Half-year/Interim Report

Interim Results for Six Months to 31 January 2021

LOK'N STORE GROUP PLC

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

Lok'nStore Group Plc, the AIM listed self-storage Company announces interim results for the six months to 31 January 2021

Unprecedented growth in occupied space drives strong trading performance, robust cash flow and an increased dividend

Highlights:

Strong trading

- Group revenue £10.21 million up 13.9% (31.1.2020: £8.97 million)
- Group adjusted EBITDA[1] profit £5.5 million up 17.3% (31.1.2020: £4.7 million)

Cash flow growth drives interim dividend increase

- Cash available for Distribution (CAD)[3] £3.49 million up 19.7% (31.1.2020: £2.92 million)
- Interim dividend 4.33 pence per share up 8.25% (31.1.2020: 4 pence per share)

Increasing net asset value

- Adjusted Net Asset Value (NAV) per share[5] up 6.8% to £5.68 (31.1.2020: £5.32) (31.7.2020: £5.56)

Secure balance sheet

- £11.3 million cash at period-end (31.7.2020: £13.1 million)
- Net debt (excluding lease liabilities) £42.6 million (31.7.2020: £38.3 million)
- Loan to value ratio[6] 20.4% (31.7.2020: 19.3%)
- Average cost of debt 1.55 % (31.7.2020: 1.69%)

Unprecedented occupancy growth

- Occupied space up 24.7% since January 2020
- Occupancy up from 67.1% to 81.6% of available space
- Store EBITDA Margins increased from 55.8% to 58.5%
- Store management fees £0.74 million up 87.5 % (31.1.2020: £0.39 million)

Active pipeline of new landmark stores[7]

- Store pipeline of 13 sites will add 38% of new space over coming years
- 2 new stores opened (including Salford post-balance sheet)
- 2 new stores acquired (plus Basildon post-balance sheet)
- Building 4 new stores
- Chichester Managed Store acquired.

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

"We continue to build our pipeline of prominent Landmark storage centres tapping in to deep latent demand for storage in the U.K and our store team members have worked tirelessly to provide great service to our customers. As a result, we have achieved an unprecedented growth in occupied space of 24.7% in the period and this has driven strong growth of revenue and profits".

"We have added to our new store pipeline which increases operating space by 38% to over 2.5 million sq. ft. over the coming years. We opened our new Leicester store in August and our new Salford store after the period end. Construction is underway at our sites in Warrington, Stevenage and Wolverhampton. Continuing this exciting period of growth, our objective is to build more Landmark stores in an under-supplied market while remaining conservatively geared delivering sustainable growth and consistently increasing dividends. We are raising the interim dividend by 8.25% to 4.33 pence per share."

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Key Performance Indicators (KPIs))

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

1. **Group Adjusted EBITDA** – **Earnings before interest, tax, depreciation and amortisation –** This measure strips away non-cash charges, finance charges and tax and now also reflects the removal of operating lease costs from operating expenses as a result of the implementation of IFRS 16. Group Adjusted EBITDA is defined as EBITDA before losses or profits on disposal, share-based payments, acquisition costs, exceptional items, finance income, finance costs and taxation.

2. **Other income and expenditure items –** refers to one-off items of a non-operational nature which arose during the year, often relating to asset disposals, and are unlikely to be recurring. (Refer Note 3(c) of the Interim Financial Statements).

3. **CAD – Cash Available for Distribution –** is calculated as Adjusted EBITDA less total net finance cost, less capitalised maintenance expenses, New Works Team costs and current tax. This measure is designed to give clarity to the capacity of the business to generate ongoing net operating cash that can be used to pay dividends to shareholders or pay down debt. The calculation of the Cash available for Distribution is set out in the Business and Financial Review.

4. **Adjusted Total Assets –** The value of adjusted total assets of £235.9 million (31.01.2020: £213.9 million) (31.07.2020: £229.4 million) is calculated by adding the independent valuation of the leasehold properties of £16.7 million (31.01.2020: 18.7 million) (31.07.2020: £16.7 million) less their corresponding net book value (NBV) £3.5 million (31.01.2020: £3.8 million) (31.07.2020: £3.7 million) to the total assets in the Statement of Financial Position of £222.7 million (31.01.2020: £199.0 million) (31.07.2020: £216.4 million). This provides clarity on the significant value of the leasehold stores as trading businesses which under accounting rules on operating leases are only presented at their book values within the Statement of Financial Position.

5. **NAV – Net Asset Value per share –** Adjusted net asset value per share is the net assets adjusted for the valuation of leasehold stores (properties held under property leases) and deferred tax divided by the number of shares at the year-end. The shares held in the Group's employee benefits trust and treasury shares are excluded from the number of shares. The calculation of the Net Asset Value per share is set out in the Business and Financial Review.

6. **LTV – Loan to Value Ratio –** measures the 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 IFRS 16 lease liabilities) of £42.6 million as set out in note 15 (31.01.2020: £31.9 million) (31.07.2020: £38.3 million) as a percentage of the total properties independently valued by JLL, the Directors valuation placed on the new Leicester store, and including development land assets all totalling £209.2 million (31.01.2020: £185.6 million) (31.07.2020: £198.3 million) as set out in the Business and Financial Review in the Analysis of Total Property Value table.

7. **Pipeline Sites** – means sites for new stores that we have either exchanged contracts on or have agreed heads of terms and are progressing with our lawyers towards completion. We now have 13 pipeline sites of which 11 are contracted and 2 are currently with lawyers.

8. **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 IFRS16 and includes leasing charges as normal operating costs of each store. The measure is designed to give clarity on the recurring operating cash flow of the business and provides important information on the underlying performance of the trading stores and shows the cash generating core of the business. Use of this metric enables us to provide additional information on store EBITDA contributions (after leasing costs) and the margins analysed between freehold and leasehold stores and according to the age of the stores. This analysis is set out in a table in the Business and Financial Review.

9. **Gearing –** refers to the level of a company's debt related to its 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 15 of the Interim Financial Statements.

10. **Group Adjusted EBITDAR** - EBITDAR is Earnings before interest, tax, depreciation amortisation and rent. The measure is designed to give clarity on the effect of the rent payable by leasehold stores and how its elimination enables an analytical comparison between freehold stores operating performance (which do not pay rent) and leasehold stores operating performance. This analysis is set out in a table in the Business and Financial Review on page.

11. **Cost Ratio -** calculates the ratio of the total operating costs of the business as set out on page ● of the Business and Financial Review, expressed as a percentage of total group revenue (note 2), giving a perspective on the cost efficiency of the business when compared to the cost ratio of the previous year.

12. **LFL– Like for Like –** This measure is used to give transparency on improvements in the operating business unrelated to the opening of new stores or closure of old stores therefore giving visibility of the true trading picture. The like for like key performance measure is only used where its use is particularly relevant to illustrate a performance metric not otherwise apparent.

Chairman's Statement

I want to report to you on the excellent first half of the financial year to 31 January 2021.

The first half-year results can be summarised as:-

- Unprecedented growth of occupied space across our stores
- Strong operating performance resulting in strong revenue and profit growth
- Store pipeline will increase trading space by 38% to 2.5 million sq.ft.
- Increased dividend

This is an impressive set of results with Lok'nStore continuing to deliver on our commitment to sustainable growth. The continued investor interest in the self-storage sector together with the corresponding market transactions underpins the value of our assets and our strategy to open more landmark stores.

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

Increased Dividend

Lok'nStore's dividend payments to shareholders reflect the growth in the underlying Cash Available for Distribution (CAD) which is up 20.0% on an annualised basis.

At this interim stage we will pay one third of the previous year's total annual dividend which equates to 4.33 pence per share, up 8.25% on the 4 pence per share interim dividend last year. The increase in the interim dividend follows a consistent pattern of dividend growth reflecting the continued growth of the Group. The interim dividend will be paid on 11 June 2021 to shareholders on the register on 7 May 2021. The ex-dividend date will be 6 May 2021. The final deadline for Dividend Reinvestment Election by investors is 21 May 2021. The final dividend will be declared when the Group's full year results are announced in late October 2021.

Investment in our stores

While we invested £9.6 million in sites and store development in this period, we are able to report a period end loan-to-value (LTV) ratio of only 20.4% (31.1.2020: 17.2%) (31.7.2020: 19.3%) and net debt of £42.6 million (31.1.2020: £31.9 million) (31.7.2020: £38.3 million).

The Group continues to find high quality sites for new Landmark stores. Trading at our new stores has been strong and this underpins our confidence that our pipeline will add further momentum to sales and earnings growth, adding 38% more high quality trading space to our portfolio. We are on-site at four stores, all of which will be trading by the end of 2021.

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 drive further traffic to our website which benefits our entire operation. We generated managed store income of £0.74 million this period, up 87.5% from the previous period supported by £0.3 million of supplementary non-recurring fees (Refer analysis of Management fees in the table below). Second half income will also benefit from additional fees from managed store development and planning success.

Managed store income is generated from our existing platform and central management, resulting in an effective margin from this activity of 100%. Our current pipeline of managed stores includes an additional 5 stores which will take the total number of managed stores to 16.

Our Objectives

Our strategic and operational objectives are to:

- Steadily increase cash available for distribution (CAD) per share enabling a predictable growth of the dividend from a strong asset base with conservative levels of debt
- Fill existing stores and improve pricing
- Acquire more sites to build new landmark stores
- Increase the number of stores we manage for third parties

Our People
We rely on the dedication of our people to deliver these impressive results and even more so now in these difficult circumstances. During the Covid-19 pandemic the dedication of our colleagues has shone through more than ever, allowing us to support our customers during this unprecedented period.

We will continue to invest in training to develop and deepen their skills. We have reviewed our pay levels to ensure that all of our employees are paid fairly and we continue to promote equity ownership to our colleagues via our Share Investment Plan and the granting of options.

We do this because it makes business sense and rewards staff for the contribution they make to our strategic and operational objectives.

Robust Capital Structure and Cash Flow
At 31 January 2021 the Group had cash balances of £11.3 million (31.7.2020: £13.1 million). The Group has a £75 million five year revolving credit facility which runs until April 2025. This provides sufficient liquidity for the Group's current needs. Undrawn committed facilities at the period-end amounted to £21.1 million. The Group is not obliged to make any repayments prior to its expiration in April 2025.

Cash inflow from operating activities before investing and financing activities was £6.6 million in the six months to 31 January 2021, up 9.8% from £6.2 million over the same period last year.

Debt, IFRS 16 and Bank Covenants
The average cost of bank debt on drawn facilities for the period was 1.55%. All of the Group's total drawn bank debt of £53.9 million is unhedged, which means we have benefited from the low bank lending rates.

Proforma interest cover based on the most recent quarter is in excess of 9 times. The banking covenants are set at 2.5 times. At the period end our loan-to-value ratio (LTV) based on net bank debt was 20.4% versus a bank covenant limit of 60% providing a large cushion against any potential falls in the valuation of the portfolio.

Both the Loan to Value and Senior Interest covenants continue to be tested excluding the effects of IFRS 16. For this purpose, debt / LTV will continue to exclude Right of Use Assets and corresponding lease liabilities created by IFRS 16. Property lease costs (rents) will continue to be a deduction in the calculation of EBITDA, in accordance with the accounting principles in force prior to 1 January 2019, when testing the Senior Interest covenant.

Positive Outlook for Growth over short, medium and long term
Our first half results are very good and trading since the period end has remained very strong. The excellent occupancy gains gives us significant embedded pricing and margin opportunities over the second half and beyond. Our new store pipeline will add 38% more trading space over coming years.

With Lok'nStore's resilient business model and flexible and conservative debt structure the Board is confident the Group will continue to thrive under its proven and highly experienced management team and staff. We look to the future with confidence.

Andrew Jacobs
Executive Chairman
23 April 2021

Business and Financial Review

The Performance of our Stores

- Self-storage revenue £9.5 million up 11.0% (31.1.2020: £8.5 million)
- Adjusted Store EBITDA £5.5 million up 17.3% (31.1.2020: £4.8 million)
- Unit occupied space increased 24.7% year on year
- Occupied units pricing decreased 2.6%

With operating costs under control, revenue growth translates into healthy profit growth. Total adjusted store EBITDA in the self-storage business, a key performance indicator of profitability and cash flow of the business, increased 17.3% to £5.5 million (31.01.2020: £4.8 million).

Over the course of the year unit occupied space rose by a substantial 24.7%, with occupancy rising from 67.1% to 81.6%.

In supporting our customers, we chose not to implement price increases to our existing customers throughout this period and unit pricing was down 2.6%. However, the strong occupancy gains realised in the first half gives us significant embedded pricing leverage and margin opportunity going forward.

The overall adjusted EBITDA margin across all stores increased to 58.5% from 55.8%.

As we build the Current Pipeline we will be operating from 53.2% freehold space, leasehold space will decline to 17.0% of space and managed stores will increase to 29.8% of total space operated. This shifting tenure structure will also have the effect of increasing overall margins.

Portfolio Analysis and Performance Breakdown

					When Fully Developed		
Portfolio Analysis and Performance Breakdown	**Number of stores**	**% of Property Valuation**	**% of Adjusted Store EBITDA**	**Adjusted Store EBITDA Margin (%)**	**% lettable space**	**Number of stores**	**Total % lettable space**
As at 31 January 2021							
Freehold Stores	16	77.7	77.4	64.4	48.8	23	53.2
Leaseholds Stores	9	8.6	22.6	44.6	22.4	9	17.0
Managed Stores	11			100.0	28.8	15	29.8
Total stores trading	**36**					**47**	
Pipeline Stores (secured)							
Owned	7	13.7					
Managed	4						
Total Stores	**47**	**100**	**100**	**58.5**	**100**	**–**	**100**

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.

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. The impact of this will be to continue to increase the average store margin of the Group overall, and this effect is accentuated by operating more stores from a relatively fixed central cost base.

In this context the new stores in the pipeline will make a larger than average contribution to Group profits as they become established trading units.

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

Weeks Old	Secured Pipeline	Under 100	100 to 250	over 250	Total
Six months ended 31 January 2021					
Sales £000		224	1,391	7,900	9,515
Stores Adjusted EBITDA £'000		(10)	909	4,668	5,567
Adjusted EBITDA Margin (%)		(4.4%)	65.3%	59.1%	58.5%
Stores Adjusted EBITDAR £'000		(10)	909	5,435	6,334
Adjusted EBITDAR Margin (%)		**(4.4)%**	**65.3%**	**68.8%**	**66.6%**
As at 31 January 2021 (sq. ft.)					
Maximum Net Area	**392,700**	**97,724**	**225,980**	**970,926**	**1,687,330**
Freehold ('000 sq. ft.)	392,700	97,724	225,980	536,315	1,252,719
Short Leasehold (sq. ft.)	–	–	–	434,611	434,611
Number Stores					
Freehold	7	2	4	10	23
Short Leasehold	–	–	–	9	9
Total Stores	**7**	**2**	**4**	**19**	**32**

*Table excludes Managed Stores.

In respect of the Farnborough Store (over 250 weeks) the total store revenue includes a £50,000 contribution receivable from Group Head Office.

Ancillary Sales
Ancillary sales consisting of boxes, packaging materials, insurance and other sales increased to £1.1 million an increase of 15.5% year on year (31.01.20: £0.96 million) accounting for 11.7% of self-storage revenues.

Providing an important service to our Customers
Many of our customers are providing critical services distributing medical and other essential supplies. We include the NHS, GP surgeries, care and home support services and government departments amongst our customers. Storage, logistics and transport are important parts of the distribution network and as such were not selected for closure by the Government. All of our stores have remained open throughout the Pandemic.

Measures taken
At Lok'nStore the health and safety of our customers and colleagues is our principal priority.

Existing customers are able to access their storage without any face to face contact with our team members. Customers can still communicate with our friendly teams by telephone, email or live chat. New customers can access our reception area one at a time to ensure strict social distancing guidelines are followed.

Self-Storage is a service business but our facilities are not used intensively. Customer footfall is always comparatively low and our stores have few people in them at any given time.

Store properties and Net Asset Value

- Adjusted total assets £235.9 million up 10.3% (31.1.2020: £213.9 million)
- Net Assets £123.4 million (31.1.2020: £116.7 million)
- Adjusted net asset value £5.68 per share up 6.8% (31.1.2020: £5.32)
- Investment in new stores £9.6* million (31.1.2020: £4.7 million)
  *Excludes capitalised Interest

At the period-end Lok'nStore had 36 freeholds, leasehold and managed stores trading. Of these, 25 stores are owned with 16 freeholds, 9 leasehold and 11 further sites operate under management contracts.

The average unexpired term of the Group's operating leaseholds is approximately 9 years as at 31 January 2021. All of our leasehold stores are inside the Landlord and Tenant Act providing us with a strong degree of security of tenure.

Growth from new stores and more new landmark stores to come
Lok'nStore's strong operating cash flow, solid asset base, and tactical approach to its store property portfolio provide the Group with opportunities to improve the terms of its property usage in all stages of the economic cycle. Our focus on the trading business gives us many opportunities and our property decisions are always driven by the requirements of the trading business.

- 2 new stores acquired in period

- 2 new store opportunities identified and are progressing with lawyers

- Total Pipeline of 13 stores (including 2 with lawyers) adds 37.9% of extra trading space to the overall portfolio, 34.3% to our owned portfolio and 46.8% to the managed portfolio.

Analysis of Stores **As at 31 Jan 2021**	**No of Stores**	**Stores Trading Lok'nStore**	**Stores Trading Managed**	**Pipeline Total**	**Pipeline Secured**	**Pipeline With lawyers**
Freeholds	**16**	16				
Leaseholds	**9**	9				
Pipeline (Freehold)	**7**			7	7	
Pipeline (Leasehold)	**1**			1		1
Managed Stores (Trading)	**11**		11			
Managed Stores (Pipeline)	**5**			5	4	1
Total No.	**49**	25	11	13	11	2
MLA sq. ft.	**2,506,712**	1,294,630	522,724	689,358	587,358	102,000

Current contracted pipeline:

Basildon – Contract exchanged for a landmark leasehold store with planning permission granted above a major discount food retailer – Post balance sheet

Bedford – Planning application in process

Bournemouth – We have a Local Authority resolution to grant planning permission

Cheshunt - Planning application in process. We have signed an agreement to share this site with a discount food retailer mitigating our development costs and generating excellent footfall for the site.

Chester - Planning application in process

Kettering – Design in process

Peterborough – Design in progress

Salford – Opened 1st April 2021 post balance sheet

Stevenage – On site. Target opening date December 2021

Warrington – On site. Target opening date November 2021

Wolverhampton - On site. Target opening date December 2021

Other transactions

Chichester and Wolverhampton
On 29 January 2021, the Managed Store in Chichester was purchased by the Group for £4.025 million and the development site in Wolverhampton was simultaneously sold on a sale and manage-back for £1.52 million. (Refer Note 24).

Southampton
Our vacant property in Southampton, Hampshire was sold for £1.69 million eliminating over £150,000 p.a of residual costs.

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 our capital, to amortise fixed central costs over a wider operating base and drive further traffic to our website which benefits our entire operation.

During the period the Group purchased the Chichester Managed Store, following which we have eleven stores under management contracts trading as at 31 January 2021. Development works have commenced at Stevenage and Wolverhampton, with Chester and Kettering in the design stage.

For managed stores Lok'nStore receives a standard monthly management fee, a performance fee based on certain objectives and fees on a successful exit. We also charge acquisition, planning and branding fees. This allows Lok'nStore to earn revenue from our expertise and knowledge of the self-storage industry without committing our capital. We can amortise various fixed central costs over a wider operating base and drive more visits to our website moving it up the internet search rankings and benefitting all of 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 generated managed store income of £737,946 in this period, up 87.5% compared to the same period last year. (31.01.2020: £393,459). We expect this to continue increasing steadily over the coming years as more managed stores are opened. Recurring fees increased by 10.5% over last year. Second half income will include additional fees from store opening and planning success. Managed store income is generated from our existing platform and central management, resulting in an effective margin from this activity of 100%.

Management fees	**Percentage Increase** %	**Group Period ended 31 January 2021** £	Group Period ended 31 January 2020 £	**Group Year ended 31 July 2020** £
Recurring fees				
Base management fees		**257,072**	237,581	**434,345**
Administration and compliance fees		**31,000**	25,000	**53,638**
Enhanced Management fees		**146,547**	130,878	**243,315**
Recurring fees - Sub-total	**10.5%**	**434,619**	393,459	**731,298**
Construction & Advisory fees		**–**	–	**45,000**
Supplementary fees		**303,327**	–	**215,000**
Non-recurring fees		**303,327**	–	**260,000**
Total management fees	**87.5%**	**737,946**	393,459	**991,298**

Summary - Flexible approach to site acquisition
We continue our strategy of actively managing our portfolio to ensure we are maximising both trading potential and asset value. This includes strengthening our distinctive brand, increasing the size and number of our stores and replacing stores or sites where it will increase shareholder value. We prefer to own freeholds if possible, and where opportunities arise, we will seek to acquire the freehold of our leasehold stores. However, we are happy to take leases on appropriate terms and benefit from the advantages of a lower entry cost, with further options to create value later. Our most important consideration is always the trading potential of the store rather than the type of property tenure.

We have 13 new stores in our Current Pipeline[7]. All are in prominent locations with large catchment areas and little established competition and demonstrate the Company's ability to source high quality sites adding to future sales and earnings growth. Once developed, these eye-catching buildings, with their distinctive orange Lok'nStore branded livery and prominent signage, create highly visible landmarks, which continue to be a significant source of new customers.

Financial results

- Group Revenue £10.21 million up 13.9% (31.1.2020: £8.97 million)
- Group Adjusted EBITDA[1] £5.5 million up 17.3% (31.1.2020: £4.72 million)
- Loan to value (net of cash) 20.4% (31.1.2020: 17.2%) (31.7.2020: 19.3%)
- Cash available for Distribution (CAD)[3] £3.49 million up 19.7% (31.1.2020: £2.92 million)
- Interim dividend up 8.25% to 4.33 pence per share (31.1.2020: 4.0 pence per share)
- Cash balance £11.3 million (31.1.2020: £11.0 million) (31.7.2020: £13.1 million)

Lok'nStore is a robust business which generates an increasing cash flow from its strong asset base with a low LTV of 20.4% and a low average cost of debt of 1.55%. The value of the Group's assets underpins a flexible business model with stable and rising cash flows and low credit risk giving the business a firm base for growth.

Management of interest rate risk

- Average cost of debt 1.55% (31.1.2020: 2.21%) (31.7.2020: 1.69%)

With £53.9 million of gross debt currently drawn against the £75 million bank facility the Group is not committed to enter into hedging instruments but continues to keep the matter under review. It is not the intention of the Group to enter into an interest rate hedging arrangement at this time given our low level of net debt, low loan to value ratio and high interest cover and the Group has continued to benefit from low lending rates.

Taxation

The Group has made a current tax provision against earnings in this period of £0.58 million (31.1.2020: £0.40 million) based on a corporation tax rate of 19% (31.1.2020: 19%). The deferred tax provision which is calculated at forward corporation tax rates of 19% and is substantially a tax provision against the potential crystallisation (sales) of revalued properties and past 'rolled over' gains amounts to £27.0 million (31.1.2020: £22.5 million) (31.7.2020: £26.8 million). (See Note 17).

Earnings per share

Basic earnings per share were 7.89 pence (31.1.2020: 5.74 pence per share) and diluted earnings per share were 7.76 pence (31.1.2020: 5.63 pence per share).

	Six months ended 31 January 2021 Unaudited	Six months ended 31 January 2020 Unaudited	Year ended 31 July 2020 Audited
Basic			
Total basic earnings per share	**7.89p**	**5.74p**	**10.26p**
Diluted			
Total diluted earnings per share	**7.76p**	**5.63p**	**10.08p**

Costs - Continuing Operations

- Group operating costs (excluding retail cost of sales) amounted to £4.57 million for the period (31.1.2020: £4.16 million).
- Cost ratio[11] reduced further to 44.8% (31.1.2020: 46.4%) (31.7.2020: 45.8%)

We have a strong record of disciplined control of our group operating costs. In the period operating costs were up 9.9% year on year as we opened new landmark stores and paid substantial performance related bonuses to the store teams for rapid occupancy growth. We provide a breakdown below. Overall, the cost ratio continues to decrease as we grow revenue and bear down on costs.

Future cost increases are likely to be driven by the expansion of the business in the areas of rates, staffing and marketing. Overall cost increases are mainly driven by the expansion of the business and we are seeing little other cost pressures.

Property costs which mainly constitute rent and rates have risen in recent years as we felt the effects of higher rates bills and as we opened our new landmark stores.

Staff costs increased by 12.7% as we staffed the new stores and paid performance bonuses to all our store colleagues resulting from the excellent revenue growth. We also incurred additional national insurance costs arising on these performance bonuses and the exercise of employee share options.

Group Operations	**Increase (decrease) in costs %**	**Six months ended 31 Jan 2021 £'000**	Six months ended 31 Jan 2020 £'000	Year ended 31 July 2020 £'000
Property costs	7.1%	**2,309**	2,157	4,392
Adjustment for property lease rentals	6.7%	**(769)**	(720)	(1,467)
Restated property and premises costs	7.2%	**1,540**	1,437	2,925
Staff costs	12.7%	**2,424**	2,151	4,196
Overheads	6.3%	**608**	572	1,139
Total	9.9%	**4,572**	4,160	8,260

Cash flow and financing
At 31 January 2021 the Group had cash balances of £11.3 million (31.1.2020: £11.0 million) (31.7.2020: £13.1 million). Cash inflow from operating activities before investing and financing activities was £6.6 million (31.1.2020: £6.2 million).

As well as using cash generated from operations to fund some capital expenditure, the Group has a £75 million five year revolving credit facility which runs until April 2025. This provides sufficient liquidity for the Group's current needs. Undrawn committed facilities at the period-end amounted to £21.1 million (31.1.2020: £32.0 million) (31.7.2020: £23.7 million).

Cash plus undrawn committed facilities amounts to £32.4 million leaving the business with plenty of headroom to keep acquiring and building new landmark stores. The bank facility has a further £25 million accordion not yet committed.

Cash available for Distribution (CAD) up 19.7%
Cash available for Distribution (CAD) provides a clear picture of ongoing cash flow available for dividends or debt repayment. The CAD was up 19.7% in the period compared to the corresponding period last year.

Cash available for Distribution (CAD) per share (annualised) was up 20% to 24.17 pence (31.1.2020: 20.15 pence).

To illustrate this fully the table below shows the calculation of CAD.

Analysis of Cash Available for Distribution (CAD)

	Period ended 31 January 2021 £'000	Period ended 31 January 2020 £'000	Year ended 31 July 2020 £'000
Group Adjusted EBITDA (per Statement of Comprehensive Income)	**5,540**	4,723	9,654
Adjustment for property lease rentals	**(769)**	(720)	(1,468)
Net finance costs paid[1]	**(484)**	(560)	(1,046)
Capitalised maintenance expenses	**(169)**	(80)	(110)
New Works Team	**(42)**	(41)	(89)
Current tax (note 7)	**(583)**	(403)	(768)
Total deductions	**(2,047)**	(1,804)	(3,481)
Cash Available for Distribution	**3,493**	2,919	6,173
Increase in CAD over last year	**19.7%**	4.8%	12.5%
	Number	Number	Number
Closing shares in issue (less shares held in EBT and treasury)	**28,903,100**	28,970,001	29,010,078
CAD per share (annualised)	**24.17p**	20.15p	21.28p
Increase in CAD per share over last year	**20.0%**	4.7%	12.3%

[1] Net finance costs represent finance costs paid per the cash flow statement of £0.48 million less bank interest received to give the true cash flow effect.

Gearing[9] (excluding IFRS16 lease liabilities)
At 31 January 2021 the Group had £53.9 million of gross bank borrowings (31.1.2020: £43.0 million) (31.7.2020: £51.3 million) representing gearing of 34.9% (31.1.2020: 27.2%) (31.7.2020: 31.3%) on net debt of £42.6 million (31.1.2020: £31.9 million) (31.7.2020: £38.3 million). After adjusting for the uplift in value of short leaseholds which are stated at depreciated historic cost in the statement of financial position, gearing is 32.5% (31.1.2020: 24.2%) (31.7.2020: 28.3%). After adjusting for the deferred tax liability carried at period end of £27.0 million gearing drops to 27.0% (31.1.2020: 20.7%) (31.7.2020: 23.6%).

Gearing[9] (including IFRS16 lease liabilities)
At 31 January 2021 the Group had £53.9 million of gross bank borrowings (31.1.2020: £43.0 million) (31.7.2020: £51.3 million) and £11.8 million of lease liabilities (31.1.2020: £12.3 million) (31.7.2020: £12.5 million) representing gearing of 44.6% (31.1.2020: 37.9%) (31.7.2020: 41.8%) on net debt of £54.5 million (31.1.2020: £44.2 million) (31.7.2020: £50.7 million). After adjusting for the uplift in value of short leaseholds which are stated at depreciated historic cost in the statement of financial position, gearing is 41.8 % (31.1.2020: 33.6%) (31.7.2020: 37.7%). After adjusting for the deferred tax liability carried at period end of £27.0 million gearing drops to 34.6% (31.1.2020: 28.7%) (31.7.2020: 31.5%).

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

Capital expenditure during the period totalled £9.8 million (31.1.2020: £4.9 million). This was primarily the purchase of the Warrington site, the purchase of the existing Chichester managed store for £4.0 million and exchange contract deposits paid on the Peterborough site, together with ongoing construction and fit out works at our sites in Salford, and Warrington, final costs on Leicester prior to opening, as well as planning and pre-development works at our Bedford, Bournemouth, Chester and Cheshunt sites. The figure includes £190,655 of capitalised interest (31/01/20: £223,163) (31/07/20: £382,190).

Market Valuation of Freehold and Operating Leasehold Land and Buildings
On 31 July 2020 professional valuations were prepared by Jones Lang LaSalle (JLL) for fifteen freeholds and eight operating leasehold properties. This valuation has been adopted for the 31 January 2021 period-end after adjusting for additions and disposals since the 31 July 2020 year-end. The valuation was prepared in accordance with the RICS Valuation - Professional Standards, published by The Royal Institute of Chartered Surveyors (the "Red Book"). The valuation has been provided for accounts purposes and, as such, is a Regulated Purpose Valuation as defined in the Red Book.

Although the Board did not commission an external valuation at this interim period-end it is mindful of the need to accord with the measurement principles of International Financial Reporting Standards. Accordingly, after consulting with our external valuers, the Directors considered that the self-storage transactional market has shown good levels of liquidity and continued investor interest and whilst there has been continued market activity in the self-storage sector since July 2020, the Directors considered that there had not been such a material movement in market yields that warranted a modification to the position as at 31 January 2021 in respect of our properties externally valued at 31 July 2020. The Directors therefore consider that it is appropriate to maintain the portfolio's external valuation without modification pending a comprehensive external valuation at our 31 July 2021 year-end.

The new Leicester store
We opened the new Leicester Store in early August 2020. Since it was not open at the Group's previous year-end, in accordance with the group's policy it was not independently valued at 31 July 2020. The 57,500 sq. ft. store is in a highly prominent location opposite a major food retailer in the heart of Leicester's busy retail district and the store's early trading has been strong. Accordingly, and in line with the requirement to fair value the group's store assets the Directors' have used the group's internal valuation model to uplift the current book value of £7.4 million to a fair value of £10.0 million resulting in a £2.6 million uplift. (Refer table below).

The Model assumptions are as follows:

- Revenue inputs come from our standard budget model
- Costs have been derived from an average of P&L costs.
- A standard 6% central management fee is applied, which is consistent with the central management fees applied by JLL in their valuation model
- We have applied our standard 6% exit yield and 8% discount rate within our model for new Landmark stores. This is broadly in line with exit yield and discount rate applied by JLL at July 2020 for similar stores

Valuations

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.

It is not the intention of the Directors to make any significant disposals of trading stores, although individual disposals may be considered where it is clear that value can be added by recycling the capital into other opportunities. The Board will continue to commission independent valuations on its trading stores annually to coincide with its year-end reporting.

The valuations of our freehold property assets are included in the Statement of Financial Position at their fair value. The value of our leasehold stores in the valuation totals £16.7 million (31.1.2020: £18.7 million) but are held at cost in the Statement of Financial Position.

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.

Analysis of Total Property Value

	No of stores /sites	**31 Jan 2021 Valuation £'000**	No of stores /sites	31 Jan 2020 Valuation £'000	No of stores /sites	31 July 2020 Valuation £'000
Freehold and long leasehold[3] valued by JLL [1]	**15**	**151,675**	15	144,000	15	151,675
Leasehold valued by JLL [2]	**8**	**16,725**	8	18,725	8	16,725
Chichester Leasehold valued by JLL [3]	**1**	**4,025**	–	–	–	–
Subtotal	**24**	**172,425**	23	162,725	23	168,400
Sites in development at cost [4]	**10**	**26,787**	10	22,846	10	29,885
Subtotal	**34**	**199,212**	33	185,571	33	198,285
Freehold store at Director valuation [5]	**1**	**10,000**	–	–	–	–
Subtotal [6]	**35**	**209,212**	33	185,571	33	198,285
Freehold land & Buildings at Director valuation	–	–	1	2,467	1	1,931
Total	**35**	**209,212**	34	188,038	34	200,216

1 Includes related fixtures and fittings (refer note 10)
2 The eight 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 9 years and 7 months at the date of the 2020 valuation.
3 Chichester store acquired during the period at JLL valuation of £4.025 million.
4 Includes £190,655 of capitalised interest during the period. (31/01/20: £223,163) (31/07/20: £382,190).
5 Leicester store opened during the period and valued at a Directors' valuation of £10.0 million.
6 Loan to value calculation based on these property values.

Total freehold properties account for 90.1% of all property values (31.1.2020: 90.0%).

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 are excluded from the number of shares.

At 31 January 2021 the adjusted net asset value per share increased to £5.68 from £5.32 year on year, up 6.8%. This increase is a result of cash generated from operations, offset in part by dividend payments and an increase in the shares in issue due to the exercise of share options during the year.

Analysis of net asset value (NAV)	**31 Jan 2021 £'000 Unaudited**	31 Jan 2020 £'000 Unaudited	31 July 2020 £'000 Audited
Net assets	**123,432**	116,746	121,382
Adjustment to include operating/short leasehold stores at valuation	**16,725**	18,725	16,725
Add: JLL leasehold valuation	**(3,571)**	(3,851)	(3,707)
Deduct: leasehold properties and their fixtures and fittings at NBV			
	136,586	131,620	134,400
Deferred tax arising on revaluation of leasehold properties[1]	**(2,500)**	(2,529)	(2,473)
Adjusted net assets	**134,086**	129,091	131,927
Shares in issue	**Number '000**	Number '000	Number '000
Opening shares in issue	**29,633**	29,584	29,584
Shares issued for the exercise of options	**20**	9	49
Closing shares in issue	**29,653**	29,593	29,633
Shares held in EBT	**(623)**	(623)	(623)
Shares held in treasury	**(127)**	–	–
Closing shares for NAV purposes	**28,903**	28,970	29,010
Adjusted net asset value per share after deferred tax provision	**£4.64**	£4.46	£4.55
Adjusted net asset value per share before deferred tax provision			
Adjusted net assets	**134,086**	129,091	131,927
Deferred tax liabilities and assets recognised by the Group	**27,479**	22,487	26,760
Deferred tax arising on revaluation of leasehold properties[1]	**2,500**	2,529	2,473
Adjusted net assets before deferred tax	**164,065**	154,107	161,160
Closing shares for NAV purposes	**28,903**	28,970	29,010
Adjusted net asset value per share before deferred tax provision	**£5.68**	£5.32	£5.56

[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.

Corporate and Social Responsibilities

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

Customers

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

Covid-19 events continue to move at a fast pace but our objective is to continue to keep our stores open so that our business customers in particular can continue to operate. Many of them are providing critical services distributing medical and other essential supplies. We include the NHS, GP surgeries, care and home support services and government departments amongst our customers. All of our stores remain open.

Neil Newman	**Ray Davies**
Managing Director	Finance Director

Consolidated Statement of Comprehensive Income
For the six months ended 31 January 2021

	Notes	**Six months ended 31 January 2021 Unaudited £'000**	Six months ended 31 January 20120 Unaudited £'000	Year ended 31 July 2020 Audited £'000
Revenue	2	**10,211**	8,966	18,041
Total property, staff, distribution and general costs	3a	**(4,671)**	(4,243)	(8,387)
Adjusted EBITDA[1]		**5,540**	4,723	9,654
Depreciation	6	**(1,900)**	(1,829)	(3,779)
Equity settled share based payments		**(67)**	(41)	(88)
		(1,967)	(1,870)	(3,867)
Loss on sale of land	3(c)	**(135)**	–	–
		(2,102)	(1,870)	(3,867)
Operating profit		**3,438**	2,853	5,787
Finance income	4	**–**	16	29
Finance cost	5	**(510)**	(563)	(1,126)
Profit before taxation		**2,928**	2,306	4,690
Income tax expense	7	**(642)**	(642)	(1,716)
Profit for the period		**2,286**	1,664	2,974
Profit attributable to:				
Owners of the parent	20	**2,286**	1,664	2,974
Other Comprehensive Income				
Items that will not be reclassified to profit and loss				
Increase in property valuation		**3,596**	631	8,849
Deferred tax relating to change in property valuation		**(683)**	(107)	(3,602)
		2,913	524	5,247
Items that may be subsequently reclassified to profit and loss				
Other comprehensive income		**2,913**	524	5,247
Total comprehensive income for the period		**5,199**	2,188	8,221
Attributable to owners of the parent		**5,199**	2,188	8,221

Consolidated Statement of Comprehensive Income
For the six months ended 31 January 2021

Earnings per share attributable to owners of the Parent	Notes	**Six months ended 31 January 2021 Unaudited**	Six months ended 31 January 2020 Unaudited	**Year ended 31 July 2020 Audited**
Earnings per share Basic				
Total basic earnings per share	9	**7.89p**	5.74p	**10.26p**
Earnings per share Diluted				
Total diluted earnings per share	9	**7.76p**	5.63p	**10.08p**

Consolidated Statement of Changes in Equity

For the six months ended 31 January 2021

	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 2019 - Audited	**296**	**10,490**	**8,357**	**71,106**	**26,301**	**116,550**
Profit for the period	–	–	–	–	1,771	1,771
Other comprehensive income						
Increase in property valuation net of deferred tax	–	–	–	524	–	524
Total comprehensive income for the year	–	–	–	524	1,771	2,295
Transactions with Owners						
Dividend paid	–	–	–	–	(2,413)	(2,413)
Share based payments	–	–	41	–	–	41
Transfers in relation to share based payments	–	–	(5)	–	5	–
Deferred tax credit relating to share options	–	–	245	–	–	245
Exercise of share options	–	28	–	–	–	28
Total transactions with owners	–	28	281	–	(2,408)	(2,099)
Reserve transfer on disposal of assets	–	–	–	–	–	–
Transfer additional dep'n on revaluation net of deferred tax	–	–	–	(154)	154	–
31 January 2020 – Unaudited	**296**	**10,518**	**8,638**	**71,476**	**25,818**	**116,746**
Profit for the period (restated)	–	–	–	–	1,203	1,203
Other comprehensive income						
Increase in property valuation net of deferred tax	–	–	–	4,723	–	4,723
Total comprehensive income for the year	–	–	–	4,723	1,203	5,926
Transactions with Owners						
Dividend paid	–	–	–	–	(1,159)	(1,159)
Share based payments	–	–	47	–	–	47
Transfers in relation to share based payments	–	–	(9)	–	9	–
Deferred tax credit relating to share options	–	–	(221)	–	–	(221)
Exercise of share options	1	42	–	–	–	43
Total transactions with owners	1	42	(183)	–	(1,150)	(1,290)
Reserve transfer on disposal of assets	–	–	–	–	–	–
Transfer additional dep'n on revaluation net of deferred tax	–	–	–	(224)	224	–
31 July 2020 – Audited	**297**	**10,560**	**8,455**	**75,975**	**26,095**	**121,382**
Profit for the period	–	–	–	–	2,286	2,286
Other comprehensive income						
Increase in property valuation net of deferred tax	–	–	–	2,913	–	2,913
Total comprehensive income for the year	–	–	–	2,913	2,286	5,199
Transactions with Owners						
Dividend paid	–	–	–	–	(2,612)	(2,612)
Share based payments	–	–	67	–	–	67
Transfers in relation to share based payments	–	–	–	–	–	–
Deferred tax credit relating to share options	–	–	24	–	–	24
Purchase of shares for treasury	–	–	–	–	(693)	(693)
Exercise of share options	–	65	–	–	–	65
Total transactions with owners	–	65	91	–	(3,305)	(3,149)
Transfer additional dep'n on revaluation net of deferred tax	–	–	–	(189)	189	–
31 January 2021 – Unaudited	**297**	**10,625**	**8,546**	**78,699**	**25,265**	**123,432**

Consolidated Statement of Financial Position

31 January 2021

	Notes	31 January 2021 Unaudited £'000	31 January 2020 Unaudited £'000	31 July 2020 Audited £'000
Assets				
Non-current assets				
Property, plant and equipment	10	**196,107**	173,245	187,258
Financial assets		**361**	361	361
Right of use assets	11	**11,137**	11,750	11,764
		207,605	185,356	199,383
Current assets				
Inventories	12	**335**	363	270
Trade and other receivables	13	**3,514**	2,301	3,628
Cash and cash equivalents		**11,297**	11,023	13,066
Total current assets		**15,146**	13,687	16,964
Total assets		**222,751**	199,043	216,347
Liabilities				
Current liabilities				
Trade and other payables	14	**(6,034)**	(4,728)	(4,676)
Lease liabilities		**(1,335)**	(1,257)	(1,298)
Taxation		**(583)**	(402)	(368)
		(7,952)	(6,387)	(6,342)
Non-current liabilities				
Borrowings	16a	**(53,398)**	(42,398)	(50,705)
Lease liabilities	16b	**(10,490)**	(11,025)	(11,158)
Deferred tax	17	**(27,479)**	(22,487)	(26,760)
		(91,367)	(75,910)	(88,623)
Total liabilities		**(99,319)**	(82,297)	(94,965)
Net assets		**123,432**	116,746	121,382
Equity				
Equity attributable to owners of the parent				
Called up share capital	18	**297**	296	297
Share premium		**10,625**	10,518	10,560
Other reserves	19	**8,546**	8,638	8,455
Retained earnings	20	**25,265**	25,818	26,095
Revaluation reserve		**78,699**	71,476	75,975
Total equity		**123,432**	116,746	121,382

Approved by the Board of Directors and authorised for issue on 23 April 2021 and signed on its behalf by:

Andrew Jacobs
Executive Chairman

Ray Davies
Finance Director

Consolidated Statement of Cash Flows
For the six months ended 31 January 2021

	Notes	**Six months ended 31 January 2021 Unaudited £'000**	Six months ended 31 January 2020 Unaudited £'000	**Year ended 31 July 2020 Audited £'000**
Operating activities				
Cash generated from operations	22a	**6,777**	6,172	**9,700**
Income tax paid		**(225)**	(475)	**(893)**
Net cash from operating activities		**6,552**	5,697	**8,807**
Investing activities				
Proceeds of sale of development land (net of disposal costs)		**1,509**	–	**–**
Proceeds of sale of land at Southampton (net of disposal costs)		**1,676**	–	**–**
Purchase of property, plant and equipment	10	**(9,627)**	(4,671)	**(11,628)**
Interest received		**–**	16	**29**
Net cash used in investing activities		**(6,442)**	(4,655)	**(11,599)**
Financing activities				
Proceeds of bank borrowings utilised for store development		**2,614**	–	**8,351**
Finance costs paid on bank refinancing		**–**	–	**(113)**
Finance costs paid		**(484)**	(576)	**(1,074)**
Lease liabilities paid		**(769)**	(720)	**(1,467)**
Equity dividends paid		**(2,612)**	(2,413)	**(3,572)**
Purchase of shares for treasury		**(693)**	–	**–**
Proceeds from issuance of ordinary shares (net)		**65**	28	**71**
Net cash (used in) / from financing activities		**(1,879)**	(3,681)	**2,196**
Net decrease in cash and cash equivalents in the period		**(1,769)**	(2,639)	**(596)**
Cash and cash equivalents at beginning of the period		**13,066**	13,662	**13,662**
Cash and cash equivalents at end of the period		**11,297**	11,023	**13,066**

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.

Basis of preparation
The interim results for the six months ended 31 January 2021 have been prepared on the basis of the accounting policies expected to be used in the 2021 Lok'nStore Group Plc Annual Report and Accounts and in accordance with the recognition and measurement principles of International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The interim financial statements present the Statement of Comprehensive Income, Statement of Financial Position, financial performance and cash flows of the Group as a significant lessee in respect of our leased stores. The right to use the property lease is recognised as a Right of Use Asset and there is a corresponding financial liability to pay rentals on all of the property lease contracts. This is summarised in note 1 of the financial statements below.

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

The interim results, which were approved by the Directors on 23 April 2021, 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 2020 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, they have satisfied themselves that the business is a going concern. The Board has a reasonable expectation that the Company and the Group have adequate resources and facilities to continue in operational existence for the foreseeable future based on Group cash balances and cash equivalents of £11.3 million (31.07.2020: £11.0 million), undrawn committed bank facilities at 31 January 2021 of £21.1 million (31.07.2020: £32.0 million), and cash generated from operations in the period to 31 January 2021 of £6.8 million (31.01.2020: £6.2 million) (31.07.2020: £9.7 million).

The Group currently operates a £75 million five year revolving credit facility with Royal Bank of Scotland plc and Lloyds Bank plc with a further £25 million accordion at the Banks' option taking the facility to £100 million which will provide funding for new landmark site acquisitions and working capital to support the Group's ambitious growth plans.

The Group is fully compliant with all bank covenants and undertakings and is not obliged to make any repayments prior to expiration. The facility expires in April 2025.

The robust capital structure, cash flow and financing and the performance of the business are reported in the Chairman's Statement . The interim financial statements are therefore prepared on a going concern basis.

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

1 The Group's Property Leases

IFRS 16 was adopted in the year ended 31 July 2020 using the full retrospective method.

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 under the property lease term. This treatment relates to the Groups property leases. The Group has no leases on any other types of assets.

IFRS 16 has resulted in the recognition of Right of Use Assets (ROU) of £11.1 million at 31 January 2021 and total lease liabilities of £11.8 million, with depreciation charges of £0.63 million and interest charges of £0.14 million.

Detailed analysis is provided in the tables below:-

	Group 31 January 2021 £'000	Group 31 January 2020 £'000	**Group 31 July 2020 £'000**
Total rents payable under property leases	**769**	720	**1,467**

Statement of Financial Position (extract)	**Group 31 January 2021 £'000**	Group 31 January 2020 £'000	**Group 31 July 2020 £'000**
Right of Use Asset (ROU)	**11,137**	11,750	**11,764**
Current Lease Liability			
Amounts due within one year	**1,335**	1,257	**1,298**
Non-current Lease Liability			
Amounts due in one to two years	**1,202**	1,285	**1,327**
Amounts due in three to five years	**2,726**	2,749	**2,881**
Amounts due in more than five years	**6,562**	6,991	**6,950**
Non-current Lease Liability	**10,490**	11,025	**11,158**
Total lease liability	**11,825**	12,282	**12,456**

Statement of Comprehensive Income (extract)	**Group 31 January 2021 £'000**	Group 31 January 2020 £'000	**Group 31 July 2020 £'000**
Property lease expense	**769**	720	**1,467**
Depreciation of Right of Use Asset (ROU)	**(627)**	(609)	**(1,254)**
Interest charged on lease liability	**(139)**	(143)	**(296)**
Impact on Comprehensive Income	**(3)**	(32)	**(83)**

Comparative Analysis of the effect within the Statement of Comprehensive Income prior to IFRS 16	**Group 31 January 202 £'000**	Group 31 January 2020 £'000	Group 31 July 2020 £'000
Increase in EBITDA	**769**	720	**1,467**
Increase / (decrease) in operating profit	**142**	111	**213**
Decrease in profit before tax	**(3)**	(32)	**(83)**

The Group has applied a single discount rate equivalent to its effective cost of debt. For more detailed information on the Groups Commitments under property leases refer to note 23 (Commitments under property leases).

2 Revenue

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

Stores trading	**Six months ended 31 January 2021 Unaudited £'000**	Six months ended 31 January 2020 Unaudited £'000	Year ended 31 July 2020 Audited £'000
Self-storage revenue	**8,361**	7,571	15,126
Insurance revenue	**966**	844	1,663
Retail sales	**139**	112	201
Sub-total - self-storage revenue – owned stores	**9,466**	8,527	16,990
Ancillary store rental revenue	**–**	–	4
Management fees – managed stores	**738**	393	991
Sub-total	**10,204**	8,920	17,985
Non-storage income	**7**	46	56
Total revenue per statement of comprehensive income	**10,211**	8,966	18,041

3a Property, staff, distribution, general costs and retail cost of sales

	Six months ended 31 January 2021 Unaudited £'000	Six months ended 31 January 2020 Unaudited £'000	Year ended 31 July 2020 Audited £'000
Property and premises costs	**2,309**	2,157	4,392
Property lease rental payments	**(769)**	(720)	(1,467)
Net property and premises costs	**1,540**	1,437	2,925
Staff costs	**2,424**	2,151	4,196
General overheads	**608**	572	1,139
Sub total – operating costs	**4,572**	4,160	8,260
Retail products cost of sales	**99**	83	127
Total property, staff, distribution, general costs and retail cost of sales	**4,671**	4,243	8,387

3b 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 2021 Unaudited £'000	Six months ended 31 January 2020 Unaudited £'000	Year ended 31 July 2020 Audited £'000
Retail	**56**	54	98
Insurance	**14**	13	13
Other	**29**	16	16
Total cost of sales of retail products	**99**	83	127

3c Other Income and costs

	Six months ended 31 January 2021 Unaudited £'000	Six months ended 31 January 2020 Unaudited £'000	Year ended 31 July 2020 Audited £'000
Profit on sale of land at Wolverhampton [1]	**265**	–	–
Loss on sale of land at Southampton [2]	**(400)**	–	–
	(135)	–	–

2021:

1 Profit on sale of land at Wolverhampton: During the period development land with the benefit of planning permission was sold on a sale and manage-back.

[2] In December 2020, we completed the sale of our vacant property in Southampton, Hampshire for £1.6 million (net of disposal costs). (Net Book Value c. £2 million) eliminating over £150,000 p.a of residual costs.

4 Finance income

	Six months ended 31 January 2021 Unaudited £'000	Six months ended 31 January 2020 Unaudited £'000	Year ended 31 July 2020 Audited £'000
Bank interest	**–**	16	29
Total finance income	**–**	16	29

5 Finance costs

	Six months ended 31 January 2021 Unaudited £'000	Six months ended 31 January 2020 Unaudited £'000	Year ended 31 July 2020 Audited £'000
Bank interest	**228**	255	510
Non-utilisation fees and amortisation of bank loan arrangement fees	**64**	165	183
Bank loan arrangement fees	**79**	–	137
Interest on lease liabilities	**139**	143	296
Total finance cost	**510**	563	1,126

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

6 Profit before taxation

	Six months ended 31 January 2021 Unaudited £'000	Six months ended 31 January 2020 Unaudited £'000	Year ended 31 July 2020 Audited £ '000
Profit before taxation is stated after charging:			
Depreciation of plant, property and equipment – owned assets (Note 10)	**1,273**	1,220	2,565
Depreciation of right of use assets (Note 11)	**627**	609	1,254
	1,900	1,829	3,779

7 Taxation

	Six months ended 31 January 2021 Unaudited £'000	Six months ended 31 January 2020 Unaudited £'000	Year ended 31 July 2020 Audited £'000
Current tax:			
UK corporation tax	**583**	403	920
Deferred tax:			
Origination and reversal of temporary differences	**59**	239	730
Adjustments in respect of prior periods	–	–	66
Total deferred tax charge	**59**	239	796
Income tax expense for the period/year	**642**	642	1,716

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

	Six months ended 31 January 2021 Unaudited £'000	Six months ended 31 January 2020 Unaudited £'000	Year ended 31 July 2020 Audited £'000
Profit before tax	**2,928**	2,306	4,690
Tax on ordinary activities at the standard effective rate of corporation tax in the UK of 19%	**556**	468	931
Expenses not deductible for tax purposes	–	–	–
Depreciation of non-qualifying assets	**74**	206	229
Share based payment charges in excess of corresponding tax deduction	**12**	8	17
Impact of change in tax rate on timing differences	**–**	(19)	806
Adjustments in respect of prior periods	**–**	–	66
Impact of change of tax rate on timing differences	**–**	(21)	(157)
Write-back of overprovision	**–**	–	(153)
Other	**–**	–	(23)
Income tax expense for the period/year	**642**	642	1,716
Effective tax rate	**21.9%**	27.5%	36%

8 Dividends

	Six months ended 31 January 2021 Unaudited £'000	Six months ended 31 January 2020 Unaudited £'000	Year ended 31 July 2020 Audited £'000
Amounts recognised as distributions to equity holders in the year:			
Final dividend for the year ended 31 July 2019 (8.33 pence per share)	**–**	2,413	2,413
Interim dividend for the six months to 31 July 2020 (4.00 pence per share)	**–**	–	1,159
Final dividend for the year ended 31 July 2020 (9.00 pence per share)	**2,612**	–	–
	2,612	2,413	3,572

In respect of the current period the Directors propose that an interim dividend of 4.33 pence per share will be paid to the shareholders. The total estimated dividend to be paid is £1.25 million based on the number of shares currently in issue as adjusted for shares held in the Employee Benefits Trust and shares held in treasury. This interim dividend is an on-account payment of a final annual dividend and is ultimately subject to approval by shareholders at the 2020 Annual General Meeting and has not been included as a liability in these financial statements. The ex-dividend date will be 6 May 2021; the record date 7 May 2021 with an intended payment date of 11 June 2021. The final deadline for Dividend Reinvestment Election is 21 May 2021.

9 Earnings per share

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

	Six months ended 31 January 2021 Unaudited £'000	Six months ended 31 January 2020 Unaudited £'000	Year ended 31 July 2020 Audited £'000
Total profit for the financial year attributable to owners of the parent	**2,286**	1,664	2,974
	No. of shares	No. of shares	No. of shares
Weighted average number of shares			
For basic earnings per share	**28,965,774**	28,965,672	28,976,967
Dilutive effect of share options	**505,832**	565,846	517,257
For diluted earnings per share	**29,471,606**	29,531,518	29,494,224

623,212 shares (31.01.2020: 623,212) are held in the Employee Benefit Trust and 126,855 shares are held in Treasury and are both excluded from the above calculation.

Earnings per share attributable to owners of the Parent	**Six months**	Six months	Year

	ended 31 January 2021 Unaudited	ended 31 January 2020 Unaudited	ended 31 July 2020 Audited
Earnings per share			
Basic			
Basic earnings per share	**7.89p**	5.74p	**10.26p**
Earnings per share			
Diluted			
Total diluted earnings per share	**7.76p**	5.63p	**10.08p**

10 Property, plant and equipment

Group	Development property assets at cost £'000	Land and buildings at valuation £ '000	Short leasehold improvements at cost £'000	Fixtures, fittings and equipment at cost £'000	Motor vehicles at cost £'000	Total £'000
Net book value at 31 January 2020 - Unaudited	**22,846**	**133,745**	**1,824**	**14,813**	**17**	**173,245**
Net book value at 31 July 2020 – Audited	**29,885**	**141,366**	**1,728**	**14,279**	**–**	**187,258**
Cost or valuation						
1 August 2019	**18,442**	**133,531**	**3,968**	**26,554**	**30**	**182,525**
Additions	4,404	125	29	336	–	4,894
Revaluations	–	89	–	–	–	89
31 January 2020 Unaudited	**22,846**	**133,745**	**3,997**	**26,890**	**30**	**187,508**
Depreciation						
1 August 2019	–	–	2,078	11,497	12	**13,587**
Depreciation	–	543	95	580	1	1,219
Revaluations	–	(543)	–	–	–	(543)
31 January 2020 Unaudited	–	–	2,173	12,077	13	**14,263**
Net book value at 31 January 2020 - Unaudited	**22,846**	**133,745**	**1,824**	**14,813**	**17**	**173,245**
Cost or valuation						
1 February 2020	**22,846**	**133,745**	**3,997**	**26,890**	**30**	**187,508**
Additions	7,039	24	–	53	–	7,116
Disposals	–	–	–	–	(20)	(20)
Revaluations	–	7,597	–	–	–	7,597
31 July 2020 - Audited	**29,885**	**141,366**	**3,997**	**26,943**	**10**	**202,201**
Depreciation						
1 February 2020	–	–	2,173	12,077	13	**14,263**
Depreciation	–	621	96	587	1	1,305
Disposals	–	–	–	–	(4)	(4)
Revaluations	–	(621)	–	–	–	(621)
31 July 2020 - Audited	–	–	**2,269**	**12,664**	**10**	**14,943**
Net book value at 31 July 2020 - Audited	**29,885**	**141,366**	**1,728**	**14,279**	–	**187,258**

Cost or valuation 1 August 2020	**29,885**	**141,366**	**3,997**	**26,943**	**10**	**202,201**
Additions	**5,534**	**92**	**3,312**	**879**	–	**9,817**
Transfers	**(7,389)**	**5,893**	–	**1,496**	–	–
Disposals	**(1,243)**	**(1,758)**	–	**(1,301)**	–	**(4,302)**
Revaluations	–	**2,991**	–	–	–	**2,991**
31 January 2021 Unaudited	**26,787**	**148,584**	**7,309**	**28,017**	**10**	**210,707**
Depreciation						
1 August 2020	–	–	**2,269**	**12,664**	**10**	**14,943**
Depreciation	–	605	96	572	–	**1,273**
Disposals	–	(261)	–	(750)	–	**(1,011)**
Revaluations	–	(605)	–	–	–	**(605)**
31 January 2021 Unaudited	**–**	**(261)**	**2,365**	**12,486**	**10**	**14,600**
Net book value at 31 January 2021 - Unaudited	**26,787**	**148,584**	**4,944**	**15,532**	**–**	**196,107**

The Group has an active store development programme and in accordance with IAS 23 has material qualifying assets that take a substantial period of time to develop from acquisition to ultimate store opening. Accordingly borrowing costs of £190,655 (six months ended 31.1.2020: £223,163: year ended 31.07.20 £382,190) have been capitalised in the current period that are directly attributable to the acquisition, construction and fit-out of these qualifying store assets. £190,655 of the total amount is carried in development property assets.

Capital expenditure during the period totalled £9.6 million (excluding capitalised interest) (31.1.2020: £4.9 million). This was primarily the purchase of the Warrington site, the purchase of the Chichester store for £4.0 million and exchange contract deposit paid on the Peterborough sites, together with ongoing construction and fit out works at our site in Salford, Chester and Warrington, final costs on Leicester prior to opening, as well as planning and pre-development works at our Bedford, Bournemouth, and Cheshunt sites.

Property, plant and equipment (non-current assets) with a carrying value of £193.5 million (31.1.2020: £173.2 million) are pledged as security for bank loans (see note 15a).

Market Valuation of Freehold and Operating Leasehold Land and Buildings
Following the comprehensive external valuation at 31 July 2020 by JLL, the freehold and leasehold properties have not been externally valued at 31 January 2021, although in accordance with the Group's established policy it is the intention to do so at the next year end at 31 July 2021.

Although the Board did not commission an external valuation at this interim period-end it is mindful of the need to accord with the measurement principles of International Financial Reporting Standards. Accordingly, after consulting with our external valuers, the Directors considered that the self-storage transactional market has shown good levels of liquidity and continued investor interest and whilst there has been continued market activity in the self-storage sector since July 2020, the Directors considered that there had not been such a material movement in market yields that warranted a modification to the position as at 31 January 2021 in respect of our properties externally valued at 31 July 2020. The Directors therefore consider that it is appropriate to maintain the portfolio's external valuation without modification pending a comprehensive external valuation at our 31 July 2021 year-end.

The new Leicester store
We opened the new Leicester Store in early August 2020. Since it was not open at the Group's previous year-end, in accordance with the Group's policy it was not independently valued at 31 July 2020. The 57,500 sq. ft. store is in a highly prominent location opposite a major food retailer in the heart of Leicester's busy retail district and the store's early trading has been strong. Accordingly, and in line with the requirement to fair value the group's store assets the Directors' have used the group's internal valuation model to uplift the current book value of £7.4 million to a fair value of £10.0 million resulting in a £2.6 million uplift.

The internal model valuation assumptions are as follows:

- Revenue inputs come from our standard budget model
- Costs have been derived from an average of P&L costs.
- A standard 6% central management fee is applied, which is consistent with the central management fees applied by JLL in their valuation model
- We have applied our standard 6% exit yield and 8% discount rate within our model for new Landmark stores. This is broadly in line with exit yield and discount rate applied by JLL at July 2020 for similar stores

11 Right of Use assets (ROU)

Group property leases	Group 31 January 2021 £'000	Group 31 January 2020 £'000	Group 31 July 2020 £'000
Right of Use Asset (ROU) – opening balance	**11,764**	12,359	13,018
Depreciation of Right of Use Asset (ROU)	**(627)**	(609)	(1,254)
Right of Use Asset (ROU) – closing balance	**11,137**	11,750	11,764

The Right of use Asset (ROU) relates to the Groups property leases. The Group has no leases on any other types of assets.

The right-of-use asset is depreciated on a weighted depreciation charge based on the individual lease term of the separate property leases.

12 Inventories

	31 January 2021 Unaudited £'000	31 January 2020 Unaudited £'000	31 July 2020 Audited £'000
Consumables and goods for resale	**335**	363	270

The amount of inventories recognised as an expense during the period was £55,820 (31.1.2020: £54,472).

13 Trade and other receivables

	31 January 2021 Unaudited £'000	31 January 2020 Unaudited £'000	31 July 2020 Audited £'000
Trade receivables	**993**	798	746
Other receivables	**1,665**	1,007	2,451
Prepayments and accrued income	**856**	496	431
	3,514	2,301	3,628

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 10 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 Company 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, and also to pay a deposit of four weeks' storage income. 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.

14 Trade and other payables

	31 January 2021 Unaudited £'000	31 January 2020 Unaudited £'000	31 July 2020 Audited £'000
Trade payables	**1,083**	768	1,275
Taxation and social security costs	**1,379**	763	137
Other payables	**751**	887	777
Accruals and deferred income	**2,821**	2,310	2,487
	6,034	4,728	4,676

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

15 Capital management and gearing

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

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

Gearing – Bank Borrowings	**31 January 2021 Unaudited £'000**	31 January 2020 Unaudited £'000	31 July 2020 Audited £'000
Gross debt	**(53,935)**	(42,972)	(51,322)
Cash and cash equivalents	**11,297**	11,023	13,066
Net debt	**(42,638)**	(31,949)	(38,255)
Total equity – balance sheet	**123,432**	116,746	121,382
Net debt to equity ratio	**34.5%**	27.2%	31.3%

Total Gearing – Bank Borrowings and lease liabilities	**31 January 2021 Unaudited £'000**	31 January 2020 Unaudited £'000	31 July 2020 Audited £'000
Gross debt – bank borrowings	**(53,935)**	(42,972)	(51,322)
Gross debt – lease liabilities	**(11,825)**	(12,283)	(12,455)
Cash and cash equivalents	**11,297**	11,023	13,066
Net debt	**(54,463)**	(44,232)	(50,711)
Total equity – balance sheet	**123,432**	116,746	121,382
Net debt to equity ratio	**44.1%**	37.9%	41.8%

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[1]. All amounts are denominated in Sterling. The balances at 31 January 2021 are as follows:

	31 January 2021 Unaudited £'000	31 January 2020 Unaudited £'000	31 July 2020 Audited £'000
Variable rate treasury deposits[1]	**9,812**	9,635	11,608
SIP trustee deposits	**63**	63	63
Cash in operating current accounts	**1,413**	1,316	1,385
Other cash and cash equivalents	**9**	9	10
Total cash and cash equivalents	**11,297**	11,023	13,066

[1] Money market rates for the Group's variable rate treasury deposit track Royal Bank of Scotland plc base rate. The rate attributable to the variable rate deposits at 31 January 2021 was 0.01%.

16a) Borrowings

Bank borrowings	**31 January 2021 Unaudited £'000**	31 January 2020 Unaudited £'000	31 July 2020 Audited £'000
Non-current			
Bank loans repayable in more than two years but not more than five years			
Gross	**53,935**	42,972	51,322
Deferred financing costs	**(537)**	(574)	(617)
Net bank borrowings	**53,398**	42,398	50,705
Non-current borrowings	**53,398**	42,398	50,705

The Group has a joint £75 million five year revolving credit facility banking facility with Lloyds Bank and Royal Bank of Scotland plc. The facility provides an accordion £25 million which can take the facility to £100 million and runs to April 2025 with an option of a further one year extension.

The interest rate is set at the London Inter-Bank Offer Rate (LIBOR) plus a 1.50%-1.75% margin based on a loan to value covenant test. The all in debt cost on £53.9 million drawn averaged 1.55% in the period. The Group is not obliged to make any repayments prior to its expiration in April 2025.

The Group currently has £53.9 million drawn against its existing £75 million revolving credit facility which is secured with RBS and Lloyds 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 £196.1 million (31.01.2020: £173.2 million: / 31.07.2020 £187.3 million) together with cross-company guarantees from Group companies.

16b) Lease liabilities

Lease liabilities attributable to Right of Use assets	**31 January 2021 Unaudited £'000**	31 January 2020 Unaudited £'000	**31 July 2020 Audited £'000**
Current lease liabilities			
Amounts due within one year	**1,335**	1,257	**1,298**
Non-current lease liabilities			
Amounts due in one to two years	**1,202**	1,285	**1,326**
Amounts due in three to five years	**2,726**	2,749	**2,881**
Amounts due in more than five years	**6,562**	6,991	**6,950**
Non-current lease liabilities	**10,490**	11,025	**11,157**
Total lease liabilities	**11,825**	12,282	**12,455**

Lease liabilities attributable to Right of Use assets	**31 January 2021 Unaudited £'000**	31 January 2020 Unaudited £'000	**31 July 2020 Audited £'000**
Balance B/Fwd	**12,455**	12,860	**13,626**
Lease repayments	**(769)**	(720)	**(1,467)**
Lease interest (non-cash)	**139**	142	**296**
Total lease liabilities	**11,825**	12,282	**12,455**

17 Deferred tax

Deferred tax liability	**31 January 2021 Unaudited £'000**	31 January 2020 Unaudited £'000	**31 July 2020 Audited £'000**
Liability at start of period/year	**26,760**	22,385	**22,385**
Charge to income for the period/year	**59**	239	**796**
Tax charged / credited directly to other comprehensive income	**683**	(137)	**3,602**
Credit to share based payment reserve	**(23)**	–	**(23)**
Liability at end of period/year	**27,479**	22,487	**26,760**

18 Share capital

	31 January 2021 Unaudited £'000	31 January 2020 Unaudited £'000	**31 July 2020 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	**29,633,290**	29,583,786	29,583,786
Options exercised during period/year	**19,877**	9,427	49,504
Balance at end of period/year	**29,653,167**	29,593,213	29,633,290

Allotted, issued and fully paid ordinary shares	**£**	£	£
Balance at start of period/year	**296,333**	295,838	295,932
Options exercised during period/year	**199**	94	401
Balance at end of period/year	**296,532**	295,932	296,333

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

19 Other reserves

Group	Merger reserve £'000	Other reserve £'000	Capital redemption reserve £'000	Share-based payment reserve £'000	Total £'000
1 August 2019 - Audited	**6,295**	**1,294**	**34**	**734**	**8,357**
Equity share based payments	–	–	–	41	41
Transfer to retained earnings in relation to share based payments	–	–	–	(5)	(5)
Tax credit relating to share options	–	–	–	245	245
31 January 2020 - Unaudited	**6,295**	**1,294**	**34**	**1,015**	**8,638**
Equity share based payments	–	–	–	47	47
Transfer to retained earnings in relation to share based payments	–	–	–	(9)	(9)
Tax credit relating to share options	–	–	–	(221)	(221)
31 July 2020 - Audited	**6,295**	**1,294**	**34**	**832**	**8,455**
Equity share based payments	–	–	–	67	67
Tax credit relating to share options	–	–	–	24	24
31 January 2021 - Unaudited	**6,295**	**1,294**	**34**	**923**	**8,546**

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. The total amounts calculated and accordingly transferred to retained earnings in the period amounted to £ nil (31.1.2020: £5,191).

20 Retained earnings

Group	Retained earnings before deduction of own shares £'000	Own shares (note 21) £'000	Retained earnings Total £'000
1 August 2019 - Audited	**26,801**	**(500)**	**26,301**
Profit for the financial period- restated	1,771	–	1,771
Transfer from revaluation reserve	154	–	153
Transfer from share based payment reserve (Note 19)	5	–	5
Dividend paid	(2,413)	–	(2,413)
31 January 2020 - Unaudited	**26,318**	**(500)**	**25,818**
1 February 2020 - Unaudited			
Profit for the financial period	1,203	–	1,203
Transfer from revaluation reserve	224	–	224
Transfer from share based payment reserve (Note 19)	9	–	9
Dividend paid	(1,159)	–	(1,159)
31 July 2020 - Audited	**26,595**	**(500)**	**26,095**
1 August 2020 - Audited			
Profit for the financial period	2,286	–	2,286
Transfer from revaluation reserve	189	–	189
Purchase of shares for treasury	(693)	–	(693)
Dividend paid	(2,612)	–	(2,612)
31 January 2021 - Unaudited	**25,765**	**(500)**	**25,265**

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.

21 Own shares

	ESOP shares Number	ESOP shares £	Treasury shares Number	Treasury shares £	Own shares total £
1 August 2019 – Audited	623,212	499,910	–	–	499,910
31 January 2020 – Unaudited	623,212	499,910	–	–	499,910
31 July 2020 – Unaudited	623,212	499,910	–	–	499,910
Purchase of shares for treasury	–	–	126,855	693,250	693,250
31 January 2021 – Unaudited	**623,212**	**499,910**	**126,855**	**693,250**	**1,193,160**

Shares purchased for treasury
The Group made the following purchases of its own shares, which will be held in treasury:-

Date of Trade	No. of shares	Price £	Treasury Account (including dealing costs and commission) £

25 September 2020	8,000	£5.19	41,728
2 October 2020	29,972	£5.18	155,882
11 December 2020	88,883	£5.55	495,640
	126,855		**693,250**

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 2021, the Trust held 623,212 (31.01.2020: 623,212) ordinary shares of 1 pence each with a market value of £4,269,002 (31.01.2020: £4,468,430). No shares were transferred out of the scheme during the period (2020: Nil). No options have been granted under the EBT.

22 Cash flows

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

	Six months ended 31 January 2021 Unaudited £'000	Six months ended 31 January 2020 Unaudited £'000	Year ended 31 July 2020 Audited £'000
Group profit before tax	**2,928**	2,306	4,690
Depreciation	**1,900**	1,829	3,779
Equity settled share based payments	**67**	41	88
Loss on disposal of land	**135**	–	–
Interest receivable	**–**	(16)	(29)
Interest payable – bank borrowings	**371**	420	830
Interest payable – lease liabilities	**139**	143	296
(Increase) / decrease in inventories	**(65)**	(66)	28
Decrease in receivables	**114**	1,406	79
Increase / (decrease) in payables	**1,188**	109	(61)
Cash generated from operations	**6,777**	6,172	9,700

(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 16 less cash and cash equivalents.

	Six months ended 31 January 2021 Unaudited £'000	Six months ended 31 January 2020 Unaudited £'000	Year ended 31 July 2020 Audited £'000
Decrease / increase in cash in the period/year	**(1,769)**	2,639	(596)
Change in net debt resulting from cash flows	**(2,614)**	–	(8,350)
Movement in net debt in period	**(4,383)**	(2,639)	(8,946)
Net debt brought forward	**(38,255)**	(29,310)	(29,310)
Net debt carried forward	**(42,638)**	(31,949)	(38,255)

23 Commitments under property leases

At 31 January 2021 the total future minimum lease payments as a lessee under non-cancellable property leases were as follows:

	31 January 2021 Unaudited £'000	31 January 2020 Unaudited £'000	31 July 2020 Audited £'000
Land and buildings			
Amounts due:			

Within one year	**1,605**	1,517	**1,575**
Between two and five years	**4,836**	5,082	**5,041**
After five years	**7,292**	7,677	**7,811**
	13,733	14,276	**14,427**

Property lease payments represent rentals payable by the Group for certain of its properties. Typically, leases are negotiated for a term of 20 years and rentals are fixed for an average of five years.

The Group's property leases are recognised as a 'right of use asset' and as a corresponding liability at the year–end. This is explained in Note 1 of the financial statements.

24 Related party events

On 29 January 2021, Lok'nStore acquired the managed store in Chichester ("the Chichester Store") from Gypsy Moth Storage Limited (formerly Chichester Storage Limited). On the same date Lok'nStore sold to GMS its freehold development site at Pantheon Park, Wolverhampton.

The five-year old Chichester Store was acquired for £4.025 million as independently valued by Jones Lang LaSalle Limited (JLL). The Group paid in aggregate £4.16 million in cash with associated costs and stamp duty. The acquisition was funded from the Group's existing bank facilities.

Lok'nStore sold its freehold land site at Pantheon Park, Wolverhampton to GMS, with the full benefit of the planning permission and all accumulated planning and design work for a new storage services facility for a total cash consideration of £1.523 million, (excluding VAT) reflecting the purchase price of the Wolverhampton site, plus planning and other costs and fees incurred by the Group through to completion. The sales proceeds were used to offset the cost of the acquisition of the Chichester Store.

Following this sale Lok'nStore entered into a new Management Services Agreement ("MSA") and Development and Advisory Agreement ("DAA") with GMS in respect of the Wolverhampton Site pursuant to which the Group will provide property and construction advice during the building of the Wolverhampton Store as well as ongoing operational management services of the facility once built.

The MSA and DAA are each in substantially the same form and commercial terms as other agreements to which the Group is party in respect of its other managed facilities. Store development is underway and once developed the Wolverhampton facility will comprise a 52,600 ft purpose built landmark store featuring Lok'nStore's distinctive branding and is located in an excellent location adjacent to a busy retail park. The store is expected to open by Q1 2022.

This transaction demonstrates the Group's ongoing desire to build a balanced portfolio of owned and managed stores. The sale to GMS is consistent with this strategy and enables the site to be developed in a capital-efficient manner. The acquisition of the Chichester store provides the Group with a mature cash generative asset which will be a welcome addition to the Group's portfolio of owned stores which are driving Group Cash Available for Distribution (CAD) and dividends. The reduction in ongoing management fees from the Chichester Store will be replaced by fees earned under the new DAA and MSA management and development agreements referred to above.

GMS is a private company which was incorporated in 2014 to develop and own the Chichester storage services operation, under the management of the Group. Andrew Jacobs, Executive Chairman of Lok'nStore Group holds 17.6% of the share capital of Lok'nStore and also holds 19.4% of the share capital of GMS. GMS has one director, Ray Davies appointed on 20 September 2019, who is also Group Finance Director of Lok'nStore. Accordingly, GMS is deemed to be a related party of Lok'nStore within the meaning of the AIM Rules and the above transactions constituted related party transactions within the meaning of the AIM Rules. Due process was followed at the time of the transaction with full consideration provided by the Independent Directors of Lok'nStore, being the Board excluding Andrew Jacobs and Ray Davies, having consulted with finnCap (as the Company's nominated adviser) in accordance with the AIM Rules.

25 Events after the Reporting Date

Exchange of contracts – Basildon

Lok'nStore have entered into a conditional agreement to lease a purpose built self-storage building in a landmark location in the prominent retail and commercial area of Miles Gray Road and Cranes Farm Road, Basildon. The landmark site, which has planning permission, will be leased once complete, and will be above and adjacent to new retail provision to complement the already busy commercial area. Once complete and fitted the store will provide 57,000 sq.ft. of storage space.

Glossary
Abbreviation

APM	Alternative performance measures
Adjusted EBITDA	Earnings before all depreciation and amortisation charges, losses or profits on disposal, share-based payments, acquisition costs, 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
APD	Auditing Practices
Bps	Basis Points
CAC	Contributory asset charges
CAD	Cash available for Distribution
Capex	Capital Expenditure
CGU	Cash generating units
CO2 e	Carbon Dioxide Equivalents
CSOP	Company Share Option Plan
EBT	Employee Benefit Trust
(eKPIs)	Environmental key performance indicators
EMI	Enterprise Management Incentive Scheme
ESOP	Employee Share Option Plan
EU	European Union
GHG	Greenhouse gas
HMRC	Her Majesty's Revenue & 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
LIBOR	London Interbank Offered Rate
LFL	Like for like
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
SIP	Share Incentive Plan
SME	Small and medium sized enterprises
Sq.ft.	Square Feet
tCO2e	Tonnes of carbon dioxide equivalent
TVR	Total voting rights
VAT	Value Added Tax

Our Stores

Head Office – Lok'nStore plc 112 Hawley Lane Farnborough Hampshire GU14 8JE Tel 01252 521010 www.loknstore.co.uk www.loknstore.com	Central Enquiries 0800 587 3322 info@loknstore.co.uk www.loknstore.co.uk

Owned Trading Stores

Basingstoke, Hampshire Crockford Lane Chineham Basingstoke Hampshire RG24 8NA Tel 01256 474700 basingstoke@loknstore.co.uk	**Bristol, Gloucestershire** Longwell Green Trade Park Aldermoor Way Bristol Gloucestershire BS30 7ET Tel 0117 967 7055 Bristol@loknstore.co.uk	**Cardiff, Glamorgan** 234, Penarth Road Cardiff Wales CF11 8LR Tel 0292 022 1901 Cardiff @loknstore.co.uk	**Chichester, West Sussex** 17, Terminus Road Chichester West Sussex PO19 8TX Tel 01243 771840 chichester@loknstore.co.uk
Eastbourne, East Sussex Unit 4, Hawthorn Road Eastbourne East Sussex BN23 6QA Tel 01323 749222 eastbourne@loknstore.co.uk	**Fareham, Hampshire** 26 + 27 Standard Way Fareham Industrial Park Fareham Hampshire PO16 8XJ Tel 01329 283300 fareham@loknstore.co.uk	**Farnborough, Hampshire** 112 Hawley Lane Farnborough Hampshire GU14 8JE Tel 01252 511112 farnborough@loknstore.co.uk	**Gillingham, Kent** Courteney Road Gillingham Kent ME8 0RT Tel 01634 366044 gillingham@loknstore.co.uk
Harlow, Essex Edinburgh Way Temple Fields Harlow Essex CM20 2GF Tel 01279 882366 harlow@loknstore.co.uk	**Hedge End, Southampton** Units 2 and 3 Waterloo Industrial Estate Flanders Rd Hedge End Southampton SO30 2QT Tel 01489 787005 HedgeEnd@loknstore.co.uk	**Horsham, West Sussex** Blatchford Road Redkiln Estate Horsham West Sussex RH13 5QR Tel 01403 272001 horsham@loknstore.co.uk	**Ipswich, Suffolk** 7a Futura Park Ipswich Suffolk IP3 9QH Tel 01473 794940 **ipswich@loknstore.co.uk**
Leicester, East Midlands Part of land forming part of Freemens Common Road Leicester LE2 7SL Tel: 0116 497 0785 leicester@loknstore.co.uk	**Luton, Bedfordshire** 27 Brunswick Street Luton Bedfordshire LU2 0HG Tel 01582 721177 luton@loknstore.co.uk	**Maidenhead, Berkshire** Stafferton Way Maidenhead Berkshire SL6 1AY Tel 01628 878870 maidenhead@loknstore.co.uk	**Milton Keynes, Buckinghamshire** Etheridge Avenue Brinklow Milton Keynes Buckinghamshire MK10 0BB Tel 01908 281900 miltonkeynes@loknstore.co.uk
Northampton Central, Northamptonshire 16 Quorn Way Grafton Street Industrial Estate Northampton Northamptonshire NN1 2PN Tel 01604 629928 nncentral@loknstore.co.uk	**Northampton Riverside, Northamptonshire** Units 1–4, Carousel Way Northampton Northamptonshire NN3 9HG Tel 01604 785522 northampton@loknstore.co.uk	**Poole, Dorset** 50 Willis Way Fleetsbridge Poole Dorset BH15 3SY Tel 01202 666160 poole@loknstore.co.uk	**Portsmouth, Hampshire** Rudmore Square Portsmouth Hampshire PO2 8RT Tel 02392 876783 portsmouth@loknstore.co.uk
Reading, Berkshire 251 A33 Relief Road Reading Berkshire RG2 0RR Tel 01189 588999 reading@loknstore.co.uk	**Salford, Lancashire** North Phoebe Street Salford, Manchester, M5 4EA Tel 0161 676 5903 salford@loknstore.co.uk	**Southampton, Hampshire** Third Avenue Southampton Hampshire SO15 0JX Tel 02380 783388 southampton@loknstore.co.uk	**Sunbury, Middlesex** Unit C, The Sunbury Centre Hanworth Road Sunbury on Thames Middlesex TW16 5DA Tel 01932 761100 sunbury@loknstore.co.uk

Tonbridge, Kent Unit 6 Deacon Trading Estate Vale Road Tonbridge Kent TN9 1SW Tel 01732 771007 tonbridge@loknstore.co.uk	**Wellingborough, Northamptonshire** 19/21 Whitworth Way Wellingborough Northamptonshire NN8 2EF Tel 01634 366044 wellingborough@loknstore.co.uk		

Development locations – Lok'nStore Owned Stores

Bedford, Bedfordshire 69 Cardington Road Bedford NK42 0BQ	**Bournemouth, Dorset** Land at Wessex Field Deansleigh Road Bournemouth Dorset BH7 7DU	**Cheshunt, Hertfordshire** Land lying on the South Side of Halfhide Lane Turnford Hertfordshire EN8 0FH	**Peterborough, Northamptonshire** Land at Maskew Avenue Peterborough
Staines, Surrey Plot C Lovett Road Staines TW18 3AZ	**Stevenage, Hertfordshire** Part of Land at Plot 2000 Stevenage Business Park Gunnels Wood Road Stevenage Hertfordshire SG1 2BL	**Warrington, Cheshire** Land at Winwick Road, Warrington Cheshire WA2 7PF	

Managed stores - Trading

Aldershot, Hampshire 251, Ash Road Aldershot Hampshire GU12 4DD Tel 0845 4856415 aldershot@loknstore.co.uk	**Ashford, Kent** Wotton Road Ashford Kent TN23 6LL Tel 01233 645500 ashford@loknstore.co.uk	**Broadstairs, Kent** Unit 2, Pyramid Business Park, Poorhole Lane, Broadstairs, Kent CT10 2PT Tel 01843 863253 broadstairs@loknstore.co.uk	**Crawley, West Sussex** Sussex Manor Business Park Gatwick Road Crawley West Sussex RH10 9NH Tel 01293 738530 crawley@loknstore.co.uk
Crayford, Kent Block B, Optima Park Thames Road Crayford Kent DA1 4QX Tel 01322 525292 crayford@loknstore.co.uk	**Dover, Kent** Honeywood Parkway Whitfield Dover CT16 3FJ Tel 01304 827353 dover@loknstore.co.uk	**Exeter, Devon** 1 Matford Park Road Exeter Devon EX2 8ED Tel 01392 823989 exeter@loknstore.co.uk	**Gloucester, Gloucestershire** Metz Way Gloucester GL1 1AH Tel: 01452 938082 gloucester@loknstore.co.uk
Hemel Hempstead, Hertfordshire Fortius Point, 47, Maylands Avenue Hemel Hempstead Hertfordshire HP2 7DE Tel 01442 240768 hemelhempstead@loknstore.co.uk	**Oldbury, West Midlands** 6 Churchbridge, Oldbury, West Midlands **B69 2AP** Tel 0121 5446309 Oldbury@loknstore.co.uk	**Swindon, Wiltshire** Kembrey Street Elgin Industrial Estate Swindon Wiltshire SN2 8UY Tel 01793 421234 swindoneast@loknstore.co.uk	

Managed stores - Under Development

Chester, Cheshire 58-64 Sealand Road, Chester CH1 4LD	**Kettering, Northamptonshire** Site between Pytchley Lane and Pytchley Road, Kettering NN15 6XB	**Wolverhampton, Staffordshire** Land at Pantheon Park Wednesfield Way Wolverhampton Staffordshire WV11 3DR	