RNS Final Results

Interim Results

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 2022

- **Strong growth in occupied space and achieved rate per square foot**
- **Significant increase in net asset value**
- **Increased dividend**
- **Pipeline driving future growth**

Highlights:

Strong trading

- Group revenue £13.38 million up 31.1% (31.1.2021: £10.21 million)
- Group adjusted EBITDA[1] £8.12 million up 46.5% (31.1.2021: £5.5 million)
- Achieved rate per sq. ft. of occupied space up 18.5% vs last year
- Unit occupied space up 6.0% yoy with £24.22 per sq.ft achieved (31.1.2021 £20.44)

Cash flow growth drives interim dividend increase

- Cash available for Distribution (CAD)[3] £5.58 million up 59.6% (31.1.2021: £3.49 million)
- Cash available for Distribution per share (annualised) 38.00 pence up 57.2% (31.1.2021: 24.17 pence)
- Interim dividend 5.0 pence per share up 15.5% (31.1.2021: 4.33 pence per share) - Eleventh consecutive year of increase

Significant increase in net asset value

- Adjusted Net Asset Value (NAV) per share up 48.4% to £8.43 (31.1.2021: £5.68) and up 15.3% from 31 July 2021 (£7.31)

Disciplined use of capital leads to strong balance sheet and low net debt

- Sale and manage back of four stores at a 22.8% premium to 31 July 2021 valuations. (£37.2 million) - proceeds will be re-cycled into new, faster growing Landmark stores
- £44.4 million cash at period-end (31.7.2021: £11.3 million)
- Net debt (excluding lease liabilities) £22.4 million (31.7.2021: £42.6 million)
- Loan to value ratio[6] 8.3% (31.7.2021: 20.4%)

Embedded future growth from dynamic pipeline[8] of new landmark stores

- New stores currently on site will add 16.8% of new trading space by July 2023
- Fully funded secured store pipeline[9] total of 12 sites will add 35.5% of new space over the coming years

Positive Outlook for Growth

- Trading remains buoyant with pricing up 1.5% and like for like occupied space up 0.9% in the two months since the 31 January 2022 period-end
- Seeing many more exciting new store opportunities

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

"Trading in the six months to 31 January 2022 has been excellent. Revenue is up 31.1% against last year. Our achieved rate per occupied square foot is up 18.5% yoy with unit occupied space up 6.0% driving strong growth of revenue and profits. The interim dividend is 5 pence up 15.5%. Demand for UK Self-Storage assets remains strong and this, combined with strong trading has driven our Net Asset Value per share forward by 48.4% over the last twelve months.

"Our new Warrington Store opened in January, our new store in Wolverhampton opened in March and Stevenage opens in the final week of April. We are on site at three further stores all of which will open within the next 15 months. At 31 January 2022, our current fully funded secured pipeline of twelve new stores increases lettable owned space by 35.5%. We are seeing many more exciting new store opportunities.

"Continuing this exciting period of growth, our objective is to build more Landmark stores in an under-supplied market, remaining conservatively geared delivering sustainable growth and consistently increasing dividends. The Board is confident the Group will continue to thrive under its highly experienced management team and we look to the future with confidence. "

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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. 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 Group Assets –** The value of adjusted total assets of £332.3 million (31.01.2021: £235.9 million) (31.07.2021: £294.8 million) is calculated by adding the independent valuation of the leasehold properties of £23.1 million (31.01.2021: £16.7 million) (31.07.2021: £22.1 million) less their corresponding net book value (NBV) £7.3 million (31.01.2021: £3.5 million) (31.07.2021: £7.6 million) to the total assets in the Statement of Financial Position of £316.5 million (31.01.2021: £222.7 million) (31.07.2021: £280.3 million). This provides clarity on the significant value of the leasehold stores as trading businesses which under accounting rules on leases are only presented based on cost rather than valuation 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 leases) and deferred tax divided by the number of shares at the period-end. The shares held in the Group's Employee Benefits Trust and treasury shares are excluded from the number of shares. The calculation of the Net Asset Value per share is set out in the 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 £22.4 million as set out in note 15 (31.01.2021: £42.6 million) (31.07.2021: £56.3 million) as a percentage of the total properties independently valued by JLL and including development land assets all totalling £269.3 million (31.01.2021: £209.2 million) (31.07.2021: £268.6 million) as set out in the Business and Financial Review in the Analysis of Total Property Value table.

7. **Average Cost of Debt**
   The average cost of debt is calculated by taking the total interest paid on the Group's Revolving Credit Facility in the monthly/weekly charging periods throughout the period and taking an average based on the whole financial period. Apart from the Group's Revolving Credit Facility the Group has no other debt. The average cost of debt in the period was 1.55% (31.1.2021: 1.55%). Average cost of debt on active loans not yet 'rolled over' is 1.72% (31.7.2021: 1.55%).

8. **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 15 pipeline sites of which 12 are contracted and 3 are currently with lawyers. We currently have 23 owned stores with an additional 15 managed stores trading. When these 15 sites are fully developed, we will have a total of 53 stores.

9. **Secured Pipeline Sites** – means the 12 sites for new stores on which we have exchanged legal contracts. Of these ten stores are Lok'nStore Owned Stores and two will be Managed Stores.

10. **Adjusted Store EBITDA** is Group Adjusted EBITDA (see 1 above) before the deduction of central and head office costs. Unlike Group Adjusted EBITDA this measure excludes the impact of 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.

11. **Gearing –** refers to the level of a company's debt relative 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.

12. **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.

13. **Cost Ratio -** calculates the ratio of the total operating costs of the business as set out in 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.

14. **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 am delighted to report these results to you.

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

- Strong growth of occupied space and pricing
- Excellent operating performance resulting in rapid revenue and profit growth
- Sale and manage back of 4 stores at a 22.8% premium to July 2021 valuations
- Significant increase in Net Asset Value per share of 48.4% over 12 months
- 15.5% increase in interim dividend
- Fully funded new secured store pipeline[9] will increase total trading space by 35.5% to 2.61 million sq. ft.

These results testify to Lok'nStore delivering on our commitment to sustainable growth. Continued investor interest in the self-storage sector demonstrated by 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.

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

This transaction is immediately accretive to Group net asset value, demonstrating the increasing demand for good quality UK self-storage assets with mature cash flows and has provided net sales proceeds of c.£37.2 million for reinvestment into new, faster growing Landmark stores. Further detail is set out in the Business and Financial Review.

Significant Increase in Net Asset Value per share
Although the Board do not usually commission an external valuation at the interim period-end it is mindful of the need to accord with the measurement principles of International Financial Reporting Standards in determining the fair value of its trading assets. Accordingly, after consulting with our external valuers JLL, the Directors considered that the self-storage transactional market has shown very good levels of liquidity and continued investor interest with strong capital flows coming into the market. This is resulting in very strong demand for self-storage assets with corresponding yield compression. Usually, the market has historically moved forward in a predictable fashion however the Directors considered that there had been such a material movement in market yields that an external reconsideration of the position as at 31 January 2022 was appropriate in respect of our properties externally valued at 31 July 2021. Accordingly, the Directors instructed Jones Lang LaSalle (JLL) to undertake a valuation of the trading stores.

It remains the Group's established policy to undertake a comprehensive external valuation at each year-end and will do so at the next year end at 31 July 2022.

In this period, we saw a like for like uplift of £25.98 million in our freehold and leasehold trading stores, a 12.8% increase. The like for like comparison excludes the four sale and manage back stores and the maiden valuation on our new store in Warrington.

Most of this uplift, £23.28 million, comes from improvements in both the Discount Rate and Exit Yield applied to the valuations. On a same store basis on our owned freehold trading stores, we have seen exit yields compress on average from 6.15% at 31 July 2021 to 5.54% at 31 January 2022. Average Discount rates are now 7.25% compared to an average of 8.18% at 31 July 2021. These improving metrics reflect the increasing investor appetite in the UK Self Storage Market and its robust nature throughout the economic cycle and exogenous shocks.

The continued improving valuation of our trading assets combined with the recent Sale and Manage-Back transaction resulted in a significant uplift in Net Asset Value per share of 48.8% to £8.45 compared to 12 months ago. Adjusted Total Group Assets[4] moved upwards sharply in the six-month period to £332.3 million up 12.7% on 31 July 2021 (£294.8 million).

The Exit Yield and Discount Rates applied in the valuations are validated by transactional evidence and give us confidence that there may be more exit yield compression to come as investors chase scarce assets. We are well positioned to benefit from future changes with our high-quality portfolio of stores, and Landmark store development pipeline.

Increased Dividend
The Board's dividend policy balances its disciplined approach to capital allocation alongside the requirement to invest in the landmark store opening programme, with the cash-generative qualities of the business. Its dividend policy will therefore reflect the strong long-term underlying cash flow growth of the business.

At this interim stage we will pay one third of the previous year's total annual dividend which equates to 5 pence per share, up 15.5% on the 4.33 pence per share interim dividend last year. The increase in the interim dividend follows a consistent pattern reflecting the continued growth of the Group. The interim dividend will be paid on 10 June 2022 to shareholders on the register on 6 May 2022. The ex-dividend date will be 5 May 2022. The final deadline for Dividend Reinvestment Election by investors is 20 May 2022. The final dividend will be declared when the Group's full year results are announced in late October 2022.

Investment in our stores
In the period we invested £7.1 million (31.1.21: £9.8 million) in sites and store development. Today we are onsite at three stores, with a further store due to commence shortly, which will accelerate capital expenditure over the coming twelve months.

Following the receipt of £37.2 million from the Sale and Manage-Back transaction above we are able to report a period end loan-to-value (LTV) ratio (net of cash) of only 8.3% (31.1.2021: 20.4%) (31.7.2021: 21.0%) and net debt of £22.4 million (31.1.2021: £42.6 million) (31.7.2021: £56.3 million).

Managed Stores
Our strategy includes growing 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 £0.67 million, with recurring fees up 35.3% from the previous period. Second half income will be stronger benefitting from additional fees from performance, store opening and planning success fees.

Lok'nStore manages 15 trading stores for third-party owners as Managed Stores. These off-balance sheet Managed Store assets under Lok'nStore management are now approaching a valuation of £150 million. Our current pipeline includes an additional three managed stores which will take the total number of managed stores to 18.

Our People
We always rely on our amazing people to deliver these impressive results, and this has been especially the case during the pandemic when I am proud to say that they went the 'extra mile' every day to provide essential services such as storing medical equipment and PPE.

We will continue to invest in training to develop and deepen the skills of our team members. 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.

Robust Capital Structure, Liquidity and Cash Flow
At 31 January 2022, the Group had cash balances of £44.4 million (31.7.2021: £9.1million) and a £100 million five-year revolving credit facility which runs until April 2026. This provides sufficient liquidity for the Group's current needs. Undrawn committed facilities at the period-end amounted to £33.2 million. The Group is not obliged to make any repayments prior to the facility's expiration in April 2026.

Cash inflow from operating activities before investing and financing activities was £7.45 million in the period to 31 January up 9.9%on the same period last year (31.1.2021: £6.78 million).

Debt 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 £66.8 million is unhedged, which means we have benefited from the low bank lending rates. The Board keeps the decision on interest rate hedging under regular review and despite the recent increase in bank rates does not currently see entering into a hedged instrument as compelling.

Pro forma interest cover based on the most recent quarterly covenant test is in excess of 11 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 8.3% versus a bank covenant limit of 60% providing a strong platform for us to develop our pipeline and open new stores.

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 accounted for under 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.

Our Objectives

Our strategic and operational objectives remain 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 achieved rate per sq.ft
- Develop our secured pipeline into trading stores
- Acquire more sites to build new landmark stores
- Increase the number of stores we manage for third parties

Positive Outlook for Growth over short, medium and long term

Our first half results are excellent with all metrics sharply higher, and trading since the period end has remained strong. The excellent occupancy gains give us significant embedded pricing and margin opportunities over the second half and beyond. Our new secured store pipeline will add 35.5% more trading space over coming years.

We have a unique and exciting growth opportunity ahead of us. 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
22 April 2022

Business and Financial Review
Lok'nStore Group has had another excellent period successfully delivering against all of our strategic objectives with revenue, profits and asset values all moving sharply ahead. In coming years our pipeline of new stores will substantially increase the proportion of our store space which is new or purpose-built and will add further momentum to the growth of sales and profits.

The Performance of our Stores
Group revenue for the six-month period was £13.38 million, up 31.1% year on year (31.1.2021: £10.21 million) driven by occupancy increases and improved pricing across our stores. This revenue growth led to a 46.5% increase in Group Adjusted EBITDA.

- **Self-storage revenue £12.69 million up 34.0% (31.1.2021: £9.47 million)**
- **Adjusted Store EBITDA £8.1 million up 47.8% (31.1.2021: £5.5 million)**
- **Unit occupied space increased 6.0% year on year**
- **Price per sq. ft of occupied space increased 18.5%**
- **Store EBITDA Margins increased from 58.5% to 63.6%**
- **Cost ratio[13] reduced further to 38.7% (31.1.2021: 44.8%) (31.7.2021: 44.9%)**

With operating costs firmly 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 47.8% to £8.1 million (31.01.2021: £5.5 million).

Over the course of the year unit occupied space rose by 6.0%. Continued strong demand and higher than previous occupancy levels have allowed us to move pricing forward 18.5% compared to twelve months ago.

The overall adjusted EBITDA margin across all stores increased to 63.6% from 58.5%. Adjusted Store EBITDA margins of the freehold stores increased to 67.8% (31.1.2021: 64.4%) and the leasehold stores increased to 53.1% (31.1.2021: 44.6%).

As the business develops the balance of the stores continues to shift towards landmark freehold stores and managed stores which have a higher-than-average adjusted store EBITDA margin at 67.8% and 100.0% respectively versus 63.6% across all stores. The impact of this will be to continue to increase the average store EBITDA margin of the Group overall, and this effect is accentuated by operating more stores from a relatively fixed central cost base. In this context the new stores in the pipeline will make a larger than average contribution to Group profits as they become established trading units.

In the table below we show how the performance of the stores varies between freehold and leasehold stores. Currently 41.3% of Lok'nStore owned trading space is freehold, 21.2% is leasehold and 37.5% is in Managed Stores.

Leaseholds trade on lower margins due to the rent payable, but nevertheless the 53.1% margin achieved is substantial, and leads to a higher return on capital than the freehold stores which require much larger capital expenditure to buy the land and buildings. The freehold stores produce 74.1% (31.1.2021: 77.4%) of the Adjusted store EBITDA and account for 91.5% (31.1.2021: 90.5%) of valuations (including secured pipeline stores).

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

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 2022							
Freehold Stores	14	79.7	74.1	67.8	41.3	23	51.0
Leasehold Stores	9	8.6	25.9	53.1	21.2	10	17.8
Managed Stores	15			100.0	37.5	17	31.2
Total stores trading	38					50	
Pipeline Stores (secured)*							
Owned	10	11.7					
Managed	2						
Total secured Pipeline Stores	12						
Total Stores	50	100	100	63.6	100	**50**	100

*Applies to the 12 contracted stores only.

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

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 2022					
Sales £000		449	1,396	10,844	12,689
Stores Adjusted EBITDA £'000		(24)	1,013	7,076	8,065
Adjusted EBITDA Margin (%)		(5.3%)	72.5%	65.2%	63.6%
Stores Adjusted EBITDAR £'000		(22)	1,013	7,977	8,968
Adjusted EBITDAR Margin (%)		**(5.0%)**	**72.5%**	**73.6%**	**70.7%**
As at 31 January 2022 (sq. ft.)					
Maximum Net Area	**594**	**209**	**156**	**838**	**1,797**
Freehold / Long leasehold ('000 sq. ft.)	594	209	156	403	1362
Short Leasehold (sq. ft.)	–	–	–	435	435
Number of Stores					
Freehold / Long Leasehold	12	3	3	12	30
Short Leasehold	–	–	–	9	9
Total Stores	**12**	**3**	**3**	**21**	**39**

Marketing

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

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

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

The internet continues to be the main media channel for our advertising. Our website at www.loknstore.co.uk is one of the most established self-storage websites in the UK. The website delivers a high level of customer experience across desktop and mobile devices. Any new development of the website begins with a mobile first focus. 57% of visits to the website in the year were from a mobile device, consistent with last year. This is a very dynamic area, and we are committed to its continued development. We believe the internet provides a strong competitive advantage for the major operators such as Lok’nStore with relatively large marketing budgets.

Sale and Manage-Back of four of our freehold stores

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

Lok'nStore will continue to manage the stores located in Basingstoke, Cardiff, Horsham and Portsmouth, as branded Lok'nStore operations maintaining the operational footprint of the business. Lok'nStore will receive management and performance fees for managing them on behalf of their new owner.

The total consideration of £39 million receivable is subject to a £1.8 million downward adjustment in respect of certain committed works to be completed by Lok’nStore at two of the sites. The net proceeds of the sale will be recycled into new, fast growing landmark stores.

In the year to 31 July 2021 the four stores generated revenue of £2.54 million and contributed £1.54 million to Group EBITDA. In the first year following the sale, the Group expects to receive incremental management fees of c.£0.2 million in respect of the manage-back arrangement which will flow directly to Group EBITDA. The historic cost of the four stores was £13.75 million and their stated fair value as at 31 July 2021 was £31.75 million.

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

Ancillary Sales
Ancillary sales consisting of boxes, packaging materials, insurance and other sales increased to £1.33 million an increase of 20.1% year on year (31.01.2021: £1.1 million) accounting for 10.5% of self-storage revenues.

Store properties and Net Asset Value

- Adjusted Total Assets £332.3 million up 40.9% (31.1.2021: £235.9 million)
- Adjusted Net Asset Value (NAV) per share[5] January to January up 48.4% to £8.43 (31.1.2021: £5.68)
- Adjusted Net Asset Value (NAV) per share[5] up 15.3% from 31 July 2021 (£7.31)
- Investment in new stores £7.1 million (31.1.2021: £9.6 million)

At the period-end Lok'nStore had 38 stores trading. Of these, 23 stores are owned with 14 freeholds, nine leasehold and 15 further sites operate under management contracts.

The average unexpired term of the Group's operating leaseholds is approximately 11 years as at 31 January 2022. All of our leasehold stores are inside the Landlord and Tenant Act providing us with a strong degree of security of tenure.

Market Valuation of Freehold and Leasehold Land and Buildings
Although the Board do not usually commission an external valuation at the 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 JLL, the Directors considered that the self-storage transactional market has shown strong levels of liquidity and continued investor interest with strong capital flows coming into the market. This is resulting in very strong demand for self-storage assets with corresponding yield compression. The Directors considered that there had been such a material movement in market yields that an independent reconsideration of the position as at 31 January 2022 was appropriate in respect of our properties externally valued at 31 July 2021. Accordingly, the Directors instructed JLL to undertake a valuation of the trading store properties.

Our freehold stores have been independently valued by Jones Lang LaSalle (JLL) at £214.6 million (Net Book Value (NBV) £68.1million) at 31 January 2022 (31 July 2021: £212.8 million: NBV 70.9 million).

Accordingly, Adjusted Total Group Assets[4] have moved upwards sharply in the six-month period to £332.3 million up 12.7% on 31 July 2021 (£294.8 million). A significant contributor to this increase was the uplift from the external valuation as at 31 January 2022 combined with the trading strength of our business, as well as our investment in new stores.

In this six-month period, we saw a like for like uplift of £25.98 million in our freehold and leasehold trading stores, a 12.8% increase. The like for like comparison excludes the Sale and Manage-Back stores and the maiden valuation on our new store in Warrington.

£23.28 million of this valuation uplift comes from improvements in both the Discount Rate and Exit Yield applied to the valuations. On a same store basis on our owned freehold trading stores, we have seen exit yields compress on average from 6.15% at 31 July 2021 to 5.54% at 31 January 2022. Average Discount rates are now 7.25% compared to an average of 8.18% at 31 July 2021. These improving metrics reflect the increasing investor appetite in the UK Self Storage Market.

The remaining £2.7 million of valuation uplift comes from the impact of improved cash flows of the same store portfolio that were valued last year. At the full year-end in July 2021, we saw significant improvements in the cash flow assumptions applied by JLL and these have been improved further in this valuation demonstrating the impact operating performance has on asset values and why one of our key objectives remains to fill existing stores and continue improving pricing.

The Exit Yield and Discount Rates applied are validated by transactional evidence and give us confidence that there may be more exit yield compression to come as investors chase scarce assets. We are well positioned to benefit from future changes with our high-quality portfolio of stores. It remains the Group's established policy to undertake a comprehensive external valuation at each year-end and we will do so at the next year end at 31 July 2022.

Valuations
It is not the intention of the Directors to make any further significant disposals of trading stores, although individual disposals may be considered where it is clear that value can be added by recycling the capital into other opportunities.
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 £23.1 million (31.1.2021: £16.7 million) but they are held at cost in the Statement of Financial Position.

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

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

Analysis of Total Property Value	**No of stores /sites**	**31 Jan 2022 Valuation £'000**	No of stores /sites	31 Jan 2021 Valuation £'000	No of stores /sites	31 July 2021 Valuation £'000
Freeholds[3] valued by JLL [1]	**14**	**214,600**	15	151,675	17	212,800
Leaseholds valued by JLL [2]	**9**	**23,075**	9	20,705	9	22,100
Subtotal	**23**	**237,675**	24	172,425	26	234,900
Sites in development at cost [3]	**12**	**31,643**	10	26,787	12	33,675
Subtotal	**35**	**269,318**	34	199,212	38	268,575
Freehold store at Director valuation [4]	**–**	**–**	1	10,000	–	–
Subtotal [5]	**35**	**269,318**	35	209,212	38	268,575
Freehold land & Buildings at Director valuation	1	**1,500**	–	–	1	1,500
Total	**36**	**270,818**	35	209,212	39	270,075

1 Includes related fixtures and fittings (refer note 10)
2 The nine leaseholds valued by JLL are all within the terms of the Landlord and Tenant Act (1954) giving a degree of security of tenure. The average length of the leases on the leasehold stores valued was 10 years and 7 months at the date of the 2022 valuation.
3 Includes £296,466 of capitalised interest during the period. (31/01/21: £190,655) (31/07/21: £380,193).
4 Leicester store opened during the previous period and valued at a Directors' valuation of £10.0 million and was subsequently valued by JLL at 31 July 2021 and 31 January 2022.
5 Loan to value calculation based on these property values.

Total freehold properties account for 91.5% of all property values (31.1.2021: 90.1%).

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

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

Flexible Approach to Site Acquisition
All of the projects noted below are part of our strategy of actively managing our operating 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 are focussed on allocating capital in the most efficient manner to achieve our objectives for our shareholders.

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

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.

- Total secured pipeline of 12 stores adds 35.5% of extra trading space to the overall portfolio, 49.2% to our owned portfolio and 12.7% to the managed portfolio.
- A further 3 new store opportunities have been identified and are progressing with lawyers.

Analysis of Stores As at 31 Jan 2022	No of Stores/Sites	Stores Trading Lok'nStore	Stores Trading Managed	Pipeline Total	Pipeline Secured	Pipeline With lawyers
Freeholds	14	14				
Leaseholds	9	9				
Pipeline (Freehold)	11			11	9	2
Pipeline (Leasehold)	1			1	1	
Managed Stores (Trading)	15		15			
Managed Stores (Pipeline)	3			3	2	1
Total No.	53	23	15	15	12	3
MLA sq. ft.	2,756,203	1,203,745	722,700	829,758	684,758	145,000

Pipeline of New Stores

Against this background of ever improving operating performance, we have invested £7.1 million (31.1.2021: £9.8 million) in new store development this period and we have a new store pipeline of 12 secured stores which will take the total to 50 stores. These will all be purpose-built landmark stores in highly prominent locations and will add substantially to the Group's capacity for revenue, profit and asset growth.

All of the 12 stores in our Secured Pipeline[9] are in prominent locations with large catchment areas and little established competition and demonstrate the Group's ability to source high-quality sites adding to future sales and earnings growth. These eye-catching buildings, with their distinctive orange Lok'nStore branded livery and prominent signage, create highly visible landmarks, which continue to be a big source of new customers.

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

Summary of our contracted pipeline at 31 January 2022:

Store	**Size sq. ft**	**Status**	**On-site at 31 Jan 2022 Size sq. ft**	**On-site at 30 April 2022 Size sq. ft (Additional)**	**Total 30 April 2022 Size sq. ft (Additional)**
Stevenage	56,813	On site – Will open April 2022	56,813		56,813
Wolverhampton	52,100	Opened March 2022	52,100		52,100
Bedford	56,445	On site – Opening early 2023	56,445		56,445
Staines	56,200	On site – Opening Summer 2023	56,200		56,200
Basildon	56,200	On site – Opening Summer 2023		56,200	56,200
Bournemouth	75,100	Planning consent granted			
Peterborough	45,900	Planning consent granted – On site end April		45,900	45,900
Cheshunt	60,300	Planning consent granted			
Kettering	40,000	Planning application submitted			
Chester	45,700	Planning process under review			
Altrincham	60,000	Planning application submitted			
Barking	80,000	Design			
Total – 12 stores	684,758		221,558	102,100	323,658

Total Onsite	323,658

Sq. ft. Trading (including Managed Stores) at 31 January 2022	1,926,445
Trading + On site	**2,250,103**
% increase from on site sq.ft	**16.80%**

Store opening programme by year

Financial Year	Store Opening Pipeline **(secured)**	Lok'nStore Capital Expenditure Remaining	% growth lettable area Owned portfolio	% cumulative growth lettable area Owned portfolio	% growth lettable area Total portfolio	% cumulative growth lettable area Total portfolio
FY2022	3 new stores	£2.9 million	4.7%	4.7%	5.7%	5.7%
FY2023	4 new stores	£22.3 million	17.9%	22.6%	11.1%	16.8%
FY2024	5 new stores	£20.0 million	26.6%	**49.2%**	18.7%	35.5%
	12 new stores	**£45.2 million**	**49.2%**		35.5%	

Managed Stores

- Approaching £150 million of Managed Store assets under management for third party Owners
- 35.3% increase in recurring management fees earned

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

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

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

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

During the period the Group continued its development of the Wolverhampton store which opened post period-end on 25 March 2022. Chester and Kettering are in the planning 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 £674,545 in this period, compared to £737,946 for the same period last year. Recurring management fees generated £588,014 an increase of 35.3% over the same period last year (31.1.2021: £434,619). Non-recurring fees were lower in the first half at £86,531 (31.01.2021: £303,327).

We expect this to continue increasing steadily over the coming years as more managed stores are opened. Second half income will be stronger and will include additional fees from store openings and non-recurring fees will benefit from additional supplementary fees (Initial branding fees etc). Managed store income is generated from our existing platform and central management, resulting in an effective margin from this activity of 100%.

Management fees	**Percentage Increase/ (decrease)** %	**Group Period ended 31 January 2022** £	Group Period ended 31 January 2021 £	Group Year ended 31 July 2021 £
Recurring fees				
Base management fees		**294,012**	257,072	515,940
Administration and compliance fees		**35,000**	31,000	59,500
Enhanced Management fees		**259,002**	146,547	307,184
Recurring fees - Sub-total	**35.3%**	**588,014**	434,619	882,624
Non-recurring fees				
Construction & Advisory fees		**12,500**	–	12,500
Supplementary fees		**50,000**	303,327	303,327
Increase in estimated fees receivable		**24,031**	–	147,813
Non-recurring fees		**86,531**	303,327	463,640
Total management fees	**(8.7%)**	**674,545**	737,946	1,346,264

Financial results

- **Group Revenue £13.38 million up 31.1% (31.1.2021: £10.21 million)**
- **Group Adjusted EBITDA[1] £8.12 million up 46.5% (31.1.2021: £5.5 million)**
- **Profit before tax £11.33** million up 287% (31.1.2021: £2.93 million)**
- **Loan to Value (net of cash) 8.3% (31.1.2021: 20.4%) (31.7.2021: 21.0%)**
- **Cash available for Distribution (CAD)[3] £5.58 million up 59.6% (31.1.2021: £3.49 million)**
- **Cash available for Distribution (CAD) per share (Annualised) 38.00 pence up 57.2% (31.1.2021: 24.17 pence)**
- **Interim dividend up 15.5% to 5 pence per share (31.1.2021: 4.33 pence per share)**
- **Cash balance £44.4 million (31.1.2021: £11.3 million) (31.7.2021: £9.1 million)**
- **£25 million accordion executed - increases bank facility to £100 million**
- **Bank facility extended by one year to April 2026**

** A significant part of this increase in profit before tax is due to the profit of £6.1 million arising on the sale of four trading stores, which is "non-recurring" and separately disclosed in the Income Statement below "adjusted EBITDA".

On 20 October 2021, the Group executed the accordion arrangement embedded within the Revolving Credit Facility which increases the facilities available to the Group from £75 million to £100 million. In addition, the Group has also agreed a one-year extension on its existing joint banking facility. The facility is a joint agreement with ABN AMRO N V and NatWest Bank plc participating equally and is closely aligned to the terms of the Group's previous facility. ABN AMRO N V replaced Lloyds Bank plc in June 2021 as one of the Group's strategic banking partners.

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

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

Lok'nStore is a robust business which generates an increasing cash flow from its strong asset base with a low LTV net of cash of 8.33% 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% (31.1.2021: 1.55%) (31.7.2021: 1.54%)**
- **Average cost of debt (active revolving loans) 1.72% (31.7.2021: 1.55%)**

With £66.8 million of gross debt currently drawn against the £100 million bank facility the Group is not committed to enter into hedging instruments but continues to keep the matter under review. It is not the intention of the Group to enter into an interest rate hedging arrangement at this time given our low level of net debt, low loan to value ratio and high interest cover and the Group has continued to benefit from low lending rates.

Operating Costs

- **Cost ratio[13] reduced further to 38.7% (31.1.2021: 44.8%) (31.7.2021: 44.9%)**

We have a strong record of disciplined control of our group operating costs with like for like costs increasing by 5.9% (Refer same store analysis of Group operating costs in the table below).

In the period Group operating costs were up 13.2% year on year as we opened new landmark stores. 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 some other cost pressures through energy and some wage costs.

Property costs increased by 16.1%. These costs mainly constitute rent and rates and have risen in recent years as we felt the effects of rent reviews and higher rates bills and as we opened our new Landmark stores which are generally larger.

Staff costs increased by 11.1% 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 2022 £'000**	Six months ended 31 Jan 2021 £'000	Year ended 31 July 2021 £'000
Property costs	16.1%	**2,681**	2,309	4,783
Adjustment for property lease rentals	17.4%	**(903)**	(769)	(1,559)
Restated property and premises costs	15.5%	**1,778**	1,540	3,224
Staff costs	11.1%	**2,694**	2,424	5,269
Overheads	15.6%	**703**	608	1,341
Total	13.2%	**5,175**	4,572	9,834

On a same store basis, excluding the financial effects of the Chichester, Salford and Warrington stores, the table below shows the overall Group cost increased by 5.9%

Group Operations Same Store analysis	**Increase (decrease) in costs %**	**Six months ended 31 Jan 2022 £'000**	Six months ended 31 Jan 2021 £'000	Year ended 31 July 2021 £'000
Property costs	8.1%	**2,497**	2,309	4,517
Adjustment for property lease rentals	17.1%	**(901)**	(769)	(1,558)
Restated property and premises costs	3.6%	**1,596**	1,540	2,959
Staff costs	6.5%	**2,581**	2,424	5,178
Overheads	9.4%	**665**	608	1,306
Total	5.9%	**4,842**	4,572	9,443

Cash flow and financing

At 31 January 2022 the Group had cash balances of £44.4 million (31.1.2021: £11.3 million) (31.7.2021: £9.1 million). Cash inflow from operating activities before investing and financing activities was £7.45 million (31.1.2021: £6.8 million).

As well as using cash generated from operations to fund some capital expenditure, the Group has a £100 million five-year revolving credit facility which runs until April 2026. This provides sufficient liquidity for the Group's current needs. Undrawn committed facilities at the period-end amounted to £33.2 million (31.1.2021: £21.1 million) (31.7.2021: £9.6 million). Cash plus undrawn committed facilities amounts to £77.6 million leaving the business with plenty of headroom to keep acquiring and building new landmark stores.

Increasing Cash Flow Supports 15.5% Increase in Interim Dividend

- **Interim dividend 5.0 pence per share up 15.5% (2021: 4.33 pence per share)**
- **CAD up 59.6% in the period compared to the corresponding period last year.**
- **Cash available for Distribution (CAD) per share (annualised) was up 57.2% to 38.00 pence (31.1.2021: 24.17 pence).**

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

Analysis of Cash Available for Distribution (CAD)

	Period ended 31 January 2022 £'000	Period ended 31 January 2021 £'000	Year ended 31 July 2021 £'000
Group Adjusted EBITDA (Per Statement of Comprehensive Income)	**8,116**	5,540	11,890
Adjustment for property lease rentals	**(903)**	(769)	(1,559)
Net finance costs paid[1]	**(600)**	(484)	(969)
Capitalised maintenance expenses	**(60)**	(169)	(193)
New Works Team	**(73)**	(42)	(129)
Current tax (note 7)	**(903)**	(583)	(798)
Total deductions	**(2,539)**	(2,047)	(3,648)
Cash Available for Distribution	**5,577**	3,493	8,242
Increase in CAD over last year	**59.6%**	19.7%	32.5%
	Number	Number	Number
Closing shares in issue (less shares held in EBT and treasury)	**29,354,843**	28,903,100	29,063,575
CAD per share (annualised)	**38.00p**	24.17p	28.36p
Increase in CAD per share over last year	**57.2%**	20.0%	33.3%

Taxation

The Group has made a current tax provision against earnings in this period of £1.05 million (31.1.2021: £0.58 million) based on a corporation tax rate of 19% (31.1.2021: 19%). The deferred tax provision which is calculated at forward corporation tax rates of 25% is substantially a tax provision against the potential crystallisation (sales) of revalued properties and past 'rolled over' gains and amounts to £54.2 million (31.1.2021: £27.0 million) (31.7.2021: £46.8 million).

The external revaluation of the trading stores and the rolled over gains made on the sale and manage-back of the four stores during the period have both contributed to the uplift in the total deferred tax provision at the period-end (See Note 17).

Earnings per share

Basic earnings per share were 30.16 pence (31.1.2021: 7.89 pence per share) and diluted earnings per share were 29.64 pence (31.1.2021: 7.76 pence per share).

	Six months ended 31 January 2022 Unaudited £'000	Six months ended 31 January 2021 Unaudited £'000	Year ended 31 July 2021 Audited £'000
Total profit for the financial year attributable to owners of the parent	**8,832**	2,286	3,283
Weighted average number of shares	**No. of shares**	No. of shares	No. of shares
For basic earnings per share	**29,277,827**	28,965,774	29,035,104
Dilutive effect of share options	**520,839**	505,832	527,846
For diluted earnings per share	**29,798,666**	29,471,606	29,562,950

623,212 shares (31.01.2021: 623,212) are held in the Employee Benefit Trust, and these are excluded from the above calculation.

Earnings per share attributable to owners of the Parent	Six months ended 31 January 2022 Unaudited	Six months ended 31 January 2021 Unaudited	Year ended 31 July 2021 Audited
Earnings per share - Basic			
Basic earnings per share	**30.16p**	7.89p	11.33p
Earnings per share - Diluted			
Total diluted earnings per share	**29.64p**	7.76p	11.10p

The significant increase in earnings per share in the period is due in substantial part to the profits generated by the sale and manage-back of the four stores during the period. (Refer Statement of Comprehensive Income)

Gearing[11] (excluding IFRS16 lease liabilities)
At 31 January 2022 the Group had £66.8 million of gross bank borrowings (31.1.2021: £53.9 million) (31.7.2021: £65.4 million) representing gearing of 12.6% (31.1.2021: 34.9%) (31.7.2021: 37.2%) on net debt of £22.4 million (31.1.2021: £42.6 million) (31.7.2021: £56.3 million). After adjusting for the uplift in value of short leaseholds which are stated at depreciated historic cost in the statement of financial position, gearing is 11.6% (31.1.2021: 24.2%) (31.7.2021: 33.8%). After adjusting for the deferred tax liability carried at period end of £54.2 million gearing drops to 9.0% (31.1.2021: 27.0%) (31.7.2021: 26.4%).

Gearing[11] (including IFRS16 lease liabilities)
At 31 January 2022 the Group had £66.8 million of gross bank borrowings (31.1.2021: £53.9 million) (31.7.2021: £65.4 million) and £12.45 million of lease liabilities (31.1.2021: £11.8 million) (31.7.2021: £11.2 million) representing gearing of 19.7% (31.1.2021: 44.6%) (31.7.2021: 44.6%) on net debt of £34.9 million (31.1.2021: £54.5 million) (31.7.2021: £67.5 million). After adjusting for the uplift in value of short leaseholds which are stated at depreciated historic cost in the statement of financial position, gearing is 18.1% (31.1.2021: 41.8%) (31.7.2021: 40.7%). After adjusting for the deferred tax liability carried at period end of £54.2 million gearing drops to 14.1% (31.1.2021: 34.6%) (31.7.2021: 31.7%).

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

Capital expenditure during the period totalled £7.1 million. This was primarily the purchase of the Peterborough site, together with ongoing construction and fit out works at our sites in Stevenage, final costs on Warrington prior to opening, as well as planning and pre-development works at our Bedford, Bournemouth, Peterborough, Altrincham, Barking and Cheshunt sites.

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 2022 the adjusted net asset value per share increased to £8.43 from £5.68 year on year, up 48.4% and increased by 15.3% since 31 July 2021. This increase is a result of cash generated from operations, the sale and manage-back of the four stores at a premium, a revaluation of the stores by JLL, all 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 2022 £'000 Unaudited	31 Jan 2021 £'000 Unaudited	31 July 2021 £'000 Audited
Net assets	**177,362**	123,432	151,259
Adjustment to include operating/short leasehold stores at valuation			
Add: JLL leasehold valuation	**23,075**	16,725	22,100
Deduct: leasehold properties and their fixtures and fittings at NBV	**(7,313)**	(3,571)	(7,630)
	193,124	136,586	165,729
Deferred tax arising on revaluation of leasehold properties[1]	**(3,941)**	(2,500)	(3,618)
Adjusted net assets	**189,183**	134,086	162,111

Shares in issue	Number '000	Number '000	Number '000
Opening shares in issue	**29,687**	29,633	29,633
Shares issued for the exercise of options	**291**	20	54
Closing shares in issue	**29,978**	29,653	29,687
Shares held in EBT	**(623)**	(623)	(623)
Shares held in treasury	**–**	(127)	–
Closing shares for NAV purposes	**29,355**	28,903	29,064
Adjusted net asset value per share after deferred tax provision	**£6.45**	£4.64	£5.58
Adjusted net asset value per share before deferred tax provision			
Adjusted net assets (see above)	**189,183**	134,086	162,111
Deferred tax liabilities and assets recognised by the Group	**54,174**	27,479	46,760
Deferred tax arising on revaluation of leasehold properties[1]	**3,941**	2,500	3,618
Adjusted net assets before deferred tax	**247,298**	164,065	212,489
Closing shares for NAV purposes	**29,355**	28,903	29,064
Adjusted net asset value per share before deferred tax provision	**£8.43**	£5.68	£7.31

[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.

Neil Newman
Group Managing Director

Ray Davies
Group Finance Director

Principal Risks and Uncertainties:

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

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

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

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

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

Our Risk Management and Reporting Structure

<table>
<tr><td colspan="2">The Board</td></tr>
<tr><td colspan="2">Reviews Risk Register in full twice a year
Considers specific risk areas as raised by the Executive Board Committee</td></tr>
<tr><td colspan="2">Executive Board Committee</td></tr>
<tr><td colspan="2">Reviews risks at monthly executive management meetings and if material requests for the Board to consider risk at next scheduled Board Meeting (or earlier if necessary)</td></tr>
<tr><td>Capex Committee</td><td>Property Risk Committee</td></tr>
<tr><td>Meets Monthly
Manages proposed capital expenditure, actual spend, rolling capex requirements</td><td>Meets Periodically
Considers:
Risks associated with properties including Health and Safety and environmental impact.</td></tr>
</table>

Principal Risks

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

Risk	Description	Key mitigation
Interest Rate and Liquidity Risk	The main risks arising from the Group's financial instruments are interest rate risk, and the likely effects of interest rate rises, and liquidity risk (for details please see note 16).	▪ Regular review by the Board (full details are set out in the Financial Review). ▪ Debt and interest are low relative to assets and earnings. ▪ Could reduce debt, if required, by executing 'Sale and Manage-Back' arrangements on mature stores.
Tax Risk	Changes to tax legislation may impact the level of corporation tax, capital gains tax, VAT and stamp duty land tax which would in turn affect the profits of the Company.	▪ Regular monitoring of changes in legislation. ▪ Use of appointed professional advisers and trade bodies.
Property Valuation Risk	The external independent valuations of the stores are sensitive to both operational trading performance of the stores and also wider market conditions. It follows that a reduction in operational performance or a deterioration of market conditions could have a material adverse impact on the Net Asset Value (NAV) of the Group.	▪ Regular monitoring of any changes in market conditions and transactions occurring within our marketplace. ▪ Use of independent professional valuers' expert in the self-storage sector. ▪ Past experience from the financial crisis of 2008 shows the sector has been resilient to a market downturn. ▪ Store properties are all UK based and predominantly located in the affluent South of England and therefore not exposed to overseas/international/currency risks etc. ▪ Operational management teams with the skills, experience and motivation to continue to drive operational performance.
Environmental Risk	Flooding. Increased requirement to reduce waste and greenhouse gas emissions and reduce environmental impact on the environment	▪ Flood risk due diligence undertaken on all prospective site acquisitions. ▪ Flood protection measures in place at all stores. ▪ Group has been measuring environmental impact since 2005 and is committed to manage waste effectively and control polluting emissions. ▪ All new construction has solar power on the roofs of its buildings.
Property Acquisition	Acquiring new sites is a key strategic objective of the business but we face significant competition from other uses such as hotels, car showrooms and offices as well as from other self-storage operators.	▪ We hold weekly property meetings to manage the search process and property purchases. ▪ Use of property acquisition consultants. ▪ Regular communication with agents. ▪ Attendance at industry relevant property events.
Planning Permission	The process of gaining planning permissions remains challenging.	▪ Where we can we acquire sites subject to planning. ▪ We work with an established external planning consultant. ▪ Our property team has over 20 years' experience.
Construction	Poor construction may affect the value of the property and/ or the efficient operation of the centre.	▪ We use a design and build contract with a variety of established contractors. ▪ We use external project managers. ▪ All projects are overseen by our property team which has over 20 years' experience.
Maintenance/ Damage	Damage to properties through poor maintenance or flood or fire could render a centre inoperable.	▪ Regular site checks by team members. ▪ Rolling maintenance plan for all stores. ▪ Comprehensive disaster recovery plan. ▪ Appropriate insurance cover.
Increased Competition	An increasing number of competitors in the industry may negatively impact Lok'nStore's existing operations (e.g. pricing / available sites).	▪ Established criteria for site selection including: ○ Prominent locations ○ High visibility ○ Distinctive designs and bright orange elevations and signage to attract customers. ▪ Continued investment in the Group's website and internet marketing. ▪ Ensure high levels of customer service through training and monitoring.
Employee Retention	Loss of employees may affect our ability to operate our stores and provide the high levels of customer service expected.	▪ Aim to offer a good work/life balance and career development. ▪ Regular reviews of remuneration levels against market. ▪ Achievable bonus systems. ▪ Generous Employee Share Schemes.

		▪ High-quality training via Lok'nStore Academy. ▪ Intranet for improved communications. ▪ Established Employee rewards programme.
IT System Breach	A breach of our IT systems might adversely affect the operations of the business and our reputation.	▪ Regularly reviewed IT security systems. ▪ Well communicated policies and procedures for handling and managing a systems breach.

Consolidated Statement of Comprehensive Income
For the six months ended 31 January 2022

	Notes	Six months ended 31 January 2022 Unaudited £'000	Six months ended 31 January 2021 Unaudited £'000	Year ended 31 July 2021 Audited £'000
Revenue	2	**13,384**	10,211	21,892
Total property, staff, distribution and general costs	3a	**(5,268)**	(4,671)	(10,001)
Adjusted EBITDA[1]		**8,116**	5,540	11,891
Depreciation	6	**(2,232)**	(1,900)	(4,149)
Equity settled share-based payments		**(101)**	(67)	(118)
		(2,333)	(1,967)	(4,267)
Profit on sale of trading stores	3(c)	**6,089**	–	–
Loss on sale of trading stores	3(c)	**–**	(135)	(160)
		3,756	(2,102)	(4,427)
Operating profit		**11,872**	3,438	7,464
Finance income	4	**–**	–	1
Finance cost	5	**(539)**	(510)	(1,017)
Profit before taxation		**11,333**	2,928	6,448
Income tax expense	7	**(2,501)**	(642)	(3,165)
Profit for the period		**8,832**	2,286	3,283
Profit attributable to:				
Owners of the parent	20	**8,832**	2,286	3,283
Other Comprehensive Income				
Items that will not be reclassified to profit and loss				
Increase in property valuation		**25,590**	3,596	47,718
Deferred tax relating to change in property valuation		**(5,816)**	(683)	(18,224)
Other comprehensive income		**19,774**	2,913	29,494
Total comprehensive income for the period		**28,606**	5,199	32,777
Attributable to owners of the parent		**28,606**	5,199	32,777

Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2022

Earnings per share attributable to owners of the Parent	Notes	**Six months ended 31 January 2022 Unaudited**	Six months ended 31 January 2021 Unaudited	Year ended 31 July 2021 Audited
Earnings per share				
Basic				
Total basic earnings per share	9	**30.16p**	7.89p	11.33p
Earnings per share				
Diluted				
Total diluted earnings per share	9	**29.64p**	7.76p	11.10p

Consolidated Statement of Changes in Equity
For the six months ended 31 January 2022

	Attributable to owners of the Parent					
	Share capital £'000	**Share premium £'000**	**Other reserves £'000**	**Revaluation reserve £'000**	**Retained earnings £'000**	**Total equity £'000**
1 August 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
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**
Profit for the period (restated)	–	–	–	–	997	997
Other comprehensive income						
Increase in property valuation net of deferred tax	–	–	–	26,581	–	26,581
Total comprehensive income for the year	–	–	–	26,581	997	27,578
Transactions with Owners						
Dividend paid	–	–	–	–	(1,253)	(1,253)
Share based payments	–	–	51	–	–	51
Transfers in relation to share based payments	–	–	(26)	–	26	–
Deferred tax credit relating to share options	–	–	567	–	–	567
Sale of shares from treasury	–	–	–	–	693	693
Exercise of share options	1	190	–	–	–	191
Reserve transfer on disposal of assets	–	–	–	(165)	165	–
Transfer additional dep'n on revaluation net of deferred tax	–	–	–	(379)	379	–
Total transactions with owners	1	190	592	(544)	10	249
31 July 2021 – Audited	**298**	**10,815**	**9,138**	**104,736**	**26,272**	**151,259**
Profit for the period	–	–	–	–	8,832	8,832
Other comprehensive income						
Increase in property valuation net of deferred tax	–	–	–	19,774	–	19,774
Total comprehensive income for the year	–	–	–	19,774	8,832	28,606
Transactions with Owners						
Dividend paid	–	–	–	–	(3,132)	(3,132)
Share based payments	–	–	101	–	–	101
Transfers in relation to share based payments	–	–	(166)	–	166	–
Exercise of share options	3	526	–	–	–	529
Reserve transfer on disposal of assets	–	–	–	(20,258)	20,258	–
Transfer additional dep'n on revaluation net of deferred tax	–	–	–	(234)	234	–
Total transactions with owners	3	526	(65)	(20,492)	17,526	(2,502)
31 January 2022 – Unaudited	**301**	**11,341**	**9,073**	**104,018**	**52,630**	**177,363**

Consolidated Statement of Financial Position

31 January 2022

	Notes	**31 January 2022 Unaudited £'000**	31 January 2021 Unaudited £'000	31 July 2021 Audited £'000
Assets				
Non-current assets				
Property, plant and equipment	10	**255,097**	196,107	255,652
Financial assets		**–**	361	–
Right of use assets	11	**11,809**	11,137	10,503
		266,906	207,605	266,155
Current assets				
Inventories	12	**252**	335	290
Trade and other receivables	13	**4,481**	3,514	4,273
Cash and cash equivalents		**44,363**	11,297	9,105
Financial assets		**533**	–	509
Total current assets		**49,629**	15,146	14,177
Total assets		**316,535**	222,751	280,332
Liabilities				
Current liabilities				
Trade and other payables	14	**(5,450)**	(6,034)	(5,841)
Lease liabilities	16b	**(1,272)**	(1,335)	(1,258)
Taxation		**(1,019)**	(583)	(365)
		(7,741)	(7,952)	(7,464)
Non-current liabilities				
Borrowings	16a	**(66,079)**	(53,398)	(64,941)
Lease liabilities	16b	**(11,179)**	(10,490)	(9,908)
Deferred tax	17	**(54,174)**	(27,479)	(46,760)
		(131,432)	(91,367)	(121,609)
Total liabilities		**(139,173)**	(99,319)	(129,073)
Net assets		**177,362**	123,432	151,259
Equity				
Equity attributable to owners of the parent				
Called up share capital	18	**300**	297	298
Share premium		**11,341**	10,625	10,815
Other reserves	19	**9,073**	8,546	9,138
Retained earnings	20	**52,630**	25,265	26,272
Revaluation reserve		**104,018**	78,699	104,736
Total equity		**177,362**	123,432	151,259

Approved by the Board of Directors and authorised for issue on 22 April 2022 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 2022

	Notes	Six months ended 31 January 2022 Unaudited £'000	Six months ended 31 January 2021 Unaudited £'000	Year ended 31 July 2021 Audited £'000
Operating activities				
Cash generated from operations	22a	7,445	6,777	12,187
Income tax paid		(250)	(225)	(800)
Net cash from operating activities		7,195	6,552	11,387
Investing activities				
Proceeds of sale & manage-back stores		37,922	–	–
Proceeds of sale of development land (net of disposal costs)		–	1,509	1,509
Proceeds of sale of land at Southampton (net of disposal costs)		–	1,676	1,676
Purchase of property, plant and equipment	10	(6,793)	(9,627)	(26,474)
Interest received		–	–	1
Net cash generated by / used in investing activities		31,129	(6,442)	(23,288)
Financing activities				
Proceeds of bank borrowings utilised for store development		1,198	2,614	14,077
Proceeds of bank borrowings utilised for payment of accordion fees		188	–	–
Finance costs paid		(946)	(484)	(969)
Lease liabilities paid		(903)	(769)	(1,559)
Equity dividends paid		(3,132)	(2,612)	(3,865)
Purchase of shares for treasury		–	(693)	(693)
Equity shares sold from treasury (net of costs)		–	–	846
Proceeds from issuance of ordinary shares (net)		529	65	103
Net cash (used in) / from financing activities		(3,066)	(1,879)	7,940
Net increase / (decrease) in cash and cash equivalents in the period		35,258	(1,769)	(3,961)
Cash and cash equivalents at beginning of the period		9,105	13,066	13,066
Cash and cash equivalents at end of the period		44,363	11,297	9,105

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 2022 have been prepared on the basis of the accounting policies expected to be used in the 2022 Lok'nStore Group Plc Annual Report and Accounts and in accordance with the recognition and measurement principles of UK adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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

The interim results, which were approved by the Directors on 22 April 2022, 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 2021 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 £44.4 million (31.07.2021: £11.3 million), undrawn committed bank facilities at 31 January 2022 of £33.2 million (31.07.2021: £9.6 million), and cash generated from operations in the period of £7.4 million (31.01.2021: £6.8 million) (31.07.2021: £12.2 million).

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

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

The Group is fully compliant with all bank covenants and undertakings and is not obliged to make any repayments prior to expiration. The robust capital structure, cash flow and financing and the performance of the business are reported in the Chairman's Statement and in the Business and Financial review. The interim financial statements are therefore prepared on a going concern basis.

Revenue recognition

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

a) **Self-storage revenue**

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

b) Retail sales

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

c) Insurance

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

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

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

d) Management fee income

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

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

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

a) Estimate of fair value of trading properties

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

A more detailed explanation of the background and methodology adopted in the valuation of the Group's trading properties is set out in note 10. The carrying value of land and buildings held at valuation at the reporting date was £201.3 million (31.07.2021: £199.6 million) as shown in the table in note 10.

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

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

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

The carrying value of development property assets at the reporting date was £31.6 million (31.07.2021: £33.7 million). See note 10 for more details.

c) Classification of self-storage facilities as owner-occupied properties rather than investment properties
The Directors consider that Lok'nStore Group plc is the Parent Company of a "Trading business" and is not wholly or mainly engaged in making investments. The holding of land is not a core activity.

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

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

Previously owned sites at Woking, Ashford, Swindon and Crayford, have been the subject of sale and manage-back transactions by which Lok'nStore has retained the management of the business when a third-party owner acquired the business, land and buildings. In this period the Group executed on the sale and Manage-back of four trading stores, again retaining the management of the stores as Lok'nStore branded stores. All of this trading activity as well as the self-storage income earned from our leasehold stores' activity demonstrate that the holding of land is not a core activity because the trading operation is not dependent on the ownership of land.

Furthermore, the Group has always and continues to comply with all of the usual accounting and tax protocols consistent with a trading business. As at the period-end, Lok'nStore operates 23 owned stores mainly in southern England, although in recent years we have expanded our historically southern England focused geographic footprint into the South-West (Exeter), Wales (Cardiff) and the North West (Salford, Warrington and Altrincham). Of the 23 stores, Lok'nStore owns the freehold interest in 14 stores, 9 of the stores are held under commercial leases. There are a further 15 managed stores operating under management contracts for third-party owners making a total of 38 stores trading under the Lok'nStore brand.

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

The classification of self-storage facilities as owner-occupied properties rather than investment properties has resulted in the recognition of fair value gains in the period of £19.8 million (net deferred of tax) (31.07.2021: £29.5 million) (31.1.2021: £2.9 million) in Other Comprehensive Income rather than in the profit or loss.

d) Application of IFRS 16
The Group uses judgement to assess whether the interest rate implicit in the lease is readily determinable. When the interest rate implicit in the lease is not readily determinable, the Group estimates the incremental borrowing rate based on its external borrowings secured against a similar asset, adjusted for the term of the lease.

1 The Group's property leases

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.

In this period we show a Right of Use Assets (ROU) of £11.8 million at 31 January 2022 (refer Note 11) and total lease liabilities of £12.45 million (refer Note 16b), with depreciation charges of £0.74 million (refer Note 6) and interest charges of £0.14 million (refer Note 5).

The Group has applied a single discount rate equivalent to its effective cost of debt. For more detailed information on the Group's 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 2022 Unaudited £'000**	Six months ended 31 January 2021 Unaudited £'000	Year ended 31 July 2021 Audited £'000
Self-storage revenue	**11,362**	8,361	18,165
Insurance revenue	**1,201**	966	2,079
Retail sales	**126**	139	285
Sub-total - self-storage revenue – owned stores	**12,689**	9,466	20,529
Management fees – managed stores	**674**	738	1,346
Sub-total	**13,363**	10,204	21,875
Non-storage income	**20**	7	17
Total revenue per statement of comprehensive income	**13,383**	10,211	21,892

3a Property, staff, distribution, general costs and retail cost of sales	**Six onths ended 31 January 2022 Unaudited £'000**	Six months ended 31 January 2021 Unaudited £'000	Year ended 31 July 2021 Audited £'000
Property and premises costs	**2,680**	2,309	4,783
Property lease rental payments	**(903)**	(769)	(1,559)
Net property and premises costs	**1,777**	1,540	3,224
Staff costs	**2,695**	2,424	5,269
General overheads	**703**	608	1,341
Sub total – operating costs	**5,175**	4,572	9,834
Retail products cost of sales	**93**	99	167
Total property, staff, distribution, general costs and retail cost of sales	**5,268**	4,671	10,001

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 2022 Unaudited £'000	Six months ended 31 January 2021 Unaudited £'000	Year ended 31 July 2021 Audited £'000
Retail	57	56	125
Insurance	12	14	14
Other	24	29	28
Total cost of sales of retail products	93	99	167

3c Other Income and costs

	Six months ended 31 January 2022 Unaudited £'000	Six months ended 31 January 2021 Unaudited £'000	Year ended 31 July 2021 Audited £'000
Profit on sale of land at Wolverhampton [1]	–	265	(265)
Loss on sale of land at Southampton [2]	–	(400)	(425)
Realised gain on sale and manage-back of 4 stores[3]	6,089		
	6,089	(135)	160

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.
2022:
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).

3 Sale and manage-back of four freehold stores (Basingstoke, Cardiff, Horsham and Portsmouth) for a total gross consideration of £39.0 million resulting in a realised gain of £6.1 million.

4 Finance income

	Six months ended 31 January 2022 Unaudited £'000	Six months ended 31 January 2021 Unaudited £'000	Year ended 31 July 2021 Audited £'000
Bank interest	–	–	1
Total finance income	–	–	1

5 Finance costs

	Six months ended 31 January 2022 Unaudited £'000	Six months ended 31 January 2021 Unaudited £'000	**Year ended 31 July 2021 Audited £'000**
Bank interest	235	228	**469**
Non-utilisation fees	68	64	**120**
Amortisation of bank loan arrangement fees	98	79	**158**
Interest on lease liabilities	138	139	**270**
Total finance cost	539	510	**1,017**

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

6 Profit before taxation

	Six months ended 31 January 2022 Unaudited £'000	Six months ended 31 January 2021 Unaudited £'000	Year ended 31 July 2021 Audited £ '000
Profit before taxation is stated after charging:			
Depreciation of plant, property and equipment – owned assets	1,176	1,040	2,178
Depreciation based on revalued assets	311	233	710
Sub-total (Note 10)	1,487	1,273	2,888
Depreciation of right of use assets (Note 11)	744	627	1,261
	2,231	1,900	4,149

7 Taxation

	Six months ended 31 January 2022 Unaudited £'000	Six months ended 31 January 2021 Unaudited £'000	Year ended 31 July 2021 Audited £'000
Current tax:			
UK corporation tax	903	583	798
Deferred tax:			
Origination and reversal of temporary differences	1,598	59	260
Adjustments in respect of prior periods	–	–	2,107
Total deferred tax charge	1,598	59	2,367
Income tax expense for the period/year	2,501	642	3,165

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

	Six months ended 31 January 2022 Unaudited £'000	Six months ended 31 January 2021 Unaudited £'000	Year ended 31 July 2021 Audited £'000
Profit before tax	11,333	2,928	6,448
Tax on ordinary activities at the standard effective rate of corporation tax in the UK of 19%	2,153	556	1,225
Depreciation of non-qualifying assets	62	74	263
Share based payment charges in excess of corresponding tax deduction	(21)	12	(20)
Impact of change in tax rate on timing differences	–	–	2,107
Adjustments in respect of prior periods – corporation tax	–	–	(375)
Realised gain on sale and manage-back assets subject to 'roll-over relief'	(1,157)	–	–
Rolled over gain on sale and manage back stores	1,522	–	–
Other	(58)	–	(35)
Income tax expense for the period/year	2,501	642	3,165
Effective tax rate	22.1%	21.9%	49%

8 Dividends

	Six months ended 31 January 2022 Unaudited £'000	Six months ended 31 January 2021 Unaudited £'000	Year ended 31 July 2021 Audited £'000
Amounts recognised as distributions to equity holders in the year:			
Final dividend - year ended 31 July 2020 (9.00 pence per share)	–	2,612	2,612
Interim dividend - six months to 31 July 2021 (4.33 pence per share)	–	–	1,253
Final dividend - year ended 31 July 2021 (10.67 pence per share)	3,132	–	–
	3,132	2,612	3,865

In respect of the current period the Directors propose that an interim dividend of 5.00 pence per share will be paid to the shareholders. The total estimated dividend to be paid is £1.5 million based on the number of shares currently in issue as adjusted for shares held in the Employee Benefits Trust.

This interim dividend is an on-account payment of a final annual dividend and is ultimately subject to approval by shareholders at the 2022 Annual General Meeting and has not been included as a liability in these financial statements. The ex-dividend date will be 5 May 2022; the record date 6 May 2022 with an intended payment date of 10 June 2022. The final deadline for Dividend Reinvestment Election is 20 May 2022.

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 2022 Unaudited £'000	Six months ended 31 January 2021 Unaudited £'000	Year ended 31 July 2021 Audited £'000
Total profit for the financial year attributable to owners of the parent	8,832	2,286	3,283

	No. of shares	No. of shares	No. of shares
Weighted average number of shares			
For basic earnings per share	29,277,827	28,965,774	29,035,104
Dilutive effect of share options	520,839	505,832	527,846
For diluted earnings per share	29,798,266	29,471,606	29,562,950

623,212 shares (31.01.2021: 623,212) are held in the Employee Benefit Trust, and these are excluded from the above calculation.

Earnings per share attributable to owners of the Parent	Six months ended 31 January 2022 Unaudited	Six months ended 31 January 2021 Unaudited	Year ended 31 July 2021 Audited
Earnings per share - Basic			
Basic earnings per share	30.16p	7.89p	11.33p
Earnings per share - Diluted			
Total diluted earnings per share	29.64p	7.76p	11.10p

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
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)	(1,497)	–	(1,301)	–	**(4,041)**
Revaluations	–	2,991	–	–	–	**2,991**
31 January 2021 Unaudited	**26,787**	**148,845**	**7,309**	**28,017**	**10**	**210,968**
Depreciation						
1 August 2020	–	–	**2,269**	**12,664**	**10**	**14,943**
Depreciation	–	605	96	572	–	**1,273**
Disposals	–	–	–	(750)	–	**(750)**
Revaluations	–	(605)	–	–	–	**(605)**
31 January 2021 Unaudited	**–**	**–**	**2,365**	**12,486**	**10**	**14,861**
Net book value at 31 January 2021 - Unaudited	**26,787**	**148,845**	**4,944**	**15,532**	**–**	**196,107**
Cost or valuation						
1 February 2021	**26,787**	**148,845**	**7,309**	**28,017**	**10**	**210,968**
Additions	16,154	233	248	402	–	**17,037**
Transfers	(9,265)	7,264	–	2,001		–
Revaluations	–	43,275	–	–	–	**43,275**
31 July 2021 - Audited	**33,676**	**199,617**	**7,557**	**30,420**	10	**271,280**
Depreciation						
1 February 2021	**–**	**–**	**2,365**	**12,486**	**10**	**14,861**
Depreciation	–	847	144	623	–	**1,614**
Revaluations	–	(847)	–	–	–	**(847)**
31 July 2021 - Audited	–	–	2,509	13,109	10	**15,628**
Net book value at 31 July 2021 - Audited	**33,676**	**199,617**	**5,048**	**17,311**	–	**255,652**
Cost or valuation						
1 August 2021	**33,676**	**199,617**	**7,557**	**30,420**	10	**271,280**
Additions	5,993	649	24	424	–	**7,090**
Transfers	(8,026)	6,212	–	1,814	–	–
Disposals	–	(9,843)	–	(1,649)	–	**(11,492)**
Revaluations	–	4,618	–	–	–	**4,618**
31 January 2022 Unaudited	**31,643**	**201,253**	**7,581**	**31,009**	**10**	**271,496**
Depreciation						
1 August 2021	–	–	**2,509**	**13,109**	**10**	**15,628**
Depreciation	–	716	149	622	–	**1,487**
Revaluations	–	(716)	–	–	–	**(716)**
31 January 2022 Unaudited	**–**	**–**	**2,658**	**13,731**	**10**	**16,399**
Net book value at 31 January 2022 - Unaudited	**31,643**	**201,253**	**4,923**	**17,278**	**–**	**255,097**

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 store opening. Accordingly borrowing costs of £296,466 (six months ended 31.1.2021: £190,655: year ended 31.07.2021 £380,193) have been capitalised in the current period that are directly attributable to the acquisition, construction and fit-out of these qualifying store assets. £296,466 of the total amount is carried in development property assets.

Capital expenditure during the period totalled £7.1 million. This was primarily the purchase of the Peterborough site, together with ongoing planning, construction and fit out works at other sites. Disposals during the period relate to the sale and manage-back of four stores.

Property, plant and equipment (non-current assets) with a carrying value of £255.1 million (31.1.2021: £196.1 million) are pledged as security for bank loans (see note 15a).

Market Valuation of Freehold and Operating Leasehold Land and Buildings
Although the Board do not usually commission an external valuation at the 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 JLL, the Directors considered that the self-storage transactional market has shown very good levels of liquidity and continued investor interest with strong capital flows coming into the market. This is resulting in very strong demand for self-storage assets with corresponding yield compression. The Directors considered that there had been such a material movement in market yields that an independent reconsideration of the position as at 31 January 2022 was appropriate in respect of our properties externally valued at 31 July 2021. Accordingly, the Directors instructed JLL to undertake a valuation of the Group's trading stores.

It remains the Group's established policy to undertake a comprehensive external valuation at each year-end and we will do so at the next year-end at 31 July 2022.

On 31 January 2022 an independent professional valuation was prepared by Jones Lang LaSalle Limited (JLL) in respect of 14 freehold and 9 leasehold stores operated by Lok'nStore. The valuation was prepared in accordance with the RICS Valuation – Global Standards 2020 – UK national supplement, published by The Royal Institution of Chartered Surveyors (the RICS Red Book) and the valuation methodology is explained in more detail below. The valuations were prepared on the basis of Fair Value as a fully equipped operational entity having regard to trading potential. The valuation was provided for accounts purposes and as such, is a Regulated Purpose Valuation as defined in the Red Book. In compliance with the disclosure requirements of the RICS Red Book JLL have confirmed that:

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

The valuation report indicates a total valuation for all properties valued of £237.7 million (31 July 2021: £234.9 million) of which £214.6 million (31 July 2021: £212.8 million) relates to freehold properties, and £23.1 million (31 July 2021: £22.1 million) relates to properties held under leases.

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

For the trading properties the valuation methodology explained in more detail below is based on fair value as fully equipped operational entities, having regard to trading potential. Of the £214.6 million (31 July 2021: £212.8 million) valuation of the freehold properties £14.9 million (31 July 2021: £14.7 million) relates to the net book value of fixtures, fittings and equipment, and the remaining £199.7 million (2020: £198.1 million) relates to freehold properties.

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

Valuation Methodology
Jones Lang LaSalle Limited (JLL) have adopted the profits method of valuation and cross-checked with the direct comparison method based on recent transactions in the sector, which is the main method of pricing adopted by purchasers of self-storage properties.

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

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

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

Stable occupancy depends upon the nature of demand, size of property and nearby competition, and allows for a reasonable vacancy rate to enable the operator to contract units to new customers. In the valuation the assumed stabilised occupancy level for the 23 trading stores (both freeholds and leaseholds) averages 88.59% (31 July 2021: 88.5%).

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

- The cash flow for freeholds runs for an explicit period of ten years, after which it is capitalised at an all risks yield which reflects the implicit future growth of the business, or a hypothetical sale.
- The cash flow for leaseholds continues for the unexpired term of the lease.
- The Discount Rate applied has had regard to recent transactions, weighted average costs of capital and target return in other asset types with adjustments made to reflect differences in the risk and liquidity profile.
- The weighted average annual Discount Rate adopted (for both freeholds and leaseholds) is 8.33% (31 July 2021: 9.24%).
- The Discount Rates used in the freehold valuation ranges from 6.5% to 8.75% (31 July 2021: 7.75% to 9.5%).
- The yield arising from the first year of the projected cash flow is 5.51% (31 July 2021: 6.49%), rising to 7.09% (31 July 2021: 7.61%) in year five.
- JLL have assumed purchasers' costs of 6.8% (31 July 2021: 6.8%).
- The average assumed stabilised occupancy is 88.59% (31 July 2021: 88.85%).
- The average Exit Yield assumed is 6.29% (31 July 2021: 6.73%).

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

The Group has reported that the Lok'nStore trading stores have performed very well in terms of increasing occupancy over the course of the year which has driven higher the stabilised occupancy assumed by JLL.

For leaseholds the same methodology has been used as for freehold property, except that no sale of the assets in the tenth year is assumed, but the discounted cash flow is extended to the expiry of the lease. The average unexpired term of the Group's property leaseholds is approximately 10 years and 7 months as at 31 January 2022 (11 years and 1 month: 31 July 2021). Valuations for stores held under leases are not reflected in the statement of financial position and the assets in relation to these stores are carried at cost less accumulated depreciation.

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

Directors' valuation of land and property
Land & Buildings at the rear of the new Salford trading store.
Following the opening of the Salford store there is a remainder of land and building at the rear of the new store which is suitable for rent on commercial terms to third party users. Based on negotiated rents with third parties the Directors have placed a Directors' Valuation of £1.5 million on this land and building.

The total value of land and property carried at Director Valuation at 31 January 2022 is £1.5 million (31.01.21: £Nil).

11 Right of Use assets (ROU)

Group property leases	Group 31 January 2022 £'000	Group 31 January 2021 £'000	Group 31 July 2021 £'000
Right of Use Asset (ROU) – opening balance	10,503	11,764	11,764
Additions – lease extensions	2,050	–	–
Depreciation of Right of Use Asset (ROU)	(744)	(627)	(1,261)
Right of Use Asset (ROU) – closing balance	11,809	11,137	10,503

The Right of use Asset (ROU) relates to the Group's 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 2022 Unaudited £'000	31 January 2021 Unaudited £'000	31 July 2021 Audited £'000
Consumables and goods for resale	252	335	290

The amount of inventories recognised as an expense during the period was £56,183 (31.1.2021: £55,820).

13 Trade and other receivables

	31 January 2022 Unaudited £'000	31 January 2021 Unaudited £'000	31 July 2021 Audited £'000
Trade receivables	1,353	993	1,451
Other receivables	2,537	1,665	881
Taxation	–	–	1,497
Prepayments and accrued income	591	856	444
	4,481	3,514	4,273

Trade receivables
In respect of its self-storage business the Group does not typically offer credit terms to its customers and hence the Group is not exposed to significant credit risk. All customers are required to pay in advance of the storage period. Late charges are applied to a customer's account if they are more than ten days overdue in their payment. The Group provides for receivables based upon sales levels and estimated recoverability.

There is a right of lien over the customers' goods, so if they have not paid within a certain time frame the Group has the right to sell the items they store to cover the debt owed by the customer. Trade receivables that are overdue are provided for based on estimated irrecoverable amounts, determined by reference to expected credit losses.

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

There has not been a significant change in credit quality in the Group's trade receivables and the amounts are still considered recoverable. The Group holds a right of lien over its self-storage customers' goods if these debts are not paid.

14 Trade and other payables

	31 January 2022 Unaudited £'000	31 January 2021 Unaudited £'000	31 July 2021 Audited £'000
Trade payables	1,141	1,083	1,385
Taxation and social security costs	552	1,379	370
Other payables	584	751	690
Accruals and deferred income	3,173	2,821	3,397
	5,450	6,034	5,842

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 capital structure of the Group consists of debt, which include the borrowings disclosed in note 16a, cash and cash equivalents and equity attributable to the owners of the Parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity. The Group's banking facilities require that management give regular consideration to interest rate hedging strategy. The Group has complied with this requirement during the year.

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

Gearing – Bank Borrowings	31 January 2022 Unaudited £'000	31 January 2021 Unaudited £'000	31 July 2021 Audited £'000
Gross debt	(66,785)	(53,935)	(65,399)
Cash and cash equivalents	44,363	11,297	9,105
Net debt	(22,422)	(42,638)	(56,294)
Total equity – balance sheet	177,362	123,432	151,259
Net debt to equity ratio	12.6%	34.5%	37.2%

Total Gearing – Bank Borrowings and lease liabilities	31 January 2022 Unaudited £'000	31 January 2021 Unaudited £'000	31 July 2021 Audited £'000
Gross debt – bank borrowings	(66,785)	(53,935)	(65,399)
Gross debt – lease liabilities	(12,451)	(11,825)	(11,166)
Cash and cash equivalents	44,363	11,297	9,105
Net debt	(34,873)	(54,463)	(67,460)
Total equity – balance sheet	177,362	123,432	151,259
Net debt to equity ratio	19.7%	44.1%	44.6%

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 2022 are as follows:

	31 January 2022 Unaudited £'000	31 January 2021 Unaudited £'000	31 July 2021 Audited £'000
Variable rate treasury deposits[1]	4,815	9,812	7,604
SIP trustee deposits	63	63	63
Cash in operating current accounts	39,223	1,413	1,430
Other cash and cash equivalents	262	9	8
Total cash and cash equivalents	44,363	11,297	9,105

[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 2022 was 0.01%.

16a) Borrowings

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

Bank borrowings	**31 January 2022 Unaudited £'000**	31 January 2021 Unaudited £'000	31 July 2021 Audited £'000
Non-current			
Bank loans repayable in more than two years but not more than five years			
Gross	**66,785**	53,935	65,399
Deferred financing costs	**(706)**	(537)	(458)
Net bank borrowings	**66,079**	53,398	64,941
Non-current borrowings	**66,079**	53,398	64,941

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

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

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

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

The Group currently has £66.8 million drawn against its facility which is secured with RBS and ABN AMRO jointly by legal charges and debentures over the freehold and leasehold properties and other tangible assets of the business with a net book value of £255.8 million (31.1.2021: £196.1 million) together with cross-company guarantees from Group companies.

The interest rate is set under the new Sterling Overnight Index Average (SONIA) arrangements replacing the London Inter-Bank Offer Rate (LIBOR). The all-in debt cost on £66.8 million drawn averaged 1.55% (31.7.2021: 1.55%) in the period with the costs of debt rising to 1.72% on active revolving loans.

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

16b) Lease liabilities

Lease liabilities attributable to Right of Use assets	**31 January 2022 Unaudited £'000**	31 January 2021 Unaudited £'000	31 July 2021 Audited £'000
Current lease liabilities			
Amounts due within one year	**1,272**	1,335	1,298
Non-current lease liabilities			
Amounts due in one to two years	**1,044**	1,202	1,085
Amounts due in three to five years	**2,827**	2,726	2,585
Amounts due in more than five years	**7,308**	6,562	6,238
Non-current lease liabilities	**11,179**	10,490	9,908
Total lease liabilities	**12,451**	11,825	11,166

Lease liabilities attributable to Right of Use assets	**31 January 2022 Unaudited £'000**	31 January 2021 Unaudited £'000	31 July 2021 Audited £'000
Balance B/Fwd	**11,166**	12,455	12,455
Increase in lease liabilities – lease extensions	**2,050**	–	–
Lease repayments	**(903)**	(769)	(1,559)
Lease interest (non-cash)	**138**	139	270
Total lease liabilities	**12,451**	11,825	11,166

17 Deferred tax

Deferred tax liability	**31 January 2022 Unaudited £'000**	31 January 2021 Unaudited £'000	31 July 2021 Audited £'000
Liability at start of period/year	**46,760**	26,760	26,760
Charge to income for the period/year	**1,598**	59	2,367
Tax charged / credited directly to other comprehensive income	**5,816**	683	18,224
Credit to share based payment reserve	**–**	(23)	(591)
Liability at end of period/year	**54,174**	27,479	46,760

18 Share capital

	31 January 2022 Unaudited £'000	31 January 2021 Unaudited £'000	31 July 2021 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	**29,686,787**	29,633,290	29,633,290
Options exercised during period/year	**291,268**	19,877	53,497
Balance at end of period/year	**29,978,055**	29,653,167	29,686,787

Allotted, issued and fully paid ordinary shares	**£**	£	£
Balance at start of period/year	**296,868**	296,333	296,333
Options exercised during period/year	**2,913**	199	53
Balance at end of period/year	**299,781**	296,532	296,868

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 2020 - Audited	**6,295**	**1,294**	**34**	**832**	**8,455**
Equity share based payments	–	–	–	67	67
Transfer to retained earnings in relation to share based payments	–	–	–	–	–
Tax credit relating to share options	–	–	–	24	24
31 January 2021 - Unaudited	**6,295**	**1,294**	**34**	**923**	**8,546**
Equity share based payments	–	–	–	51	51
Transfer to retained earnings in relation to share based payments	–	–	–	(26)	(26)
Tax credit relating to share options	–	–	–	567	567
31 July 2021 - Audited	**6,295**	**1,294**	**34**	**1,515**	**9,138**
Equity share based payments	–	–	–	101	101
Tax (debit) / credit relating to share options	–	–	–	(166)	(166)
31 January 2022 - Unaudited	**6,295**	**1,294**	**34**	**1,450**	**9,073**

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.

20 Retained earnings

Group	Retained earnings before deduction of own shares £'000	Own shares (Note 21) £'000	Retained earnings Total £'000
1 August 2020 - Audited	**26,595**	**(500)**	**26,095**
Profit for the financial period- restated	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**
1 February 2021 - Unaudited			
Profit for the financial period	997	–	997
Transfer from revaluation reserve- additional depreciation on revaluation	379	–	379
Transfer from share-based payment reserve (Note 19)	26	–	26
Sale of shares for treasury	693	–	693
Reserve transfer on disposal of assets	165	–	165
Dividend paid	(1,253)	–	(1,253)
31 July 2021 - Audited	**26,772**	**(500)**	**26,272**
1 August 2021 - Audited			
Profit for the financial period	8,832	–	8,832
Transfer from revaluation reserve - additional depreciation on revaluation	234	–	234
Transfer share-based payment reserve	166	–	166
Reserve transfer from disposal of assets	20,258	–	20,258
Dividend paid	(3,132)	–	(3,132)
31 January 2022 - Unaudited	**53,130**	**(500)**	**52,630**

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.

The reserve transfer on disposal of assets arises from the disposal of the four sale and manage-back stores and represents a transfer from revaluation reserve (an unrealised gain) to retained earnings (a realised gain).

21 Own shares

	EBT shares Number	EBT shares £	Treasury shares Number	Treasury shares £	Own shares total £
1 August 2020 – Audited	623,212	499,910	–	–	499,910
31 January 2021 – Unaudited	623,212	499,910	–	–	499,910
31 July 2021 – 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	499,910
Sale of treasury shares -18 May 2021	–	–	(126,855)	(693,250)	(693,250)
31 July 2021 – Audited	623,212	499,910	–	–	499,910
31 January 2022 – Unaudited	**623,212**	**499,910**	**–**	**–**	**499,910**

The Group operates an Employee Benefit Trust (EBT) under a settlement dated 8 July 1999 between Lok'nStore Limited and Lok'nStore Trustee Limited, constituting an employees' share scheme. Funds are placed in the trust by way of deduction from employees' salaries on a monthly basis as they so instruct for purchase of shares in the

Company. Shares are allocated to employees at the prevailing market price when the salary deductions are made. As at 31 January 2022, the Trust held 623,212 (31.01.2021: 623,212) ordinary shares of 1 pence each with a market value of £6,232,120 (31.01.2021: £4,269,002). No shares were transferred out of the scheme during the period (2021: 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 2022 Unaudited £'000	Six months ended 31 January 2021 Unaudited £'000	Year ended 31 July 2021 Audited £'000
Group profit before tax	**11,333**	2,928	6,448
Depreciation	**2,231**	1,900	4,149
Equity settled share-based payments	**101**	67	118
Loss on disposal of land	**–**	135	160
Profit on Sale and Manage-Backs	**(6,089)**	–	–
Interest receivable	**–**	–	(1)
Interest payable – bank borrowings	**401**	371	747
Interest payable – lease liabilities	**138**	139	270
Increase in financial asset	**(24)**	–	(148)
Decrease / (increase) in inventories	**38**	(65)	(20)
(Increase) / decrease in receivables	**(208)**	114	(645)
Increase / (decrease) in payables	**(476)**	1,188	1,109
Cash generated from operations	**7,445**	6,777	12,187

(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 2022 Unaudited £'000	Six months ended 31 January 2021 Unaudited £'000	Year ended 31 July 2021 Audited £'000
Increase / (decrease) in cash in the period/year	**35,258**	(1,769)	(3,961)
Change in net debt resulting from cash flows	**(1,386)**	(2,614)	(14,077)
Movement in net debt in period	**33,872**	(4,383)	(18,038)
Net debt brought forward	**(56,294)**	(38,255)	(38,256)
Net debt carried forward	**(22,422)**	(42,638)	(56,294)

23 Commitments under property leases

At 31 January 2022 the total future minimum lease payments as a lessee under non-cancellable property leases were as follows:

	31 January 2022 Unaudited £'000	31 January 2021 Unaudited £'000	31 July 2021 Audited £'000
Land and buildings			
Amounts due:			
Within one year	**1,843**	1,605	1,612
Between two and five years	**5,352**	4,836	4,583
After five years	**6,091**	7,292	6,863
	13,286	13,733	13,058

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

24 Related party events

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

	Six months ended 31 January 2022 Unaudited £'000	Six months ended 31 January 2021 Unaudited £'000	Year ended 31 July 2021 Audited £'000
Short-term employee benefits - Directors	**669**	457	1,112
Short-term employee benefits - Other key management	**165**	203	525
Post-employment benefits - Directors	**9**	8	10
Post-employment benefits - Other key management	**4**	14	18
Share-based payments	**101**	67	118
Total	**948**	749	1,783

The Group recognises a number of management personnel that are important to retain within the business in order for it to achieve its strategic plan. Accordingly, these are recognised as key personnel and are participants in the Long-Term Performance Plan. They are included in the table above.

25 Events after the Reporting Date

(i) On 25 March 2022, the Wolverhampton store opened.

(ii) On 23rd March 2022 we executed an option to extend the lease of our location at Etheridge Avenue, Milton Keynes. The lease has been extended to December 2035 with a tenant break option in 2030. The new lease contains rent reviews at five-year intervals.

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
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
tCO_2e	Tonnes of carbon dioxide equivalent
TVR	Total voting rights
VAT	Value Added Tax

Our Stores

- ■ Aldershot, Hampshire
- □ Altrincham, Cheshire
- ■ Ashford, Kent
- □ Barking, London
- □ Basildon, Essex
- ■ Basingstoke, Hampshire
- □ Bedford, Bedfordshire
- □ Bournemouth, Dorset
- ■ Bristol, Gloucestershire
- ■ Broadstairs, Kent
- ■ Cardiff, Glamorgan
- □ Cheshunt, Hertfordshire
- □ Chester, Cheshire
- ■ Chichester, West Sussex
- ■ Crawley, West Sussex
- ■ Crayford, Kent
- ■ Dover, Kent
- ■ Eastbourne, East Sussex
- ■ Exeter, Devon
- ■ Fareham, Hampshire
- ■ Farnborough, Hampshire
- ■ Gillingham, Kent
- ■ Gloucester, Gloucestershire
- ■ Harlow, Essex
- ■ Hedge End, Southampton
- ■ Hemel Hempstead, Hertfordshire
- ■ Horsham, West Sussex
- ■ Ipswich, Suffolk
- □ Kettering, Northamptonshire
- ■ Leicester, East Midlands
- ■ Luton, Bedfordshire
- ■ Maidenhead, Berkshire
- ■ Milton Keynes, Buckinghamshire
- ■ Northampton Central, Northamptonshire
- ■ Northampton Riverside, Northamptonshire
- ■ Oldbury, West Midlands
- □ Peterborough, Northamptonshire
- ■ Poole, Dorset
- ■ Portsmouth, Hampshire
- ■ Reading, Berkshire
- ■ Salford, Lancashire
- ■ Southampton, Hampshire
- □ Staines, Surrey
- □ Stevenage, Hertfordshire
- ■ Sunbury, Middlesex
- ■ Swindon, Wiltshire
- ■ Tonbridge, Kent
- ▒ Warrington, Cheshire
- ■ Wellingborough, Northamptonshire
- □ Wolverhampton, Staffordshire

■ Open Stores
□ Pipeline Stores
▒ New Stores in Period