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**LOK’NSTORE GROUP PLC  
(“Lok’nStore” or “the Group”)**

**Preliminary Results for the year ended 31 July 2020**

**Lok’nStore Group Plc,** a leading company in the UK self-storage market announces results for the year ended 31 July 2020.

**Highlights of Lok’nStore Group plc results 2020**

**Continued growth and strong new store opening programme**

**Resilient trading**

* Group Revenue £18.04 million up 6.44% (2019: £16.95 million)
* Group Adjusted EBITDA2 £9.65 million up 10.4% (2019: £8.75 million)
* Operating profit £5.79 million up 12.2% (2019: £5.16 million before exceptional items3)
* Store Management Fees £0.99 million up 21.4% (2019: £0.82 million)
* Occupancy up 5.9% (2019: 6.0%), pricing level
* Bad debt written off in year only 0.15% of Group Revenue (2019: 0.26%)

**Cash flow growth drives dividend increase – ninth consecutive year of growth**

* Cash available for Distribution (CAD)4 per share up 12.3% to 21.3 pence (2019: 18.9 pence)
* Annual dividend 13 pence per share up 8.3% (2019: 12 pence per share)

**Steady increase in asset value**

* Adjusted Total Assets5 £229.4 million up 6.8% on last year (2019: £214.7 million)
* Adjusted Net Asset Value6 per share up 4.7% to £5.56 (2019: £5.31)

**Conservative use of debt**

* Loan to value ratio7 19.3% (2019: 16.1%) net of cash
* Net debt of £38.3 million (2019: £29.3 million)
* Average cost of debt 1.69% (2019: 2.11%)
* £75 million bank facility extended by one year to April 2025

**Healthy pipeline of new landmark stores**8 **to deliver further growth**

* Pipeline9 of 14 new stores taking total stores to 49
* Secured Pipeline will add 40.1% to owned trading space and 32.5% to total portfolio

**Positive outlook**

* Revenue, profits and asset values all moving ahead
* Good growth since year- end, strategy unchanged

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

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

“This year Lok’nStore’s revenue, profits and asset values all moved ahead and trading since the year end has been good. We are raising the annual dividend by 8.3% to 13 pence per share, our ninth consecutive year of increasing dividends.

“14 new sites will add considerably to future sales and earnings growth, enabling further increases in dividends. Our strategy remains to open more landmark stores in an under-supplied market while maintaining a conservative balance sheet, leading to an exciting period of growth.”

**Enquiries:**

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| **Lok'nStore:**  Andrew Jacobs, Executive Chairman  Ray Davies, Finance Director | 01252 521 010 |
| **finnCap Ltd**  Julian Blunt / Giles Rolls, Corporate Finance  Alice Lane, ECM | 020 7220 0500 |
| **Camarco**  Billy Clegg / Tom Huddart | 0203 757 4980 |

**Notes - What we mean when we say … (and why we use these key performance indicators (KPIs))**

In addition to IFRS accounting performance measures we use some Alternative Performance Measures (APMs) to help us understand how the underlying business is performing. The following table identifies those measures and explains what we mean when we use them and importantly why we use them and what they tell you about our business and performance.

1. **Continuing Operations** – The Group’s document storage business was sold on 31 January 2019 and its disposal constitutes a discontinued operation. Separate reporting of discontinued operations is important in providing users of financial statements with the information necessary to determine the effects of a disposal on the ongoing continuing operations of our business. To ensure a clear separation of the financial performance of Continuing Operations, Discontinued Operations are shown separately on the Statement of Comprehensive Income as a profit on disposal (after tax) which combines operating profit with the profit arising on its disposal. The profit on discontinued operations is then aggregated with profit on continuing operations in determining the Group’s total profit for the year.
2. **Group Adjusted EBITDA** – **Earnings before interest, tax, depreciation and amortisation –** This measure strips away non-cash charges, finance charges and tax and now also reflects the removal of property lease costs from operating expenses as a result of the implementation of IFRS 16. 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.
3. **Exceptional 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 Financial Statements).
4. **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 also excludes the impact of IFRS16 and includes leasing charges as normal operating costs of each store, and gives clarity on the recurring operating cash flow of the business. This measure is designed to show 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 Distributionis set out in the Business and Financial Review.
5. **Adjusted Total Assets –** The value of adjusted total assets of £229.4 million (2019: £214.7 million) is calculated by adding the independent valuation of the leasehold properties of £16.7 million (2019: £18.7 million) less their corresponding net book value (NBV) £3.7 million (2019: £4.0 million) to the total assets in the Statement of Financial Position of £216.4 million (2019: £200.0 million). This provides clarity on the significant value of the leasehold stores as trading businesses which under accounting rules on leases are only presented at their book values within the Statement of Financial Position. Total assets now include the Right of Use Assets as a result of the implementation of IFRS 16 of £11.8 million. The comparative periods have been adjusted accordingly (2019: £13.0 million).
6. **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 year-end. The shares held in the Group’s employee benefits trust and treasury shares are excluded from the number of shares. The calculation of the Net Asset Value per share is set out in the Business and Financial Review.
7. **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 £38.3 million as set out in note 17 (2019: £29.3 million) as a percentage of the total properties independently valued by JLL and including development land assets of £29.9 million totalling £198.3 million (2019: £181.2 million) as set out in the Business and Financial Review.
8. **Average Cost of Debt**

The average cost of debt is calculated by taking the total interest paid on the Group’s Revolving Credit Facility in the quarterly/weekly charging periods throughout the year and taking an average based on the whole financial year. Apart from the Group’s Revolving Credit Facility the Group has no other debt.

1. **Pipeline** **Sites** – means sites for new stores that either we have exchanged contracts on or have agreed heads of terms and are progressing with our lawyers towards completion. We have 14 pipeline sites of which 10 are contracted and 4 are with lawyers. Leicester, which was included in the pipeline sites at 31 July 2020, opened in August 2020 after the year-end.
2. **Adjusted Store EBITDA** is Group Adjusted EBITDA (see 2 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.
3. **Gearing –** refers to the level of a company’s debt related to its [equity](http://www.investopedia.com/terms/e/equity.asp) capital, usually expressed in percentage form. It is a measure of a company’s financial [leverage](http://www.investopedia.com/terms/l/leverage.asp) and shows the extent to which its operations are funded by [lenders](http://www.investopedia.com/terms/l/lender.asp) versus shareholders. Gearing can be measured by a number of ratios and we use the debt-to-equity ratio in this document. The calculation of the gearing percentage, also referred to as the net debt to equity ratio is set out in Note 17 of the Financial Statements.
4. **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.
5. **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.
6. **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.

**See also the glossary**

**Chairman’s Statement**

I am delighted to be reporting on this solid set of results with Lok’nStore continuing to deliver on our commitment to sustainable growth.

The full-year results can be summarised as:

* **Strong operating performance resulting in revenue and adjusted EBITDA profit growth**
* **Pipeline of 14**9 **stores**
* **Growing asset value**
* **Increased dividend**
* **Continuing to invest in our landmark store opening programme**

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

Continued investor interest in the self-storage sector together with market transactions of self-storage operations underpins the value of our assets today and our strategy to open more landmark stores.

**Increased dividend**

The Board is confident in the strength of the business and capacity of the management team to trade effectively through this period, as demonstrated by these results, and accordingly deems it appropriate to continue to pursue the Group’s progressive dividend policy.

Lok’nStore’s increasing dividend payments to shareholders reflect the growth in the underlying Cash Available for Distribution (CAD) which is up 12.5% over the year.

For the ninth consecutive year, and in line with our stated aim to provide predictable dividend growth, we are proposing to increase the annual dividend by 1 pence per share. The Group will therefore pay a final dividend of 9 pence per share on 8 January 2021 following the interim dividend payment of 4 pence per share in June 2020 making a total annual dividend of 13 pence per share, up 8.33% from 12 pence last year. The dividend is well covered by the Cash Available for Distribution of 21.3 pence per share, a pay-out ratio of 61%.

The final dividend will be paid to shareholders on the register on 27 November 2020. The ex-dividend date will be 26 November 2020. The final deadline for Dividend Reinvestment Election by investors is 11 December 2020.

**Board changes**

On 3 August 2020 Lok’nStore Group announced the following Board changes, positioning the business for its next stage of growth. With effect from 1 August 2020:

* Neil Newman-Shepherd has been promoted to Managing Director. Neil has worked in the self-storage industry since 2003 and with Lok’nStore since 2006. Neil has served on the Lok’nStore Board since 2015 as Group Sales Director and will now take an increasing level of responsibility for the day to day operations of the Group’s business. Neil’s part in the success of Lok’nStore over recent years has been significant and we look forward to his continued contribution to our future growth.
* Andrew Jacobs became Executive Chairman and continues to manage the overall strategic direction and property aspects of Lok'nStore.
* Simon Thomas stepped down from his role as Non-Executive Chairman and now continues to serve as non-executive director. I would like to express my thanks to Simon Thomas for his many years support in the role of Chairman at Lok’nStore.

We were also delighted to welcome Jeff Woyda as an independent Non-Executive Director with effect from 1 September 2020. During his extensive and varied career Jeff has held a number of senior executive positions and is currently Chief Financial Officer and Chief Operating Officer of Clarkson plc, a FTSE 250 company and the world's leading provider of integrated shipping services and investment banking capabilities to the shipping and offshore markets.

**IFRS 16**

The Group has applied IFRS 16 for the first time this year. IFRS 16 introduces new requirements with respect to lease accounting by removing the distinction between operating and finance leases and requiring the recognition of a Right of Use Asset and a corresponding lease liability in the Statement of Financial Position.

The prior period financial comparatives contained within these statements have been restated to reflect the first-time adoption of IFRS 16 which changes previously reported EBITDA, interest and depreciation numbers in the Statement of Comprehensive Income. Further details of these restatements can be found in note 1.

Lok’nStore will continue to report on CAD which aims to look through the statutory accounts and give a clear picture of the ongoing ability of the Group to generate positive cash flow from the operating business that can be used to pay dividends to shareholders to pay down debt or to invest in new stores.

**Investment in our stores**

While we invested £12.0 million in sites and store development this year, we are able to report a year-end loan-to-value (LTV) ratio of only 19.3% (2019: 16.1%) and net debt of £38.3 million (2019: £29.3 million) (Refer to Note 17).

The Group continues to find high quality sites for new landmark stores. Trading at our new stores has been reassuring and this underpins our confidence that our secured pipeline of ten more landmark stores will add further momentum to sales and earnings growth, adding 48.0% more high quality trading space to our owned portfolio. We are on-site at Salford and will shortly be commencing development of our Warrington and Wolverhampton stores.

**Managed Stores**

Our growth strategy includes increasing the number of stores we manage for third party owners. This enables the Group to earn revenue without having to commit our capital, to amortise fixed central costs over a wider operating base and drive further traffic to our website which benefits our entire operation. We generated managed store income of c. £1.0 million this year, up 21.4% from the previous year.

Managed store income is generated from our existing platform and central management, resulting in a high effective profit margin. Our current pipeline includes an additional 4 managed stores which will take the total number of managed stores to 16.

**Our People**

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

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

We do this because it makes business sense and directly contributes to our strategic and operational objectives which are to:

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

**Coronavirus update**

On 11 March 2020 the World Health Organization declared a global pandemic which has profoundly altered the business landscape. The Board outlines below how it has dealt effectively with this unprecedented situation.

Although Self-Storage is a service business our facilities are not used intensively. Customer footfall is always comparatively low and our stores have only a few people in them at any given time, even under normal circumstances.

At Lok’nStore the health and safety of our customers and colleagues is our principal priority. To date the vast majority of our team members have remained well. Of the small number of colleagues who have had to self-isolate, either because they or someone they live with have shown symptoms, all have recovered and are back at work. We are also pleased to be able to report that no colleagues have been hospitalised due to the virus.

Many of our customers are providing critical services distributing medical and other essential supplies. We include the NHS, GP surgeries, care and home support services and government departments amongst our customers and we are proud to serve them at this difficult time.

Storage, logistics and transport are important parts of the distribution network and as such were not selected for closure by the Government, even at the peak of the crisis.  Our objective is to continue to keep our stores open so that our customers can continue to operate. All of our stores have remained open since the pandemic was declared and remain open at time of writing. You can read more about how we have maintained a Covid-19 safe environment in our Business and Financial Review.

**Robust liquidity and cash flow**

At 31 July 2020 the Group had cash balances of £13.1 million, which has since increased to £13.9 million at the date of this Report. The Group has a £75 million five-year revolving credit facility which, following a one-year extension executed during the year now runs until April 2025. This provides ample liquidity for the Group’s current needs. Cash balances combined with undrawn committed facilities at the year-end amounted to £36.7 million. The Group is not obliged to make any repayments on its loan facility prior to its expiration in April 2025.

Cash inflow from operating activities before investing and financing activities was £9.7 million in the year to 31 July 2020, and we continue to generate strong cash flows. Self-storage revenue was up 6.3% year-on-year.

The Group has a resilient business model with strong cash flows and a flexible and conservative debt structure. These features have served us well during the year enabling the business to continue to trade effectively, despite the challenges of the pandemic.

**Debt, IFRS 16 and bank covenants**

The average cost of bank debt on drawn facilities for the period was 1.69%. (2019: 2.11%).  All of the Group's total drawn bank debt of £51.3 million is unhedged, which means we have benefited immediately from the reduction in base lending rate during the year. At the date of this Report the Group’s current cost of debt is running at 1.56%.

Interest cover has remained very strong during the year and, based on the current quarter, is in excess of 7 times against a Group banking covenant of 2.5 times. At the period end our loan-to-value ratio based on net bank debt was 19.3% versus a covenant of 60% providing a large cushion against any unforeseen circumstances. Both the Loan to Value and Senior Interest covenants continue to be tested excluding the effects of IFRS 16.

**Capital Expenditure**

Self-storage benefits from the short lead time between breaking ground and store opening of only around 12 months. Despite our expanding pipeline of new stores, and with the completion of the Leicester store in August 2020, we are currently only on site in one location where we have purchased and are fitting-out the new store in Salford for an outlay of around £7.0 million. We intend to start building work on the Warrington site in November 2020. We have a high degree of flexibility regarding start dates for further building at other sites. We can therefore adapt and flex our development program to react to changing economic circumstances.

**Positive Outlook for Growth**

Our results for the financial year are robust and trading since the year end has been positive. This has all been achieved despite the current deeply unsettled external circumstances. With Lok’nStore’s resilient business model and flexible and conservative debt structure the Board is confident the Company 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

30 October 2020

**Strategic Report**

**The UK Self-Storage Market**

**The UK Self-Storage Market at a glance**

The Self-Storage Association UK Annual Industry Survey 2020 reports that the UK Self Storage industry is made up of 1,900 sites offering 49 million square feet of space.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Square Feet of Self Storage per head of Population | | | Annual Turnover of UK Self Storage Industry | Average Store Size |
| UK  0.7 | Australia  1.9 | US  9.4 | £766 million | 28,700 sq. ft. |
|  | | | 1% rise in occupancy across the industry in 2019 | Only 48% of people have a good awareness of self-storage |

Market overview

As reported in the Self-Storage Association UK (SSA UK) Annual Industry Survey 2020 the UK self-storage market continues to grow but remains under-developed relative to Australia and the US. In the UK there are an estimated 1,900 self-storage facilities providing 49 million square feet of storage space. With a population of 66.65 million people in the UK this equates to only 0.73 square feet per person compared to 9.44 square feet per person in the USA and 1.89 square feet in Australia. The UK has 41% of all European self-storage space.

The structure of the UK industry is changing. When the industry first emerged companies were predominately single owner sites often located in industrial areas but larger operators (defined as operators managing 10 or more sites), such as Lok’nStore, have recently been developing purpose built stores in retail facing locations offering customers a higher standard of product and service.

The main barriers to entry to the market remain the difficulty in finding and securing suitable sites as well as gaining the appropriate planning consents. As a result, according to the SSA UK, larger operators now own or manage around 30% of facilities which translates to 40% of market share in terms of revenue and space. Currently Lok’nStore is the 4th largest operator in the UK by number of stores.

Drivers of demand for self-storage

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

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

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

Lok’nStore’s Opportunity in the Market

The Self-Storage Association UK (SSA UK) Annual Industry Survey 2020 notes that public awareness of and demand for self-storage is increasing. We know that on average customers chose a store within 5 miles of their home or business. With a pipeline of 10 secured stores and a further 4 stores progressing through the acquisitions process, Lok’nStore is well placed to attract these customers and add further momentum to the growth of our sales and profits.

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

**Our Business Model:**

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

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| --- | --- | --- |
| **What we do** | **How we create value** | **Sharing value with our stakeholders** |
| * Buy (or lease) prominent sites * Build (or refurbish) landmark, highly visible orange storage centres * Offer clean, dry, secure storage to business and household customers * Offer managed storage services to third party owners | * Take a flexible approach to site selection * Increase our asset base * Careful cost control * Drive store EBITDA growth through a closely managed occupancy and pricing strategy * Earn fees from managing stores on behalf of others * Carefully balanced use of Leverage | Shareholders   * High quality earnings * Growing NAV * Progressive dividend policy   Customers   * Easy to locate stores * Friendly and high level customer service * Wide range of storage solutions * Transparent and open contracts   Our people   * Development opportunities through the Lok’nStore Academy * Uncapped bonus scheme for all * Share ownership plans * Strong health and safety approach |
| 36 UK Stores currently trading  (including 12 Managed Stores) | £18 million revenue | * 13 pence annual dividend per share * 5 Star customer reviews on trust pilot * £0.39 million (2019: £0.44 million paid out in bonuses to store teams |

Our strategy:

|  |  |  |
| --- | --- | --- |
| **Our objectives** | Achievements in 2020 | **Strategy in action** |
| **Steadily increase cash available for distribution (CAD) per share** | Cash Available for Distribution (CAD) per share up 12.3% to 21.28 pence (2019:18.95 pence). | 8.33 % increase in annual dividend to 13 pence per share. |
| Fill existing stores and improve pricing | We continued to improve our online visibility through evolution of our search engine strategy.  We focussed on developing our teams’ sales and customer service through the Lok’nStore Academy.  These actions resulted in a 4% increase in new customers over the year. Excluding the lockdown period, this would have increased 12.6% year on year. | Self-storage unit occupancy up 5.9%  Self-storage pricing broadly flat. |
| Acquire more sites to build new landmark stores | Leicester store opened immediately post year-end year - in prominent location.  10 stores in planning or development.  Planning permissions achieved at Warrington, Stevenage, Wolverhampton | Acquired a new site in Salford |
| Increase the number of stores we manage for third parties | Gloucester, and Oldbury managed stores opened during the year.  We have 4 managed store sites with lawyers. | Acquired 2 new sites for managed Stores in Chester and Kettering |

**Managing Director’s Review:**

|  |  |  |
| --- | --- | --- |
| Total Self-Storage Revenue up 6.1% | Adjusted Store EBITDA up 10.4% | Unit Occupancy up 5.9% |

“Improving operating performance and asset values.”

Neil Newman-Shepherd

Managing Director

Lok’nStore Group has delivered another excellent year successfully implementing on all of our strategic objectives. Revenue, profits and asset values have once again all moved ahead. Our large 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 with plenty of new capacity contributing to our growth over the coming years.

**Robust Trading**

Group revenue for the year was £18.04 million, up 6.44% year on year (2019: £16.95 million) driven by occupancy increases in both old and new stores. This revenue growth led to a 10.4% increase in Group Adjusted EBITDA.

* Total self-storage revenue £17.0 million up 6.1% (2019: £16.00 million)
* Adjusted Store EBITDA £9.59 million up 6.7% (2019: £8.99 million)
* Unit occupancy up 5.9% (2019: 6.0%)
* Unit pricing level

Total Adjusted Store EBITDA in self-storage, a key performance indicator of profitability and cash flow of the business, increased 6.7% to £9.59 million (2019: £8.99 million). The overall Adjusted EBITDA margin across all stores was higher at 56.1% (2019: 55.8%) with the Adjusted Store EBITDA margins of the freehold stores at 61.9% (2019: 61.8%) and the leasehold stores at 42.9% (2019: 43.1%).

Over the course of the year unit occupancy rose by a healthy 5.9% and unit pricing was level.

By the year-end we had 12 managed stores following the opening of the 2 new managed stores in Gloucester and Oldbury.

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 61.9% and 100% respectively versus 56.1% 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 45.1% of Lok’nStore owned trading space is freehold, 23.7% is leasehold and 31.2% is in managed stores.

Inevitably the leaseholds trade on lower margins due the rent payable, but nevertheless the 42.9% margins 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 76.8% (2019: 75.2%) of the Adjusted store EBITDA and account for 91.6% (2019: 89.7%) of valuations (including secured pipeline stores).

As we build out the current secured pipeline we will be operating from 54.8% freehold space, leasehold space will decline to 17.9% of space and managed stores will increase to 27.3% of total space operated.

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

**Portfolio Analysis and Performance Breakdown**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **When fully Developed** | |
| **Portfolio Analysis and Performance Breakdown** | **Number of stores** | **% of Valuation** | **% of Adjusted Store EBITDA** | **Adjusted Store EBITDA margin (%)** | **% lettable space** | **Number of Stores** | **Total % lettable space** |
| **As at 31 July 2020** |  |
| **Freehold** | 15 | 76.5 | 76.8 | 61.9 | 45.1 | 23 | 54.8 |
| **Leaseholds** | 8 | 8.4 | 23.2 | 42.9 | 23.7 | 8 | 17.9 |
| **Managed Stores** | 12 | – | – | 100 | 31.2 | 14 | 27.3 |
| **Total Stores Trading** | 35 | – | – | – | – | 45 | – |
| **Pipeline Stores** | **10\*** |  |  |  |  |  |  |
| **Owned** | 8 | 15.1 | – | – | – | – | – |
| **Managed Stores** | 2 | – | – | – | – | – | – |
| **Total Stores** | **45** | **100** | **100** | **56.1** | **100** | **45** | **100** |

\*Applies to the 10 contracted stores only.

In the table below we show how the performance breaks down across the stores, based on age of store. Clearly older stores have had more time to fill up and produced 67.4% EBITDAR margins. Over time as new stores and pipeline sites go through their life cycle they will progress towards similar margins, adding substantially to revenues and profits.

**Operating Performance at a glance (Lok'nStore owned stores only)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Weeks Old** | **Contracted**  **Pipeline** | **Under 100** | **100 to 250** | **over 250** | **Total** |
| **Year Ended 31 July 2020** |  |  |  |  |  |
| Sales £000 |  | 357 | 2,089 | 14,644 | 17,090 |
| Stores Adjusted EBITDA £'000 |  | (129) | 1,314 | 8,403 | 9,588 |
| **EBITDA Margin (%)** |  | **(36.2%)** | **62.9%** | **57.4%** | **56.1%** |
| Stores Adjusted EBITDAR £'000 |  | (129) | 1,314 | 9,870 | 11,055 |
| **EBITDAR Margin (%)** |  | **36.2%** | **62.9%** | **67.4%** | **64.7%** |
| As at 31 July 2020 ('000 sq. ft.) |  |  |  |  |  |
| **Maximum Net Area** | **476** | **193** | **49** | **945** | **1,542** |
| Freehold ('000 sq. ft.) | **355** | **193** | **49** | **537** | **1,134** |
| Short Leasehold ('000 sq. ft.) | **–** | **–** | **–** | **408** | **408** |
| **Number Stores** |  |  |  |  |  |
| Freehold | 8 | 2 | 3 | 10 | 23 |
| Short Leasehold | – | – | – | 8 | 8 |
| **Total Stores** | **8** | 2 | **3** | **18** | **31** |

Table covers Lok'nStore owned stores only.

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

**Ancillary Sales**

Ancillary sales which consist of boxes and packaging materials, insurance and other sales increased 5.1% (2019: 11.0%) over the year accounting for 11.0% of self-storage revenues (2019: 11.1%).

**Marketing**

New customers are typically drawn to Lok’nStore as a result of 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](http://www.loknstore.co.uk) is one of the most established self-storage websites in the UK.  The website delivers a high level of customer experience across desktop and mobile devices.  Any new development of the website begins with a mobile first focus. 60% of visits to the website in the year were from a mobile device, up 6% year on year. This is a very dynamic area and we are committed to its continued development.  We believe the internet provides a strong competitive advantage for the major operators such as Lok’nStore with relatively large marketing budgets.

**Pipeline of New Stores**

Against this background of ever improving operating performance we have invested £12.0 million (2019: £14.0 million) in new store development this year and we have a new store pipeline of 10 secured stores by the reporting date, which will take the total to 45 stores. These will all be purpose built landmark stores in highly prominent locations and will add substantially to the Group’s capacity for revenue, profit and asset growth. We have 4 further store acquisitions progressing through the legal process which will take the total to 49 stores.

**Our Covid-19 safe response**

Since March, we have been responding to the evolving guidance from the governments in England and Wales regarding the pandemic, as well as the guidelines issued by the Self-Storage Association. I am extremely proud of the way our teams across the business have met the challenge and adapted so well in an uncertain environment.

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

Many of our customers provide critical services distributing medical and other essential supplies. We include the NHS, GP surgeries, care and home support services and government departments amongst our customers and we are proud to provide them with an efficient service at this difficult time.

Management reacted swiftly earlier in the year in response to the crisis with a comprehensive range of key measures undertaken for colleagues and customers alike.

Here is a summary of the key measures we have taken:

For our colleagues

* Colleagues have been provided with PPE including face masks, visors and hand sanitiser.
* Our stores have been fitted with Perspex safety screens on desks and clear Covid-19 signage.
* During lockdown, we reduced store opening hours and store colleagues worked reduced hours, with no loss of pay.
* We have paid our team members and directors as normal, including those working reduced hours or self-isolating.
* All bonus systems remained unchanged so colleagues still had the opportunity to increase their earning potential.
* 8 out of 167 team members had a period of furlough during which Lok’nStore maintained their salary at its normal level. All of these employees were furloughed to enable them, where necessary, to either shield or care for someone shielding.
* Most of our team members come to our stores by car, by bike or walking. For the small number of colleagues who rely on public transport we have worked with them to find alternative methods.
* We are in regular communication with our store colleagues, updating them on the latest advice from Public Health England and the Government. We have also put in place contingency plans around reduced staffing levels to cope with increased absences as a result of self-isolation or illness.

For our customers

* All of our stores have remained open since the 23 March 2020.
* We remain vigilant with our daily cleaning programme and our staff have intensified cleaning of the most commonly touched areas and of shared equipment such as trolleys.
* New customers can access our reception areas one at a time to ensure strict social distancing guidelines wearing a face covering.
* Existing customers are still able to access their storage units as normal without any face to face contact with our team members.
* Customers can still communicate with our friendly teams by telephone, email or live chat.
* Where a customer has approached us with a short-term financial burden, we have worked with them to find a mutual solution.
* To further support our customers from the 20 March 2020 no new storage rate reviews have been issued to customers until further notice.

**Future**

Lok’nStore has a resilient business model and has had an excellent year, successfully implementing our strategic objectives; trading has remained strong since the year- end. That all of this has been achieved in the face of the current deeply unsettled external circumstances is all the more pleasing and a tribute to all involved.

Against the background of a strong performance from our existing stores, we have a current pipeline of 14 new stores which will add considerable momentum to sales and earnings growth in the future.

Neil Newman-Shepherd

Managing Director

30 October 2020

**Property review**

**Store and portfolio strategy**

Each of our operating stores is a profitable unit in its own right. Therefore, our strategy is to continue to increase the number of stores we operate without stretching our balance sheet. The core focus of this strategy is the acquisition of highly prominent freehold locations in busy towns and cities in England where we will build well branded landmark stores.

**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 value. This includes strengthening our distinctive brand, increasing the size and number of our stores and replacing stores or sites where it will increase shareholder value.

We prefer to own freeholds if possible, and where opportunities arise, we will seek to acquire the freehold of our leasehold stores. However, we are happy to take leases on appropriate terms and benefit from the advantages of a lower entry cost, with further options to create value later in the store’s development. We also consider selling established stores on sale and manage back contracts in order to recycle the capital and protect the balance sheet. 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.

As at 31 July 2020, Lok'nStore operated 35 stores. Of these Lok'nStore owns 15 freehold stores and 8 stores are held under commercial leases. All of our leasehold stores are inside the Landlord and Tenant Act providing us with a strong security of tenure. 12 further sites operate under management contracts. The opening of Leicester immediately post year-end takes the number of trading stores at the date of this Report to 36.

The average unexpired term of the Group’s leaseholds is approximately 9 years and 7 months as at 31 July 2020.

**Store pipeline**

* 4 new store opportunities identified and are progressing with lawyers
* 10 contracted stores are under development of which 8 will be owned freehold by Lok’nStore and 2 will be managed stores
* Current Pipeline of 10 contracted stores adds 32.5% of extra trading space to the overall portfolio, 40.1% to our owned portfolio and 15.9% to the managed portfolio

**Growth from new stores and more new 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.

Here is a summary of our current contracted pipeline;

**Bedford** – Planning application in process

**Bournemouth** - Planning application in process

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

**Chester -** Planning application in process

**Kettering** – Design in process

**Leicester – Opened** August 1st 2020 post balance sheet

**Salford – On site.** The store is due to open in April 2021.

**Stevenage –** Planning permission granted

**Warrington** - Planning permission granted. We aim to be onsite in November 2020

**Wolverhampton** - Planning permission has been granted. We aim to be onsite towards the end of 2020

**Managed Stores**

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 all 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.

Under a managed store contract Lok’nStore receives a standard monthly management fee based on revenue, a performance fee based on certain objectives and fees on a successful exit. We also charge acquisition, planning and branding fees. This enables the Group to earn revenue from our expertise and knowledge of the self-storage industry without committing our capital, to amortise fixed central costs over a wider operating base and drive further traffic to our website which benefits our entire operation.

All of the operating expenses of the store are paid for by the third party out of the store revenue with Lok’nStore receiving various fees and performance bonuses. This strategy improves the risk adjusted return of the business by increasing the operating footprint, revenues and profits without committing capital.

Following the managed store opening of Gloucester in February 2020 and Oldbury in June 2020, we now have twelve stores trading under management contracts at 31 July 2020. Chester and Kettering are in the design stage and will add a further two stores to the managed store portfolio.

We generated managed store income of £991,298 this year, up 21.4% (2019: £816,676) from the previous period. We expect this to continue increasing steadily over the coming years as more managed stores are opened.

**New Store pipeline**

As at 31 July 2020, we have 10 new stores secured in our Current Pipeline9. All 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.

When this contracted development pipeline of 10 sites has been completed Lok’nStore will operate from 45 stores including 14 managed stores. In addition, 3 further new store opportunities are progressing with lawyers. The 10 secured pipeline sites represent a combination of 8 owned and 2 managed stores. These will add 561,497 sq. ft. of new capacity adding 61.1% to freehold trading space and 15.9% to the managed store portfolio delivering a 32.5% increase in overall trading space.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Analysis of Stores** | **No of** | **Stores** | **Pipeline** | **Pipeline** | **Pipeline** |
| **As at 31 Jul 2020** | **Stores** | **Trading** | **Total** | **Secured** | **With lawyers** |
|  |  |  |  |  |  |
| **Freehold (JLL)** | **15** | 15 |  |  |  |
| **Leaseholds (JLL)** | **8** | 8 |  |  |  |
| **Pipeline (Freehold)** | **9** |  | 9 | 8 | 1 |
| **Pipeline (Leasehold)** | **1** |  | 1 |  | 1 |
| **Managed Stores (Trading)** | **12** | 12 |  |  |  |
| **Managed Stores (Pipeline)** | **4** |  | 4 | 2 | 2 |
| **Total** | **49** | 35 | 14 | 10 | 4 |

**Growing Store property assets and Net Asset Value**

* Adjusted Total Assets £229.4 million5 up 6.8% on last year (2019: £214.7 million)
* Adjusted Net Asset Value of £5.56 per share up 4.7% on last year (2019: £5.31 per share)

Lok’nStore has a strong and growing asset base. Our freehold and leasehold stores have been independently valued by Jones Lang LaSalle (JLL) at £168.4 million (Net Book Value (NBV) £56.6 million) as at 31 July 2020 (2019: £162.7 million: NBV £57.9 million). The change in property valuation is referred to further in the Financial Review section of the Strategic Report and is detailed in note 11b of the notes to the financial statements.

Adding our stores under development at cost and land and buildings held at director valuation, our total property valuation is £200.2 million (2019: £183.7 million). The increase in the values of properties which were also assessed by JLL last year was 3.5% (2019: 9.1%).

**Financial Review:**

* Group Revenue £18.04 million up 6.44 % (2019: £16.95 million)
* Group Adjusted EBITDA2 (£9.65 million up 10.4% (2019 Restated: £8.75 million)
* Operating profit (before exceptional items3) £5.79 million up 12.2% (2019: £5.16 million)
* Cash available for Distribution (CAD)4 £6.17 million up 12.5% (2019: £5.49 million)
* Final proposed dividend up 8.0% to 9.0 pence per share (2019: 8.33 pence per share)
* Cash balances £13.1 million (2019: £13.7 million)

Lok’nStore is a robust business which generates an increasing cash flow from its strong asset base with a low LTV of 19.3% and a low average cost of debt of 1.69%. The value of the Group’s property assets underpins a flexible business model with stable and rising cash flows and low credit risk giving the business a firm base for growth.

**IFRS 16**

The Group has applied IFRS 16 for the first time in this financial year. IFRS 16 introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a Right of Use Asset and a corresponding lease liability in the Statement of Financial Position.

The prior year financial comparatives contained within these statements have been restated to reflect the first-time adoption of IFRS 16 which changes previously reported EBITDA, interest and depreciation numbers in the Statement of Comprehensive Income. Further details of these restatements can be found in note 1.

Lok’nStore will continue to report on the Cash available for Distribution (CAD) which aims to look through the statutory accounts and give a clear picture of the ongoing ability of the Company to generate positive cash flow from the operating business that can be used to pay dividends or pay down debt. As mentioned above CAD was up 12.5% for the year.

Both the Loan to Value and Senior Interest covenants set out in our bank facility agreements continue to be tested excluding the effects of IFRS 16. For covenant calculation purposes, debt / LTV will continue to exclude Right of Use Assets and the corresponding lease liabilities created by IFRS 16. Operating lease costs will continue to be a deduction in the calculation of EBITDA, in accordance with the accounting principles in force prior to 1 January 2019, when testing the Senior Interest covenant.

**Extension of existing £75 million Banking Facility to April 2025**

The Group has agreed a one-year extension on its existing joint banking facility with Royal Bank of Scotland plc and Lloyds Bank plc. The £75 million five-year revolving credit facility which was executed last year included an extension option which has now been implemented.

The interest rate margin is set at the London Inter-Bank Offer Rate (LIBOR) plus 1.50%–1.75% based on a loan to value covenant test. This rate is 1.50% currently and our current all in debt cost on £51.3 million drawn is averaging 1.6%-1.7%.

The facility which was due to expire in April 2024, will now run until April 2025 providing funding for more landmark site acquisitions. The facility includes an accordion agreement to borrow a further £25 million in the future not yet committed.

Bank covenants and margin are unaffected by this extension of term.

**Management of interest rate risk**

* Average cost of debt 1.69% (2019: 2.11%)

With £51.3 million of gross debt currently drawn against the £75 million bank facility the Group is not committed to hedging but will keep the matter under review. It is not the intention of the Group to enter into any hedging arrangement at this timegiven our low level of net debt, low loan to value ratio and high interest cover.

**Earnings per share**

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

|  |  |  |
| --- | --- | --- |
|  | **Group**  **2020**  **£’000** | Group  2019  £’000  Restated\*\* |
| Profit for the financial year – Continuing Operations | **2,974** | 3,161 |
| Profit for the financial year – Discontinued Operations | **–** | 2,182 |
| Total profit for the financial year attributable to owners of the parent | **2,974** | 5,343 |
|  |  |  |
|  | **2020**  **No. of shares** | 2019  No. of shares |
| Weighted average number of shares |  |  |
| For basic earnings per share | **28,976,967** | 28,921,229 |
| Dilutive effect of share options1 | **517,257** | 481,848 |
| For diluted earnings per share | **29,494,224** | 29,403,077 |

|  |  |  |
| --- | --- | --- |
| **Earnings per share** | **Group**  **2020**  **pence** | Group  2019  pence |
|  |  | Restated\*\* |
| **Basic** |  |  |
| Continuing Operations | **10.26p** | 10.93p |
| Discontinued Operations | **–** | 7.55p |
| Total basic earnings per share | **10.26p** | 18.48p |
| **Diluted** |  |  |
| Continuing Operations | **10.08p** | 10.75p |
| Discontinued Operations | **–** | 7.42p |
| Total diluted earnings per share | **10.08p** | 18.17p |

\*\* details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

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

Basic earnings per share were 10.26 pence (2019: 18.48 pence per share - restated) and diluted earnings per share were 10.08 pence (2019: 18.17 pence per share - restated).

On a normalised basis stripping out the contribution from the Saracen business and the corresponding profit on disposal in 2019, basic earnings per share for the continuing operations were 10.26 pence (2019: 10.93 pence per share - restated) and diluted earnings per share were 10.08 pence (2019: 10.75 pence per share - restated).

**Costs - Continuing Operations**

* Group operating costs amounted to £8.26 million for the year (2019: Restated £8.02 million) up by 3.0%.
* Cost ratio13 reduced further to 45.8% (2019 Restated: 47.3%)

We have a strong record of disciplined control of our group operating costs. In the year operating costs (stripping out the IFRS 16 effect of the property lease costs) were up 3% year-on-year. Group operating costs amounted to £8.26 million for the period, a 3.0% increase year on year (2019 Restated: £8.02 million) and we provide a breakdown below.

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

Property costs are our largest cost category and increased by 9.2%. These costs mainly constitute rent and rates and have risen in recent years as we felt the effects of higher rates bills and as we opened our new landmark stores which are generally larger. Staff costs increased by 2.1% as we staffed the new stores and paid performance bonuses to all our store colleagues.

The decrease in overhead costs is principally due to a lower level of legal and professional costs related to work on rent reviews, corporate tax and compliance work and costs arising on aborted store acquisitions compared to the previous year.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Group Costs** | **Increase (decrease)**  **in costs %** |  | **Year ended**  **31 July 2020**  **£’000** |  | Year ended  31 July 2019  £’000  Restated\*\* |
| Property costs | 9.2 |  | **4,392** |  | 4,022 |
| IFRS 16 restatement – leases | 8.2 |  | **(1,467)** |  | (1,356) |
| Restated property and premises costs | 9.7 |  | **2,925** |  | 2,666 |
| Staff costs | 2.1 |  | **4,196** |  | 4,111 |
| Overheads | (8.4) |  | **1,139** |  | 1,244 |
| Total | 3.0 |  | **8,260** |  | 8,021 |

**Cash flow and financing**

At 31 July 2020 the Group had cash balances of £13.1 million (2019: £13.7 million). Cash inflow from operating activities before investing and financing activities was £9.7 million (2019: £9.5million).

As well as using cash generated from operations to fund some capital expenditure, the Group has a £75 million five year revolving credit facility which runs until April 2025. This provides sufficient liquidity for the Group’s current needs. Undrawn committed facilities at the year-end amounted to £23.7 million (2019: £32.0 million).

Cash plus undrawn committed facilities amounts to £36.8 million leaving the business with plenty of headroom to keep acquiring and building new landmark stores. The bank facility has a further £25 million accordion not yet committed.

**Strong cash flow supports 8.33% annual dividend increase**

* Annual dividend 13 pence per share up 8.33% (2019: 12 pence per share)
* Cash Available for Distribution (CAD) of 21.28 pence per share (2019: 18.95 pence per share)

**Cash available for Distribution (CAD) up** 12.5**%** **from Continuing Operations**

Cash available for Distribution (CAD) provides a clear picture of ongoing cash flow available for dividends or debt repayment. The CAD was up 12.5% in the year compared to last year.

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

|  |  |  |
| --- | --- | --- |
| **Analysis of Cash Available for Distribution (CAD)**  **Based on Continued Operations** | **Group**  **Year ended**  **31 July 2020**  **£’000** | Group  Year ended  31 July 2019  Restated\*\*  £’000 |
| Group Adjusted EBITDA  (per Statement of Comprehensive Income) | **9,654** | 8,749 |
| IFRS 16 restatement – leases | **(1,468)** | (1,356) |
| Less: Net finance costs paid1 | **(1,046)** | (903) |
| Capitalised maintenance expenses | **(110)** | (99) |
| New Works Team | **(89)** | (90) |
| Current tax (note 8) | **(768)** | (811) |
| Total deductions | **(3,481)** | (3,259) |
| **Cash Available for Distribution** | **6,173** | 5,490 |
|  |  |  |
| **Increase in CAD over last year** | **12.5%** | 8.8% |
|  |  |  |
|  | **Number** | Number |
| Closing shares in issue (less shares held in EBT) | **29,010,078** | 28,960,574 |
| CAD per share (annualised) | **21.28p** | 18.95p |
| **Increase in CAD per share over last year** | **12.3%** | 8.8% |
|  |  |  |

\*\* details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

1 Net finance costs represent finance costs paid per the cash flow statement of £1.07 million less bank interest received £0.03 million to give the true cash flow effect.

**Gearing**11 **(excluding IFRS16 lease liabilities)**

At 31 July 2020 the Group had £51.3 million of gross bank borrowings (2019: £43.0 million) representing gearing of 31.3% (2019: 25.0%) on net debt of £38.3 million (2019: £29.3 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 28.3% (2019: 22.2%). After adjusting for the deferred tax liability carried at year-end of £26.8 million gearing drops to 23.6% (2019: 19.0%).

**Gearing**11 **(including IFRS16 lease liabilities)**

At 31 July 2020 the Group had £51.3 million of gross bank borrowings (2019: £43.0 million) and £12.5 million of lease liabilities (2019: £13.7 million) representing gearing of 41.8% (2019: 36.8%) on net debt of £50.7 million (2019: £42.9 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 37.7% (2019: 32.7%). After adjusting for the deferred tax liability carried at period end of £26.8 million gearing drops to 31.5% (2019: 27.9%).

**Capital expenditure**

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

Capital expenditure during the period totalled £12 million (2019: £14.0 million). This was primarily the completions of the Stevenage and Salford acquisitions, deposits paid on the Warrington, Chester and Kettering sites, together with ongoing construction and fit out works at our site in Leicester. There was also planning and pre-development works at our Wolverhampton, Bedford, Bournemouth, Stevenage and Cheshunt sites. The figure includes £382,190 of capitalised interest in respect of the development sites.

The Group has capital expenditure contracted but not provided for in the financial statements of £2.97 million (2019: £5.56 million). We carefully evaluate the ongoing economic and trading position before making any further capital commitments.

**Purchase of treasury shares:** The Group did not buy or sell any treasury shares during the year. We are proposing to renew our ongoing authority to buy back shares at this year’s AGM to ensure the Group continues to have flexibility to make purchases should it be considered to be in the best interests of shareholders to do so.

Post-year-end, on 25 September 2020, Lok'nStore, bought back 8,000 ordinary shares of 1p each in the market at a price of 519.0 pence per Ordinary Share. On 2 October 2020 Lok'nStore bought back 29,972 ordinary shares of 1p each in the market at a price of 517.5 pence per Ordinary Share.

Following the Buyback, the issued share capital of the Company is 29,641,559 Ordinary Shares of which the 37,972 Ordinary Shares acquired are now held in treasury. The total number of voting rights in the Company, excluding Treasury shares will therefore be 29,603,587. (Refer note 31 - Events after the Reporting Date).

**Strong balance sheet, efficient use of capital, conservative level of debt**

* Revolving Credit Facility (RCF) £75 million with accordion up to £100 million
* £12.0 million invested in new store pipeline (2019: £15.1 million14)
* Net debt £38.3 million (2019: £29.3 million)
* Loan to Value Ratio (LTV) net of cash 19.3% (2019: 16.1%)
* Cost of debt averaged 1.69% in the year (2019: 2.21%) on £51.3 million drawn (2019: £43.0 million)

14 Including purchase of the The Box Room (Self-Storage) Limited for £1.13 million in cash.

Lok’nStore is a robust business with an excellent credit model, low debt and gearing and which is strongly cash generative from an increasing asset base. Its increased bank facilities at low rates of interest position the business well for the future.

**Statement of Financial Position**

Net Group assets at the year-end were £121.4 million up 4.1% (2019 Restated: £116.6 million). Freehold properties were independently valued at 31 July 2020 at £151.7 million up 5.3% (2019: £144.0 million). Please refer to the table of property values below.

The Parent Company’s net assets have increased as a result of the dividend of paid up from Lok’nStore Limited, the principal operating business.

**Taxation**

The Group has made a current tax provision against earnings in this period of £0.92 million (2019: £0.81 million) based on a corporation tax rate of 19% (2019: 19%). The deferred tax provision which used to be calculated at forward corporation tax rates of 17% is now calculated at the substantively enacted corporation tax rate and has therefore reverted to 19%. The deferred tax provision is substantially a tax provision against the potential crystallisation (sales) of revalued properties and past ‘rolled over’ gains amounts to £26.8 million. (2019: £22.4 million). (See Note 20).

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

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

Our fifteen freehold properties are held in the statement of financial position at fair value and have been valued by JLL. Refer to note 11(b) – property, plant and equipment and also to the accounting policies for details of the fair value of trading properties.

The valuations of the leasehold stores held as leases are not taken onto the statement of financial position. However, these have also been valued and these valuations have been used to calculate the Adjusted Net Asset Value position of the Group. The value of our leases in the valuation totals £16.73 million (2019: £18.73 million) and we have reported by way of a note the underlying value of these leasehold stores in our revaluations and adjusted our Net Asset Value (NAV) calculation accordingly to include their value. This ensures comparable NAV calculations.

A deferred tax liability arises on the revaluation of the properties and on the rolled-over gain arising from the disposal of some trading stores. It is not envisaged that any tax will become payable in the foreseeable future on these disposals due to the availability of rollover relief. It is not the intention of the Directors to make any significant disposals of operational stores, although individual disposals may be considered where it is clear that added value can be created by recycling the capital into other store opportunities.

The Board will continue to commission independent valuations on its trading stores annually to coincide with its year-end reporting.

**Analysis of Total Property Value**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **No of stores/sites** | **31 July 2020 Valuation**  **£** | No of stores/sites | 31 July 2019 Valuation  £ |
| Freehold stores valued by JLL1 | **15** | **151,675,000** | 15 | 144,000,000 |
| Short leasehold stores valued by JLL2 | **8** | **16,725,000** | 8 | 18,725,000 |
| Freehold land and buildings at Director valuation 3 | **1** | **1,931,457** | 1 | 2,509,070 |
| Subtotal | **24** | **170,331,457** | 24 | 165,234,070 |
| Sites in development at cost4 | **10** | **29,884,683** | 6 | 18,441,750 |
| **Total** | **34** | **200,216,140** | 30 | 183,675,820 |

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

2 The eight leaseholds valued by JLL are all within the terms of the Landlord and Tenant Act (1954) giving a degree of security of tenure. The average length of the leases on the leasehold stores valued was 9 years and 7 months at the date of the 2020 valuation (2019 valuation: 11 years and 0 months).

3 For more details refer note 11b - Directors valuation

4 Includes £382,190 (31.07.2019: £332,326) of capitalised interest during the year.

Total freeholds account for 91.6% of property valuations (2019: 89.8%).

**Increase in Adjusted Net Asset Value per Share**

* Adjusted Net Asset Value per shareup 4.7% to £5.56 (2019 Restated: £5.31)

Adjusted Net Assets per Share are the net assets of the Group adjusted for the valuation of leasehold stores and deferred tax divided by the number of shares at the year-end.

The shares currently held in the Group’s employee benefits trust (own shares held) and in treasury (zero) are excluded from the number of shares.

At July 2020, the Adjusted Net Asset Value per share (before deferred tax) increased 4.7% to £5.56 from £5.31 last year. This increase is a result of higher property values on our existing stores as the strength of our landmark stores is recognised, combined with cash generated from operations less dividend payments, offset in part by an increase in the shares in issue due to the exercise of a small number share options during the year.

|  |  |  |
| --- | --- | --- |
| **Analysis of Adjusted Net Asset Value (NAV)** | **Group**  **31 July**  **2020**  **£’000** | Group  31 July  2019  (Restated\*\*)  £’000 |
| Net assets  Adjustment to include short leasehold stores at valuation  Add: JLL leasehold stores valuation  Deduct: leasehold properties and their fixtures and fittings at NBV | **121,382**  **16,725**  **(3,707)** | 116,550  18,725  (3,905) |
|  | **134,400** | 131,370 |
| Deferred tax arising on revaluation of leasehold properties1 | **(2,473)** | (2,519) |
| Adjusted net assets | **131,927** | 128,851 |
| Shares in issue | **Number**  **(‘000s)** | Number  (‘000s) |
| Opening shares in issue  Shares issued for the exercise of options | **29,584**  **49** | 29,499  85 |
| Closing shares in issue  Shares held in EBT | **29,633**  **(623)** | 29,584  (623) |
| Closing shares for NAV purposes | **29,010** | 28,961 |
| Adjusted Net Asset Value per share after deferred tax provision | **£4.55** | £4.45 |
|  |  |  |
| **Adjusted Net Asset Value per share before deferred tax provision** | **Group**  **31 July**  **2020**  **£’000** | Group  31 July  2019  Restated\*\*  £’000 |
| Adjusted net assets | **131,927** | 128,851 |
| Deferred tax liabilities and assets recognised by the Group | **26,760** | 22,385 |
| Deferred tax arising on revaluation of leasehold properties1 | **2,473** | 2,519 |
| Adjusted net assets before deferred tax | **161,160** | 153,755 |
| Closing shares for NAV purposes | **29,010** | 28,961 |
| Adjusted Net Asset Value per share before deferred tax provision | **£5.56** | £5.31 |

\*\* details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

1 A deferred tax adjustment in respect of the uplift in the value of the leasehold properties has been included, calculated by applying a tax rate of 19% (2019: 17%). 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.

**Summary**

Lok’nStore Group operates within the UK self-storage sector which is still relatively immature. With a low loan to value and flexible bank facilities through to 2025 this market presents an excellent opportunity for further growth of the business. Recently opened landmark stores and our strong pipeline of more landmark stores demonstrate the Group’s ability to use those strengths to exploit the opportunities available.

**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 and more information on these can be found on page ●.

**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 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**

|  |  |
| --- | --- |
| **The Board** | |
| Reviews Risk Register in full twice a year  Considers specific risk areas as raised by the Executive Board | |
| **Executive Board Committee** | |
| 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) | |
| **Capex Committee** | **Property Risk Committee** |
| Meets Monthly  Manages proposed capital expenditure, actual spend, rolling capex requirements | Meets Periodically  Considers:  Risks associated with properties including Health and Safety  Environmental Impact |

**Principal Risks**

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

|  |  |  |
| --- | --- | --- |
| **Risk** | **Description** | **Key mitigation** |
| *Interest Rate and Liquidity Risk* | The main risks arising from the Group’s financial instruments are interest rate risk and liquidity risk (for details please see note 17). | * 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 predominately located in the affluent South of England and therefore not exposed to overseas/international/currency risks etc. * Strong operational management teams with the skills, experience and motivation to continue to drive operational performance. |
| *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 strong 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 (for further information see ●). * Intranet for improved communications. * Established Employee rewards program. |
| *IT System Breach* | A breach of our IT systems might adversely affect the operations of the business and our reputation. | * Strong and regularly reviewed IT security systems. * Well communicated policies and procedures for handling and managing a systems breach. |
| *Covid-19 Risk* | A spread of the virus and social protection measures introduced by Government may adversely affect the operations and financial performance of the business and adversely impact on the health of staff. | * Please refer to our Covid-19 Group Response section in the Managing Director’s Review |

**Consolidated Statement of Comprehensive Income**

For the year ended 31 July 2020

|  |  |  |  |
| --- | --- | --- | --- |
|  | Notes | **Group**  **Year ended**  **31 July 2020**  **£’000** | Group  Year ended  31 July 2019  (Restated\*\*)  £’000 |
| **Revenue** | 2 | **18,041** | 16,950 |
|  |  |  |  |
| **Total property, staff, distribution and general costs** | 3a | **(8,387)** | (8,201) |
| **Adjusted EBITDA1** |  | **9,654** | 8,749 |
| Amortisation of intangible assets |  | **–** | (83) |
| Depreciation | 6 | **(3,779)** | (3,461) |
| Equity settled share based payments |  | **(88)** | (46) |
|  |  | **(3,867)** | (3,590) |
| Profit on sale of land at store | 3(c) | **–** | 295 |
| Costs of sale and manage-back of Crayford store | 3(c) | **–** | (54) |
| Deferred financing on bank loan written off | 3(c) | **–** | (133) |
|  |  | **–** | 108 |
|  |  | **(3,867)** | (3,482) |
| **Operating profit** |  | **5,787** | 5,267 |
|  |  |  |  |
| Finance income | 4 | **29** | 31 |
| Finance cost | 5 | **(1,126)** | (926) |
|  |  |  |  |
| **Profit before taxation** |  | **4,690** | 4,372 |
| Income tax expense | 8 | **(1,716)** | (1,211) |
| Profit for the period from continuing operations |  | **2,974** | 3,161 |
| Profit for the period from discontinued operations | 12 | **–** | 2,182 |
|  |  |  |  |
| **Profit for the period** |  | **2,974** | 5,343 |
|  |  |  |  |
| **Profit attributable to:** |  |  |  |
| Owners of the parent | 24a | **2,974** | 5,343 |
|  |  |  |  |
| **Other Comprehensive Income** |  |  |  |
| Items that will not be reclassified to profit and loss |  |  |  |
| Increase in property valuation |  | **8,849** | 13,765 |
| Deferred tax relating to change in property valuation |  | **(3,602)** | (2,327) |
| **Other comprehensive income** |  | **5,247** | 11,438 |
|  |  |  |  |
| **Total comprehensive income for the period** |  | **8,221** | 16,781 |

|  |  |  |  |
| --- | --- | --- | --- |
| Attributable to:  Owners of the parent |  | **8,221** | 16,781 |

**Consolidated Statement of Comprehensive Income**

For the year ended 31 July 2020

|  |  |  |  |
| --- | --- | --- | --- |
| **Earnings per share attributable to owners of the Parent** |  | **Group**  **Year ended**  **31 July 2020**  **£’000** | Group  Year ended  31 July 2019  (Restated\*\*)  £’000 |
| **Basic** | 10 |  |  |
| Continuing operations |  | **10.26p** | 10.93p |
| Discontinued operations |  | – | 7.55p |
| Total basic earnings per share |  | **10.26p** | 18.48p |
|  |  |  |  |
| **Diluted** | 10 |  |  |
| Continuing operations |  | **10.08p** | 10.75p |
| Discontinued operations |  | – | 7.42p |
| Total diluted earnings per share |  | **10.08p** | 18.17p |

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

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

**Consolidated Statement of Changes in Equity**

For the year ended 31 July 2020

**Attributable to owners of the Parent**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Share**  **capital**  **£’000** | **Share**  **premium**  **£’000** | **Other**  **reserves**  **£’000** | **Revaluation**  **reserve**  **£’000** | **Retained**  **earnings**  **£’000**  **Restated**\*\* | **Total**  **equity**  **£’000**  **Restated**\*\* |
| **31 July 2018** | **295** | **10,350** | **8,363** | **64,899** | **19,344** | **103,251** |
| Effect of new accounting standard – IFRS 16 | – | – | – | – | (389) | (389) |
| As at 1 August 2018 – restated | 295 | 10,350 | 8,363 | 64,899 | 18,955 | **102,862** |
| Profit for the year | – | – | – | – | 5,343 | **5,343** |
| Other comprehensive income: |  |  |  |  |  |  |
| Increase in property valuation net of deferred tax | – | – | – | 11,438 | – | **11,438** |
| Total comprehensive income for the year | – | – | – | 11,438 | 5,343 | **16,781** |
| Transactions with owners: |  |  |  |  |  |  |
| Dividend paid | – | – | – | – | (3,279) | **(3,279)** |
| Share based payments | – | – | 46 | – | – | **46** |
| Transfers in relation to share based payments | – | – | (51) | – | 51 | **–** |
| Deferred tax relating to share options | – | – | (1) | – | – | **(1)** |
| Exercise of share options | 1 | 140 | – | – | – | **141** |
| Total transactions with owners | 1 | 140 | (6) | – | (3,228) | **(3,093)** |
| Reserve transfer on disposal of assets | – | – | – | (4,927) | 4,927 | **–** |
| Transfer additional dep’n on revaluation net of deferred tax | – | – | – | (304) | 304 | **–** |
| **31 July 2019** | **296** | **10,490** | **8,357** | **71,106** | **26,301** | **116,550** |
|  |  |  |  |  |  |  |
| Profit for the year | – | – | – | – | 2,974 | **2,974** |
| Other comprehensive income: |  |  |  |  |  |  |
| Increase in property valuation net of deferred tax | – | – | – | 5,247 | – | **5,247** |
| Total comprehensive income for the year | – | – | – | 5,247 | 2,974 | **8,221** |
| Transactions with owners: |  |  |  |  |  |  |
| Dividend paid | – | – | – | – | (3,572) | **(3,572)** |
| Share based payments | – | – | 88 | – | – | **88** |
| Transfers in relation to share based payments | – | – | (14) | – | 14 | **–** |
| Deferred tax relating to share options | – | – | 24 | – | – | **24** |
| Exercise of share options | 1 | 70 | – | – | – | **71** |
| Total transactions with owners | 1 | 70 | 98 | – | (3,558) | **(3,389)** |
| Reserve transfer on disposal of assets | – | – | – | – | – | **–** |
| Transfer additional dep’n on revaluation net of deferred tax | – | – | – | (378) | 378 | **–** |
| **31 July 2020** | **297** | **10,560** | **8,455** | **75,975** | **26,095** | **121,382** |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

**Company Statement of Changes in Equity**

For the year ended 31 July 2020

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Share**  **capital**  **£’000** | **Share**  **premium**  **£’000** | **Retained**  **earnings**  **£’000** | **Other**  **reserves**  **£’000** | **Total**  **£’000** |
| **31 July 2018** | **295** | **10,350** | **3,870** | **1,843** | **16,358** |
| **Profit for the year** | – | – | 3,774 | – | **3,774** |
| Equity settled share based payments | – | – | – | 46 | **46** |
| Transfer in relation to share based payments | – | – | 51 | (51) | **–** |
| Exercise of share options | 1 | 140 | – | – | **141** |
| Dividends paid | – | – | (3,279) | – | **(3,279)** |
| **31 July 2019** | **296** | **10,490** | **4,416** | **1,838** | **17,040** |
| **Profit for the year** | – | – | 14,792 | – | **14,792** |
| Equity settled share based payments | – | – | – | 88 | **88** |
| Transfer in relation to share based payments | – | – | 14 | (14) | **–** |
| Exercise of share options | 1 | 70 | – | – | **71** |
| Dividends paid | – | – | (3,572) | – | **(3,572)** |
| **31 July 2020** | **297** | **10,560** | **15,650** | **1,912** | **28,419** |

**Consolidated and** **Company Statements of Financial Position**

31 July 2020 Company Registration No. 04007169

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Notes | **Group**  **31 July**  **2020**  **£’000** | Group  31 July  2019  (Restated\*\*)  £’000 | Group  31 July  2018  (Transition)  (Restated)\*\*  £’000 | **Company**  **31 July**  **2020**  **£’000** | Company  31 July  2019  £’000 |
| **Assets** |  |  |  |  |  |  |
| **Non-current assets** |  |  |  |  |  |  |
| Intangibles |  | **–** | – | 3,263 | **–** | – |
| Property, plant and equipment | 11b | **187,258** | 168,938 | 152,580 | **–** | – |
| Investments | 13 | **–** | – | – | **2,552** | 2,464 |
| Financial assets |  | **361** | 361 | 361 | **–** | – |
| Right of use assets | 11c | **11,764** | 13,018 | 14,273 | **–** | – |
|  |  | **199,383** | 182,317 | 170,477 | **2,552** | 2,464 |
| **Current assets** |  |  |  |  |  |  |
| Inventories | 14 | **270** | 298 | 257 | **–** | – |
| Trade and other receivables | 15 | **3,628** | 3,707 | 4,476 | **25,867** | 14,576 |
| Cash and cash equivalents |  | **13,066** | 13,662 | 4,990 | **–** | – |
| **Total current assets** |  | **16,964** | 17,667 | 9,723 | **25,867** | 14,576 |
| **Total assets** |  | **216,347** | 199,984 | 180,200 | **28,419** | 17,040 |
|  |  |  |  |  |  |  |
| **Liabilities** |  |  |  |  |  |  |
| **Current liabilities** |  |  |  |  |  |  |
| Trade and other payables | 16 | **(4,676)** | (4,753) | (5,159) | **–** | – |
| Lease liabilities |  | **(1,298)** | (1,171) | (1,035) | **–** | – |
| Taxation |  | **(368)** | (339) | (612) | **–** | – |
|  |  | **(6,342)** | (6,263) | (6,806) | **–** | – |
|  |  |  |  |  |  |  |
| **Non-current liabilities** |  |  |  |  |  |  |
| Borrowings | 18 | **(50,705)** | (42,331) | (37,170) | **–** | – |
| Lease liabilities | 10 | **(11,158)** | (12,455) | (13,627) | **–** | – |
| Deferred tax | 20 | **(26,760)** | (22,385) | (19,735) | **–** | – |
|  |  | **(88,623)** | (77,171) | (70,532) | **–** | – |
| **Total liabilities** |  | **(94,965)** | (83,434) | (77,338) | **–** | – |
| **Net assets** |  | **121,382** | 116,550 | 102,862 | **28,419** | 17,040 |
| **Equity** |  |  |  |  |  |  |
| **Equity attributable to owners of the parent** |  |  |  |  |  |  |
| Called up share capital | 21 | **297** | 296 | 295 | **297** | 296 |
| Share premium |  | **10,560** | 10,490 | 10,350 | **10,560** | 10,490 |
| Other reserves | 23 | **8,455** | 8,357 | 8,363 | **1,912** | 1,838 |
| Retained earnings | 24 | **26,095** | 26,301 | 18,955 | **15,650** | 4,416 |
| Revaluation reserve |  | **75,975** | 71,106 | 64,899 | **–** | – |
| **Total equity** |  | **121,382** | 116,550 | 102,862 | **28,419** | 17,040 |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

As permitted by section 408 Companies Act 2006, the parent company's statement of comprehensive income has not been included in these financial statements. The profit and comprehensive income for the year ended 31 July 2020 was £14.8 million (2019: £3.8 million).

Approved by the Board of Directors and authorised for issue on 30 October 2020 and signed on its behalf by:

**Andrew Jacobs Ray Davies**

Chief Executive Officer Finance Director

**Consolidated Statement of Cash Flows**

For the year ended 31 July 2020

|  |  |  |  |
| --- | --- | --- | --- |
|  | Notes | **Group**  **Year ended**  **31 July**  **2020**  **£’000** | Group  Year ended  31 July  2019  (Restated\*\*)  £’000 |
| **Operating activities** |  |  |  |
| Cash generated from operations | 26a | **9,700** | 9,545 |
| Income tax paid |  | **(893)** | (955) |
| **Net cash from operating activities** |  | **8,807** | 8,590 |
| **Investing activities** |  |  |  |
| Proceeds from disposal of discontinued operation  (net of disposal costs and cash included in sale) |  | **–** | 6,849 |
| Proceeds of sale of land (net of disposal costs) |  | **–** | 796 |
| Proceeds of sale of store |  | **–** | 7,418 |
| Purchase of property, plant and equipment | 11b | **(11,628)** | (14,029) |
| Acquisition of subsidiary (net of cash acquired) |  | **–** | (1,069) |
| Interest received |  | **29** | 31 |
| **Net cash used in investing activities** |  | **(11,599)** | (4) |
|  |  |  |  |
| **Financing activities** |  |
| Proceeds from drawdown of new bank facility |  | **–** | 42,971 |
| Repayment of bank borrowings on retiring bank facility |  | **–** | (42,395) |
| Proceeds of bank borrowings utilised for store development |  | **8,351** | 5,653 |
| Finance costs paid on bank refinancing |  | **(113)** | (593) |
| Finance costs paid |  | **(1,074)** | (934) |
| Lease liabilities paid |  | **(1,467)** | (1,478) |
| Equity dividends paid |  | **(3,572)** | (3,279) |
| Proceeds from issuance of ordinary shares (net) |  | **71** | 141 |
| **Net cash from financing activities** |  | **2,196** | 86 |
| **Net (decrease) / increase in cash and cash equivalents in the period** |  | **(596)** | 8,672 |
| **Cash and cash equivalents at beginning of the period** |  | **13,662** | 4,990 |
| **Cash and cash equivalents at end of the period** |  | **13,066** | 13,662 |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

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

**Accounting Policies**

**General Information**

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

**Basis of accounting**

The preliminary financial information does not constitute full statutory accounts within the meaning of section 434 of the Companies Act 2006 but is derived from statutory accounts for the years ended 31 July 2020 and 31 July 2019, both of which are audited. The Preliminary Announcement is prepared on the same basis as set out in the statutory accounts for the year ended 31 July 2020. While the financial information included in this Preliminary Announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), this announcement does not in itself contain sufficient information to comply with IFRSs.

The statutory accounts for the year ended 31 July 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) Interpretations as adopted by the European Union and comply with those parts of the Companies Act 2006 that are applicable to companies reporting under IFRS. The Group has applied all accounting standards and interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretation Committee relevant to its operations and effective for accounting periods beginning on or after 1 August 2019. The statutory accounts for the year ended 31 July 2020 will be delivered to the Registrar of Companies following the Company's Annual General Meeting and will be available from the investor section of the Company's website at http://www.loknstore.co.uk.

Statutory accounts for the year ended 31 July 2019 have been filed with the Registrar of Companies. The auditor's report for the year ended 31 July 2020 was unqualified, did not include a reference to any matter to which the auditor drew attention by way of emphasis without qualifying their report and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

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

**Standards adopted in the year**

IFRS 16, (Leases Accounting) The Group has applied IFRS 16 for the first time in this financial year. IFRS 16 introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a Right of Use Asset and a corresponding lease liability in the Statement of Financial Position.

The prior year financial comparatives contained within these statements have been restated to reflect the first-time adoption of IFRS 16 which changes previously reported EBITDA, interest and depreciation numbers in the Statement of Comprehensive Income. Further details of these restatements can be found in note 1.

**Standards in issue but not yet effective**

At the date of authorisation of these financial statements the following standards, which have not been applied in these financial statements, were in issue but not yet effective. These standards, which are effective for annual periods beginning on or after 1 January 2020 have been adopted by the EU unless otherwise stated.

* Amendments to References to the Conceptual Framework in IFRS Standards;
* Amendments to IFRS 16, Covid-19 rent concession (effective 1 June 2020);
* Amendments to IFRS 3, definition of a business;
* IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material;
* IAS 1 Presentation of Liabilities (effective 1 January 2023 - not EU endorsed)

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

**Basis of consolidation**

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

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

**Goodwill**

Goodwill arising on consolidation represents the excess of the consideration transferred, the amount of any non-controlling interest and the fair value of any previous interest in the acquired entity over the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as a non-current asset.

Any deficiency of the consideration transferred, the amount of any non-controlling interest and the fair value of any previous interest in the acquired entity below the fair value of identifiable assets and liabilities of a subsidiary (i.e. discount on acquisition) is recognised directly in profit or loss.

Goodwill is reviewed for impairment at least annually. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash generating units, and goodwill is allocated to these units. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses in relation to goodwill are recognised immediately in profit or loss and are not reversed in subsequent periods.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or CGU for which the estimate of future cash flows have not been adjusted.

**Going concern**

The Directors can report that, based on the Group’s budgets and financial projections, which include the expected impact of Covid-19 on the Group, they have satisfied themselves that the business is a going concern. The impact of Covid-19 and the measures the Directors have taken to mitigate its effects are set out in ‘Our Covid-19 safe response’ section in the Managing Directors Review.

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 £13.1 million (2019: £13.7 million), undrawn committed bank facilities at 31 July 2020 of £23.7 million (2019: £32.0 million), and cash generated from operations in the year ended 31 July 2020 of £9.7 million (2019: £9.5 million).

The Group has a bank facility of £75 million, with a further uncommitted £25 million accordion option taking the facility to £100 million. The increased facility will provide funding for new landmark site acquisitions and working capital to support the Group’s ambitious growth plans.

The facility is a combined agreement with Lloyds Bank and The Royal Bank of Scotland plc and runs until April 2025 with an option for a further one year extension. The interest rate is set at the London Inter-Bank Offer Rate (LIBOR) plus a 1.50%-1.75% margin based on a loan to value covenant test.

The Group is fully compliant with all bank covenants and undertakings and is not obliged to make any repayments prior to expiration. The financial statements are therefore prepared on a going concern basis.

**Revenue recognition**

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

1. **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.

1. **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.

1. **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.

1. **Management fee income**

Management fees earned for managing stores not owned by the Group are recognised over the period for which the services are provided. Fees are invoiced monthly based on revenue performance. Additional performance fees may be earned if an individual Managed Store 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.

**IFRS 16 - Leases**

**Leases – the Group as lessee**

***Initial and subsequent measurement of the Right of Use Asset***

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

The Right of Use Asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation methods applied are as follows:

* Leased property - on a straight-line basis over the shorter of the lease term.

The Right of Use Asset is adjusted for any re-measurement of the lease liability and lease modifications, as set out below.

***Initial recognition of the lease liability***

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

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

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

***Initial measurement of the lease liability***

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

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

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

***Subsequent measurement of the lease liability***

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

***Re-measurement of the lease liability***

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

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

***Lease modifications***

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

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

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

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

**Critical accounting estimates and judgements**

The preparation of financial statements under EU-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 rents 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 11b. The carrying value of land and buildings held at valuation at the reporting date was £141.4 million (2019: £133.5 million) as shown in the table in note 11b.

**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 net lettable storage space that it can achieve in its planning negotiations, together with the time it will take to achieve maturity occupancy level. 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 £29.9 million (2019: £18.4 million). Please see note 11b 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. 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 year-end, Lok'nStore operates 35 stores mainly in Southern England.  Of the 35 stores, Lok'nStore owns the freehold interest in 15 stores, 8 of the stores are held under commercial leases, with the remaining 12 managed stores operating under management contracts for third party owners.  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 2020 (net deferred of tax) of £5.6 million (2019: £11.4 million) in Other Comprehensive Income rather than the Income Statement.

**d) Application of IFRS 16**

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

**Notes to the Financial Statements**

For the year ended 31 July 2020

**1 Implementation of IFRS 16 - Leases**

IFRS 16 represents a significant change to the way that the Group prepares its financial statements. The effective date of adoption is for accounting periods commencing after 1 January 2019 and the standard therefore applies to Lok’nStore’s financial statements for the year ended 31 July 2020 and has been applied in these financial statements using the full retrospective approach.

IFRS 16 primarily affects the accounting by lessees and results in the recognition of the value of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals.

The application of IFRS 16 relates to the Groups property leases. The Group has no leases on any other types of assets.

**The Statement of Financial Position:** The Group’s leases on its leased stores are recognised as a ‘Right of Use Asset’ and as a corresponding liability at the year–end. Each lease payment is allocated between the liability element and the finance cost element. The finance costs are charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining liability for the period. The Right of Use Asset is depreciated on a weighted depreciation charge based on the individual lease term of the separate leases. Assets and liabilities arising from a lease will initially be measured on a present value basis which will include the fixed rental payments less any lease incentives receivable. If the interest rate implicit in the lease cannot be readily determined the lease payments will be discounted by the Group’s incremental borrowing rate (cost of debt) to obtain an asset of similar value over a similar term with similar security. Right of Use Assets will be measured at cost comprising the initial measurement of the lease liability plus any initial direct costs (if any). The Group’s current property lease commitments are reported in Note 27.

**The Statement of Profit or Loss:** This is affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, the rent operating expense that would usually be reported in these financial statements at £1.47 million (2019: £1.36 million) is replaced with interest and depreciation as a consequence of the ‘capitalisation effect’ of the leases, so the Group’s key metric of Adjusted EBITDA increases significantly by the removal of the rent expense from the operating profit and loss. Other performance measures including Operating Profit also increases although reported interest and depreciation will be higher. Accordingly, the key metrics and Alternative Performance Measures (APM’s) have been updated for IFRS16 in the KPI’s section above.

**The Consolidated Statement of Cash Flows:** While overall underlying cash flow is unaffected by the changes the presentation within the Consolidated Statement of Cash Flows will change. Reported operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities.

The effect on financial ratios such as gearing or leverage causes them to rise as the lease liability now forms part of net debt.

To give a broad overview of the numerical effect on the implementation of IFRS 16 as it would apply to the current period and comparative numbers we have:

|  |  |  |
| --- | --- | --- |
|  | **Group**  **31 July**  **2020**  **£’000** | Group  31 July  2019  £’000 |
| **Continuing operations**  Rents payable under leases | **1,467** | 1,356 |
| **Discontinued operations**  Rents payable under leases | **–** | 122 |
| Total rents payable under leases | **1,467** | 1,478 |

To ensure consistency and effective comparison with prior periods, the Group has elected to apply the full retrospective implementation approach with restatement of the comparative information. The transition date of initial application is therefore 1 August 2018. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the leases. Where this cannot be readily determined the Present Value of all future operating lease payments is calculated using 2.2% as an effective cost of debt as the discount rate. This calculates an opening Right of Use Asset (ROU) as at 1 August 2018 of £14.27 million. Correspondingly this is also the opening value of the lease liability following the capitalisation of the leases.

After the application of a weighted depreciation charge based on the individual lease term of the separate leases and the imputation of an interest charge at 2.2% as part of the amortisation of the lease liability a reconciliation of the total leases to the IFRS lease liability is shown below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Continuing Operations**  **Statement of Financial Position (extract)** | **Group**  **31 July**  **2020**  **£’000** | Group  31 July  2019  £’000 | Group  31 July  2018  transition £’000 |
|  | **IFRS 16** | IFRS 16 | IFRS 16 |
|  |  | Restated | Restated |
| Right of Use Asset (ROU) | **11,764** | 13,018 | 14,273 |
|  |  |  |  |
| Equity – accumulated effect of restatement | **692** | 608 | 389 |
|  | **12,456** | 13,626 | 14,662 |
|  |  |  |  |
| **Current Lease Liability** |  |  |  |
| Amounts due within one year | **1,298** | 1,171 | 1,035 |
| **Non-current Lease Liability** |  |  |  |
| Amounts due in one to two years | **1,327** | 1,298 | 1,171 |
| Amounts due in three to five years | **2,881** | 3,352 | 3,709 |
| Amounts due in more than five years | **6,950** | 7,805 | 8,747 |
| **Non-current Lease Liability** | **11,158** | 12,455 | 13,627 |
| **Total lease liability** | **12,456** | 13,626 | 14,662 |

|  |  |  |  |
| --- | --- | --- | --- |
| **Statement of Comprehensive Income (extract)** | **Group**  **31 July**  **2020**  **£’000** | Group  31 July  2019  £’000 | Group  31 July  2018  transition £’000 |
|  | **IFRS 16** | IFRS 16 | IFRS 16 |
|  |  | Restated**\*\*** | Restated**\*\*** |
| Operating lease expense | **1,467** | 1,356 | 1,191 |
|  |  |  |  |
| Depreciation of Right of Use Asset (ROU) | **(1,254)** | (1,254) | (1,254) |
| Interest charged on lease liability | **(296)** | (321) | (325) |
|  |  |  |  |
| Impact on Comprehensive Income | **(83)** | (219) | (389) |

|  |  |  |  |
| --- | --- | --- | --- |
| **Analysis of the effect within the Statement of Comprehensive Income** | **Group**  **31 July**  **2020**    **£’000** | Group  31 July  2019    £’000 | Group  31 July  2018  transition £’000 |
|  | **IFRS 16** | IFRS 16 | IFRS 16 |
|  |  | Restated**\*\*** | Restated**\*\*** |
| Increase in EBITDA | **1,467** | 1,356 | 1,191 |
|  |  |  |  |
| Increase / (decrease) in operating profit | **213** | 101 | (64) |
| Increase / (decrease) in PBT | **(83)** | (219) | (389) |

The Group has applied a single discount rate equivalent to its effective cost of debt. For more detailed information on the Groups cash commitments under its property leases refer to note 27 (Commitments under property leases).

**Reconciliation of the impact of IFRS16 on the previously reported**

**Consolidated Statement of Comprehensive Income**

**For the year ended 31 July 2019**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Notes | Year ended  31 July  2019  £’000 | Impact of  IFRS 16  £’000 | **Year ended**  **31 July 2019**  **(Restated)**  **£’000** |
| **Revenue** | 2 | 16,950 | – | **16,950** |
|  |  |  |  |  |
| **Total property, staff, distribution and general costs** | 3a | (9,557) | 1,356 | **(8,201)** |
| **Adjusted EBITDA1** |  | 7,393 | 1,356 | **8,749** |
| Amortisation of intangible assets |  | (83) | – | **(83)** |
| Depreciation |  | (2,207) | (1,254) | **(3,461)** |
| Equity settled share based payments |  | (46) | – | **(46)** |
|  |  | (2,336) | (1,254) | **(3,590)** |
| Profit on sale of land at store | 3(c) | 295 | – | **295** |
| Costs of sale and manage-back of Crayford store | 3(c) | (54) | – | **(54)** |
| Deferred financing on bank loan written off | 3(c) | (133) | – | **(133)** |
|  |  | 108 | – | **108** |
|  |  | (2,228) | (1,254) | **(3,482)** |
| **Operating profit** |  | 5,165 | 102 | **5,267** |
|  |  |  |  |  |
| Finance income | 4 | 31 | – | **31** |
| Finance cost – bank borrowings | 5 | (605) | – | **(605)** |
| Finance cost – lease liabilities | 5 | – | (321) | **(321)** |
|  |  | (574) | (321) | **(895)** |
| **Profit (loss) before taxation** |  | 4,591 | (219) | **4,372** |
| Income tax expense | 8 | (1,211) | – | **(1,211)** |
| Profit for the period from continuing operations |  | 3,380 | (219) | **3,161** |
| Profit for the period from discontinued operations | 12 | 2,182 | – | **2,182** |
|  |  |  |  |  |
| **Profit for the period** |  | 5,562 | (219) | **5,343** |
|  |  |  |  |  |
| **Profit attributable to:** |  |  |  |  |
| Owners of the parent | 24 | 5,562 | (219) | **5,343** |
|  |  |  |  |  |
| **Other Comprehensive Income** |  |  |  |  |
| Items that will not be reclassified to profit and loss |  |  |  |  |
| Increase in property valuation |  | 13,765 | – | **13,765** |
| Deferred tax relating to change in property valuation |  | (2,327) | – | **(2,327)** |
|  |  | 11,438 | – | **11,438** |
| Items that may be subsequently reclassified to profit and loss |  |  |  |  |
| **Other comprehensive income** |  | 11,438 | – | **11,438** |
|  |  |  |  |  |
| **Total comprehensive income for the period** |  | 17,000 | (219) | **16,781** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Attributable to:  Owners of the parent |  | 17,000 | (219) | **16,781** |

**Reconciliation of the impact of IFRS16 on the previously reported**

**Consolidated Statement of Comprehensive Income**

**For the year ended 31 July 2019**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Earnings per share attributable to owners of the Parent** |  | Year ended  31 July  2019  £’000 | Impact of  IFRS 16  £’000 | **Year ended**  **31 July 2019**  **(Restated)**  **£’000** |
| **Basic** | 10 |  |  |  |
| Continuing operations |  | 11.69p | (0.76p) | **10.93p** |
| Discontinued operations |  | 7.55p | – | **7.55p** |
| Total basic earnings per share |  | 19.24p | (0.76p) | **18.48p** |
|  |  |  |  |  |
| **Diluted** | 10 |  |  |  |
| Continuing operations |  | 11.50p | (0.75p) | **10.75p** |
| Discontinued operations |  | 7.42p | – | **7.42p** |
| Total diluted earnings per share |  | 18.92p | (0.75p) | **18.17p** |

1  Adjusted EBITDA is defined in the accounting policies section of the notes to the financial report.

**Reconciliation of the impact of IFRS16 on the previously reported**

**Consolidated Statement of Financial Position**

**31 July 2019**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Notes | | 31 July  2019  £’000 | Impact of  IFRS 16  £’000 | **31 July**  **2019**  **(Restated)**  **£’000** |
| **Assets** |  | |  |  |  |
| **Non-current assets** |  | |  |  |  |
| Property, plant and equipment | 11b | | 168,938 | – | **168,938** |
| Financial assets |  | | 361 | – | **361** |
| Right of Use Assets | 11c | | – | 13,018 | **13,018** |
|  |  | | 169,299 | 13,018 | **182,317** |
| **Current assets** |  | |  |  |  |
| Inventories | 14 | | 298 | – | **298** |
| Trade and other receivables | 15 | | 3,707 | – | **3,707** |
| Cash and cash equivalents |  | | 13,662 | – | **13,662** |
| **Total current assets** |  | | 17,667 | – | **17,667** |
| **Total assets** |  | | 186,966 | 13,018 | **199,984** |
|  |  | |  |  |  |
| **Liabilities** |  | |  |  |  |
| **Current liabilities** |  | |  |  |  |
| Trade and other payables | 16 | | (4,753) | – | **(4,753)** |
| Lease liabilities |  | | – | (1,171) | **(1,171)** |
| Taxation |  | | (339) | – | **(339)** |
|  |  | | (5,092) | (1,171) | **(6,263)** |
|  |  | |  |  |  |
| **Non-current liabilities** |  | |  |  |  |
| Borrowings | 18a | | (42,331) | – | **(42,331)** |
| Lease liabilities | 19 | | – | (12,455) | **(12,455)** |
| Deferred tax | 20 | | (22,385) | – | **(22,385)** |
|  |  | | (64,716) | (12,455) | **(77,171)** |
| **Total liabilities** |  | | (69,808) | (13,626) | **(83,434)** |
| **Net assets** |  | | 117,158 | (608) | **116,550** |
| **Equity** | |  |  |  |  |
| **Equity attributable to owners of the parent** | |  |  |  |  |
| Called up share capital | | 21 | 296 | – | **296** |
| Share premium | |  | 10,490 | – | **10,490** |
| Other reserves | | 23 | 8,357 | – | **8,357** |
| Retained earnings | | 24 | 26,909 | (608) | **26,301** |
| Revaluation reserve | |  | 71,106 | – | **71,106** |
| **Total equity** | |  | 117,158 | (608) | **116,550** |

**Reconciliation of the impact of IFRS16 on the previously reported**

**Consolidated Statement of Comprehensive Income**

**For the year ended 31 July 2018**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Notes | Year ended  31 July  2018  £’000 | Impact of  IFRS 16  £’000 | **Year ended**  **31 July 2018**  **(Restated\*\*)**  **£’000** |
| **Revenue** |  | 15,372 | – | **15,372** |
|  |  |  |  |  |
| **Total property, staff, distribution and general costs** |  | (8,739) | 1,190 | **(7,549)** |
| **Adjusted EBITDA1** |  | 6,633 | 1,190 | **7,823** |
| Amortisation of intangible assets |  | (165) | – | **(165)** |
| Depreciation |  | (1,880) | (1,254) | **(3,134)** |
| Equity settled share based payments |  | (33) | – | **(33)** |
|  |  | (2,078) | (1,254) | **(3,332)** |
| Carried interest – fees receivable |  | 361 | – | **361** |
| Receivables from warranty claims |  | 230 | – | **230** |
|  |  | 591 | – | **591** |
|  |  | (1,487) | (1,254) | **(2,741)** |
| **Operating profit** |  | 5,146 | (64) | **5,082** |
|  |  |  |  |  |
| Finance income |  | 80 | – | **80** |
| Finance cost – bank borrowings |  | (463) | – | **(463)** |
| Finance cost – lease liabilities |  | – | (325) | **(325)** |
|  |  | (383) | (325) | **(708)** |
| **Profit (loss) before taxation** |  | 4,763 | (389) | **4,374** |
| Income tax expense |  | (1,459) | – | **(1,459)** |
| Profit for the period from continuing operations |  | 3,304 | (389) | **2,915** |
| Profit for the period from discontinued operations |  | 453 | – | **453** |
|  |  |  |  |  |
| **Profit for the period** |  | 3,757 | (389) | **3,368** |
|  |  |  |  |  |
| **Profit attributable to:** |  |  |  |  |
| Owners of the parent |  | 3,757 | (389) | **3,368** |
|  |  |  |  |  |
| **Other Comprehensive Income** |  |  |  |  |
| Items that will not be reclassified to profit and loss |  |  |  |  |
| Increase in property valuation |  | 15,723 | – | **15,723** |
| Deferred tax relating to change in property valuation |  | (2,698) | – | **(2,698)** |
|  |  | 13,025 | – | **13,025** |
| Items that may be subsequently reclassified to profit and loss |  |  |  |  |
| **Other comprehensive income** |  | 13,025 | – | **13,025** |
|  |  |  |  |  |
| **Total comprehensive income for the period** |  | 16,782 | (389) | **16,393** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Attributable to:  Owners of the parent |  | 16,782 | (389) | **16,393** |

**Reconciliation of the impact of IFRS16 on the previously reported**

**Consolidated Statement of Comprehensive Income**

**For the year ended 31 July 2018**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Earnings per share attributable to owners of the Parent** |  | Year ended  31 July  2018  £’000 | Impact of  IFRS 16  £’000 | **Year ended**  **31 July 2018**  **(Restated)**  **£’000** |
| **Basic** | 10 |  |  |  |
| Continuing operations |  | 11.48p | (1.35p) | **10.13p** |
| Discontinued operations |  | 1.57p | – | **1.57p** |
| Total basic earnings per share |  | 13.05p | (1.35p) | **11.70p** |
|  |  |  |  |  |
| **Diluted** | 10 |  |  |  |
| Continuing operations |  | 11.28p | (1.32p) | **9.96p** |
| Discontinued operations |  | 1.55p | – | **1.55p** |
| Total diluted earnings per share |  | 12.83p | (1.32p) | **11.51p** |

1  Adjusted EBITDA is defined in the accounting policies section of the notes to the financial report.

**Reconciliation of the impact of IFRS16 on the previously reported**

**Consolidated Statement of Financial Position**

**31 July 2018**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Notes | | 31 July  2018  £’000 | Impact of  IFRS 16  £’000 | **31 July**  **2018**  **(Restated)**  **£’000** |
| **Assets** |  | |  |  |  |
| **Non-current assets** |  | |  |  |  |
| Intangible assets |  | | 3,263 | – | **3,263** |
| Property, plant and equipment |  | | 152,580 | – | **152,580** |
| Financial assets |  | | 361 | – | **361** |
| Right of Use Assets |  | | – | 14,273 | **14,273** |
|  |  | | 156,204 | 14,273 | **170,477** |
| **Current assets** |  | |  |  |  |
| Inventories |  | | 257 | – | **257** |
| Trade and other receivables |  | | 4,476 | – | **4,476** |
| Cash and cash equivalents |  | | 4,990 | – | **4,990** |
| **Total current assets** |  | | 9,723 | – | **9,723** |
| **Total assets** |  | | 165,927 | 14,273 | **180,200** |
|  |  | |  |  |  |
| **Liabilities** |  | |  |  |  |
| **Current liabilities** |  | |  |  |  |
| Trade and other payables |  | | (5,159) | – | **(5,159)** |
| Lease liabilities |  | | – | (1,035) | **(1,035)** |
| Taxation |  | | (612) | – | **(612)** |
|  |  | | (5,771) | (1,035) | **(6,806)** |
|  |  | |  |  |  |
| **Non-current liabilities** |  | |  |  |  |
| Borrowings |  | | (37,170) | – | **(37,170)** |
| Lease liabilities |  | | – | (13,627) | **(13,627)** |
| Deferred tax |  | | (19,735) | – | **(19,735)** |
|  |  | | (56,905) | (13,627) | **(70,532)** |
| **Total liabilities** |  | | (62,676) | (14,662) | **(77,338)** |
| **Net assets** |  | | 103,251 | (389) | **102,862** |
|  | |  |  |  |  |
|  | |  |  |  |  |
| Called up share capital | |  | 295 | – | **295** |
| Share premium | |  | 10,350 | – | **10,350** |
| Other reserves | |  | 8,363 | – | **8,363** |
| Retained earnings | |  | 19,344 | (389) | **18,955** |
| Revaluation reserve | |  | 64,899 | – | **64,899** |
| **Total equity** | |  | 103,251 | (389) | **102,862** |

**2 Revenue**

Analysis of the Group’s revenue is shown below:

|  |  |  |
| --- | --- | --- |
| **Stores trading** | **Group**  **2020**  **£’000** | Group  2019  £’000 |
| Self-storage revenue | **15,126** | 14,235 |
| Insurance revenue | **1,663** | 1,533 |
| Retail sales | **201** | 241 |
| Total self-storage revenue – owned stores | **16,990** | 16,009 |
| Ancillary store revenue | **4** | 44 |
| Management fees – managed stores | **991** | 817 |
| Sub-total | **17,985** | 16,870 |
| Non-storage income | **56** | 80 |
| **Total revenue per statement of comprehensive income** | **18,041** | 16,950 |

The Group’s serviced archive and record management segment was sold in the prior year and is presented as a discontinued operation (see note 12). Following the disposal, the Group has one operating segment, being self-storage in the UK.

|  |  |  |
| --- | --- | --- |
| **3(a) Property, staff, distribution and general costs** |  |  |
|  | **Group**  **2020**  **£’000** | Group  2019  £’000  Restated**\*\*** |
| Property and premises costs | **4,392** | 4,022 |
| IFRS 16 restatement – leases | **(1,467)** | (1,356) |
| Restated property and premises costs | **2,925** | 2,666 |
| Staff costs | **4,196** | 4,111 |
| General overheads | **1,139** | 1,244 |
| Sub-total operating costs | **8,260** | 8,021 |
| Retail products cost of sales (see note 3b) | **127** | 180 |
|  | **8,387** | 8,201 |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

**3(b) Cost of sales of retail products**

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

|  |  |  |
| --- | --- | --- |
|  | **Group**  **2020**  **£’000** | Group  2019  £’000 |
| Retail | **98** | 121 |
| Insurance | **13** | 26 |
| Other | **16** | 33 |
|  | **127** | 180 |

**3(c) Other income and costs**

|  |  |  |
| --- | --- | --- |
|  | **Group**  **2020**  **£’000** | Group  2019  £’000 |
| Profit on sale of land at store 1 | **–** | (295) |
| Costs of sale and manage-back Crayford store 2 | **–** | 54 |
| Deferred financing on bank loan written off 3 | **–** | 133 |
|  | **–** | (108) |

**2019**:

1 Profit on sale of land at store: During the year land at the rear of our Southampton store with a fair value of £500,000 was sold for £800,000. There was £4,043 of associated costs of sale.

2 Costs of sale and manage-back Crayford store: On 28th February 2019 the Crayford store was sold at its fair value to an investment fund for £7.52 million in cash. Lok’nStore will continue to manage the store maintaining the operational footprint of the business and will receive management and performance fees. Legal and professional costs associated with this transaction amounted to £54,483.

3 Deferred financing on bank loan written off. In April 2019, the Group executed a new bank facility increasing facilities available by £25 million to £75 million, with a further £25 million accordion option taking the facility to £100 million. The deferred element of the original financing costs of £133,307 was accordingly written off.

**4 Finance income**

|  |  |  |
| --- | --- | --- |
|  | **Group**  **2020**  **£’000** | Group  2019  £’000 |
| Bank interest | **29** | 24 |
| Other interest | **–** | 7 |
|  | **29** | 31 |

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

**5 Finance costs**

|  |  |  |
| --- | --- | --- |
|  | **Group**  **2020**  **£’000** | Group  2019  £’000  Restated**\*\*** |
| Bank interest | **510** | 452 |
| Non-utilisation fees | **183** | 89 |
| Bank loan arrangement fees | **137** | 64 |
| Interest on lease liabilities | **296** | 321 |
|  | **1,126** | 926 |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

**6 Profit before taxation**

|  |  |  |
| --- | --- | --- |
|  | **Group**  **2020**  **£’000** | Group  2019  £’000  Restated\*\* |
| Profit before taxation is stated after charging: |  |  |
| Depreciation and amounts written off property, plant and equipment: |  |  |
| Owned assets | **2,525** | 2,207 |
| Depreciation of Right of Use Assets (IFRS 16) (note 1) | **1,254** | 1,254 |
|  | **3,779** | 3,461 |
| Amortisation of intangible assets | **–** | 83 |
|  | **3,779** | 3,544 |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

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

|  |  |  |
| --- | --- | --- |
|  | **Group**  **2020**  **£’000** | Group  2019  £’000 |

|  |  |  |
| --- | --- | --- |
| Audit services |  |  |
| – UK statutory audit of the Company and consolidated accounts | **68** | 66 |
| Other services |  |  |
| Other services supplied pursuant to such legislation |  |  |
| – interim review | **9** | 12 |
| – other services | **–** | 3 |
| Tax services |  |  |
| – compliance services | **23** | 23 |
| – advisory services | **9** | 31 |
|  | **109** | 135 |
| Comprising: |  |  |
| Audit services | **68** | 66 |
| Non-audit services | **41** | 69 |
|  | **109** | 135 |

**7 Employees**

|  |  |  |
| --- | --- | --- |
|  | **Group**  **2020**  **No.** | Group  2019  No. |
| The average monthly number of persons (including Directors) employed by the Group during the year was: |  |  |
| Store management | **142** | 132 |
| Administration | **25** | 24 |
|  | **167** | 156 |

|  |  |  |
| --- | --- | --- |
|  | **Group**  **2020**  **£’000** | Group  2019  £’000 |
| Costs for the above persons: |  |  |
| Wages and salaries | **3,580** | 3,446 |
| Social security costs | **440** | 424 |
| Pension costs | **114** | 85 |
|  | **4,134** | 3,955 |
| Share based remuneration (options) | **88** | 46 |
|  | **4,222** | 4,001 |

Share based remuneration is separately disclosed in the statement of comprehensive income. Wages and salaries of £91,815 (2019: £90,436) have been capitalised as additions to property, plant and equipment as they are directly attributable to the acquisition of these assets. All other employee costs are included in staff costs in the statement of comprehensive income.

In relation to pension contributions, there was £15,183 (2019: £13,217) outstanding at the year-end.

There were no employees employed by Lok’nStore Group Plc in the year (2019: nil).

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Directors’ Remuneration**  **2020** | **Emoluments**  **£** | **Bonuses**  **£** | **Benefits**  **£** | **Sub total**  **£** | **Pension**  **£** | **Gains on**  **share options**  **£** | **Total**  **£** |
| **Executive:** |  |  |  |  |  |  |  |
| A Jacobs | 225,233 | 36,500 | 6,107 | 267,840 | – | – | **267,840** |
| RA Davies | 165,797 | 13,300 | 4,845 | 183,942 | 6,631 | – | **190,573** |
| N Newman-Shepherd | 82,877 | 40,345 | 2,560 | 125,782 | 3,315 | 172,358 | **301,455** |
| **Non-Executive:** |  |  |  |  |  |  |  |
| SG Thomas | 31,518 | – | 4.808 | 36,326 | – | – | **36,326** |
| RJ Holmes | 22,743 | – | – | 22,743 | – | – | **22,743** |
| ETD Luker | 28,430 | – | – | 28,430 | – | – | **28,430** |
| CP Peal | 22,743 | – | – | 22,743 | – | – | **22,743** |
|  | **579,341** | **90,145** | **18,320** | **687,806** | **9,946** | **172,358** | **870,110** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Directors’ Remuneration**  **2019** | **Emoluments**  **£** | **Bonuses**  **£** | **Benefits**  **£** | **Sub total**  **£** | **Pension**  **£** | **Gains on**  **share options**  **£** | **Total**  **£** |
| **Executive:** |  |  |  |  |  |  |  |
| A Jacobs | 220,816 | 38,250 | 5,435 | 264,501 | – | – | 264,501 |
| RA Davies | 160,968 | 22,641 | 4,612 | 188,221 | 4,829 | – | 193,050 |
| N Newman-Shepherd | 78,931 | 64,034 | 2,364 | 145,329 | 2,631 | – | 147,960 |
| **Non-Executive:** |  |  |  |  |  |  |  |
| SG Thomas | 30,900 | – | 4,804 | 35,704 | – | 40,580 | 76,284 |
| RJ Holmes | 22,297 | – | – | 22,297 | – | – | 22,297 |
| ETD Luker | 27,873 | – | – | 27,873 | – | – | 27,873 |
| CP Peal | 22,297 | – | – | 22,297 | – | – | 22,297 |
|  | **564,082** | **124,925** | **17,215** | **706,222** | **7,460** | **40,580** | **754,262** |

Details of the Directors remuneration is shown above. Key management personnel are defined as the Directors of the Group and the additional participants in the Partnership Performance Plan (PPP).

The highest paid Director did not accrue any pension rights during the year. The benefits in kind all relate to medical insurance premiums paid on behalf of the Directors. The number of Directors to whom retirement benefits are accruing under money purchase pension schemes in respect of qualifying service is two (2019: two).

**8 Taxation**

|  |  |  |
| --- | --- | --- |
|  | **Group**  **2020**  **£’000** | Group  2019  £’000  Restated\*\* |
| **Current tax:** |  |  |
| UK corporation tax | **920** | 811 |
| **Deferred tax:** |  |  |
| Origination and reversal of temporary differences | **730** | 400 |
| Adjustments in respect of prior periods | **66** | – |
| Total deferred tax | **796** | 400 |
| Income tax expense for the year | **1,716** | 1,211 |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

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

|  |  |  |
| --- | --- | --- |
|  | **2020**  **£’000** | 2019  £’000  Restated\*\* |
| **Profit before tax** | **4,690** | 4,372 |
| Tax on ordinary activities at the effective standard rate of corporation tax in the UK of 19% (2019: 19%) | **931** | 880 |
| Expenses not deductible for tax purposes | **–** | 18 |
| Depreciation of non-qualifying assets | **229** | 355 |
| Share based payment charges in excess of corresponding tax deduction | **17** | 2 |
| Impact of change in tax rate on closing deferred tax balances | **806** | – |
| Adjustments in respect of prior periods - deferred tax | **66** | – |
| Impact of change in tax rate on timing differences | **(157)** | (17) |
| Write-back of over provision | **(153)** | – |
| Other | **(23)** | (27) |
| Income tax expense for the year | **1,716** | 1,211 |
|  |  |  |
| Effective tax rate | **36%** | 28% |

In addition to the amount charged to profit or loss for the year, deferred tax relating to the revaluation of the Group’s properties of £3.7 million (2019: £2.3 million) has been recognised as a debit/credit directly in other comprehensive income (see note 20 on deferred tax). Impact of change in the tax rate on closing deferred tax balances arises because the deferred tax provision which used to be calculated at forward corporation tax rates of 17% is now calculated at the substantively enacted corporation tax rate and has therefore reverted to 19%.

**9 Dividends**

|  |  |  |
| --- | --- | --- |
| Amounts recognised as distributions to equity holders in the year: | **2020**  **£’000** | 2019  £’000 |
|  |  |  |
| Final dividend for the year ended 31 July 2018 (7.67 pence per share) | – | 2,217 |
| Interim dividend for the year to 31 July 2019 (3.67 pence per share) | – | 1,062 |
| Final dividend for the year ended 31 July 2019 (8.33 pence per share) | **2,413** | – |
| Interim dividend for the year to 31 July 2020 (4.00 pence per share) | **1,159** | – |
|  | **3,572** | 3,279 |

In respect of the current year the Directors paid an interim dividend of 4.0 pence per share to shareholders on 12 June 2020. The Directors propose that a final dividend of 9.00 pence per share will be paid to the shareholders. The total estimated final dividend to be paid is £2.6 million based on the number of shares in issue at 16 October 2020 as adjusted for shares held in the Employee Benefits Trust.

This is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The ex-dividend date will be 26 November 2020; the record date 27 November 2020; with an intended payment date of 8 January 2020. The final deadline for Dividend Reinvestment Election (DRIP) is 11 December 2020.

**10 Earnings per share**

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

|  |  |  |
| --- | --- | --- |
|  | **Group**  **2020**  **£’000** | Group  2019  £’000  Restated**\*\*** |
| Profit for the financial year attributable to continuing operations | **2,974** | 3,161 |
| Profit for the financial year attributable to discontinued operations | **–** | 2,182 |
| Total profit for the financial year attributable to owners of the parent | **2,974** | 5,343 |
|  |  |  |
|  | **2020**  **No. of shares** | 2019  No. of shares |
| Weighted average number of shares |  |  |
| For basic earnings per share | **28,976,967** | 28,921,229 |
| Dilutive effect of share options1 | **517,257** | 481,848 |
| For diluted earnings per share | **29,494,224** | 29,403,077 |

1 Further options that could potentially dilute EPS in the future are excluded from the above because they are not dilutive in the period presented. Details of share options are included in note 22.

|  |  |  |
| --- | --- | --- |
| **Earnings per share** | **Group**  **2020**  **pence** | Group  2019  pence  Restated\*\* |
| **Basic** |  |  |
| Continuing operations | **10.26p** | 10.93p |
| Discontinued operations | **–** | 7.55p |
| Total basic earnings per share | **10.26p** | 18.48p |
| **Diluted** |  |  |
| Continuing operations | **10.08p** | 10.75p |
| Discontinued operations | **–** | 7.42p |
| Total diluted earnings per share | **10.08p** | 18.17p |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

**11(a) Intangible assets**

|  |  |  |  |
| --- | --- | --- | --- |
| **Group** | **Goodwill**  **£’000** | **Contractual**  **customer**  **relationships**  **£’000** | **Total**  **£’000** |
| **Cost at 1 August 2018** | **1,110** | **3,309** | **4,419** |
| **Amortisation at 1 August 2018** | – | (1,156) | (1,156) |
| Amortisation charge | – | (83) | (83) |
| **Amortisation at 31 July 2019** | – | (1,239) | (1,239) |
| Disposal | (1,110) | (2,070) | (3,180) |
| **Net book value at 31 July 2019 and 31 July 2020** | **–** | **–** | **–** |

All goodwill and customer relationships were allocated to the serviced document storage cash-generating unit (CGU) identified as a separate business segment.

In the previous year, on 31 January 2019 Lok’nStore disposed of its serviced document storage business Saracen Datastore Limited (“Saracen”) for £7.64 million in cash against its Net Book Value as at 31 July 2018 of £5.4 million and which included the value of the intangible assets. The recoverable amount exceeds the carrying amount of the CGU.

**11(b) Property, plant and equipment**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Group** | **Development**  **property assets**  **at cost**  **£’000** | | **Land and**  **buildings**  **at valuation**  **£’000** | **Long leasehold 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 2018** | **16,570** | **108,486** | | **11,438** | **2,648** | **27,186** | | | **17** | | **166,345** | |
| Additions | 6,667 | 2,804 | | 1,493 | 162 | 2,744 | | | 20 | | **13,890** | |
| Additions – Acquisition of subsidiary | – | – | | – | 1,242 | – | | | – | | **1,242** | |
| Reclassification | (4,185) | 17,116 | | (12,931) | – | – | | | – | | – | |
| Transfers | 6 | (6) | | – | – | – | | | – | | – | |
| Disposals | (616) | (8,058) | | – | – | (1,109) | | | – | | **(9,783)** | |
| Disposals – discontinued operations | – | – | | – | (84) | (2,267) | | | (7) | | **(2,358)** | |
| Revaluations | – | 13,189 | | – | – | – | | | – | | **13,189** | |
| **31 July 2019** | **18,442** | **133,531** | | – | **3,968** | **26,554** | | | **30** | | **182,525** | |
|  |  |  | |  |  |  | | |  | |  | |
| **Depreciation** |  |  | |  |  |  | | |  | |  | |
| **1 August 2018** | – | – | | – | **1,979** | **11,772** | | | **14** | | **13,765** | |
| Depreciation | – | 1,004 | | – | 156 | 1,091 | | | 5 | | **2,256** | |
| Disposals | – | (428) | | – | – | (726) | | | – | | **(1,154)** | |
| Disposals –discontinued operations | – | – | | **–** | (57) | (640) | | | (7) | | (**704**) | |
| Revaluations | – | (**576**) | | **–** | – | – | | | – | | **(576)** | |
| **31 July 2019** | – | – | | – | **2,078** | **11,497** | | | **12** | | **13,587** | |
| **Net book value at 31 July 2019** | **18,442** | **133,531** | | **–** | **1,890** | **15,057** | | | **18** | | **168,938** | |
| **Cost or valuation** |  |  | |  |  |  | | |  | |  | |
| **1 August 2019** | **18,442** | **133,531** | | – | **3,968** | **26,554** | | | **30** | | **182,525** | |
| Additions | 11,443 | 149 | | – | 29 | 389 | | | – | | **12,010** | |
| Disposals | – | – | | – | – | – | | | (20) | | **(20)** | |
| Revaluations | – | 7,686 | | – | – | – | | | – | | **7,686** | |
| **31 July 2020** | **29,885** | **141,366** | | **–** | **3,997** | **26,943** | | | **10** | | **202,201** | |
|  |  |  | | – |  |  | | |  | |  | |
| **Depreciation** |  |  | |  |  |  | | |  | |  | |
| **1 August 2019** | – | – | | – | **2,078** | **11,497** | | | **12** | | **13,587** | |
| Depreciation | – | 1,164 | | – | 191 | 1,167 | | | 2 | | **2,524** | |
| Disposals | – | – | | – | – | – | | | (4) | | **(4)** | |
| Revaluations | – | (1,164) | | **–** | – | – | | | – | | **(1,164)** | |
| **31 July 2020** | – | – | | – | 2,269 | 12,664 | | | 10 | | **14,943** | |
| **Net book value at 31 July 2020** | **29,885** | **141,366** | | **–** | **1,728** | **14,279** | | | – | | **187,258** | |

The Group has an active store development programme and in accordance with IAS 23 has material qualifying assets that take a substantial period of time to develop from acquisition to ultimate store opening. Accordingly borrowing costs of £382,190(2019: £430,321) have been capitalised in the current year that are directly attributable to the acquisition, construction and fit-out of these qualifying store assets. The total amount is carried in development property assets.

If all property, plant and equipment were stated at historic cost the carrying value would be £91.6 million (2019: £81.7 million).

Capital expenditure during the year totalled £12.0 million (2019: £14.0 million). This was primarily the purchase of our Stevenage and Salford sites, the exchange of contracts at our Warrington site, and the completion of construction works at our Leicester store which opened post-balance sheet in August 2020. Costs relating to the planning and pre-development works on our Bournemouth, Bedford, and Cheshunt sites also featured.

Property, plant and equipment (non-current assets) with a carrying value of £187.3 million (2019: £168.9 million) are pledged as security for bank loans.

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

On 31 July 2020 an independent professional valuation was prepared by Jones Lang LaSalle Limited (JLL) in respect of 15 freehold, and 8 leasehold properties. The valuation was prepared in accordance with the RICS Valuation – Global Standards 2017, 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 fourth 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 £168.4 million (2019: £162.7 million) of which £151.7 million (2019: £144.0 million) relates to freehold properties, and £16.7 million (2019: £18.7 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 £151.7 million (2019:144.0 million) valuation of the freehold properties £12.3 million (2019: £13.0 million) relates to the net book value of fixtures, fittings and equipment, and the remaining £139.4 million (2019: £131.0 million) relates to freehold and long leasehold properties.

The 2020 valuation includes and reflects movements in value which have resulted from the operational performance of the stores and 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 sell units to new customers. In the valuation the assumed stabilised occupancy level for the 23 trading stores (both freeholds and leaseholds) averages 84.9% (2019: 84.3%).

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 10 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 8.70% (2019: 10.09%). The yield arising from the first year of the projected cash flow is 6.08% (2019: 5.99%), rising to 8.13% (2019: 8.74%) in year five.
* JLL have assumed purchasers’ costs of 6.8% (2019: 6.8%).
* The average assumed stabilised occupancy is 84.9% (2019: 84.3%).
* The average exit yield assumed is 7.13% (2019: 7.22%).

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.

JLL reported that the Lok’nStore portfolio has generally performed very well in terms of increasing occupancy over the course of the year which has driven the assumed stabilised occupancy higher.

For leaseholds the same methodology has been used as for freehold property, except that no sale of the assets in the 10th year is assumed, but the discounted cash flow is extended to the expiry of the lease. The average unexpired term of the Group’s operating leaseholds is approximately 9 years and 7 months as at 31 July 2020 (11 years and 0 months: 31 July 2019). 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 10 years is exercised. This is consistent with the approach taken in previous years.

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

**Directors’ valuation of land and property**

**The old Southampton store**: Following the opening of the new Southampton store with the corresponding transfer of all customers from the old Southampton store, the vacant building was redeveloped for cruise parking. In 2020 the Board concluded that management time and capital could be more effectively deployed within the self-storage business and the operation was closed. Accordingly, the Directors placed their valuation on the current developed site at £2.0 million (2019: 2.5 million) which is their best estimate of the potential realisable value of the site in current market conditions.

The total value of land and property carried at Director Valuation at 31 July 2020 is £2.0 million (2019: £2.5 million).

**11 c) Right of Use Assets (ROU)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Group property leases** | **Group**  **31 July**  **2020**    **£’000** | Group  31 July  2019  £’000 | Group  31 July  2018  transition £’000 |
|  | **IFRS 16** | IFRS 16 | IFRS 16 |
|  |  | Restated | Restated |
| Right of Use Asset (ROU) – opening balance | **13,018** | 14,272 | 15,526 |
|  |  |  |  |
| Depreciation of Right of Use Asset (ROU) | **(1,254)** | (1,254) | (1,254) |
| Right of Use Asset (ROU) – closing balance | **11,764** | 13,018 | 14,272 |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

The application of IFRS 16 relates to the Groups property leases. The Group has no leases on any other types of assets.

To ensure consistency and effective comparison with prior periods, the Group has elected to apply the full retrospective implementation approach with reinstatement of the comparative information. The transition date of initial application is therefore 1 August 2018. The Present Value of all future operating lease payments is calculated using 2.2% as an effective cost of debt as the single discount rate. This calculates an opening Right of Use Asset (ROU) as at 1 August 2018 of £14.3 million.

The Right of Use Asset is depreciated on a depreciation charge based on the individual lease term of the separate leases.

**12 Disposal of Saracen Datastore Limited**

On 31 January 2019 Lok’nStore disposed of its serviced document storage business Saracen Datastore Limited (“Saracen”) for £7.64 million in cash against its Net Book Value as at 31 July 2018 of £5.4 million.

In the short term the disposal proceeds were used to reduce overall Group borrowing and will improve all key banking ratios. In the medium term the disposal proceeds will be used to fund the ongoing investment into our highly accretive development pipeline of new self-storage centres, fulfilling the Group’s objective of growing asset value by recycling capital from lower growth assets into high growth landmark stores.

The proceeds of disposal net of disposal costs was treated as a receipt in Investing Activities in the Consolidated Cash flow Statement and contributed £6.85 million to the increase in cash and cash equivalents in the previous year.

Key amounts relating to the discontinued operation are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **31 July**  **2020**  **£’000** |  | 31 July  2019  £’000  Restated**\*\*** |
| Revenue | **–** |  | 1,156 |
| Expenses | **–** |  | (902) |
| EBITDA | **–** |  | 254 |
| Depreciation | **–** |  | (48) |
| Finance income /costs | **–** |  | 3 |
| Profit before tax | **–** |  | 209 |
| Tax | **–** |  | 8 |
| Profit after tax | **–** |  | 217 |
| Profit on disposal of subsidiary | **–** |  | 1,965 |
| After tax disposal profit | **–** |  | 1,965 |
| Total profit on discontinued operations | **–** |  | 2,182 |

Before disposal, Saracen contributed £1.16 million to the Group’s revenue and £0.25 million to its EBITDA in the period up to its disposal on 31 January 2019. The carrying value of Saracen’s assets and liabilities that were sold on 31 January 2019 was as follows:

|  |  |
| --- | --- |
| **Assets**  **Non-current assets** | £’000 |
| Intangible assets | 3,180 |
| Property, plant and equipment | 1,654 |
|  | 4,834 |
| **Current assets** |  |
| Inventories | 5 |
| Receivables | 722 |
| Cash | 508 |
|  | 1,235 |
| **Total assets** | 6,069 |
| **Current liabilities** | (603) |
| **Non-current liabilities** | (79) |
| **Total liabilities** | (682) |
| Net assets disposed of | 5,387 |
| Cash proceeds (net of fees/costs of disposal) | 7,352 |
| **Profit on disposal** | 1,965 |

The profit on disposal was included in profit on discontinued operations in the consolidated statement of comprehensive income. The Group believes that Substantial Shareholder Relief would be available on the gain made on the disposal of the shares. Proceeds from disposal of discontinued operation (net of disposal costs and cash included in sale) is presented as an investing activity in the consolidated statement of cash flows.

**13 Investments**

|  |  |
| --- | --- |
| **Company Investments in subsidiary undertakings** | **£’000** |
| **31 July 2018** | **2,418** |
| Capital contributions arising from share-based payments | 46 |
| **31 July 2019** | **2,464** |
| Capital contributions arising from share-based payments | 88 |
| **31 July 2020** | **2,552** |

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | % of shares and voting rights held | | | |
|  | Class of shareholding | Directly | Indirectly | Nature of entity |
| Lok’nStore Limited \* # | Ordinary | 100 | – | Self-storage |
| Lok’nStore Trustee Limited1 \* ♦ | Ordinary | – | 100 | Trustee |
| Southern Engineering and Machinery Company Limited1 \* # | Ordinary | – | 100 | Self-storage |
| Semco Machine Tools Limited2 \* # | Ordinary | – | 100 | Dormant |
| Semco Engineering Limited2 \* # | Ordinary | – | 100 | Dormant |
| Saracen Datastore Limited1 # @ | Ordinary | – | 100 | Serviced Document Storage |
| ParknCruise Limited1 ♦ | Ordinary | – | 100 | Dormant |
| The Box Room (Self Storage) Limited 1 ♦ | Ordinary | – | 100 | Self-storage |

1  These companies are subsidiaries of Lok’nStore Limited.

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

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

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

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

@ The serviced document storage business was sold in the previous year.

**14 Inventories**

|  |  |  |
| --- | --- | --- |
|  | **Group**  **2020**  **£’000** | Group  2019  £’000 |
| Consumables and goods for resale | **270** | 298 |

The amount of inventories recognised in cost of sales as an expense during the year was £97,966 (2019: £120,954). (See Note 3(b)).

**15 Trade and other receivables**

|  |  |  |
| --- | --- | --- |
|  | **Group**  **2020**  **£’000** | Group  2019  £’000 |
| Trade receivables | **746** | **1,055** |
| Other receivables | **2,451** | **2,270** |
| Prepayments and accrued income | **431** | **382** |
|  | **3,628** | **3,707** |

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

Other receivables include monies receivable from the managed stores for services provided by the Group and also includes a £0.61 million VAT repayment owed to the Group by HMRC which was received post year-end.

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

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | **Company**  **2020** | Company  2019 |
|  |  |  |  |  |  |  | **£’000** | £’000 |
| Net amount due from Lok’nStore Limited | | | |  |  |  | **25,867** | 14,576 |

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

**Trade receivables**

In respect of its self-storage business the Group does not typically offer credit terms to its customers and hence the Group is not exposed to significant credit risk. All customers are required to pay in advance of the storage period. Late charges are applied to a customer’s account if they are more than 10 days overdue in their payment. The Group provides for receivables based upon sales levels and estimated recoverability. There is a right of lien over the customers’ goods, so if they have not paid within a certain time frame the Group has the right to sell the items they store to cover the debt owed by the customer. Trade receivables that are overdue are provided for based on estimated irrecoverable amounts, determined by reference to expected credit losses.

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

Included in the Group’s trade receivables balance are receivables with a carrying amount of £110,668 (2019: £55,049) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group holds a right of lien over its self-storage customers’ goods if these debts are not paid. The average age of these receivables is 54 days past due (2019: 51 days past due).

**Ageing of past due but not impaired receivables**

|  |  |  |
| --- | --- | --- |
|  | **Group**  **2020**  **£’000** | Group  2019  £’000 |
| 0–30 days | **16** | 14 |
| 30–60 days | **16** | 4 |
| 60+ days | **79** | 37 |
| Total | **111** | 55 |
| Movement in the allowance for credit losses |  |  |
|  | **Group** | Group |
|  | **2020** | 2019 |
|  | **£’000** | £’000 |
| Balance at the beginning of the year | **191** | 165 |
| Impairment losses recognised | **20** | 39 |
| Amounts written off as uncollectible | **(22)** | (13) |
| Balance at the end of the year | **189** | 191 |

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

|  |  |  |
| --- | --- | --- |
| **Ageing of impaired trade receivables** | **Group**  **2020**  **£’000** | Group  2019  £’000 |
| 0–30 days | **–** | – |
| 30–60 days | **–** | – |
| 60+ days | **189** | 191 |
| Total | **189** | 191 |

**16 Trade and other payables**

|  |  |  |
| --- | --- | --- |
|  | **Group**  **2020**  **£’000** | Group  2019  £’000 |
| Trade payables | **1,275** | 640 |
| Taxation and social security costs | **137** | 388 |
| Other payables | **777** | 1,115 |
| Accruals and deferred income | **2,487** | 2,610 |
|  | **4,676** | 4,753 |

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

**17 Financial instruments**

**Capital management and gearing**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debts, which include the borrowings disclosed in note 18, cash and cash equivalents and equity attributable to the owners of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity. The Group’s banking facilities require that management give regular consideration to interest rate hedging strategy. The Group has complied with this during the year.

The Group’s Board reviews the capital structure on an on-going basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. The Group seeks to have a relatively conservative gearing ratio (the proportion of net debt to equity) balancing the overall level with the opportunities for the growth of the business. The Board considers at each review the appropriateness of the current ratio in light of the above. The Board is currently satisfied with the Group’s gearing ratio.

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

|  |  |  |
| --- | --- | --- |
| **Gearing – Bank Borrowings** | **Group**  **2020**  **£’000** | Group  2019  £’000 |
|  |  | Restated**\*\*** |
| Gross debt | **(51,322)** | (42,972) |
| Cash and cash equivalents | **13,066** | 13,662 |
| Net debt | **(38,255)** | (29,310) |
| Total equity – balance sheet | **121,382** | 116,550 |
| IFRS 16 restatement | **692** | 608 |
| Adjusted total equity | **122,074** | 117,158 |
| Net debt to equity ratio | **31.3%** | 25.0% |

|  |  |  |
| --- | --- | --- |
| **Total Gearing – Bank Borrowings and lease liabilities** | **Group**  **2020**  **£’000** | Group  2019  £’000 |
|  |  | Restated**\*\*** |
| Gross debt – bank borrowings | **(51,322)** | (42,972) |
| Gross debt – lease liabilities | **(12,455)** | (13,626) |
| Cash and cash equivalents | **13,066** | 13,662 |
| Net debt | **(50,711)** | (42,936) |
| Total equity – balance sheet | **121,382** | 116,550 |
| Net debt to equity ratio | **41.8%** | 36.8% |

The modest increase in the Group’s gearing ratio arises principally through the combined effect of an increase in the value of its trading properties, and the cash generated from operations. These effects on gearing were offset by the purchase of our Stevenage and Salford sites, the exchange of contracts at our Warrington site, and the completion of construction works at our Leicester store which opened post-balance sheet in August 2020. Costs relating to the planning and pre-development works on our Bournemouth, Bedford, and Cheshunt sites also featured.

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

***A Derivative financial instruments and hedge accounting***

The Group’s activities expose it primarily to the financial risks of interest rates. The Group previously has hedged through the deployment of interest rate swaps although the Group had no such instruments in place at 31 July 2019 or 31 July 2020. The Board continues to keep its hedging policy under periodic review.

***B*** ***Debt management***

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

The Group borrows through a joint revolving credit facility with Royal Bank of Scotland plc and Lloyds Banking Group secured on its store portfolio and other Group assets, excluding intangibles, with a net book value of £187.3 million (2019 Restated: £168.9 million). Borrowings are arranged to ensure the Group fulfils its strategy of growth and development of its stores and to maintain short-term liquidity. As at the reporting date the Group has a committed revolving credit facility of £75 million (2019: £75 million). This facility provides for an accordion of £25 million which although uncommitted can take the facility to £100 million and runs to 2025 with an option of a one year extensions. Undrawn committed facilities at the year-end amounted to £23.7 million (2019: £32.0 million).

***C Interest rate risk management***

The Group’s policy on interest rate management is agreed at Board level and is reviewed on an on-going basis. All borrowings are denominated in Sterling and are detailed in note 18. The Group has a number of revolving loans within its overall revolving credit facility and as such is exposed to interest rate risks at the time of renewal arising from any upward movement in the LIBOR rate.

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 rates1. All amounts are denominated in Sterling. The balances at 31 July 2020 are as follows:

|  |  |  |
| --- | --- | --- |
|  | **Group**  **2020**  **£’000** | Group  2019  £’000 |
| Variable rate treasury deposits1 | **11,608** | **12,232** |
| SIP trustee deposits | **63** | **63** |
| Cash in operating current accounts | **1,385** | **1,357** |
| Other cash and cash equivalents | **10** | **10** |
| Total cash and cash equivalents | **13,066** | **13,662** |

1. Money market rates for the Group’s variable rate treasury deposit track Royal Bank of Scotland plc base rate.

The Interest rate between August 2019 and 28th May 2020 was 0.30% on balances greater than £1m and 0.20% on balances below £1m. This rate had been in place since 2nd August 2018. On 29th May 2020, the rate on the account changed to a flat rate of 0.01% Gross/AER on all balances. The rate attributable to the variable rate deposits at 31 July 2020 was 0.01%.

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

***D Interest rate sensitivity analysis***

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

At 31 July 2020, it is estimated that an increase of one percentage point in interest rates would have reduced the Group’s annual profit before tax by £513,222 (2019: £429,717) and conversely a decrease of one percentage point in interest rates would have increased the Group’s annual profit before tax by £513,222 (2019: 429,717). There would have been no effect on amounts recognised directly in other comprehensive income. The sensitivity has been calculated by increasing by 1% the average variable interest rate of 1.69% applying to the variable rate borrowings of £51.3 million in the year (2019: £43.0 million / 2.11%).

***E Cash management and liquidity***

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

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

***F Foreign currency management***

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

***G Credit risk***

The credit risk management policies of the Group with respect to trade receivables are discussed in note 15. There has not been a significant change in credit quality. The Group has a robust credit model with customers paying four-weekly in advance for their storage. The Group has no significant concentration of credit risk, with exposure spread across over 12,500 customers and with no individual self-storage customer accounting for more than 1% of total revenue and no group entities under common control (e.g. Government) accounting for more than 10% of total revenues. The Group holds a right of lien over its self-storage customers’ goods if customer debts are not paid although this is used relatively infrequently within the context of overall customer numbers and only ever as a final stage in the debt recovery process.

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

The Group’s maximum exposure to credit risk at 31 July 2020 was £2.40 million (2019: £3.38 million) on receivables and £13.1 million (2019: £13.7 million) on cash and cash equivalents.

***H Maturity analysis of financial liabilities***

The undiscounted contractual cash flow maturities are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **2020 - Group** | **Trade**  **and other**  **payables**  **£’000** | **Borrowings**  **£’000** | **Interest on**  **borrowings**  **£’000** |
| Over five years | **–** | **–** | **–** |
| From two to five years | **–** | **51,322** | **2,364** |
| From one to two years | **–** | **–** | **865** |
| Due after more than one year | **–** | **51,322** | **3,229** |
| Due within one year | **2,585** | **–** | **865** |
| **Total contractual undiscounted cash flows** | **2,585** | **51,322** | **4,094** |
|  |  |  |  |
| 2019 - Group | Trade  and other  payables  £’000 | Borrowings  £’000 | Interest on  borrowings  £’000 |
| Over five years | – | – | – |
| From two to five years | – | 42,972 | 2,474 |
| From one to two years | – | – | 906 |
| Due after more than one year | – | 42,972 | 3,380 |
| Due within one year | 2,199 | – | 906 |
| Total contractual undiscounted cash flows | 2,199 | 42,972 | 4,286 |

***I Fair values of financial instruments***

|  |  |  |
| --- | --- | --- |
|  | **Group**  **2020**  **£’000** | Group  2019  £’000 |
| **Categories of financial assets and financial liabilities** |  | Restated**\*\*** |
| **Financial assets** |  |  |
| Trade and other receivables 1 | **3,610** | 3,992 |
| Cash and cash equivalents | **13,066** | 13,662 |
| **Financial liabilities** |  |  |
| Trade and other payables | **(2,585)** | (2,199) |
| Lease liabilities | **(12,456)** | (13,626) |
| Bank loans | **(50,705)** | (42,331) |

1 Includes £361,460 relating to fees receivable in 2022 from the Aldershot managed store currently classified as a non-current asset (measured at fair value).

The fair values of the Group’s cash and short-term deposits and those of other financial assets equate to their carrying amounts. The Group’s receivables and cash and cash equivalents are all carried at amortised cost.

The amounts are presented net of provisions for doubtful receivables and allowances for impairment are made where appropriate. Trade and other payables and bank borrowings are all classified as financial liabilities measured at amortised cost.

***J Company’s financial instruments***

The Company’s financial assets are amounts owed by subsidiary undertakings amounting to £25.9 million (2019: £14.6 million) which are classified as loans and receivables, and the investment in its subsidiary undertaking of £2.55 million (2019: £2.46 million). These amounts are denominated in Sterling, are non-interest bearing, are unsecured and fall due for repayment within one year. No amounts are past due or impaired. The Company has no financial liabilities.

**18 Borrowings**

|  |  |  |
| --- | --- | --- |
| **Bank borrowings** | **Group**  **2020**  **£’000** | Group  2019 £’000 |
| **Non-current** |  |  |
| Bank loans repayable in more than two years |  |  |
| but not more than five years |  |  |
| Gross | **51,322** | 42,972 |
| Deferred financing costs | **(617)** | (641) |
| Net bank borrowings | **50,705** | 42,331 |
| Non-current borrowings | **50,705** | 42,331 |

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

The Group currently has £51.3 million drawn against its facility which is secured with RBS and Lloyds jointly by legal charges and debentures over the freehold and leasehold properties and other tangible assets of the business with a net book value of £187.8 million (2019 £168.9 million) together with cross-company guarantees from Group companies.

On 14 July 2020, the Group implemented a one year extension on its existing joint banking facility. The facility which was due to expire in April 2024, will now run until April 2025 providing funding for more landmark site acquisitions.

The £75 million five year revolving credit facility set the interest rate margin at the London Inter-Bank Offer Rate (LIBOR) plus 1.50%–1.75% based on a loan to value covenant test. This rate is 1.50% currently and our current all in debt cost on £51.2 million drawn is averaging 1.6%-1.7%.

Bank covenants and margin are unaffected by this extension of term.

**19 Lease liabilities**

To ensure consistency and effective comparison with prior periods, the Group has elected to apply the full retrospective implementation approach with reinstatement of the comparative information. The transition date of initial application is therefore 1 August 2018.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the leases. Where this cannot be readily determined the Present Value of all future operating lease payments is calculated using 2.2% as an effective cost of debt as the discount rate.

After the application of a weighted depreciation charge based on the individual lease term of the separate leases and the imputation of an interest charge at 2.2% as part of the amortisation of the lease liability the total lease liabilities stated under the first-time adoption of IFRS 16 is shown below. The impact of the adoption of IFRS 16 is also set out in note 1 of the financial statements.

|  |  |  |
| --- | --- | --- |
| **Lease liabilities attributable to Right of Use Assets** | **Group**  **2020**  **£’000** | Group  2019  £’000 |
|  |  | Restated**\*\*** |
|  |  |  |
| **Current lease liabilities** |  |  |
| Amounts due within one year | **1,298** | 1,171 |
|  |  |  |
| **Non-current lease Liabilities** |  |  |
| Amounts due in one to two years | **1,326** | 1,298 |
| Amounts due in three to five years | **2,881** | 3,352 |
| Amounts due in more than five years | **6,950** | 7,805 |
| **Non-current lease liabilities** | **11,157** | 12,455 |
| **Total lease liabilities** | **12,455** | 13,626 |

|  |  |  |
| --- | --- | --- |
| **Lease liabilities attributable to Right of Use Assets** | **Group**  **2020**  **£’000** | Group  2019  £’000 |
|  |  | Restated**\*\*** |
| **Balance B/Fwd** | **13,626** | 14,662 |
| Lease repayments | **(1,467)** | (1,356) |
| Lease interest (non-cash) | **296** | 320 |
| **Total lease liabilities** | **12,455** | 13,626 |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

The application of IFRS 16 relates to the Groups property leases. The portfolio of property leases all have similar characteristics. Subject to periodic future rent reviews, typically every five years, there are no variable lease payments. The Group has no leases on any other types of assets.

The total cash outflow for leases is set out in note 27 (Commitments under property leases).

**20 Deferred tax**

|  |  |  |
| --- | --- | --- |
| **Deferred tax liability** | **Group**  **2020**  **£’000** | Group  2019  £’000 |
| Liability at start of year | **22,385** | 19,735 |
| Charge to income for the year – continued operations | **796** | 400 |
| Charge to income for the year – discontinued operations | – | 32 |
| Total charge to income for the year | **796** | 432 |
|  |  |  |
| Tax charged directly to other comprehensive income | **3,602** | 2,327 |
| Tax credited – disposal of subsidiary | – | (134) |
| Initial recognition on acquisition of subsidiary | – | 24 |
| (Credit) / debit to share based payment reserve | **(23)** | 1 |
| Liability at end of year | **26,760** | 22,385 |

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Accelerated  Capital  Allowances  £’000 | Other  temporary  differences  £’000 | Revaluation of  properties  £’000 | Rolled  over gain  on disposal  £’000 | Share  options  £’000 | Total  £’000 |
|  |  |  |  |  |  |  |
| **At 1 August 2019** | **2,879** | **383** | **14,568** | **2,146** | **(241)** | **19,735** |
| Charge/ (credit) to income for the year | 336 | (14) | – | – | – | 322 |
| Charge to other comprehensive income | – | – | 2,327 | – | – | 2,327 |
| Reclassification following store disposal | – | – | (558) | 558 | – | – |
| Charge to share based payment reserve | – | – | – | – | 1 | 1 |
| **At 31 July 2019** | **3,215** | **369** | **16,337** | **2,704** | **(240)** | **22,385** |
| Charge/ (credit) to income for the year | 434 | 110 | – | 252 | – | **796** |
| Charge to other comprehensive income | – | – | 3,602 | – | – | **3,602** |
| Charge to share based payment reserve | – | – | – | – | (23) | **(23)** |
| **At 31 July 2020** | **3,649** | **479** | **19,939** | **2,956** | **(263)** | **26,760** |

The increase in the deferred tax liability arises substantially from a combination of an increase in the valuation of the Group’s stores and a rise in forward tax rates which used to be calculated at forward corporation tax rates of 17% and is calculated at the substantively enacted corporation tax rate and has therefore reverted to 19%. The deferred tax provision is substantially a tax provision against the potential crystallisation (sales) of revalued properties and past ‘rolled over’ gains and amounts to £26.8 million (2019: £22.4 million) - the crystallisation of which is within the Board’s control.

**21 Share capital**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **2020** | 2019 |
| Authorised: |  | **£’000** | £’000 |
| 35,000,000 ordinary shares of 1 penny each (2019: 35,000,000) |  | **350** | 350 |
|  |  |  |  |
| Allotted, issued and fully paid ordinary shares |  | **£’000** | £’000 |
| Balance at start of year |  | **296** | 295 |
| Options exercised during the year 85,171 (2019: 195,692) |  | **1** | 1 |
| Balance at end of year |  | **297** | 296 |
|  |  | **Called up,** | Called up, |
|  |  | **allotted and** | allotted and |
|  |  | **fully paid** | fully paid |
|  |  | **Number** | Number |
| Number of shares at start of the year |  | **29,583,786** | 29,498,615 |
| Options exercised during the year |  | **49,504** | 85,171 |
| Number of shares at end of the year |  | **29,633,290** | 29,583,786 |

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

**22 Equity settled share-based payment plans**

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

The Company has the following share options:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **2020** |  | **As at** |  |  |  | **As at** |
| **Summary** |  | **31 July 2019** |  |  | **Lapsed/** | **31 July 2020** |
|  |  | **No of options** | **Granted** | **Exercised** | **surrendered** | **No of options** |
|  |  |  |  |  |  |
| **Unapproved Share Options** |  | 750,851 | 8,945 | (44,692) | – | **715,104** |
| **Unapproved Share Options (PPP Scheme)** |  | 540,000 | 290,000 | – | – | **830,000** |
| **Approved CSOP Share Options** |  | 94,939 | 11,079 | (4,812) | (3,271) | **97,935** |
| **Total** |  | 1,385,790 | 310,024 | (49,504) | (3,271) | **1,643,039** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **2019** |  | As at |  |  |  | As at | |
| **Summary** |  | 31 July 2018 |  |  | Lapsed/ | 31 July 2019 | |
|  |  | No of options | Granted | Exercised | surrendered | No of options | |
|  |  |  |  |  |  | | |
| Unapproved Share Options (refer note 24(a)) |  | 817,551 | 3,300 | (70,000) | – | | **750,851** |
| Unapproved Share Options (PPP Scheme) |  | 140,000 | 400,000 | – | – | | **540,000** |
| Approved CSOP Share Options |  | 92,199 | 15,673 | (9,952) | (2,981) | | **94,939** |
| Total |  | 1,049,750 | 418,973 | (79,952) | (2,981) | | **1,385,790** |

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

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Total  at 31 July 2019 | Options granted | Options  Exercised/lapsed | Unapproved Scheme | Approved  CSOP share options | | **Total**  **at 31 July 2020** |
| **2020** |  |  |  |  |  | |  |
| **Executive Directors** |  |  |  |  |  | |  |
| A Jacobs – Unapproved | 206,087 | – | – | 206,087 | – | | **206,087** |
| A Jacobs – PPP | 80,000 | 40,000 | – | 120,000 | – | | **120,000** |
| **A Jacobs – total** | 286,087 | 40,000 | – | 326,087 | – | | **326,087** |
| RA Davies – Unapproved | 246,977 | – | – | 246,977 | – | | **246,977** |
| RA Davies – CSOP | 7,742 | – | – | – | 7,742 | | **7,742** |
| RA Davies – PPP | 80,000 | 40,000 | – | 120,000 | – | | **120,000** |
| **RA Davies total** | 334,719 | 40,000 | – | 366,977 | 7,742 | | **374,719** |
| N Newman-Shepherd - Unapproved | 172,421 | – | (36,822) | 135,599 | – | **135,599** | |
| N Newman-Shepherd - CSOP | 10,661 | – | (2,043) | – | 8,618 | **8,618** | |
| N Newman-Shepherd - PPP | 120,000 | 60,000 | – | 180,000 | – | **180,000** | |
| **N Newman-Shepherd total** | 303,082 | 60,000 | (38,865) | 315,599 | 8,618 | **324,217** | |
| **Non-Executive Directors** |  |  |  |  |  |  | |
| SG Thomas – Unapproved | 5,217 | – | – | 5,217 | – | | **5,217** |
| **All Directors total** | **929,105** | **140,000** | **(38,865)** | **1,013,880** | **16,360** | | **1,030,240** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Total  at 31 July 2018 | Options granted | Options  Exercised/lapsed | Unapproved Scheme | Approved  CSOP share options | | **Total**  **at 31 July 2019** |
| **2019** |  |  |  |  |  | |  |
| **Executive Directors** |  |  |  |  |  | |  |
| A Jacobs – Unapproved | 206,087 | – | – | 206,087 | – | | **206,087** |
| A Jacobs – PPP | – | 80,000 | – | 80,000 | – | | **80,000** |
| **A Jacobs – total** | 206,087 | 80,000 | – | 286,087 | – | | **286,087** |
| RA Davies – Unapproved | 246,977 | – | – | 246,977 | – | | **246,977** |
| RA Davies – CSOP | 7,742 | – | – | – | 7,742 | | **7,742** |
| RA Davies – PPP | – | 80,000 | – | 80,000 | – | | **80,000** |
| **RA Davies total** | 254,719 | 80,000 | – | 326,977 | 7,742 | | **334,719** |
| N Newman-Shepherd - Unapproved | 172,421 | – | – | 172,421 | – | **172,421** | |
| N Newman-Shepherd - CSOP | 10,661 | – | – | – | 10,661 | **10,661** | |
| N Newman-Shepherd - PPP | – | 120,000 | – | 120,000 | – | **120,000** | |
| **N Newman-Shepherd total** | 183,082 | 120,000 | – | 292,421 | 10,661 | **303,082** | |
| **Non-Executive Directors** |  |  |  |  |  |  | |
| SG Thomas – Unapproved | 25,217 | – | (20,000) | 5,217 | – | | **5,217** |
| **All Directors total** | 669,105 | 280,000 | (20,000) | 910,702 | 18,403 | | **929,105** |

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

Under the CSOP Approved Share Option scheme and the Unapproved Share Options scheme, the exercise price of the options is equal to the closing mid-market price of the shares on the trading day previous to the date of the grant. Exercise of an option is subject to continued employment or in the case of unapproved options at the discretion of the Board. The life of each option granted is six and a half to seven years. There are no cash settlement alternatives.

Under the CSOP Approved Share Option scheme and the Unapproved Share Options scheme, the expected volatility is based on a historical review of share price movements over a period of time, prior to the date of grant, commensurate with the expected term of each award. The expected term is assumed to be six and a half years which is part way between vesting (two and a half to three years after grant) and lapse (10 years after grant). The risk free rate of return is the UK gilt rate at date of grant commensurate with the expected term (i.e. six and a half years years).

Under the Partnership Performance Plan, the expected volatility is based on a historical review of share price movements over a period of time, prior to the date of grant, commensurate with the expected term of each award. For options granted on 31 July 2020, the expected term is assumed to be 12.4 years, which is halfway between vesting and lapse. For options granted on 31 January 2020, the expected term is assumed to be 11.2 years. The vesting date is based upon the assumption that the CAD and/or NAV targets are met at the same time as the share price target is met, and the lapse date is the fifteenth anniversary of the grant. The risk free rate of return is the UK gilt rate at date of grant commensurate with the expected term (i.e. 12.4 years).

The total charge for the year relating to employer share-based payment schemes was £87,990 (2019: £46,221), all of which relates to equity-settled share-based payment transactions.

**23(a) Other reserves**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | Capital | Share-based |  |
|  | Merger | Other | redemption | payment |  |
|  | reserve | reserve | reserve | reserve | Total |
| **Group** | £’000 | £’000 | £’000 | £’000 | £’000 |
| **1 August 2018** | **6,295** | **1,294** | **34** | **740** | **8,363** |
| Share based remuneration (options) | – | – | – | 46 | 46 |
| IFRS 2 - transfer (to) / from retained earnings | – | – | – | (51) | (51) |
| Tax charge relating to share options | – | – | – | (1) | (1) |
| **31 July 2019** | **6,295** | **1,294** | **34** | **734** | **8,357** |
| Share based remuneration (options) | – | – | – | 88 | **88** |
| IFRS 2 - transfer (to) / from retained earnings | – | – | – | (14) | **(14)** |
| Tax charge relating to share options | – | – | – | 24 | **24** |
| **31 July 2020** | **6,295** | **1,294** | **34** | **832** | **8,455** |

The merger reserve represents the excess of the nominal value of the shares issued by Lok’nStore Group plc over the nominal value of the share capital and share premium of Lok’nStore Limited as at 31 July 2001. The other distributable reserve and the capital redemption reserve arose in the year ended 31 July 2004 from the purchase of the Company’s own shares and a cancellation of share premium.

**Share based payment reserve**

Under IFRS2 there is the option to make transfers from the share based payment reserve to retained earnings in respect of accumulated share option charges where the options have either been exercised or have lapsed post-vesting. The total amounts calculated and accordingly transferred to retained earnings amounted to £13,760 (2019: £51,295).

**23(b) Other reserves**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Other** | **Share-based** |  |
|  | **reserve** | **payment** |  |
|  |  | **reserve** | **Total** |
| **Company** | **£’000** | **£’000** | **£’000** |
| **1 August 2019** | **1,114** | **729** | **1,843** |
| Share based remuneration (options) | – | 46 | **46** |
| IFRS 2 - transfer to/from retained earnings | – | (51) | **(51)** |
| **31 July 2019** | **1,114** | **724** | **1,838** |
| Share based remuneration (options) | – | 88 | **88** |
| IFRS 2 - transfer to/from retained earnings | – | (14) | **(14)** |
| **31 July 2020** | **1,114** | **798** | **1,912** |

**24a) Retained earnings**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | **Retained earnings** |  | **Retained earnings** |
|  |  |  | **before deduction** | **Own shares** |  |
|  |  |  | **of own shares** | **(Note 25)** | **Total** |
| **Group** |  |  | **£’000** | **£’000** | **£’000** |
|  |  |  | **Restated\*\*** |  | **Restated\*\*** |
| **1 August 2018** |  |  | **19,844** | **(500)** | **19,344** |
| Effect of new accounting standard – IFRS 16 |  |  | (389) | – | (389) |
| **As at 1 August 2018 - restated** |  |  | **19,455** | **(500)** | **18,955** |
| **Profit attributable to owners of**  **Parent for the financial year** |  |  | 5,343 | – | 5,343 |
| Transfer from revaluation reserve  (Additional depreciation on revaluation) |  |  | 304 | – | 304 |
| Transfer from share based payment reserve (Note 23a) |  |  | 51 | – | 51 |
| Dividend paid |  |  | (3,279) | – | (3,279) |
| Asset disposals |  |  | 4,927 | – | 4,927 |
| **31 July 2019** |  |  | **26,801** | **(500)** | **26,301** |
| **Profit attributable to owners of**  **Parent for the financial year** |  |  | **2,974** | – | **2,974** |
| Transfer from revaluation reserve  (Additional depreciation on revaluation) |  |  | **378** | – | **378** |
| Transfer from share based payment reserve (Note 26a) |  |  | **14** | – | **14** |
| Dividend paid |  |  | **(3,572)** | – | **(3,572)** |
| **31 July 2020** |  |  | **26,595** | **(500)** | **26,095** |

The transfer from revaluation reserve represents the additional depreciation charged on revalued assets net of deferred tax.

The Own Shares Reserve represents the cost of shares in Lok’nStore Group plc purchased in the market and held in the Employee Benefit Trust to satisfy awards made under the Group’s share incentive plan and shares purchased separately by Lok’nStore Limited for Treasury Account.

**24(b) Retained earnings**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | **Retained earnings** |  | **Retained** |
|  |  |  | **before deduction** | **Own shares** | **earnings** |
|  |  |  | **of own shares** | **(Note 25)** | **Total** |
| **Company** |  |  | **£’000** | **£’000** | **£’000** |
| **1 August 2018** |  |  | **3,870** | **–** | **3,870** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Profit attributable to owners of**  **Company for the financial year** |  |  | 3,774 | – | 3,774 |
| Transfer from share based payment reserve (Note 23a) |  |  | 51 | – | 51 |
| Dividend paid |  |  | (3,279) | – | (3,279) |
| **31 July 2019** |  |  | **4,416** | **–** | **4,416** |
| **Profit attributable to owners of**  **Company for the financial year** |  |  | **14,792** | – | **14,792** |
| Transfer from share based payment reserve (Note 23a) |  |  | **14** | – | **14** |
| Dividend paid |  |  | **(3,572)** | – | **(3,572)** |
| **31 July 2020** |  |  | **15,650** | **–** | **15,650** |

**25 Own shares**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | EBT | EBT | Treasury | Treasury | Own shares |
|  | shares | shares | shares | shares | total |
|  | Number | £ | Number | £ | £ |
| **31 July 2019 and 31 July 2020** | **623,212** | **499,910** | – | – | **499,910** |

The Group operates an Employee Benefit Trust (EBT) under a settlement dated 8 July 1999 between Lok’nStore Limited and Lok’nStore Trustee Limited, constituting an employees’ share scheme.

Funds are placed in the trust by way of deduction from employees’ salaries on a monthly basis as they so instruct for purchase of shares in the Company. Shares are allocated to employees at the prevailing market price when the salary deductions are made.

As at 31 July 2020, the Trust held 623,212 (2019: 623,212) ordinary shares of 1 penny each with a market value of £3,552,308 (2019: £3,284,327). No shares were transferred out of the scheme during the year (2019: nil).

No options have been granted under the EBT. The EBT waived its dividends in full. No other dividends were waived during the year**.**

**26 Cash flows**

1. **Reconciliation of profit before tax to cash generated from operations**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | **Year**  **ended**  **31 July**  **2020**  **£’000** | Year  ended  31 July  2019  £’000 |
|  |  |  |  | Restated**\*\*** |
| Profit before tax – continuing operations |  |  | **4,690** | 4,372 |
| Profit before tax – discontinued operations |  |  | **–** | 2,174 |
| Total profit before tax |  |  | **4,690** | 6,546 |
| Depreciation |  |  | **3,779** | 3,695 |
| Amortisation of intangible assets |  |  | **–** | 83 |
| Equity settled share based payments |  |  | **88** | 46 |
| Profit on sale of land at store |  |  | **–** | (296) |
| Profit on disposal of Saracen business |  |  | **–** | (1,967) |
| Costs of sale and manage-back – Crayford store |  |  | **–** | 54 |
| Deferred financing on bank loan written off |  |  | **–** | 133 |
| Interest receivable |  |  | **(29)** | (31) |
| Interest payable – bank borrowings |  |  | **830** | 602 |
| Interest payable – lease liabilities |  |  | **296** | 342 |
| Decrease / (increase) in inventories |  |  | **28** | (41) |
| Decrease in receivables |  |  | **79** | 768 |
| (Decrease) in payables |  |  | **(61)** | (389) |
| Cash generated from operations |  |  | **9,700** | 9,545 |

\*\* Details of the restatements following the adoption of IFRS 16 are made in note 1 to the financial statements.

**(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 18 less cash and cash equivalents.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Group**  **2020** | Group  2019 |
|  |  |  |  | **£’000** | £’000 |
| Decrease / increase) in cash in the year |  |  |  | **(596)** | 8,672 |
| Change in net debt resulting from cash flows |  |  |  | **(8,350)** | (5,637) |
| Movement in net debt in year |  |  |  | **(8,946)** | 3,035 |
| Net debt brought forward |  |  |  | **(29,310)** | (32,345) |
| Net debt carried forward |  |  |  | **(38,256)** | (29,310) |

**27 Commitments under property leases**

At 31 July 2020 the total future minimum lease payments as a lessee under non-cancellable leases were as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Group** | Group |
|  |  |  |  |  | **2020** | 2019 |
| Land and buildings |  |  |  |  | **£’000** | £’000 |
| Amounts due: |  |  |  |  |  |  |
| Within one year |  |  |  |  | **1,575** | 1,517 |
| Between two and five years |  |  |  |  | **5,041** | 5,358 |
| After five years |  |  |  |  | **7,811** | 8,165 |
|  |  |  |  |  | **14,427** | 15,040 |

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.

Under the first-time adoption of IFRS 16, the Group’s property leases on its leased stores are now recognised as a ‘Right of Use Asset’ and as a corresponding liability at the year–end. This is fully explained in Note 1 of the financial statements.

**28 Related party transactions**

The Company provides share options for the employees of Lok’nStore Limited. The capital contributions arising from these share-based payments are separately disclosed under investments in note 13.

The aggregate remuneration of the Directors, and the other key management personnel of the Group, is set out below. Further information on the remuneration of individual Directors is found in note 7.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | |  |  |  |  |  | **Group**  **2020** | Group  2019 |
|  |  | |  |  |  |  |  | **£’000** | £’000 |
| Short term employee benefits - Directors | | | |  |  |  |  | **965** | 892 |
| Short term employee benefits - Other key management | | | |  |  |  |  | **328** | 311 |
| Post-employment benefits - Directors | | | |  |  |  |  | **10** | 7 |
| Post-employment benefits - Other key management | | | |  |  |  |  | **10** | 7 |
| Share-based payments | |  |  |  |  |  |  | **88** | 46 |
| Total | |  |  |  |  |  |  | **1,401** | 1,263 |

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

**Group Director shareholdings – dividends received**

In respect of the total dividends paid during the year of £3,572,001 (2019: £3,279,691), the Group Directors received the amounts set out in the table below: -

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Director's Dividend Income** | **Holding** | **Final 2019** | **Interim 2020** |  | **Total 2020** | Total 2019 |
|  |  | **8.33 pence per share** | **4.00 pence per**  **share** |  |  |  |
|  | **No.** | **£** | **£** |  | **£** | £ |
| **Executive:** |  |  |  |  |  |  |
| A Jacobs | 5,203,600 | 433,460 | 208,144 |  | **641,644** | **590,202** |
| Ray Davies | 64,329 | 4,759 | 2,573 |  | **7,332** | **7,166** |
| N Newman-Shepherd | 17,164 | 1,430 | 566 |  | **1,996** | **1,570** |
| **Non-Executive:** |  |  |  |  |  |  |
| SG Thomas | 1,530,000 | 127,473 | 61,200 |  | **188,673** | **192,677** |
| RJ Holmes | 273,674 | 22,797 | 10,947 |  | **33,744** | **31,035** |
| ETD Luker | 28,800 | 2,399 | 1,152 |  | **3,551** | **3,266** |
| CP Peal | 644,222 | 53,064 | 25,769 |  | **78,833** | **58,914** |
|  | 7,761,789 | **645,382** | **310,351** |  | **955,733** | **884,830** |

**Managed Stores – Group Director shareholdings**

Although the director holdings in Managed Stores falls outside of the definition of related party transactions they are disclosed here for transparency and are set out in the table below: -

|  |  |  |  |
| --- | --- | --- | --- |
| **Director** | **Chichester** | **Broadstairs** | **Exeter** |
|  | No of shares | No of shares | No of shares |
| Andrew Jacobs | 36,800 | 38,160 | 240,000 |
| Charles Peal | – | – | 500,000 |
| Simon Thomas | – | – | 160,000 |
| Total shareholding | 36,800 | 38,160 | 900,000 |
| Issued Share Capital | 189,341 | 189,690 | 3,970,000 |
| % of Issued Share Capital | 19.4% | 20.1% | 22.7% |

**29 Capital commitments and guarantees**

The Group has capital expenditure contracted but not provided for in the financial statements of £2.97 million (2019: £5.56 million) relating to commitments to complete the purchase of a site in Warrington and on which contracts have been exchanged, building contracts on its Leicester development site as well as building retentions outstanding on the completed Maidenhead, Wellingborough and Ipswich stores.

**30** **Bank borrowings**

The Company has guaranteed the bank borrowings of Lok’nStore Limited, a subsidiary company. As at the year-end, that company had gross bank borrowings of £51.3 million (2019: £43.0 million).

**31 Events after the Reporting Date**

1. **Novel Coronavirus (COVID-19) Update**

Since the outbreak of the Novel Coronavirus (COVID-19) was declared a “Global Pandemic” by the World Health Organisation on the 11th March 2020, we have reported comprehensively on the up to date COVID 19 position and this is contained within the Chairman’s Statement. Trading since the year-end has continued to be positive and is consistent with the strong finish to the financial year.

1. **Leicester store opening**

Following completion of its store development, the Leicester Store opened post year-end in early August 2020. The 57,500 sq. ft. store is in a highly prominent location opposite a major food retailer in the heart of Leicester’s busy retail district. Early trading has been encouraging.

1. **Share buyback (Purchases in Own Shares)**

On 25 September 2020, Lok'nStore, bought back 8,000 ordinary shares of 1p each ("Ordinary Shares") in the market at a price of 519.0 pence per Ordinary Share (“Buy-back”). The Ordinary Shares acquired will be held in treasury.

Lok'nStore announced that on 2 October 2020 it bought back 29,972 ordinary shares of 1p each ("Ordinary Shares") in the market at a price of 517.5 pence per Ordinary Share. The Ordinary Shares acquired will be held in treasury.

Following the Buyback, the issued share capital of the Company is 29,641,559 Ordinary Shares of which 37,972 are now held in treasury. The total number of voting rights in the Company, excluding Treasury shares will therefore be 29,603,587.

1. **Purchase of Peterborough Site**

On 23 October 2020 the Group acquired a site in Peterborough. The site occupies a central location in the city, prominently positioned on the access route to a large and busy retail park with neighbouring occupiers including B&Q, Aldi, Curry’s and Argos.  The purchase is subject to the successful receipt of a planning permission for a 45,000 sq.ft. purpose built landmark self-storage facility.

**Glossary**

Abbreviation

APM Alternative performance measures

Adjusted EBITDA Earnings before all depreciation and amortisation charges, losses or profits on disposal, share-based payments, acquisition costs, and non-recurring professional costs, finance income, finance costs and taxation

Adjusted Store EBITDA Adjusted EBITDA (see above) but before central and head office costs

AGM Annual General Meeting

APD Auditing Practices

Bps Basis Points

CAC Contributory asset charges

CAD Cash available for Distribution

Capex Capital Expenditure

CGU Cash generating units

CO2 e Carbon Dioxide Equivalents

CSOP Company Share Option Plan

EBT Employee Benefit Trust

(eKPIs) Environmental key performance indicators

EMI Enterprise Management Incentive Scheme

ESOP Employee Share Option Plan

EU European Union

GHG Greenhouse gas

HMRC Her Majesty’s Revenue and Customs

IAS International Accounting Standard

IFRIC International Financial Reporting Interpretations Committee

IFRS International Financial Reporting Standards

ISA International Standards on Auditing

JLL Jones Lang LaSalle

LIBOR London Interbank Offered Rate

LFL Like for like

LTV Loan to Value Ratio

MWh Megawatt Hour

NAV Net Asset Value

NBV Net Book Value

Operating Profit Earnings before interest and tax (EBIT)

PPP Partnership Performance Plan

PV Photovoltaic

QCA Quoted Companies Alliance

RICS Royal Institution of Chartered Surveyors

SIP Share Incentive Plan

SME Small and medium sized enterprises

Sq. ft. Square Feet

tCO2e Tonnes of carbon dioxide equivalent

TVR Total voting rights

VAT Value Added Tax

**Our Stores**

|  |  |
| --- | --- |
| Head Office – Lok’nStore plc  112 Hawley Lane  Farnborough  Hampshire  GU14 8JE  Tel 01252 521010  www.loknstore.co.uk  [www.loknstore.com](http://www.loknstore.com) | Central Enquiries  0800 587 3322  info@loknstore.co.uk  [www.loknstore.co.uk](http://www.loknstore.co.uk) |

**Owned Trading Stores**

|  |  |  |  |
| --- | --- | --- | --- |
| **Basingstoke, Hampshire**  Crockford Lane  Chineham  Basingstoke  Hampshire  RG24 8NA  Tel 01256 474700  [basingstoke@loknstore.co.uk](mailto:basingstoke@loknstore.co.uk) | **Bristol, Gloucestershire**  Longwell Green Trade Park  Aldermoor Way  Bristol  Gloucestershire  BS30 7ET  Tel 0117 967 7055  [Bristol@loknstore.co.uk](mailto:Bristol@loknstore.co.uk) | **Cardiff, Wales**  234, Penarth Road  Cardiff  Wales  CF11 8LR  Tel 0292 022 1901  [Cardiff @loknstore.co.uk](mailto:eastbourne@loknstore.co.uk) | **Eastbourne, East Sussex**  Unit 4, Hawthorn Road  Eastbourne  East Sussex  BN23 6QA  Tel 01323 749222  [eastbourne@loknstore.co.uk](mailto:eastbourne@loknstore.co.uk) |
| **Fareham, Hampshire**  26 + 27 Standard Way  Fareham Industrial Park  Fareham  Hampshire  PO16 8XJ  Tel 01329 283300  [fareham@loknstore.co.uk](mailto:fareham@loknstore.co.uk) | **Farnborough, Hampshire**  112 Hawley Lane  Farnborough  Hampshire  GU14 8JE  Tel 01252 511112  [farnborough@loknstore.co.uk](mailto:farnborough@loknstore.co.uk) | **Gillingham, Kent**  Courtney Road  Gillingham  Kent  ME8 0RT  Tel 01634 366044  gillingham@loknstore.co.uk | **Harlow, Essex**  Edinburgh Way  Temple Fields  Harlow  Essex  CM20 2GF  Tel 01279 882366  [harlow@loknstore.co.uk](mailto:harlow@loknstore.co.uk) |
| **Hedge End, Southampton**  Units 2 and 3  Waterloo Industrial Estate Flanders Rd  Hedge End  Southampton  SO30 2QT  Tel 01489 787005  [HedgeEnd@loknstore.co.uk](mailto:HedgeEnd@loknstore.co.uk) | **Horsham, West Sussex**  Blatchford Road  Redkiln Estate  Horsham  West Sussex  RH13 5QR  Tel 01403 272001  [horsham@loknstore.co.uk](mailto:horsham@loknstore.co.uk) | **Ipswich**  Part of Site 7  Futura Park  Ipswich  IP3 9QH  Tel 01473 794940  **exeter@loknstore.co.uk** | **Luton, Bedfordshire**  27 Brunswick Street  Luton  Bedfordshire  LU2 0HG  Tel 01582 721177  [luton@loknstore.co.uk](mailto:luton@loknstore.co.uk) |
| **Maidenhead, Berkshire**  Stafferton Way  Maidenhead  Berkshire  SL6 1AY  Tel 01628 878870  [maidenhead@loknstore.co.uk](mailto:maidenhead@loknstore.co.uk) | **Milton Keynes, Buckinghamshire**  Etheridge Avenue  Brinklow  Milton Keynes  Buckinghamshire  MK10 0BB  Tel 01908 281900  [miltonkeynes@loknstore.co.uk](mailto:miltonkeynes@loknstore.co.uk) | **Northampton Central**  16 Quorn Way  Grafton Street Industrial Estate  Northampton  Northamptonshire  NN1 2PN  Tel 01604 629928  [nncentral@loknstore.co.uk](mailto:nncentral@loknstore.co.uk) | **Northampton Riverside**  Units 1–4, Carousel Way  Northampton  Northamptonshire  NN3 9HG  Tel 01604 785522  [northampton@loknstore.co.uk](mailto:northampton@loknstore.co.uk) |
| **Poole, Dorset**  50 Willis Way  Fleetsbridge  Poole  Dorset  BH15 3SY  Tel 01202 666160  [poole@loknstore.co.uk](mailto:poole@loknstore.co.uk) | **Portsmouth, Hampshire**  Rudmore Square  Portsmouth  Hampshire  PO2 8RT  Tel 02392 876783  [portsmouth@loknstore.co.uk](mailto:portsmouth@loknstore.co.uk) | **Reading, Berkshire**  251 A33 Relief Road  Reading  Berkshire  RG2 0RR  Tel 01189 588999  [reading@loknstore.co.uk](mailto:reading@loknstore.co.uk) | **Southampton, Hampshire**  Third Avenue  Southampton  Hampshire  SO15 0JX  Tel 02380 783388  [southampton@loknstore.co.uk](mailto:southampton@loknstore.co.uk) |
| **Sunbury, Middlesex**  Unit C, The Sunbury Centre  Hanworth Road  Sunbury on Thames  Middlesex TW16 5DA  Tel 01932 761100  [sunbury@loknstore.co.uk](mailto:sunbury@loknstore.co.uk) | **Tonbridge, Kent**  Unit 6 Deacon Trading Estate  Vale Road  Tonbridge  Kent  TN9 1SW  Tel 01732 771007  [tonbridge@loknstore.co.uk](mailto:tonbridge@loknstore.co.uk) | **Wellingborough, Northamptonshire**  19/21 Whitworth Way  Wellingborough  Northamptonshire  NN8 2EF  Tel 01634 366044  [gillingham@loknstore.co.uk](mailto:gillingham@loknstore.co.uk) |  |

**Development locations – LNS Owned Stores**

|  |  |  |  |
| --- | --- | --- | --- |
| **Bedford**  69 Cardington Road  Bedford  NK42 0BQ | **Bournemouth, Dorset**  Land at Wessex Field  Deansleigh Road  Bournemouth  Dorset  BH7 7DU | **Cheshunt, Hertfordshire**  Land lying on the South Side of Halfhide Lane  Turnford  Hertfordshire | **Leicester**  Part of land forming part of Freemens Common Road Leicester  LE2 7SL  **(Opened August 2020)** |
| **Stevenage, Hertfordshire**  Part of Land at Plot 2000  Stevenage Business Park Gunnels Wood Road  Stevenage  Hertfordshire  SG1 2BL | **Warrington, Cheshire**  Land at Winwick Road, Warrington  Cheshire  WA2 7PF | **Wolverhampton, Staffordshire**  Land at Pantheon Park Wednesfield Way  Wolverhampton  Staffordshire  WV11 3DR | **Salford, nr. Manchester**  A57 Regent Road,  Salford,  Manchester,  M5 4EA |

**Managed stores - Trading**

|  |  |  |  |
| --- | --- | --- | --- |
| **Aldershot, Hampshire**  251, Ash Road  Aldershot  Hampshire  GU12 4DD  Tel 0845 4856415  [aldershot@loknstore.co.uk](mailto:aldershot@loknstore.co.uk) | **Ashford, Kent**  Wotton Road  Ashford  Kent  TN23 6LL  Tel 01233 645500  [ashford@loknstore.co.uk](mailto:ashford@loknstore.co.uk) | **Broadstairs, Kent**  Unit 2, Pyramid Business Park, Poorhole Lane,  Broadstairs,  Kent  CT10 2PT  Tel 01843 863253  [broadstairs@loknstore.co.uk](mailto:broadstairs@loknstore.co.uk) | **Chichester, West Sussex**  17, Terminus Road  Chichester  West Sussex  PO19 8TX  Tel 01243 771840  [chichester@loknstore.co.uk](mailto:chichester@loknstore.co.uk) |
| **Crawley, West Sussex**  Sussex Manor Business Park  Gatwick Road  Crawley  West Sussex  RH10 9NH  Tel 01293 738530  [crawley@loknstore.co.uk](mailto:crawley@loknstore.co.uk) | **Crayford, Kent**  Block B  Optima Park  Thames Road  Crayford  Kent  DA1 4QX  Tel 01322 525292  [crayford@loknstore.co.uk](mailto:crayford@loknstore.co.uk) | **Dover, Kent**  Honeywood Parkway  Whitfield  Dover  CT16 3FJ  Tel 01304 827353  [dover@loknstore.co.uk](mailto:dover@loknstore.co.uk) | **Exeter**  1 Matford Park Road  Exeter  Devon  EX2 8ED  Tel 01392 823989  [exeter@loknstore.co.uk](mailto:exeter@loknstore.co.uk) |
| **Gloucester**  Land at Triangle Park  Metz Way  Gloucester  GL4  **(Opened February 2020)** [gloucester@loknstore.co.uk](mailto:gloucester@loknstore.co.uk) | **Hemel Hempstead, Hertfordshire**  Fortius Point,  47, Maylands Avenue Hemel Hempstead  Hertfordshire  HP2 7DE  Tel 01442 240768  [hemelhempstead@loknstore.co.uk](mailto:hemelhempstead@loknstore.co.uk) | **Oldbury**  6 Churchbridge,  **Oldbury,**  **West Midlands**  **B69 2AP**  Tel 0121 5446309  **(Opened February 2020)**  [Oldbury@loknstore.co.uk](mailto:Oldbury@loknstore.co.uk) | **Swindon, Wiltshire**  Kembrey Street  Elgin Industrial Estate  Swindon  Wiltshire  SN2 8UY  Tel 01793 421234  [swindoneast@loknstore.co.uk](mailto:swindoneast@loknstore.co.uk) |
|  |  |  |  |

**Managed stores - Under Development**

|  |  |  |
| --- | --- | --- |
| **Chester**  58-64 Sealand Road,  Chester CH1 4LD | **Kettering**  Site between Pytchley Lane and Pytchley Road,  Kettering. NN15 6XB |  |