | 11,320 | 13,377 |
| Stores Adjusted EBITDA £'000 | | (319) | 722 | 6,994 | 7,397 |
| **Adjusted EBITDA Margin (%)** | | (39.0)% | 58.3% | 61.8% | 55.3% |
| Stores Adjusted EBITDAR £'000 | | (196) | 722 | 7,956 | 8,482 |
| **Adjusted EBITDAR Margin (%)** | | (24.0)% | 58.3% | 70.3% | 63.4% |
| As at 31 January 2024 (sq. ft.) | | | | | |
| **Maximum Net Area** | – | **320** | **215** | **888** | **1,909** |
| Freehold / Long leasehold ('000 sq. ft.) | 486 | 270 | 215 | 453 | 1,424 |
| Short Leasehold (sq. ft.) | – | 50 | – | 435 | 485 |
| **Number of Stores** | | | | | |
| Freehold / Long Leasehold | 8 | 4 | 3 | 10 | 25 |
| Short Leasehold | – | 1 | – | 9 | 10 |
| **Total Stores** | **8** | **5** | **3** | **19** | **35** |

**Managed Store Revenue**

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.

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 direct 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 in excess of £150 million of assets under this structure on which we generated managed store income of £0.8 million this period (31.01.2023: £0.8 million). Within this, recurring fees were broadly flat, and we expect base management fees to increase steadily over the coming years as as the Managed Stores mature. As more Managed Stores are opened this will also increase base management fees.

Managed Store income is generated from our existing platform and central management, resulting in an effective margin from this activity of 100%. Non-recurring fees are positive for Lok'nStore but are irregular in their nature. Income from non-recurring fees was down in the period to £0.03 million (31.01.2023: £0.06 million).

At the period-end, we had 16 Managed Stores operating. The Kettering store recently opened after the period -end in February 2024 making 17 stores trading, When the Bromborough site, which is currently being built opens in the Autumn, we will have 18 Managed Stores trading..

| **Management fees** | Percentage Increase/ (decrease) % | Group Period ended 31 January 2024 £ | Group Period ended 31 January 2023 £ | Group Year ended 31 July 2023 £ |
|---|---|---|---|---|
| **Recurring fees** | | | | |
| Base management fees | | 484,693 | 469,564 | 929,810 |
| Administration and compliance fees | | 52,500 | 52,500 | 105,000 |
| Enhanced Management fees | | 212,401 | 239,543 | 434,280 |
| **Recurring fees** - Sub-total | (1.6%) | 749,594 | 761,607 | 1,469,090 |
| **Non-recurring fees** | | | | |
| Construction & Advisory fees | | 30,000 | – | 30,000 |
| Supplementary fees | | – | 60,000 | 160,000 |
| **Non-recurring fees** | (50.0%) | 30,000 | 60,000 | 190,000 |
| **Total management fees** | (5.1)% | 779,594 | 821,607 | 1,659,090 |

## Total Assets and Net Asset Value

- Adjusted Total Assets £384.2 million[4] up 8.83% on last year (31.1.2023: £353.0) (31.7.2023: £392.9 million)
- Adjusted Net Asset Value (NAV) per share[5] January to January up 7.87% to £9.87 (31.1.2023: £9.15)
- Adjusted Net Asset Value (NAV) per share up 0.1% from 31 July 2023 (£9.86)
- Investment in new stores £18.5 million (including capitalised interest) (31.1.2023: £8.3 million)
- Value of operating stores £305.4 million up 17.0% on last year (31.1.2023: £261.1)

The value of adjusted total assets of £384.2 million (31.01.2023: £353.0 million) is calculated by adding the valuation of the leasehold properties less their corresponding net book value to the other assets in the business. This provides clarity on the significant value of the leasehold stores as trading businesses which under accounting rules on leases are only presented at their book values within the Statement of Financial Position. For the detailed calculation refer to Note 4 on the Key Performance Indicator section.

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 store /sites | 31 Jan 2024 Valuation £'000 | No of stores /sites | 31 Jan 2023 Valuation £'000 | No of stores /sites | 31 July 2023 Valuation £'000 |
|---|---|---|---|---|---|---|
| Freeholds[3] valued by JLL [1] | 17 | 274,725 | 15 | 254,775 | 17 | 274,725 |
| Directors' Valuation Adjustment | | – | | (16,650) | | – |
| Fair value of freehold stores | | 274,725 | | 238,125 | | 274,725 |
| Leaseholds valued by JLL [2] | 9 | 27,200 | 9 | 24,250 | 9 | 27,200 |
| Directors' Valuation Adjustment | | – | | (1,300) | | – |
| Leaseholds open and trading to be valued by JLL [3] | 1 | 3,510 | | | | |
| Fair value of leasehold stores | | 30,710 | | 22,950 | | 27,200 |
| Subtotal | 27 | 305,435 | 24 | 261,075 | 26 | 301,925 |
| Sites in development at cost [4] | 8 | 45,217 | 10 | 36,393 | 9 | 30,605 |
| Subtotal [5] | 35 | 350,652 | 34 | 297,468 | 35 | 332,530 |
| Freehold land & Buildings at Director valuation | 1 | 1,500 | 1 | 1,500 | 1 | 1,500 |
| Total | 36 | 352,152 | 35 | 298,968 | 36 | 334,030 |

1 Includes related fixtures and fittings (refer to note 11)

2 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 12 years and 10 months at the date of the July 2023 valuation.

3 Basildon store now open and trading and will be valued in accordance with Group valuation policy at the next 31 July 2024 year-end valuation. Currently held at cost.

4 Includes £1.27 million of capitalised interest during the period. (31.01.2023: £0.66 million) (31.07.2023: £1.54 million).

5 Loan to value calculation based on these property values.

Total freehold properties account for 91.9% of all property values (31.1.2023: 92.5%).

## Market Valuation of Freehold and Leasehold Land and Buildings

It is the Group's usual policy to commission an independent external valuation of its properties at each financial year-end. Our freehold and leasehold stores were independently valued by JLL at £301.9 million at 31 July 2023.

## Valuations

Except for the forthcoming closure of the Sunbury leasehold store, it is not the current intention of the Directors to make any further significant disposals of trading stores, although individual asset 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 independently valued by JLL at 31 July 2023 totals £27.2 million (31.07.2023: £27.2 million) but they are held at cost less accumulated depreciation in the Statement of Financial Position.

Our freehold and leasehold stores were independently valued by JLL at £301.9 million at 31 July 2023. The value of adjusted total assets of £384.2 million[4] (31.07.2023: £392.9 million) is calculated by adding the valuation of the leasehold properties of £27.2 million less their corresponding net book value of £6.9 million to the total assets in the Statement of Financial Position of £363.9 million. This provides clarity on the value of the leasehold stores as trading businesses which under the Group's accounting policy rules on leases are only presented at their book values within the Statement of Financial Position.

At the period-end, Lok'nStore had 43 stores trading. Of these, 27 stores are Owned with 17 freeholds, 10 leasehold and 16 stores under management contracts. After the period-end Kettering opened in early February, taking the total of Managed Stores to 17 and 44 stores trading.

The average unexpired term of the Group's operating leaseholds is approximately 12 years and 4 months at 31 January 2024. All of our leasehold stores are inside the Landlord and Tenant Act providing us with a strong degree of security of tenure.

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.

**Investment in new stores**
We have invested £18.5 million (31.01.2023: £8.25 million) in new store development in this period.

**Landmark Store Pipeline**
Our current pipeline of ten contracted stores will add 26.4% of extra trading space to the overall portfolio, 34.1% to our Owned portfolio and 12.3% to the Managed portfolio.

The Kettering managed store opened post period end on 9th February 2024. We are on-site at two further stores that will open during 2024.

All 10 stores in our Secured Pipeline[9] are in prominent locations with large catchment areas and demonstrate the Group's ability to source high-quality sites. 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.

Beyond the stores currently on site, we have a further 7 stores in our pipeline. In the period we received planning permission for our site at Barking. Post period-end we have achieved planning at Eastbourne and Cheshunt. Bournemouth, Milton Keynes and Altrincham all have live planning applications submitted.

**Summary of our contracted pipeline at 31 January 2024:**

| **Store** | | **Size sq. ft** | **Status** | **On-site at 31 Jan 2024 Size sq. ft** | | **On site after 30 April 2024 Size sq. ft (Additional)** |
|---|---|---|---|---|---|---|
| Kettering | Managed | 45,900 | Onsite – (opened 9th February 2024) | 45,900 | | |
| Staines | Long Leasehold | 66,500 | On site – target opening May 2024 | 66,500 | | |
| Bromborough | Managed | 49,500 | Onsite – Target opening Autumn 2024 | 49,500 | | |
| Bolton | Freehold | 57,578 | Planning granted | | | 57,578 |
| Barking | Freehold | 84,200 | Planning granted | | | 84,200 |
| Cheshunt | Freehold | 60,300 | Planning granted | | | 60,300 |
| Eastbourne | Freehold | 60.000 | Planning granted | | | 60,000 |
| Bournemouth | Freehold | 75,100 | Further Planning application submitted | | | 75,100 |
| Altrincham | Freehold | 63,900 | Further Planning application submitted | | | 63,900 |
| Milton Keynes | Freehold | 60,000 | Planning application submitted | | | 60,000 |
| **Total – 10 stores** | | **622,978** | | **161,900** | | **461,078** |

**Closure of Sunbury Leasehold Store**
In line with our continuing strategy of recycling older stores into purpose-built Landmark stores and leases into freeholds, we will close the Sunbury leasehold store in early FY25. Our policy over many years has been that we are happy with leasehold stores which provide a higher return on capital than freeholds, but that we prefer freeholds. Over the years we have both bought out the freeholds of existing leasehold stores and also built new freehold stores elsewhere and moved the customers from the leasehold to the freehold store.

The move from an older building to a new purpose-built Landmark store improves our brand image to our customers, removes latent capital expenditure and further reduces our environmental impact. The move from a leasehold to an effective freehold also reduces operational gearing by removing the property rental charge.

In this case the closure of the Sunbury store has been timed to coincide with the opening of our new store in Staines a few miles away in Spring 2024. The Staines store is an effective freehold, being on a 250-year lease at peppercorn rent. We expect to move a number of the current Sunbury customers to the new Staines store and other local freehold stores. Therefore, we expect the new Staines store to be trading cash positively quickly. As the lease of the Sunbury store expired in August 2022, the store was valued at £0 in the July 2023 valuation.

The closure will result in a modest reduction in the expected Group Revenue in the coming years. In FY23, the Sunbury store generated £1.3 million in revenue and £0.6 million of EBITDA.

## Environmental Targets. Commitments and Performance:

Lok'nStore remains committed to positively impacting the environment. At 31 July 23, Lok'nStore set targets in line with its Environmental Committee's objectives.

These targeted objectives are:

- Decarbonise our business to be Net Zero in our operations by 2040
- Assess recommended improvements from current EPCs and action as appropriate
- Trial the installation of a battery at one store
- To increase the number of stores with PV systems
- Continue the roll out of LED lights for all stores
- Obtain BREEAM accreditation at one store
- Determine a route to eliminate waste destined for landfill

Lok'nStore is pleased to announce progress on all of these targets. A comprehensive analysis of the remaining direct emissions is currently underway, with efforts directed towards establishing a pathway to lower the current target of being Net Zero in our operations by 2040.

Substantial progress has been made in enhancing the ratings across our existing Energy Performance Certificates (EPC's), with 89% of the freehold portfolio now achieving a rating of B or above.

We remain focused on advancing battery storage solutions and continue to work on defining implementation strategies. In the first half of the year, we have identified stores that are yet to benefit from LED lighting and have prioritised their conversion. Additionally, we maintain our initiative to install photovoltaic (PV) systems on all new buildings, with the addition of two new stores to our PV portfolio by year end.

As highlighted in the most recent Annual Report, Lok'nStore has diligently monitored waste management for several years, resulting in a noteworthy reduction in landfill waste during this period. The next phase of this initiative involves determining a viable route to eliminate waste destined for landfill.

Collaborative efforts with our suppliers have been initiated to enhance reporting on waste volumes and destinations. The identification of remaining stores in the portfolio where waste disposal still involves destination being landfill is underway, with a focus on rerouting waste. Further progress on this will be reported in full at 31 July 2024.

We are committed to environmental certification for our buildings and are progressing BREEAM accreditation at our Kettering store, on behalf of the managed store owner. We continue to make progress on this accreditation for our pipeline of new stores where appropriate.

# Financial results:

**Headline**

- ✓ Group Revenue £14.17 million up 4.3% (31.01.2023: £13.58 million)
- ✓ Group Adjusted EBITDA[1] £7.65 million down 3.6% (31.01.2023: £7.93 million)
- ✓ Cash available for Distribution (CAD)[3] £5.17 million down 1% (31.01.2023: £5.2 million) (31.07.2023: £9.13 million)
- ✓ Cash available for Distribution of 16.0 pence per share (31.01.2023: 17.7 pence per share)
- ✓ Cash balances £15.0 million (31.07.2023: £42.1 million)
- ✓ £100 million Bank RCF runs to April 2026

**Revenue**

Total Group Revenue for the year was £14.17 million, an increase of £0.6 million and up 4.3% from £13.58 million in the prior period. Same Store Revenue for the year was £13.93 million, an increase of 2.6% (31.01.2023: £13.58 million). Same Store Self Storage Revenue was £13.09 million up 3.1% (31.01.2023: £12.70 million)

**Operating Costs**

Of the £0.87 million increase in operating costs in the period, £0.45 million relates to the operating costs of the new stores in Bedford, Peterborough and Basildon. The Basildon Store is a leasehold and therefore includes a rent of £0.1 million in the period.

On a Same Store basis, costs have increased by £0.43 million or 7.7%. Of this £0.39 million relates to property cost increases. More specifically:

- Rent costs increased by £93,417 (10.7%) following settled rent reviews at two existing leasehold stores over the last 12 months. These stores rents are now fixed for the next 5 years. In addition, the Basildon leasehold rent commenced during the period.
- Energy costs increased by £81,041 (10.6%). These will decline markedly in the coming year
- Business rates increased by £53,998 (5.7%)
- Insurance costs decreased by 10.2% period to period

Total staff costs, increased by 6.5% as we staffed the new stores which was offset by lower performance bonuses to our store colleagues. On a Same Store basis, total staff costs, increased by just 0.7%. There was also a lower national insurance cost because of the combined effects of lower bonuses paid and fewer share options exercised by management and staff in the year.

From FY25, we expect operating costs to revert to a slower rate of growth with cost increases driven mainly by the expansion of the business.

**Banking, net debt and liquidity**

- ✓ RCF of £100 million and runs to April 2026
- ✓ £18.5* million invested in new store pipeline (31.07.2023: £17.3 million)
- ✓ Net debt (excluding leases) £28.8 million (31.07.2023: £12.3 million)
- ✓ Loan to Value ratio (LTV) net of cash 8.3% (31.07.2023: 3.7%)
- ✓ Cost of floating debt averaged 6.72% in the period (31.07.2023: 4.8%) on £33.8 million debt (31.07.2023: £54.4 million)
- ✓ All-in cost of fixed (swap) on £10 million debt averaged 5.2% in the period

* Includes £1.27 million of capitalised interest

The Group's RCF of £100 million is a joint agreement with ABN AMRO NV and NatWest Bank plc participating equally and runs until April 2026 providing funding for more Landmark site acquisitions. The Group is fully compliant with the two principal bank covenants (LTV and Senior Interest).

### Reduction of debt (RCF)

On 11 August 2023, the Group paid down £19.02 million out of its recent equity placing proceeds reducing the balance on its RCF, pending redrawing over time for its future deployment on the Group's pipeline stores.

### Interest expense and bank borrowings

The Group pays a margin of 1.5% on its Interest and the all-in effective rate is calculated by reference to SONIA (Sterling Over Night Indexed Average) plus margin.

- Average cost of floating debt 6.72% (31.07.2023: 4.8%)
- Average cost of debt (on active revolving loans at 31 January 2024) 6.6% (31.07.2023: 6.2%)
- Current cost of debt at date of this Report 6.6%

### Management of Interest Rate Risk

The Board's strategy has been to regularly review the Group's interest rate hedging position and to monitor prevailing SONIA and swap rates with a view to fixing a proportion of its floating debt when the time was considered opportune.

In December 2023, the Group entered into a £5.0 million interest rate swap with ABN Amro Bank effective from 21 December 2023 at a fixed 5-year SONIA swap rate of 3.51%. Also, in December 2023 the Group entered into a £5 million interest rate swap with Nat West Bank plc effective from 22 December 2023 at a fixed 5-year SONIA swap rate of 3.51%. This £10 million of aggregate swap instruments fixes the interest rate on £10.0 million of debt at an effective rate of 5.21% based on current 150 basis points (bps) margin and will result in estimated saving of c. £0.2 million of interest payable in the coming year compared to the company's current cost of floating debt of 6.72% on its Revolving Credit Facility.

Lok'nStore has £43.8 million currently drawn against its £100 million revolving credit facility of which £10 million is now at a fixed interest rate. This leaves a balance of £33.8 million floating at a current all-in rate of around 6.6%. The £10 million fixed rate is treated as an effective cash flow hedge and its fair value stated as a liability. (See Note 17b).

Lok'nStore generates its cash flow from its strong asset base with a low LTV net of cash of 8.3%. 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.

The gross bank interest expense (before capitalisation of interest costs, non-utilisation fees and loan amortisation fees) for the period was £1.27 million (31.1.2023: £1,34 million) (31.07.2023: £3.11 million), due to higher average debt and higher average costs of borrowing. These average costs of borrowing is currently running at 6.6%.

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 period on our store development programme was £1.27 million (31.1.2023: £0.66 million) (31.07.2023: £1.54 million). Total finance costs in the Statement of Comprehensive Income were £0.6 million (31.01.2023: £1.0 million) (31.07.2023: £2.56 million).

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.

### Derivative financial instruments and hedge accounting

The Group's activities expose it to interest rate risk. The Group uses interest rate swap contracts to hedge these exposures. 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.

Derivative financial instruments are measured at fair value and the fair values of the hedged derivative instruments are disclosed in note 17b. Movements on the hedging reserve in other comprehensive income are shown in note 24. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item has more than 12 months to run, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Instruments quoted in an active market are measured at their current bid price. For instruments that are not quoted in an active market, the fair value is estimated using a valuation technique. Techniques that are used by the Group include comparisons to recent market transactions or reference to other instruments which are substantially the same, discounted cash flow analysis and option pricing models. Inputs to such techniques rely on market inputs where such information is readily available.

**Cash flow hedges**

Hedges of exposures to variable cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss are accounted for as cash flow hedges when the hedging criteria has been achieved. The Group uses cash flow hedges to account for the hedging of variable rate borrowings. The effective portion of changes in the fair value is recognised in other comprehensive income whilst the gain or loss on the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in other comprehensive income are recycled to profit or loss in the periods when the hedged item affects profit or loss. However, when a forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred into other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset.

**Cash flow and financing**

At 31 January 2024, the Group had cash balances of £15.0 million (31.07.2023: £42.1 million). Cash inflow from operating activities before investing and financing activities was £7.1 million (31.01.2023: £7.8 million). As well as using cash generated from operations to fund some capital expenditure, the Group's £100 million five-year Revolving Credit Facility provides sufficient liquidity for the Group's current needs. Undrawn committed facilities at the period-end amounted to £56.3 million (31.07.2023: £45.6 million). Cash plus undrawn committed facilities amounts to £71.3 million, leaving the business with plenty of headroom.

**Earnings per share**

Basic earnings per share were 9.12 pence (31.1.2023: 12.38 pence per share) and diluted earnings per share were 9.06 pence (31.1.2023: 12.17 pence per share).

| | **Six months ended 31 January 2024 Unaudited £'000** | Six months ended 31 January 2023 Unaudited £'000 | Year ended 31 July 2023 Audited £'000 |
|---|---|---|---|
| Total profit for the financial year attributable to owners of the parent | **2,937** | 3,651 | 4,692 |
| Weighted average number of shares | **No. of shares** | No. of shares | No. of shares |
| For basic earnings per share | **32,189,583** | 29,479,779 | 29,518,911 |
| Dilutive effect of share options | **207,735** | 520,042 | 467,137 |
| For diluted earnings per share | **32,397,318** | 29,999,821 | 29,986,048 |

623,212 shares (31.01.2023: 623,212) are held in the Employee Benefit Trust, and these are excluded from the above calculation.

| **Earnings per share attributable to owners of the Parent** | **Six months ended 31 January 2024 Unaudited** | Six months ended 31 January 2023 Unaudited | Year ended 31 July 2023 Audited |
|---|---|---|---|
| **Earnings per share - Basic** | | | |
| Basic earnings per share | **9.12p** | 12.38p | 15.90p |
| **Earnings per share - Diluted** | | | |
| Total diluted earnings per share | **9.06p** | 12.17p | 15.65p |

## Cash Available for Distribution

- ✓ Cash Available for Distribution of 16.0 pence per share (31.01.2023: 17.7 pence per share)
- ✓ Cash Available for Distribution £5.17 million (31.01.2023: £5.21 million)

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

The table below shows the calculation of CAD

| **Analysis of Cash Available for Distribution (CAD)** | **Period ended 31 January 2024 £'000** | Period ended 31 January 2023 £'000 | Year ended 31 July 2023 £'000 |
|---|---|---|---|
| Group Adjusted EBITDA (Per Statement of Comprehensive Income) | **7,647** | 7,931 | 15,056 |
| Adjustment for property lease rentals | **(885)** | (871) | (1,817) |
| Net finance costs paid | **(877)** | (1,135) | (2,664) |
| Capitalised maintenance expenses | **(110)** | (11) | (121) |
| New Works Team | **(42)** | (35) | (76) |
| Current tax (Note 8) | **(559)** | (671) | (1,245) |
| Total deductions | **(2,473)** | (2,722) | (5,923) |
| **Cash Available for Distribution** | **5,174** | 5,208 | 9,133 |
| | | | |
| (Decrease) in CAD over last year £ | **(34)** | (369) | (2,258) |
| (Decrease) / increase in CAD over last period / year % | **(1.0%)** | (6.6%) | (19.8%) |
| | **Number** | Number | Number |
| Closing shares in issue (less shares held in EBT and treasury) | **32,271,931** | 29,422,990 | 32,144,246 |
| CAD per share | **16.0p** | 17.7p | 28.4p |
| (Decrease) / increase in CAD per share over last period / year | **(9.4%)** | 57.2% | (26.6%) |

## Taxation

The Group has made a current tax provision against earnings in this period of £0.6 million (31.07.2023: £1.2 million) based on a corporation tax rate of 25%. (31.07.2023: 8 months at 19%, 4 months at 25%).

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 £67.4 million (31.07.2023: £66.3 million).

## Gearing[11] (Excluding IFRS16 Lease Liabilities)

At 31 January 2024, the Group had £43.7 million of gross bank borrowings (31.07.2023: £54.4 million) and cash of £15.0 million (31.07.2023: £42.1 million) representing gearing of 12.5% (31.07.2023: 5.3%) on net assets of £230.9 million (31.07.2023: £230.5 million).

## Capital Expenditure

The Group has an active new store development programme, and has grown through a combination of building new stores, existing store improvements and relocations.

Capital expenditure during the period totalled £18.5 million. This was primarily the contract exchange of the Milton Keynes site, the purchase of the Eastbourne site and the completion monies passing to the developer for completing the Staines building prior to its fit-out. There are ongoing construction and fit out works at our sites in Staines and Basildon, final costs on Bedford and Peterborough. Planning and pre-development works at our Bournemouth, Altrincham, Barking and Cheshunt sites also featured.

The Group has capital expenditure contracted but not provided for in the financial statements of £4.27 million (31.07.2023: £13.1 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.

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 period-end were £230.9 million, up 0.2% (31.07.2023: £230.5 million)

**Market Valuation of Freehold and Leasehold Land and Buildings**
It remains the Group's usual policy to undertake a comprehensive external valuation at each year-end and we would normally do so at the next year-end at 31 July 2024, however following "the Offer" the Scheme Document will include a valuation in respect of Lok'nStore's property portfolio in accordance with Rule 29 of the code.

**Adjusted Net Asset Value Per Share**
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 period-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 31 January 2024, the Adjusted Net Asset Value per share (before deferred tax) increased 0.1% to £9.87 from £9.86 at 31 July 2023. last year. Adjusted Net Asset Value per share (before deferred tax) increased 78.7% compared to £9.15 at 31 January 2023.
This year-on-year 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 period.

| **Analysis of net asset value (NAV)** | **31 Jan 2024 £'000 Unaudited** | 31 Jan 2023 £'000 Unaudited | 31 July 2023 £'000 Audited |
|---|---|---|---|
| Net assets | **230,886** | 193,674 | 230,472 |
| Adjustment to include operating/short leasehold stores at valuation | | | |
| Add: JLL leasehold valuation | **27,200** | 22,950 | 27,200 |
| Deduct: leasehold properties and their fixtures and fittings at NBV | **(6,891)** | (7,039) | (6,952) |
| | **251,195** | 209,585 | 250,720 |
| Deferred tax arising on revaluation of leasehold properties[1] | **(5,077)** | (3,978) | (5,062) |
| Adjusted net assets | **246,118** | 205,607 | 245,658 |

| Shares in issue | **Number '000** | Number '000 | Number '000 |
|---|---|---|---|
| Opening shares in issue | **32,767** | 30,004 | 30,004 |
| Shares issued for the exercise of options | **128** | 42 | 83 |
| Shares issued from primary placing | **–** | – | 2,680 |
| Closing shares in issue | **32,895** | 30,046 | 32,767 |
| Shares held in EBT | **(623)** | (623) | (623) |
| Closing shares for NAV purposes | **32,272** | 29,423 | 32,144 |

| | | | |
|---|---|---|---|
| Adjusted net asset value per share after deferred tax provision | **£7.62** | £6.99 | £7.64 |
| **Adjusted net asset value per share before deferred tax provision** | | | |
| Adjusted net assets (see above) | **246,118** | 205,607 | 245,658 |
| Deferred tax liabilities and assets recognised by the Group | **67,449** | 59,535 | 66,290 |
| Deferred tax arising on revaluation of leasehold properties[1] | **5,077** | 3,978 | 5,062 |
| Adjusted net assets before deferred tax | **318,644** | 269,120 | 317,010 |
| Closing shares for NAV purposes | **32,272** | 29,423 | 32,144 |
| Adjusted net asset value per share before deferred tax provision | **£9.87** | £9.15 | £9.86 |

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

**Neil Newman**
Group Managing Director

**Ray Davies**
Group Finance Director

## Environmental Targets. Commitments and Performance:

Lok'nStore remains committed to positively impacting the environment. At 31 July 23, Lok'nStore set targets in line with its Environmental Committee's objectives.

These targeted objectives are:

- Decarbonise our business to be Net Zero in our operations by 2040
- Assess recommended improvements from current EPCs and action as appropriate
- Trial the installation of a battery at one store
- To increase the number of stores with PV systems
- Continue the roll out of LED lights for all stores
- Obtain BREEAM accreditation at one store
- Determine a route to eliminate waste destined for landfill

Lok'nStore is pleased to announce progress on all of these targets. A comprehensive analysis of the remaining direct emissions is currently underway, with efforts directed towards establishing a pathway to lower the current target of being Net Zero in our operations by 2040.

Substantial progress has been made in enhancing the ratings across our existing Energy Performance Certificates (EPC's), with 89% of the freehold portfolio now achieving a rating of B or above.

We remain focused on advancing battery storage solutions and continue to work on defining implementation strategies. In the first half of the year, we have identified stores that are yet to benefit from LED lighting and have prioritised their conversion. Additionally, we maintain our initiative to install photovoltaic (PV) systems on all new buildings, with the addition of two new stores to our PV portfolio by year end.

As highlighted in the most recent Annual Report, Lok'nStore has diligently monitored waste management for several years, resulting in a noteworthy reduction in landfill waste during this period. The next phase of this initiative involves determining a viable route to eliminate waste destined for landfill.

Collaborative efforts with our suppliers have been initiated to enhance reporting on waste volumes and destinations. The identification of remaining stores in the portfolio where waste disposal still involves destination being landfill is underway, with a focus on rerouting waste. Further progress on this will be reported in full at 31 July 2024.

We are committed to environmental certification for our buildings and are progressing BREEAM accreditation at our Kettering store, on behalf of the managed store owner. We continue to make progress on this accreditation for our pipeline of new stores where appropriate.

## Consolidated Statement of Comprehensive Income
## For the six months ended 31 January 2024

| | Notes | Six months ended 31 January 2024 Unaudited £'000 | Six months ended 31 January 2023 Unaudited £'000 | Year ended 31 July 2023 Audited £'000 |
|---|---|---|---|---|
| **Revenue** | 1 | 14,168 | 13,583 | 27,147 |
| **Total property, staff, distribution and general costs** | 2 | (6,521) | (5,652) | (12,091) |
| **Group Adjusted EBITDA[1]** | | 7,647 | 7,931 | 15,056 |
| Depreciation | 7 | (2,743) | (2,463) | (5,690) |
| Equity settled share-based payments | | (287) | (225) | (450) |
| Non-underlying items | 4 | (20) | 119 | (318) |
| | | (3,050) | (2,569) | (6,458) |
| **Operating profit** | | 4,597 | 5,362 | 8,598 |
| Finance income | 5 | 282 | 305 | 665 |
| Finance cost | 6 | (606) | (1,008) | (2,562) |
| **Profit before taxation** | | 4,273 | 4,659 | 6,701 |
| Income tax expense | 8 | (1,336) | (1,008) | (2,009) |
| **Profit attributable to:** | | | | |
| Owners of the parent | 22 | 2,937 | 3,651 | 4,692 |
| **Other Comprehensive Income** | | | | |
| Items that will not be reclassified to profit and loss | | | | |
| Fair value movement in property valuation | | 1,608 | (16,057) | 7,819 |
| Deferred tax relating to change in property valuation | | (258) | 4,014 | (1,954) |
| Increase in fair value of cash flow hedges | | 55 | – | – |
| Deferred tax relating to cash flow hedges | | (14) | – | – |
| **Other comprehensive income** | | 1,391 | (12,043) | 5,865 |
| **Total comprehensive income for the period attributable to Owners of the Parent** | | 4,328 | (8,392) | 10,557 |

| **Earnings per share attributable to owners of the Parent** | Notes | Six months ended 31 January 2024 Unaudited | Six months ended 31 January 2023 Unaudited | Year ended 31 July 2023 Audited |
|---|---|---|---|---|
| **Earnings per share Basic** | | | | |
| Total basic earnings per share | 10 | 9.12p | 12.38p | 15.90p |
| **Earnings per share Diluted** | | | | |
| Total diluted earnings per share | 10 | 9.06p | 12.17p | 15.65p |

## Consolidated Statement of Changes in Equity

## For the six months ended 31 January 2024

| | Attributable to owners of the Parent | | | | | |
|---|---|---|---|---|---|---|
| | **Share capital £'000** | **Share premium £'000** | **Other reserves £'000** | **Revaluation reserve £'000** | **Retained earnings £'000** | **Total equity £'000** |
| **1 August 2022 - Audited** | **301** | **11,391** | **9,102** | **129,544** | **55,008** | **205,346** |
| Profit for the period | – | – | – | – | 3,651 | 3,651 |
| Other comprehensive income | | | | | | |
| Increase in property valuation net of deferred tax | – | – | – | (12,043) | – | (12,043) |
| Total comprehensive income for the year | – | – | – | (12,043) | 3,651 | (8,392) |
| Transactions with Owners | | | | | | |
| Dividend paid | – | – | – | – | (3,602) | (3,602) |
| Share based payments | – | – | 225 | – | – | 225 |
| Transfers in relation to share based payments | – | – | (24) | – | 24 | – |
| Exercise of share options | – | 97 | – | – | – | 97 |
| Transfer additional dep'n on revaluation net of deferred tax | – | – | – | (432) | 432 | – |
| Total transactions with owners | – | 97 | 201 | (432) | (3,146) | (3,280) |
| **31 January 2023 – Unaudited** | **301** | **11,488** | **9,303** | **117,069** | **55,513** | **193,674** |
| Profit for the period (restated) | – | – | – | – | 1,041 | 1,041 |
| Other comprehensive income | | | | | | |
| Increase in property valuation net of deferred tax | – | – | – | 17,908 | – | 17,908 |
| Total comprehensive income for the year | – | – | – | 17,908 | 1,041 | 18,949 |
| Transactions with Owners | | | | | | |
| Dividend paid | – | – | – | – | (1,693) | (1,693) |
| Share based payments | – | – | 225 | – | – | 225 |
| Transfers in relation to share based payments | – | – | (23) | – | 23 | – |
| Deferred tax credit relating to share options | – | – | (358) | – | – | (358) |
| Primary equity placing (gross) | 27 | 20,473 | – | – | – | 20,500 |
| Transaction costs of primary placing | – | (889) | – | – | – | (889) |
| Exercise of share options | 1 | 63 | – | – | – | 64 |
| Transfer additional dep'n on revaluation net of deferred tax | – | – | – | (663) | 663 | – |
| Total transactions with owners | 28 | 19,647 | (156) | (663) | (4,609) | 17,849 |
| **31 July 2023 – Audited** | 329 | 31,135 | 9,147 | 134,314 | 55,547 | 230,472 |
| Profit for the period | – | – | – | – | 2,937 | 2,937 |
| Other comprehensive income | | | | | | |
| Increase in property valuation net of deferred tax | – | – | – | 1,350 | – | 1,350 |
| Decrease in fair value of cash flow hedges | – | – | 55 | – | – | 55 |
| Deferred tax relating to cash flow hedges | – | – | (14) | – | – | (14) |
| Total comprehensive income for the year | – | – | 41 | 1,350 | 2,937 | 4,328 |
| Transactions with Owners | | | | | | |
| Dividend paid | – | – | – | – | (4,267) | (4,267) |
| Share based payments | – | – | 286 | – | – | 286 |
| Transfers in relation to share based payments | – | – | (129) | – | 129 | – |
| Deferred tax credit relating to share options | – | – | (108) | – | – | (108) |
| Exercise of share options | 1 | 174 | – | – | – | 175 |
| Transfer additional dep'n on revaluation net of deferred tax | – | – | – | (577) | 577 | – |
| Total transactions with owners | 1 | 174 | 49 | (577) | (3,561) | (3,914) |
| **31 January 2024 – Unaudited** | **330** | **31,309** | **9,237** | **135,087** | **54,923** | **230,886** |

## Consolidated Statement of Financial Position

## 31 January 2024

| | Notes | 31 January 2024 Unaudited £'000 | 31 January 2023 Unaudited £'000 | 31 July 2023 Audited £'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 11 | 332,067 | 283,240 | 314,013 |
| Right of use assets | 12 | 13,110 | 9,712 | 13,769 |
| Derivative financial instruments | 17b | 55 | – | – |
| | | 345,232 | 292,952 | 327,782 |
| **Current assets** | | | | |
| Inventories | 13 | 131 | 132 | 145 |
| Trade and other receivables | 14 | 3,517 | 3,738 | 2,585 |
| Cash and cash equivalents | | 14,975 | 40,262 | 42,132 |
| **Total current assets** | | 18,623 | 44,132 | 44,862 |
| **Total assets** | | 363,855 | 337,084 | 372,644 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | 15 | (7,450) | (6,893) | (7,180) |
| Lease liabilities | 18 | (992) | (1,295) | (826) |
| Taxation | | (257) | (580) | – |
| **Total current liabilities** | | (8,699) | (8,768) | (8,006) |
| **Non-current liabilities** | | | | |
| Borrowings | 17 | (43,508) | (66,314) | (54,046) |
| Lease liabilities | 18 | (13,315) | (8,792) | (13,830) |
| Deferred tax | 19 | (67,447) | (59,536) | (66,290) |
| **Total non-current liabilities** | | (124,270) | (134,642) | (134,166) |
| **Total liabilities** | | (132,990) | (143,410) | (142,172) |
| **Net assets** | | 230,886 | 193,674 | 230,472 |
| **Equity** | | | | |
| **Equity attributable to owners of the parent** | | | | |
| Called up share capital | 20 | 330 | 301 | 329 |
| Share premium | | 31,309 | 11,488 | 31,135 |
| Other reserves | 21 | 9,237 | 9,303 | 9,147 |
| Retained earnings | 22 | 54,923 | 55,513 | 55,547 |
| Revaluation reserve | | 135,087 | 117,069 | 134,314 |
| **Total equity** | | 230,886 | 193,674 | 230,472 |

Approved by the Board of Directors and authorised for issue on 19 April 2024 and signed on its behalf by:

**Andrew Jacobs**
Chair

**Ray Davies**
Finance Director

## Consolidated Statement of Cash Flows
## For the six months ended 31 January 2024

| | Notes | Six months ended 31 January 2024 Unaudited £'000 | Six months ended 31 January 2023 Unaudited £'000 | Year ended 31 July 2023 Audited £'000 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Cash generated from operations | 24a | 7,090 | 7,847 | 15,815 |
| Income tax paid | | (275) | (950) | (1,960) |
| **Net cash from operating activities** | | 6,815 | 6,897 | 13,855 |
| **Investing activities** | | | | |
| Purchase of property, plant and equipment | 11 | (17,263) | (7,589) | (15,803) |
| Interest received | | 282 | 305 | 665 |
| **Net cash (used in) investing activities** | | (16,981) | (7,284) | (15,138) |
| **Financing activities** | | | | |
| Proceeds of bank borrowings utilised for store development and bank refinancing | | 8,369 | (1,440) | (3,324) |
| Repayment of bank borrowings | | (19,043) | – | (12,386) |
| Finance costs paid | | (1,158) | (1,440) | (3,324) |
| Lease liabilities paid | | (1,086) | (871) | (1,817) |
| Primary equity placing (net of placing costs) | | – | – | 19,611 |
| Equity dividends paid | | (4,267) | (3,602) | (5,295) |
| Proceeds from issuance of ordinary shares (net) | | 175 | 97 | 161 |
| **Net cash (used in) financing activities** | | (16,991) | (5,816) | (3,050) |
| **Net (decrease) in cash and cash equivalents in the period** | | (27,157) | (6,203) | (4,333) |
| **Cash and cash equivalents at beginning of the period** | | 42,132 | 46,465 | 46,465 |
| **Cash and cash equivalents at end of the period** | | 14,975 | 40,262 | 42,132 |

## Accounting Policies

### General information

Lok'nStore Group plc is an AIM listed company incorporated and domiciled in England and Wales. As required, further information is available in the investor section of the company's website at http://www.loknstore.co.uk. The address of the registered office is One Fleet Place, London, EC4M 7WS, UK. Copies of this Interim Report and Accounts may be obtained from the company's head office at 112 Hawley Lane, Farnborough, Hants, GU14 8JE or from the investor section of the company's website at http://www.loknstore.co.uk. The principal activities of the Group and the nature of its operations are described in the Business and Financial Review.

### Basis of Accounting

The interim results for the six months ended 31 January 2024 have been prepared on the basis of the accounting policies expected to be used in the 2024 Lok'nStore Group Plc Annual Report and Accounts and in accordance with the recognition and measurement principles of UK adopted International Accounting Standards.

The statutory accounts for the year ended 31 July 2023 were 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 same accounting policies, presentation and methods of computation are followed in these interim condensed set of financial statements as have been applied in the Group's latest annual audited financial statements and will also be applied to the next annual audited financial statements.

The interim results, which were approved by the Directors on 19 April 2024, are unaudited. The interim results do not constitute statutory financial statements within the meaning of section 434A of the Companies Act 2006. Comparative figures for the year ended 31 July 2023 have been extracted from the statutory accounts for the Group for that period, which carried an unqualified audit report, did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter, did not contain a statement under section 498(2) or (3) of the Companies Act 2006 and have been delivered to the Registrar of Companies.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (and its subsidiaries). 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 effect of rising costs, on the Group, they have satisfied themselves that 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 Business and Financial Review.

The Group has a Revolving Credit Facility of £100 million which runs until April 2026.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 £15.0 million (31.07.2023: £40.3 million), undrawn committed bank facilities at 31 January 2024 of £56.3 million (31.07.2023: £33.2 million), and cash generated from operations in the period of £7.09 million (31.01.2023: £7.85 million).

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 robust capital structure, cash flow and financing and the performance of the business are reported in the Chair's Statement and in the Business and Financial review. The interim 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 services are provided on a time 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.

**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 a percentage of revenue performance. Additional performance fees may be earned if an individual managed stores' 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.

**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 at each financial year-end. 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 11. The carrying value of land and buildings held at valuation at the reporting date was £256.1 million (31.07.2023: £255.6 million) as shown in the table in note 11.

**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 hence to support the purchase price of the site at acquisition.

Following the acquisition, regular reviews are carried out taking into account the status of the planning negotiations, 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 £45.2 million (31.07.2023: £30.6 million). See note 11 for more details.

**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 historically 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 FY2022, 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 in the Property Review 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 period-end, Lok'nStore operated 43 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 43 stores, Lok'nStore owns the freehold interest in 17 stores, 10 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 43 stores trading under the Lok'nStore brand. In addition, there is a secured pipeline of a further 10 stores (8 owned and 2 managed). When fully developed the Group will operate 53 trading stores. Since the period-end this had risen to 44 stores with the opening of the Kettering (Managed Store) in early February 2024.

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 the period (net deferred of tax) of £1.35 million (31.07.2023: £5.9 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 makes a judgement on the incremental borrowing rate based on its external borrowings secured against a similar asset, adjusted for the term of the lease.

***e) Dilapidations***

The Group has a number of stores operating under leasehold tenure. From time to time, in accordance with the Group's stated objective to maximise shareholder value, it may choose not to renew a lease, particularly where alternative premises have been sourced and customers can be moved into the new premises. In these circumstances the Group may incur repairing and decoration liabilities ('dilapidations') based on the tenant's obligation to the landlord to keep the leasehold premises in good repair and decorative condition. Landlords in these circumstances will normally serve a schedule of dilapidations on the tenant setting out a list of items to be remedied. This may also refer to obligations on the tenant to reinstate any alterations works previously undertaken by the tenant under a Licence for Alterations.

Such claims will always be negotiated vigorously by Lok'nStore and may require legal, valuation and surveyor's expertise, particularly if it can be shown that the landlord's interest in the premises has not been diminished by the dilapidations. As such, evaluations of actual liabilities are always a critical judgement and any sums provided to be set aside can only be an estimate until a settlement is concluded.

## 1 Revenue

Analysis of the Group's revenue from continuing operations is shown below:

| Stores trading | Six months ended 31 January 2024 Unaudited £'000 | Six months ended 31 January 2023 Unaudited £'000 | Year ended 31 July 2023 Audited £'000 |
|---|---|---|---|
| Self-storage revenue | 12,038 | 11,438 | 22,873 |
| Insurance revenue | 1,177 | 1,138 | 2,251 |
| Retail sales | 112 | 124 | 240 |
| Sub-total - self-storage revenue – owned stores | 13,327 | 12,700 | 25,364 |
| Management fees – managed stores | 780 | 822 | 1,659 |
| Sub-total | 14,107 | 13,522 | 27,023 |
| Non-storage income | 61 | 61 | 124 |
| **Total revenue per statement of comprehensive income** | 14,168 | 13,583 | 27,147 |

## 2 Property, staff, distribution, general costs and retail cost of sales

| | Six months ended 31 January 2024 Unaudited £'000 | Six months ended 31 January 2023 Unaudited £'000 | Year ended 31 July 2023 Audited £'000 |
|---|---|---|---|
| Property and premises costs | 3,682 | 3,034 | 6,821 |
| Property lease rental payments | (885) | (871) | (1,817) |
| Net property and premises costs | 2,797 | 2,163 | 5,004 |
| Staff costs | 2,744 | 2,577 | 5,267 |
| General overheads | 856 | 787 | 1,567 |
| Subtotal – operating costs | 6,397 | 5,527 | 11,838 |
| Retail products cost of sales | 124 | 125 | 253 |
| **Total property, staff, distribution, general costs and retail cost of sales** | 6,521 | 5,652 | 12,091 |

## 3 Cost of sales of retail products

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

| | Six months ended 31 January 2024 Unaudited £'000 | Six months ended 31 January 2023 Unaudited £'000 | Year ended 31 July 2023 Audited £'000 |
|---|---|---|---|
| Retail | 59 | 55 | 110 |
| Insurance | 41 | 48 | 97 |
| Other | 24 | 22 | 46 |
| **Total cost of sales of retail products** | 124 | 125 | 253 |

## 4 Non-underlying items

| | Six months ended 31 January 2024 Unaudited £'000 | Six months ended 31 January 2023 Unaudited £'000 | Year ended 31 July 2023 Audited £'000 |
|---|---|---|---|
| Project costs [1] | (20) | – | – |
| Liquidated damages received on development [2] | – | 195 | 195 |
| Abortive costs [3] | – | (76) | (63) |
| Recognition of additional Share Incentive Plan (SIP) liability | – | – | (369) |
| Additional follow-on costs relating to the sale and manage-back of four trading stores located at Basingstoke, Cardiff, Horsham and Portsmouth. | – | – | (81) |
| | (20) | 119 | (318) |

2024

1 Project costs

2023

2 Liquidated damages received on the late delivery of a new store development which has subsequently opened.

3 The Group's active search for suitable development sites for new Landmark stores has resulted in some abortive costs – mainly around planning and corporate professional costs.

## 5 Finance income

| | Six months ended 31 January 2024 Unaudited £'000 | Six months ended 31 January 2023 Unaudited £'000 | Year ended 31 July 2023 Audited £'000 |
|---|---|---|---|
| Bank interest | 279 | 305 | 660 |
| Other interest | 3 | – | 5 |
| **Total finance income** | 282 | 305 | 665 |

Interest receivable arises on cash and cash equivalents (see note 16).

## 6 Finance costs

| | Six months ended 31 January 2024 Unaudited £'000 | Six months ended 31 January 2023 Unaudited £'000 | Year ended 31 July 2023 Audited £'000 |
|---|---|---|---|
| Bank interest | - | 676 | 1,568 |
| Non-utilisation fees | 190 | 100 | 212 |
| Amortisation of bank loan arrangement fees | 116 | 117 | 235 |
| Interest on lease liabilities | 300 | 115 | 547 |
| **Total finance cost** | 606 | 1,008 | 2,562 |

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

## 7 Profit before taxation

| | Six months ended 31 January 2024 Unaudited £'000 | Six months ended 31 January 2023 Unaudited £'000 | Year ended 31 July 2023 Audited £ '000 |
|---|---|---|---|
| Profit before taxation is stated after charging: | | | |
| Depreciation and amounts written off property, plant and equipment: | | | |
| Depreciation based on historic cost | 1,316 | 1,225 | 2,550 |
| Depreciation based on revalued assets | 769 | 576 | 1,455 |
| Depreciation of property, plant and equipment: | 2,085 | 1,801 | 4,002 |
| Depreciation of right of use assets | 658 | 662 | 1,688 |
| | 2,743 | 2,463 | 5,690 |

## 8 Taxation

| | Six months ended 31 January 2024 Unaudited £'000 | Six months ended 31 January 2023 Unaudited £'000 | Year ended 31 July 2023 Audited £'000 |
|---|---|---|---|
| Current tax: | | | |
| UK corporation tax | 559 | 671 | 1,245 |
| Deferred tax: | | | |
| Origination and reversal of temporary differences | 777 | 336 | 764 |
| Total deferred tax charge | 777 | 336 | 764 |
| Income tax expense for the period/year | 1,336 | 1,008 | 2,009 |

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

| | Six months ended 31 January 2024 Unaudited £'000 | Six months ended 31 January 2023 Unaudited £'000 | Year ended 31 July 2023 Audited £'000 |
|---|---|---|---|
| Profit before tax | 4,273 | 4,659 | 6,701 |
| Tax on ordinary activities at the standard effective rate of corporation tax in the UK of 25% | 1,068 | 866 | 1,423 |
| Depreciation of non-qualifying assets | 257 | 225 | 482 |
| Share based payment charges in excess of corresponding tax deduction | 72 | (13) | 94 |
| Other non-deductible expenditure | 17 | 2 | – |
| Adjustments in respect of prior periods – corporation tax | (38) | – | (38) |
| Other | (40) | (72) | 48 |
| Income tax expense for the period/year | 1,336 | 1,008 | 2,009 |
| Effective tax rate | 31.3% | 21.6% | 30.0% |

With the increase in corporation tax rate to 25% effective 1 April 2023, the Group paid a blended rate of 18.6% for year ended 31 July 2023.

## 9 Dividends

| **Amounts recognised as distributions to equity holders in the year:** | Six months ended 31 January 2024 Unaudited £'000 | Six months ended 31 January 2023 Unaudited £'000 | Year ended 31 July 2023 Audited £'000 |
|---|---|---|---|
| Final dividend - year ended 31 July 2022 (12.25 pence per share) | – | 3,602 | 3,602 |
| Interim dividend - six months to 31 July 2023 (5.00 pence per share) | | | |
| Final dividend - year ended 31 July 2023 (13.25 pence per share) | 4,267 | – | 1,693 |
| | 4,267 | 3,602 | 5,295 |

Owing to the circumstances as regards the recommended cash offer for the company by Shurgard Self Storage Ltd as announced on 11 April 2024, the company will not be paying an interim dividend.

## 10 Earnings per share

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

| | Six months ended 31 January 2024 Unaudited £'000 | Six months ended 31 January 2023 Unaudited £'000 | Year ended 31 July 2023 Audited £'000 |
|---|---|---|---|
| Total profit for the financial year attributable to owners of the parent | 2,937 | 3,651 | 4,692 |
| | No. of shares | No. of shares | No. of shares |
| Weighted average number of shares | | | |
| For basic earnings per share | 32,189,583 | 29,479,779 | 29,518,911 |
| Dilutive effect of share options | 207,735 | 520,042 | 467,137 |
| For diluted earnings per share | 32,397,318 | 29,999,821 | 29,986,048 |

623,212 shares (31.01.2023: 623,212) are held in the Employee Benefit Trust, and these are excluded from the above calculation.

| **Earnings per share attributable to owners of the Parent** | Six months ended 31 January 2024 Unaudited | Six months ended 31 January 2023 Unaudited | Year ended 31 July 2023 Audited |
|---|---|---|---|
| **Earnings per share - Basic** | | | |
| Basic earnings per share | 9.12p | 12.38p | 15.90p |
| **Earnings per share - Diluted** | | | |
| Total diluted earnings per share | 9.06p | 12.17p | 15.65p |

## 11 Property, plant and equipment

The Group has an active store development programme and has material qualifying assets that take a substantial period of time to develop from acquisition to store opening. Accordingly, in accordance with IAS 23, borrowing costs of £1.27 million (six months ended 31.1.2023: £0.66 million: year ended 31.07.2023 £1.5 million) have been capitalised in the current period that are directly attributable to the acquisition, construction and fit-out of these qualifying store assets.

Capital expenditure during the period totalled £18.5 million. This was primarily the contract exchange of the Milton Keynes site, the purchase of the Eastbourne site and the completion monies passing to the developer for completing the Staines building prior to its fit-out. site. There are ongoing construction and fit out works at our sites in Staines and Basildon, final costs on Bedford and Peterborough. Planning and pre-development works at our Bournemouth, Altrincham, Barking and Cheshunt sites also featured.

Property, plant and equipment (non-current assets) with a carrying value of £332.1 million (31.7.2023: £314.0 million) (31.1.2023: £283.2 million) are pledged as security for bank loans (see Note 17).

**Market Valuation of Freehold and Operating Leasehold Land and Buildings**

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 2024.

**Directors' valuation of land and property**

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

Following the opening of the Salford store there is a remainder of 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 third parties the Directors continue to place a Directors' Valuation of £1.5 million on this land and building. (31.7.2023: £1.5 million) (31.1.2023: £1.5 million).

| 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 2022** | 29,215 | 239,805 | 7,715 | 31,306 | 10 | 308,051 |
| Additions | 7,178 | 50 | 32 | 991 | | 8,251 |
| Transfers | | | | | | |
| Disposals | – | – | – | – | – | – |
| Revaluations | – | (17,016) | – | – | – | (17,016) |
| **31 January 2023 Unaudited** | 36,393 | 222,839 | 7,747 | 32,297 | 10 | 299,286 |
| **Depreciation** | | | | | | |
| **1 August 2022** | – | – | 2,805 | 12,388 | 10 | 15,203 |
| Depreciation | – | 958 | 151 | 692 | – | 1,801 |
| Revaluations | – | (958) | – | – | – | (958) |
| **31 January 2023 Unaudited** | – | – | 2,956 | 13,080 | 10 | 16,046 |
| **Net book value at 31 January 2023 - Unaudited** | 36,393 | 222,839 | 4,791 | 19,217 | – | 283,240 |
| **Cost or valuation** | | | | | | |
| **1 February 2023** | 36,393 | 222,839 | 7,747 | 32,297 | 10 | 299,286 |
| Additions | 6,082 | (12) | 141 | 2,886 | – | 9,097 |
| Transfers | (11,870) | 10,186 | – | 1,684 | – | – |
| Disposals | – | – | – | – | – | – |
| Revaluations | – | 22,586 | – | – | – | 22,586 |
| **31 July 2023 - Audited** | **30,605** | **255,599** | **7,888** | **36,867** | **10** | **330,969** |
| **Depreciation** | | | | | | |
| **1 February 2023** | – | – | 2,956 | 13,080 | 10 | 16,046 |
| Depreciation | – | 1,291 | 150 | 760 | – | 2,201 |
| Revaluations | – | (1,291) | – | – | – | (1,291) |
| **31 July 2023 - Audited** | **–** | **–** | **3,106** | **13,840** | **10** | **16,956** |
| **Net book value at 31 July 2023 - Audited** | **30,605** | **255,599** | **4,782** | **23,027** | – | 314,013 |
| **Cost or valuation** | **30,605** | **255,599** | **7,888** | **36,867** | **10** | **330,969** |
| **1 August 2023** | | | | | | |
| Additions | 18,122 | 167 | 128 | 114 | – | 18,531 |
| Transfers | (3,510) | – | – | 3,510 | – | – |
| Revaluations | – | 375 | – | – | – | 375 |
| **31 January 2024 – Unaudited** | **45,217** | **256,141** | **8,016** | **40,491** | **10** | **349,875** |
| **Depreciation** | | | | | | |
| **1 August 2023** | – | – | 3,106 | **13,840** | 10 | **16,956** |
| Depreciation | – | 1,233 | 139 | 713 | – | 2,085 |
| Revaluations | – | (1,233) | – | – | – | **(1,233)** |
| **31 January 2024 Unaudited** | **–** | **–** | **3,245** | **14,553** | **10** | **17,808** |
| **Net book value at 31 January 2024 – Unaudited** | **45,217** | **256,141** | **4,771** | **25,938** | **–** | **332,067** |

## 12 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 £13.1 million at 31 January 2024 (£13.8 million at 31 July 2023 and total lease liabilities of £14.7 million, (31.07.2023: £14.7 million) with depreciation charges of £0.7 million (31.07.2023: £1.7 million) and lease interest charges of £0.3 million (31.07.2023: £0.5 million).

Detailed analysis is provided in the tables below: -

| **Right of use asset (ROU)** | **Group 31 January 2024 £'000** | Group 31 January 2023 £'000 | Group 31 July 2023 £'000 |
|---|---|---|---|
| **At 31 July 2022** | **13,768** | 10,424 | 10,424 |
| Additions | **–** | (50) | 5,032 |
| Depreciation | **(658)** | (662) | (1,688) |
| **At 31 July 2024** | **13,110** | 9,712 | 13,768 |

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.

| | **Group 31 January 2024 £'000** | Group 31 January 2023 £'000 | Group 31 July 2023 £'000 |
|---|---|---|---|
| Property rentals | **885** | 871 | 1,817 |
| Depreciation of right of use assets (ROU) | **(658)** | (662) | (1,688) |
| Interest charged on lease liability | **(299)** | (115) | (547) |
| Impact on Comprehensive Income | **72** | 94 | (418) |

The Present Value of all future operating lease payments on existing leases is calculated using 2.2% (2023: 2.2%) and on the two new leases executed in 2023 at 6.43% 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.

## 13 Inventories

| | **31 January 2024 Unaudited £'000** | 31 January 2023 Unaudited £'000 | 31 July 2023 Audited £'000 |
|---|---|---|---|
| Consumables and goods for resale | **131** | 132 | 145 |

The amount of inventories recognised as an expense during the period was £59,320 (31.1.2023: £54,851).

## 14 Trade and other receivables

| | **31 January 2024 Unaudited £'000** | 31 January 2023 Unaudited £'000 | 31 July 2023 Audited £'000 |
|---|---|---|---|
| Trade receivables | **1,293** | 1,960 | 1,342 |
| Other receivables | **1,690** | 1,252 | 779 |
| Taxation | **-** | – | 27 |
| Prepayments and accrued income | **534** | 526 | 437 |
| | **3,517** | 3,738 | 2,585 |

Other receivables includes a VAT repayment receivable of £623,129. This was received from HMRC on 12 March 2024.

**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.

There has not been a significant change in credit quality in the Group's trade receivables 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.

## 15 Trade and other payables

| | **31 January 2024 Unaudited £'000** | 31 January 2023 Unaudited £'000 | 31 July 2023 Audited £'000 |
|---|---|---|---|
| Trade payables | **2,858** | 2,310 | 1,326 |
| Taxation and social security costs | **467** | 401 | 453 |
| Other payables | **536** | 561 | 549 |
| Accruals and deferred income | **3,589** | 3,621 | 4,852 |
| | **7,450** | 6,893 | 7,180 |

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

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 17, 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 requirement during the year.

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 period-end is as follows:

| **Gearing – Bank Borrowings** | **31 January 2024 Unaudited £'000** | 31 January 2023 Unaudited £'000 | 31 July 2023 Audited £'000 |
|---|---|---|---|
| Gross debt | **(43,744)** | (66,785) | (54,399) |
| Cash and cash equivalents | **14,975** | 40,262 | 42,132 |
| Net debt | **(28,769)** | (26,523) | (12,267) |
| Total equity – balance sheet | **230,886** | 193,674 | 230,472 |
| Net debt to equity ratio | **12.5%** | 13.7% | 5.3% |

| **Total Gearing – Bank Borrowings and lease liabilities** | **31 January 2024 Unaudited £'000** | 31 January 2023 Unaudited £'000 | 31 July 2023 Audited £'000 |
|---|---|---|---|
| Gross debt – bank borrowings | **(43,744)** | (66,785) | (54,399) |
| Gross debt – lease liabilities | **(14,307)** | (10,087) | (14,656) |
| Cash and cash equivalents | **14,975** | 40,262 | 42,132 |
| Net debt | **(43,076)** | (36,610) | (26,923) |
| Total equity – balance sheet | **230,886** | 193,674 | 230,472 |
| Net debt to equity ratio | **18.7%** | 18.9% | 11.7% |

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 January 2024 are as follows:

| | **31 January 2024 Unaudited £'000** | 31 January 2023 Unaudited £'000 | 31 July 2023 Audited £'000 |
|---|---|---|---|
| Variable rate treasury deposits | **14,539** | 39,490 | 41,238 |
| SIP trustee deposits | **63** | 63 | 63 |
| Cash in operating current accounts | **368** | 703 | 826 |
| Other cash and cash equivalents | **5** | 6 | 5 |
| Total cash and cash equivalents | **14,975** | 40,262 | 42,132 |

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.

The Group places its cash deposits not immediately required for store development activity cash on Treasury Deposit Reserve in tranches based on fixed monthly deposit periods and executes these on a rolling basis.

### 17a Borrowings

The Group currently has £43.7 million drawn against its facility which is secured with 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 £332.1 million (31.1.2023: £283.2 million) together with cross-company guarantees from Group companies.

The interest rate is set under Sterling Overnight Index Average (SONIA) arrangements. The all-in debt cost on the floating rate of £33.7 million drawn averaged 6.72% (31.7.2023: 4.77%) in the period. The £10 million of fixed debt (see note 17b) reduced the total average all-in rate to 6.63%.

The Group is not obliged to make any repayments prior to the facility's expiration in April 2026.

| Bank borrowings | 31 January 2024 Unaudited £'000 | 31 January 2023 Unaudited £'000 | 31 July 2023 Audited £'000 |
|---|---|---|---|
| **Non-current** | | | |
| Bank loans repayable in more than two years but not more than five years | | | |
| Gross | 43,744 | 66,785 | 54,399 |
| Deferred financing costs | (236) | (471) | (353) |
| Net bank borrowings | 43,508 | 66,314 | 54,046 |
| Non-current borrowings | 43,508 | 66,314 | 54,046 |

## 17b Derivative financial instruments

In December 2023, the Group entered into a £5.0 million interest rate swap with ABN Amro Bank effective from 21 December 2023 at a fixed 5-year SONIA swap rate of 3.51%. Also, in December 2023 the Group entered into a £5 million interest rate swap with Nat West Bank plc effective from 22 December 2023 at a fixed 5-year SONIA swap rate of 3.51%. This £10 million of aggregate swap instruments fixes the interest rate on £10.0 million of debt at an effective rate of 5.21% based on current 150 basis points (bps) margin and will result in estimated saving of c. £0.2 million of interest payable in the coming year compared to the company's current cost of floating debt of 6.7% on its Revolving Credit Facility.

The £10 million fixed rate is treated as an effective cash flow hedge and its fair value stated as a non-current asset of £54,664 as set out in the table below.

| | Currency | Principal £ | Maturity date | Fair value £ |
|---|---|---|---|---|
| Interest rate swap (NatWest) | GBP | 5,000,000 | 22/12/28 | 20,960 |
| Interest rate swap (ABN Amro) | GBP | 5,000,000 | 21/12/28 | 33,704 |
| | | **10,000,000** | | **54,664** |

The fair value of the interest rate swaps of £54,664 has been recognised in other comprehensive income in the year.

## 18 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% (2023: 2.2%) as an incremental borrowing rate as the Discount Rate.

After the application of an interest charge at 2.2% (2023: 2.2%) but 6.4% based on the effect of the two leases executed, the total lease liabilities are shown below.

| Lease liabilities attributable to Right of Use assets | 31 January 2024 Unaudited £'000 | 31 January 2023 Unaudited £'000 | 31 July 2023 Audited £'000 |
|---|---|---|---|
| **Current lease liabilities** | | | |
| Amounts due within one year | 992 | 1,295 | 826 |
| **Non-current lease liabilities** | | | |
| Amounts due in one to two years | 1,001 | 1,075 | 1,039 |
| Amounts due in three to five years | 1,753 | 2,642 | 1,786 |
| Amounts due in more than five years | 10,561 | 5,075 | 11,005 |
| **Non-current lease liabilities** | 13,315 | 8,792 | 13,830 |
| **Total lease liabilities** | 14,307 | 10,087 | 14,656 |

| **Lease liabilities attributable to Right of Use assets** | **31 January 2024 Unaudited £'000** | 31 January 2023 Unaudited £'000 | 31 July 2023 Audited £'000 |
|---|---|---|---|
| Total lease liabilities B/fwd | **14,656** | 10,894 | 10,894 |
| Increase in lease liabilities – lease extensions | **-** | (51) | 5,032 |
| Lease repayments | **(649)** | (871) | (1,817) |
| Lease interest (non-cash) | **300** | 115 | 547 |
| Total lease liabilities C/fwd | **14,307** | 10,087 | 14,656 |

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 25 (Commitments under Property Leases).

## 19 Deferred tax

| **Deferred tax liability** | **31 January 2024 Unaudited £'000** | 31 January 2023 Unaudited £'000 | 31 July 2023 Audited £'000 |
|---|---|---|---|
| **Liability at start of period/year** | **66,290** | 63,214 | 63,214 |
| Charge to income for the period/year | **777** | 336 | 764 |
| Tax charged / credited directly to other comprehensive income | **272** | (4,014) | 1,954 |
| Credit to share based payment reserve | **108** | – | 358 |
| **Liability at end of period/year** | **67,447** | 59,536 | 66,290 |

## 20 Share capital

| | **31 January 2024 Unaudited £'000** | 31 January 2023 Unaudited £'000 | 31 July 2023 Audited £'000 |
|---|---|---|---|
| Authorised: 35,000,000 ordinary shares of 1 pence each | **350** | 350 | 350 |

| | **Called up, allotted and fully paid Number** | Called up, allotted and fully paid Number | Called up, allotted and fully paid Number |
|---|---|---|---|
| Number of shares at start of period/year | **32,767,458** | 30,003,545 | 30,003,545 |
| Options exercised during period/year | **127,685** | 42,657 | 84,174 |
| Primary placing of fully paid ordinary shares - 7 July 2023 | **–** | – | 2,679,739 |
| Balance at end of period/year | **32,895,143** | 30,046,202 | 32,767,458 |
| Allotted, issued and fully paid ordinary shares | **£** | £ | £ |
| Balance at start of period/year | **329** | 301 | 301 |
| Options exercised during period/year | **1** | – | 1 |
| Primary placing of fully paid ordinary shares | | – | 27 |
| Balance at end of period/year | **330** | 301 | 329 |

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

## 21 Other reserves

| Group | Merger reserve £'000 | Other reserve £'000 | Capital redemption reserve £'000 | Share-based payment reserve £'000 | Hedging reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **1 August 2022 - Audited** | 6,295 | 1,294 | 34 | 1,479 | – | 9,102 |
| Equity share based payments | – | – | – | 225 | – | 225 |
| Tax credit relating to share options | – | – | – | (24) | – | (24) |
| **31 January 2023 - Unaudited** | **6,295** | **1,294** | **34** | **1,680** | – | **9,303** |
| Equity share based payments | – | – | – | 225 | – | 225 |
| Transfer to retained earnings in relation to share based payments | – | – | – | (47) | – | (47) |
| Tax relating to share options | – | – | – | (334) | – | (334) |
| **31 July 2023 - Audited** | **6,295** | **1,294** | **34** | **1,524** | – | **9,147** |
| Equity share based payments | – | – | – | 286 | – | 286 |
| Cash flow hedge reserve net of tax | – | – | – | – | 41 | 41 |
| Transfer to retained earnings in relation to share based payments | – | – | – | (129) | – | (129) |
| Tax credit relating to share options | – | – | – | (108) | – | (108) |
| **31 January 2024 - Unaudited** | **6,295** | **1,294** | **34** | **1,573** | **41** | **9,237** |

### Merger reserve

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.

### Other reserves

The other distributable reserve and the capital redemption reserve arose in the year ended 31 July 2004 from the purchase of the company's own shares and a cancellation of share premium.

### Share based payment reserve

Under IFRS 2 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.

## 22 Retained earnings

| Group | Retained earnings before deduction of own shares £'000 | Own shares (Note 23) £'000 | Retained earnings Total £'000 |
|---|---|---|---|
| **1 August 2023 - Audited** | | | |
| Profit for the financial period | 3,651 | – | 3,651 |
| Transfer from revaluation reserve - additional depreciation on revaluation | 432 | – | 432 |
| Transfer share-based payment reserve (Note 21) | 24 | – | 24 |
| Dividend paid | (3,602) | – | (3,602) |
| **31 January 2023 - Unaudited** | **56,013** | **(500)** | **55,513** |
| **1 February 2023 - Unaudited** | | | |
| Profit for the financial period | 1,041 | – | 1,041 |
| Transfer from revaluation reserve - additional depreciation on revaluation | 663 | – | 663 |
| Transfer share-based payment reserve (Note 21) | 23 | – | 23 |
| Dividend paid | (1,693) | – | (1,693) |
| **31 July 2023 - Audited** | **56,047** | **(500)** | **55,547** |

| | | | |
|---|---|---|---|
| **1 August 2023 - Audited** | | | |
| Profit for the financial period | 2,937 | – | 2,937 |
| Transfer from revaluation reserve - additional depreciation on revaluation | 577 | – | 577 |
| Transfer share-based payment reserve (Note 21) | 129 | – | 129 |
| Dividend paid | (4,267) | – | (4,267) |
| **31 January 2024 - Unaudited** | **55,423** | **(500)** | **54,923** |

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.

## 23 Own shares

| | EBT shares Number | EBT shares £ | Treasury Number | Treasury £ | Own shares Total £ |
|---|---|---|---|---|---|
| 31 July 2022 – Audited | 623,212 | 499,910 | | – | 499,910 |
| 31 January 2023 – Unaudited | 623,212 | 499,910 | – | – | 499,910 |
| 31 July 2023 – Audited | 623,212 | 499,910 | – | – | 499,910 |
| **31 January 2024 – Unaudited** | **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 January 2024, the Trust held 623,212 (31.01.2023: 623,212) ordinary shares of 1 pence each with a market value of £5,048,017 (31.01.2023: £5,920,514). No shares were transferred out of the scheme during the period (2023: Nil). No options have been granted under the EBT.

## 24 Cash flows

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

| | **Six months ended 31 January 2024 Unaudited £'000** | Six months ended 31 January 2023 Unaudited £'000 | Year ended 31 July 2023 Audited £'000 |
|---|---|---|---|
| Group profit before tax | 4,273 | 4,659 | 6,701 |
| Depreciation and loss on disposal | 2,743 | 2,463 | 5,690 |
| Equity settled share-based payments | 287 | 225 | 405 |
| Non-underlying items | 20 | (119) | 318 |
| Interest receivable | (282) | (305) | (665) |
| Interest payable – bank borrowings | 307 | 894 | 2,015 |
| Interest payable – lease liabilities | 299 | 115 | 547 |
| Decrease / (increase) in inventories | 14 | 11 | (2) |
| (Increase) / decrease in receivables | (959) | 250 | 1,393 |
| Increase /(decrease) increase in payables | 388 | (346) | (632) |
| **Cash generated from operations** | **7,090** | 7,847 | 15,815 |

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

Net debt is defined as non-current and current borrowings, as detailed in note 17 less cash and cash equivalents.

| | Six months ended 31 January 2024 Unaudited £'000 | Six months ended 31 January 2023 Unaudited £'000 | Year ended 31 July 2023 Audited £'000 |
|---|---|---|---|
| (Decrease) / increase in cash in the period/year | (27,157) | (6,203) | (4,333) |
| Change in net debt resulting from cash flows | 10,655 | – | 12,386 |
| Movement in net debt in period | (16,502) | (6,203) | 8,053 |
| Net debt brought forward | (12,267) | (20,320) | (20,320) |
| Net debt carried forward | (28,769) | (26,523) | (12,267) |

## 25 Commitments under property leases

At 31 January 2024 the total future minimum lease payments as a lessee under non-cancellable property leases were as follows:

| Land and buildings | 31 January 2024 Unaudited £'000 | 31 January 2023 Unaudited £'000 | 31 July 2023 Audited £'000 |
|---|---|---|---|
| Amounts due: | | | |
| Within one year | 1,560 | 1,727 | 1,415 |
| Between two and five years | 4,228 | 4,663 | 4,354 |
| After five years | 14,020 | 5,693 | 14,687 |
| | 19,808 | 12,083 | 20,456 |

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.

## 26 Related party events

The aggregate remuneration of the Directors, and the other key management personnel of the Group, is set out below.

| | Six months ended 31 January 2024 Unaudited £'000 | Six months ended 31 January 2023 Unaudited £'000 | Year ended 31 July 2023 Audited £'000 |
|---|---|---|---|
| Short-term employee benefits - Directors | 421 | 374 | 827 |
| Short-term employee benefits - Other key management | 65 | 105 | 175 |
| Post-employment benefits - Directors | 11 | 9 | 13 |
| Post-employment benefits - Other key management | 3 | 4 | 6 |
| Share-based payments | 287 | 225 | 450 |
| Social security costs – Directors | 144 | 80 | 158 |
| Social security costs – Other key management | 23 | 23 | 43 |
| Total | 954 | 820 | 1,672 |

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.

## 27 Capital Commitments

The Group has capital expenditure contracted but not provided for in the financial statements of £4.27 million relating to commitments to complete the ongoing construction of our sites in Staines, a phase 2 fit-out at Bedford, and retentions held on Warrington, Stevenage, Bedford and Peterborough.

## 28 Events after the Reporting Date

- **Eastbourne planning**
  A new formal planning permission for a new store in Eastbourne, Sussex was approved on 18 March 2024.

- **Recommended Cash Offer of Lok'nStore Group Plc by Shurgard Self Storage Ltd ("Shurgard") ("The Offer")**

  On 11 April 2024, the Boards of Shurgard and Lok'nStore announced that they have reached agreement on the terms of a recommended cash offer to be made by Shurgard to acquire the entire issued and to be issued share capital of Lok'nStore (the 'Acquisition').

  Under the terms of the Offer, Lok'nStore Shareholders will be entitled to receive 1,110 pence in cash for each Lok'nStore Share. The Directors intend to unanimously recommend the Offer.

  The Offer is expected to be effected by means of a Court-sanctioned Scheme of Arrangement between Lok'nStore and Scheme Shareholders under Part 26 of the Companies Act 2006, although Shurgard reserves the right to effect the Acquisition by way of a Takeover Offer.

  The Offer contains a customary price adjustment in respect of any dividends declared, made or paid after 11 April 2024 and hence the Board are not recommending a dividend at this interim stage.

**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 |