Lok'nStore Group PLC - LOK Preliminary results for the year ended 31 July 17
Released 07:00 30-Oct-2017

RNS Number : 8962U
Lok'nStore Group PLC
30 October 2017

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

Preliminary results
for the year ended 31 July 2017

Lok'nStore Group Plc, a leading company in the UK self-storage market announces results for the year ended 31 July 2017.

Highlights of Lok'nStore Group plc results 2017
Robust platform for rapid future growth

Positive trading

- ✓ Group Revenue £16.65 million up 3.7% (2016: £16.06 million) - like for like (LFL)[1] up 5.6%
- ✓ Group Adjusted EBITDA[2] £6.49 million up 3.1% (2016: £6.30 million) - LFL up 5.4%
- ✓ Profit after taxation (adjusting for exceptional items)[3] £3.17 million up 28.8%[4] (2016: £2.46 million)

Rising cash flow supports 11.1% dividend increase - progressive dividend policy

- ✓ Annual dividend 10 pence per share up 11.1% (2016: 9 pence per share)
- ✓ Cash available for Distribution (CAD) [5] £5.17 million up 9.9% (2016: £4.71 million)

Significant growth in asset value

- ✓ Net Assets up 24.7% to £89.1 million
- ✓ Adjusted Net Asset Value[6] per share up 7.9% to £4.16 (2016: £3.86)

Strong balance sheet, efficient use of capital, low debt

- ✓ Sale of all 2,466,869 Treasury shares held raising £9.9 million cash at average 405 pence per share (purchase cost 152 pence)
- ✓ Net debt down to £17.4 million (2016: £23.5 million)
- ✓ Loan to value ratio down to 14%[7] (2016: 20.8%)
- ✓ Extension of bank facility by 2 years until January 2023

More new stores to come delivering further growth

- ✓ Expanding pipeline of 11[8] new landmark stores taking total to 37
- ✓ 3 new stores opening this financial year
- ✓ Plus 4 further new sites secured
- ✓ Current pipeline adds 338,300 sq. ft. (26.1%) of extra trading space

Confident Outlook

- ✓ Strong balance sheet and rapidly expanding new store pipeline position the Group well for future growth

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 CEO of Lok'nStore Group said:

"We have created a strong platform for an exciting period of rapid growth for Lok'nStore increasing profits and assets and reducing our debt. Our adjusted net asset value per share has increased by 7.9% to £4.16 this year and we are raising the dividend by 11.1% to 10 pence per share making it the sixth successive year of substantial dividend growth.

We have secured a notable increase in our new store pipeline to 11 stores which will add around 45% more space to our operation over the coming years. This will add yet further momentum to sales and earnings growth.

Lok'nStore's strategy of opening new landmark stores gives us confidence that Lok'nStore can continue to deliver rapidly growing dividends for our investors."

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

1. **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. In January 2017 Lok'nStore closed its store in Staines. Like-for-like (LFL) growth figures for the period strip out the effect of this closure.

2. **Group Adjusted EBITDA** - **Earnings before interest, tax, depreciation and amortisation -** The measure is designed to give clarity on the operating cash flow of the business stripping away non-cash charges, finance charges and tax. Adjusted EBITDA is defined as EBITDA before losses or profits on disposal, share-based payments, acquisition costs, and exceptional items.

3. **Exceptional items -** refers to 'one-off' items of a non-operational nature which arose during the year.

4. **Adjustment of prior period exceptional sale -** In 2016, the Group received an additional amount of sale proceeds (net of costs) of £1.94 million on the sale of its old Reading store and incurred £0.12 million of property disposal costs. The reported increase in the profit before tax and the profit after tax reported in the financial results for the year strips out the effect of this £1.82 million exceptional credit item and correspondingly adjusts for the 2017 exceptional items described in note 9 below to obtain a like for like comparison.

5. **CAD - Cash available for Distribution -** is calculated as Adjusted EBITDA minus total net finance cost, less capitalised maintenance expenses, New Works Team costs and current tax. This measure is designed to give clarity to the capacity of the business to generate net operating cash that can be used to pay dividends to shareholders.

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 operating 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.

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 of £17.4 million (2016: £23.5 million) as a percentage of the total properties independently valued by JLL and including development land assets totalling £124.8 million (2016: £113.2 million) as set out in the Business and Financial Review.

8. **Pipeline sites** - 11 sites which includes 7 sites which have been secured and 4 sites which are currently proceeding with lawyers.

9. **Adjusted Total Assets -** The value of adjusted total assets of £153.5 million is calculated by adding the independent valuation of the leasehold properties (£16.7 million) less their corresponding net book value (NBV) £2.9 million to the total assets in the balance sheet of £139.7 million.

10. **Store adjusted EBITDA** is Adjusted EBITDA (see 1 above) before the deduction of central and head office costs.

11. **Gearing -** refers to the level of a company's debt related to its equity capital, usually expressed in percentage form. It is a measure of a company's financial leverage and shows the extent to which its operations are funded by lenders versus shareholders. Gearing can be measured by a number of ratios and we use the debt-to-equity ratio in this document.

Chairman's Review

We have been extremely busy again this year and have now built a platform for a period of rapid and sustainable growth. There are three components to this platform; a growing number of landmark stores, talented and committed people and a structurally undersupplied market where we are finding an unprecedented number of new store opportunities.

Landmark Stores
As we open the doors at more landmark stores, and as these stores represent an ever growing proportion of our portfolio, it becomes clear that this strategy is driving the excellent results which I am pleased to introduce here. The internet is now the source of the vast majority of our enquiries but when it comes to new customers passing traffic is actually more important and rises to 50% in our recently opened landmark stores compared to 40% for the portfolio as a whole.

Talented and Committed People
State-of-the-art buildings in prominent and increasingly retail locations certainly attract more customers. But this is not enough on its own. Our 9,500 customers also expect and deserve excellent service and value for money. We have a Trust Pilot score of 9.5 which means that 95% of customers rate the service they received as "good" or "excellent".

Customer reviews and recommendations are now more important than they have ever been in the 23 years since Andrew and I started the business. I was delighted to receive a telephone call earlier this year from an old friend who, I hadn't realised, is a customer at our Maidenhead store. She thought that the service she received was 'just exceptional'; the staff 'couldn't have been more helpful'; they 'went the extra mile' and even provided 'water for the dog'. I haven't heard from her for a while but she called me especially to tell me this because 'people can be quick to complain but are seldom vocal in their praise'.

Often our customers use our storage facilities at very stressful times, perhaps following the death of a relative, after divorce or when a house purchase has fallen through or a new business is taking off. This is why we aim to be the most helpful and friendly storage company. To do this we need the very best people.

Our people come from a variety of service sector backgrounds including retail, trade counters, hospitality and retail banking. To deliver exceptional trading results from our rapidly growing store base, we are recruiting and retaining the best talent.

We offer our people:

- Skills development in Sales, Customer Service and Team Leadership
- A great work/ life balance
- Great career prospects throughout our rapidly expanding portfolio
- Financial rewards consisting of a good basic salary and excellent bonus schemes for success

It is a great time to be part of Lok'nStore. This year the Lok'nStore Academy received an 'Investing in Young People' Award from Junior Chamber International. The Academy demonstrates commitment to training our stars of today and tomorrow, allowing our people to develop in familiar surroundings, trained by our storage industry experts who have a wealth of experience and knowledge.

Since the Academy's inception in 2015 over 20% of our workforce have completed or are working towards a National Vocational Qualification in Customer Service, Sales or Team Leadership. The energy and enthusiasm to deliver on our objectives is clear to see throughout the team.

Board changes
On 5 July 2017 the Company announced the retirement of Colin Jacobs as an executive director of the Company. Colin has been with the business from its founding in 1995. I would like to thank Colin for his significant contribution to the development of the Company over the last 22 years and wish him well on behalf of the entire Board.

Also effective from 5 July 2017 I have stepped down from the role of Executive Chairman and will now serve as Non-Executive Chairman.

Our new store pipeline and the UK self-storage market
The UK self-storage industry is generally acknowledged to be very supply-constrained with the latest Self Storage Association Annual Survey showing UK supply over the past five years only expanding by approximately 5.7%. We have a current pipeline of 11 new stores. This is by far the strongest pipeline I have seen during my time in the business. We are able to embark on this unprecedented level of growth because our debt levels are currently so low; a position that was much assisted by the sale of treasury shares earlier this year and the sale and-manage-back deals of previous years.

Demand for established self-storage assets is also becoming stronger and provides transactional evidence which is very supportive to valuations. Since early 2015 there have been 17 transactions for 81 stores worth £420m. There have been four notable portfolio transactions in the UK over the last 12 months involving 45 stores at a cost of £270m. Three of the buyers were trade buyers from the US, the UK and South Africa and one was bought by a UK financial institution.

Our valuers Jones Lang LaSalle (JLL) have reflected the strength of market demand for prime self-storage assets in their valuations of our stores, in addition to the uplift achieved from our new store openings and improved trading at existing stores. JLL valued our trading stores at £119.6 million (2016: £112.7 million). With other land and property assets this equates to a total value of land and properties held of £128.9 million (2016: £116.2 million), an 11% increase in value.
These are exciting times indeed.

Robust platform for future dividend growth
We continue to implement our strategy objectives and these are detailed more fully in the Strategic Report.

To reflect this performance we are proposing to increase the annual dividend pay-out by 11.1%. The Group will therefore pay a final dividend of 7.0 pence per share on 10 January 2018 following the payment of an interim dividend of 3.0 pence per share in June 2017 making a total annual dividend pay-out of 10 pence per share up from 9 pence for the full year last year. This is the sixth consective year of substantial dividend growth.

Simon G Thomas
Chairman
27 October 2017

The Strategic Report

The Strategic Report covers the following areas of Lok'nStore's business:-

- Summary of Strategy, Performance and Outlook
- The UK Self-Storage Market and Lok'nStore's position within it
- Lok'nStore's Business Model
- Operating and Marketing Review
- Property Review
- Financial Review
- Principal Risks and Uncertainties in operating our Business

Summary of Strategy, Performance and Outlook

Lok'nStore Group has had a solid year successfully implementing all of our strategy objectives. Revenue, adjusted EBITDA profits and asset values have all moved ahead steadily while we have again strengthened our balance sheet.

Our rapidly expanding 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 growth over the coming years.

Positive trading
Group revenue for the year was £16.65 million, up 3.7% year on year (2016: £16.06 million). Like for Like (LFL) revenue stripping out the effect of the closure of the Staines store was up 5.6%. Further details on the Staines closure is reported in the Property Review. This revenue growth led to a 3.1% increase in Group Adjusted EBITDA profit and a LFL increase of 5.4%. Tight control over operating costs has also contributed in pushing the Group's profits to record levels.

Extension of existing £40 million Banking Facility to six years
The Group has agreed a two year extension on its existing banking facility. The £40 million facility will now run until January 2023. Together with our £11.4 million of cash and future cash generated from operations this will provide funding for more landmark site acquisitions and working capital. The cost of our debt averaged 1.66% in the year on £28.8 million drawn.

Strong balance sheet
During the year Lok'nStore sold its entire holding of 2,466,869 Treasury shares at an average of 405 pence per share to a range of institutional and individual investors raising £9.9 million of cash. The average purchase cost was 152 pence.
We welcome these new shareholders to the Company.

The sale of the shares from treasury will have no impact on earnings or taxable profits but has reduced debt, the loan to value ratio (LTV) and interest payable while increasing cash and current assets, so providing strong support for the Company's growth strategy.

The growth of sales, profit and asset values has allowed us to achieve a substantial reduction in the LTV ratio down to 14.0% (2016: 20.8%) and net debt down to £17.4 million (2016: £23.5 million) while we also invested £6.6 million in store development in this period.

Pipeline of new Stores
Against this background of ever improving finances we have now secured a rapid increase in our new store pipeline to 11 stores by the reporting date, which will take the total to 37 stores. These will all be purpose built landmark stores in highly prominent locations and will, over the coming years, add substantially to the group's capacity for revenue, profit and asset growth.

Performance and Outlook
The table below sets our achievements for the last year against our objectives as set out in our 2016 report:

Objective		Achievements in Financial Year 2017
1. Continue to increase EBITDA over the coming years	➢	Like for like (LFL) Adjusted EBITDA up 5.4% in 2017.
2. Fill existing stores and improve pricing	➢	LFL Self-storage unit occupancy up 6.5% and LFL self-storage pricing up 0.8% in 2017.
3. Acquire more sites to build new landmark stores	➢	Gillingham and Wellingborough sites are on target to open in late 2017 and in Spring 2018 respectively. Both are in prominent retail locations with little established competition. Immediately after the year-end we acquired a further site in a highly prominent location in Bedford, Bedfordshire. The Store will open in 2018.
4. Increase the number of stores we manage for third parties	➢	During 2017 we completed and opened the Broadstairs store and the Hemel Hempstead store is scheduled to open at the end of 2017. In July 2017 we announced the signing of management contracts to develop and operate two new landmark stores in highly prominent locations in Exeter, Devon and Ipswich, Suffolk. Immediately after the year-end we signed a further site in Dover, Kent. The Dover store will bring the total number of managed stores to 11 out of a total of 33 stores.
5. Grow our document storage business	➢	In the financial year 2017 the turnover of our document storage business grew 7.1% with number of boxes up 10.1% and number of tapes stored up 17.5%.

Following this year of solid successes we have created a strong platform for an exciting period of growth for Lok'nStore.

Achievement of these objectives has increased the cash available for distribution (CAD) enabling a predictable growth of the dividend from a strong asset base and conservatively geared balance sheet.

Our focus continues to be on four key areas:

1. **Fill stores and improve pricing to continue increasing cash flow from the existing stores**
2. **Acquire more sites to build new landmark stores**
3. **Increase the number of stores we manage for third parties**
4. **Grow our document storage business**

The UK self-storage market and Lok'nStore's position within it

Lok'nStore Group Plc is one of the leading companies in the fast growing UK self-storage market. We opened our first self-storage centre in 1995 and have grown consistently over the last 20 years, currently operating 26 self-storage centres and two serviced document stores in Southern England.

We have been listed on the AIM Market since June 2000 and the board accounts for 29% of the Total Voting Rights (TVR) in the ordinary shares of the Company.

We offer self-storage and serviced document storage from our own stores, and management services to third party storage owners. Self-storage and other storage services are available to both household and business customers at our highly branded Lok'nStore centres. Each centre is prominently located mainly in the affluent South-East of England in large towns and cities.

We develop and operate self-storage centres in prominent locations. Our eye-catching buildings with their distinctive orange livery create highly visible landmarks which continue to be a big contributor of new business for Lok'nStore.

Demand for self-storage by both business and domestic customers is driven by a combination of specific need based on changing circumstances but also linked to economic activity and consumer and business confidence.

Households, businesses and other organisations are more space constrained in the relatively expensive areas of the South East. Barriers to entry in the form of competition for suitable sites and the difficulties in securing appropriate planning consents are also correspondingly higher.

Lok'nStore aims to build more landmark self-storage centres primarily across South-East England, 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. We believe there is the opportunity for significant further growth underpinned by our rapidly expanding pipeline of new stores.

There remains significant opportunity in the UK self-storage market where there are an estimated 1,430 self-storage facilities providing approximately 4.2 million square feet of storage space. With a population of 65.2 million people in the UK this equates to only 0.64 square feet per person compared to 7.8 square feet per person in the USA (Self-Storage Association 2017 UK Annual Survey).

The sector remains in good health. The 2017 Report for the Self-Storage Association says that… 'total annual turnover for the UK self-storage industry in 2016 was around £540 million … from approximately 693 different operators. When compared to Europe the UK has around 47% of the total European self-storage market'.

In their valuation report JLL describe a rising number of transactions in the UK self-storage market demonstrating the increasing liquidity of the market. Since early 2015 there have been 17 transactions worth £420 million for 81 stores, including four major transactions in 2017. These transactions were a UK trade buyer, a US trade buyer, a South African trade buyer and a UK financial buyer. This is the first time a UK financial investor has invested directly in the self-storage sector which is a significant step forward for the market.

Lok'nStore's 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 by taking advantage of:-

Attractive market dynamics	➢ Growing sector ➢ UK self-storage use remains relatively low ➢ Limited new supply coming onto the market ➢ Resilient through economic downturns
Our competitive strengths	➢ Recognised brand with landmark stores ➢ Excellent customer service ➢ Strong balance sheet ➢ Experienced board with clear strategy
Stable and rising income streams and low credit risk	➢ Over 9,650 customers (2016: 9,200) ➢ Mix of business and domestic customers ➢ Stores set mainly in the affluent South of England ➢ Low bad debt expense and strong credit risk model
Strong growth opportunities	➢ Demand increasing ➢ Under supplied market ➢ Strong internet marketing ➢ Powerful economics of 'Managed Stores'
Translation of the business model into high quality earnings	➢ Low technology & product obsolescence ➢ Track record of growing cash generation ➢ Flexible approach to portfolio management ➢ Progressive dividend policy

Strategic Report (continued)

Operating and Marketing Review

Positive self-storage business performance

- ✓ Self-storage revenue £13.91 million up 3.4% (2016: £13.44 million) - LFL up 5.7%
- ✓ Adjusted Store EBITDA £7.70 million up 2.8 % (2016: £7.49 million) - LFL up 4.6%
- ✓ Unit Pricing up 0.8 % LFL
- ✓ Unit occupancy up 6.5% LFL

With costs firmly under control revenue growth translates into healthy profit growth. Total adjusted store EBITDA in the self-storage business, a key performance indicator of profitability and cash flow of the business, increased 2.8% to £7.70 million (2016: £7.49 million). Like for like growth in store EBITDA was 4.6%.

The overall adjusted EBITDA margin across all stores was very slightly down at 55.1% (2016: 55.3%) with the adjusted Store EBITDA margins of the freehold stores at 63.4% (2016: 64.6%) and the leasehold stores at 41.5% (2016: 41.7%).

Over the course of the year unit occupancy rose by a healthy 6.5% LFL and unit pricing growth was subdued at 0.8 % LFL. Normalised occupancy which strips out stores which have opened or moved in the last 3 years was 69.8%. Out of 26 stores open 15 were trading at above 70% occupancy.

At the end of July 2017 33.5% of Lok'nStore's self-storage revenue was from business customers (2016: 34%) and 66.5% was from household customers, (2016: 66%). By number of customers 18.1% of our customers were business customers (2016: 18.5%) and 81.9% household customers (2016: 81.5%).

By the year-end we had 7 stores under management following the opening of the Broadstairs store in May 2017.

						When fully developed	
Portfolio Analysis and Performance Breakdown	**Number of stores**	**% of Valuation**	**% of Adjusted Store EBITDA**	**Adjusted Store EBITDA margin (%)**	**% lettable space Lok owned**	**Number of stores**	**Total % lettable space**
As at 31 July 2017							
Freehold and long leasehold	12	82.5	71.5	63.3	63.9	14	49.8
Operating Leaseholds	7	13.4	28.5	41.5	36.1	7	24.2
Pipeline (freehold)	2	4.1	-	-	-	-	-
Managed Stores (trading)	7	-	-	-	-	11	26.0
Managed Stores (under development)	4	-	-	-	-	-	-
Total	**32**[1]	**100**	**100**	**55.1**	**100**	**32**	**100**

[1] On 3 August 2017, contracts were exchanged on the purchase of a site in Bedford. Legal completion and building work will follow completion of relevant planning matters. Following completion Lok'nStore will operate 33 stores. Lok'nStore will develop this site as a purpose built landmark store.

The average unexpired term of the Group's operating leaseholds is approximately 10 years and 8 months as at 31 July 2017 (11 years and 8 months: 31 July 2016). The leaseholds produced 28.5% of the total store EBITDA in the year (2016: 30.5%).

Ancillary Sales

Ancillary sales which consist of boxes and packaging materials, insurance and other sales increased 2.6% over the year accounting for 11.2 % of self-storage revenues (2016: 11.2%).

We continue to promote our insurance to new customers with the result that 91% (2016: 91%) of our new customers purchased our insurance over the year and this has resulted in 80% of all our customers being insured through Lok'nStore (2016: 80%).

Serviced document storage revenue and profits up

- ✓ Revenue £2.33 million up 7.1% (2016: £2.17 million)
- ✓ Adjusted EBITDA £0.54million up 3.8% (2016: £0.52 million) (after adjustment for Lok'nStore Management charges)

- ✓ Number of boxes stored up 10.1%
- ✓ Number of tapes stored up 17.5%

Revenue and adjusted EBITDA have increased in our document storage business as operating metrics improve in response to the Company's more customer facing marketing stance. This approach has resulted in excellent customer feedback and puts us in a good position to win new business, with boxes stored increasing 10.1% and tapes stored up 17.5%.

Last year we consolidated the capacity of our serviced document warehouse closing one of the three storage sites and fitting new racking in our main site. This has significantly increased the number of boxes that can be stored within our existing premises. As part of this continuing strategy of optimising the utilisation of trading space our two sites in Leatherhead have been consolidated into one trading unit which will reduce costs in the coming year.

Security
The safety and security of our customers and their goods remains our highest priority. We invest in CCTV, intruder and fire alarm systems and the remote monitoring of our stores out of hours. Importantly all of our stores are manned during opening hours.

Marketing
During the year our marketing efforts have continued to focus on the presentation of our buildings to attract passing traffic and internet marketing. Visibility of our stores remains very important 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 generate an increasing proportion of our business. We continue to 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.

The internet continues to be the main media channel for our advertising. Our website at www.loknstore.co.uk is one of the most established self-storage websites in the UK. The website delivers a high level of customer experience across desktop, tablet and smartphone devices. 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 large marketing budgets compared with those of the smaller self-storage operators.

Property Review

Store and portfolio strategy
Lok'nStore has 26 freehold, leasehold and managed stores trading. Of these 19 stores are owned with 12 freehold (or long leasehold) and 7 leaseholds. All of our leasehold stores are inside the Landlord and Tenant Act providing us with a strong security of tenure. The average unexpired term of the Group's operating leaseholds is approximately 10 years and 8 months as at 31 July 2017. 7 stores are trading under management contracts.

We have a pipeline of 7 new stores representing a combination of owned Stores and managed Stores. These 7 stores will add 338,800 sq. ft. of new capacity adding 26.1% to the existing trading space of 1.29 million sq. ft. Following completion Lok'nStore will operate 33 stores.

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.

Flexible approach to site acquisition
All of the projects detailed below are part of our strategy of actively managing our operating portfolio to ensure we are maximising both trading potential and asset value. This includes strengthening our distinctive brand, increasing the size and number of our stores and replacing stores or sites where it will increase shareholder value. We 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 site's development. Our most important consideration is always the trading potential of the store rather than the property tenure.

Growth from new stores and more new stores to come
- ✓ Broadstairs store opened - early trading strong

Stores in advance stages of development
- ✓ Wellingborough - scheduled to open this financial year
- ✓ Hemel Hempstead - scheduled to open this financial year
- ✓ Gillingham - scheduled to open this financial year

Acquisition of site for a new landmark store (Immediately post balance sheet - August 2017)
- ✓ Bedford - scheduled to open next financial year

We will develop this site as a purpose built landmark store. Our eye-catching buildings with their distinctive orange Lok'nStore branded livery and prominent Lok'nStore signage create highly visible landmarks which continue to be a big contributor of new business. Building work will follow completion of all relevant planning matters.

Three new stores to be developed under management contracts
- ✓ Exeter - scheduled to open next financial year
- ✓ Ipswich - scheduled to open next financial year
- ✓ Dover - scheduled to open next financial year

Management contracts were signed in July 2017 to develop and operate three new stores. The new sites are in prominent retail locations in Exeter, Ipswich and Dover. Opening for these stores is scheduled for end of 2018. When developed, these will add around 125,000 sq. ft. to the trading portfolio and brings the total number of managed stores to 11 out of a total of 33 stores.

Vacated Southampton building
In 2016 we opened a new self-storage facility in Southampton, close to our old store but in a much more prominent position. This left the old store vacant. Market evidence suggested that there is a substantial market in Southampton for car parking for cruise liner passengers and that this property was appropriate to this use. The building has now been converted and started trading as "ParknCruise" in May 2017. Early bookings are encouraging.

Managed Store Service
Over recent years we have been developing our management store services to third party storage owners. We have eight stores under management with seven of these open and trading and one under development, and scheduled to open in 2017. 3 further managed stores will open in 2018.

In the case of managed stores Lok'nStore receives a standard monthly fee, a performance fee based on certain objectives and a fee on successful exit. In some cases we charge acquisition, planning and branding fees. This allows us to earn revenue from our expertise and knowledge of the storage industry without having to commit our capital, to amortise various fixed central costs over a wider operating base, and to drive more visits to our website moving it up the rankings and benefitting all the stores we both own and manage.

In this year we earned £0.42 million (2016: £0.44 million) in management fees. We expect this to increase steadily over the coming years. The comparative 2016 figure was enhanced by accrued fees prior to the period which could not be booked until year ended 2016. Excluding these prior period accrued fees Management fees from Managed Stores was up 3.8%. Underlying management fee growth after adjusting for single one off payments is 6.7%.

Management fees	**Group Year ended 31 July 2017 £**	Group Year ended 31 July 2016 £
Management Fees	420,117	404,864
Prior period accrued fees	-	34,390
Total management fees	420,117	439,254

Closure of Staines Store
Our leasehold store in Staines was on a short lease outside of the Landlord and Tenant Act (1954) and has now been closed. There were no dilapidations payments made to the landlord.

Because the Staines store was outside of LTA (1954) act and on a short lease it has never been valued as an asset in our accounts. The carrying book value in the financial statements was therefore de minimis.

The headline revenue and occupancy figures for December 2016 onwards were negatively impacted to some degree by the influence of the closure, but for the sake of transparency and simplicity we have chosen to show like-for-like figures stripping out this effect only where it makes a qualitative difference.

Store property assets and Net Asset Value

- ✓ Adjusted total assets now circa £153.5 million[7] (2016: £135.1 million) up 13.6% on last year
- ✓ Adjusted net asset value of £4.16 per share up 7.9% on last year

Lok'nStore's freehold and operating leasehold stores have been independently valued by Jones Lang LaSalle (JLL) at £119.6 million (Cost £ 45.3 million) as at 31 July 2017 (2016: £112.7 million: Cost £46.9 million). The change in property valuation is referred to further in the Financial Review section of the Strategic Report and is detailed in note 10b 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 £127.8 million (2016: £116.2 million). This translates into an adjusted net asset value of £4.16 per share up 7.9% on last year (2016: £3.86 per share).

The increase in the property values of properties which were also valued last year was 6.14%.

Strategic Report (continued)

Financial Review

Record financial results on all measures

- ✓ Group Revenue £16.65 million up 3.7 % (2016: £16.06 million) - like for like (LFL) up 5.6%
- ✓ Group Adjusted EBITDA £6.49million up 3.1% (2016: £6.30 million) - LFL up 5.4%
- ✓ Profit before taxation (adjusting for exceptional items[9]) £4.08 million up 11.0% (2016: £3.67 million)
- ✓ Profit after taxation (adjusting for exceptional items[9]) £3.17 million up 28.8% (2016: £2.46 million)

In the year there were a number of small one-off items including some management fees booked after the year end, some additional costs in the ParknCruise set-up as well as some exceptional expenses incurred in order to assist in saving future costs. While these individual items are of themselves immaterial, their combined effect was to moderate the out turn of profit before tax growth to 11.1% (adjusted for the exceptional receipt in the previous year).

Taxation
The Group will pay tax on its earnings at an effective tax rate of 20% and has made a tax provision of £0.8 million. (2016: £0.6 million). The deferred tax provision which is calculated at forward corporation tax rates of 17% and is substantially a tax provision against the potential crystallisation (sales) of revalued properties and past 'rolled over' gains amounts to £16.4 million. (2016: £15.4 million) (See Note 18).

Earnings per share
Basic earnings per share (EPS) were 11.02 pence (2016: 16.60 pence per share). Diluted EPS were 10.64 pence (2016: 16.24 pence per share). If 2016 figures are adjusted to eliminate the 2016 exceptional property sale gain of £1.94 million, the 2016 EPS is adjusted to 9.08 pence per share and the 2016 diluted EPS to 8.88 pence per share.

Earnings per share (EPS)	**Year ended 31 July 2017 £'000**	Year ended 31 July 2016 £'000
Profit for the year	**3,061**	4,282
Exceptional Gain on sale of Reading site	**-**	(1,940)
Adjusted earnings	**3,061**	2,342

	No. of shares	No. of shares
Weighted average number of shares		
For basic earnings per share	**27,780,676**	25,791,821
Dilutive effect of share options	**999,657**	577,882
For diluted earnings per share	**27,780,333**	26,369,643
Basic EPS (pence)	**11.02 p**	9.08 p
Diluted EPS (pence)	**10.64 p**	8.88 p

Treasury shares
Sale of treasury shares: In November 2016 Lok'nStore sold 1,975,000 ordinary shares of 1 pence each held in treasury. The shares were sold to a range of institutional investors at a price of 400 pence per share. (The Company acquired the shares at an average price of 150.3 pence).

On 26 April 2017 Lok'nStore sold the remaining 491,869 ordinary shares in treasury to a range of institutional investors at a price of 425 pence per Ordinary Share. Both treasury sales were undertaken to satisfy demand for the Company's shares and to improve liquidity.

The sale of these shares will have no impact on earnings or taxable profits but has reduced debt, LTV and interest payable while increasing cash and current assets. This provides strong support for the Company's growth strategy.

Purchase of treasury shares: The Group did not purchase 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.

Operating costs

- ✓ Cost ratio flat at 59% (2016: 59%)

We have a strong record of reducing our group operating costs each year however we cautioned at our 2016 year end results that although we maintain a disciplined approach to costs, continuing to reduce them is increasingly challenging while delivering both strong revenue growth and an acceleration of our store opening programme.

Group operating costs amounted to £9.84 million for the period, a 4.2% increase year on year (2016: £9.44 million) which derived from higher rates bills as we opened landmark stores, extra staffing in document storage and higher internet marketing costs.

Property costs which mainly constitute rent and rates have risen by 6.8% as we felt the effects of higher rates bills as we opened our new landmark stores at Southampton and Bristol and have incurred rates on our development site at Wellingborough. Rents payable remained static and utility costs rose modestly. Excluding rates other property costs fell by 2.6%. Overhead costs are running 2.7% lower for the full year 2017.

Staff costs increased by 3.7% as we increased staffing at our serviced document storage unit to cope with increased volumes of incoming items. Across the rest of the Group there was no increase in staff costs despite additional national insurance costs arising on the exercise of employee share options.

Overall the cost increases are mainly driven by the expansion of the business and we are seeing little other cost pressures. Looking beyond 2017, property costs within the Saracen business will be further driven down as part of a continuing strategy within the Saracen document storage business of optimising the utilisation of trading space. Immediately after the year-end and as reported in Note 28(b) (Events after the Reporting date) the two warehouse units in Leatherhead have now been consolidated into one trading unit. This will remove approximately £0.1 million of property costs annually going forward.

Overall operating costs as a percentage of revenue have remained flat and represent 59% as a cost ratio. (2016: 59%).

Group	Increase/ (Decrease) in costs %	2017 £'000	2016 £'000
Property costs	6.8	**4,179**	3,913
Staff costs	3.7	**4,389**	4,232
Overheads	(2.7)	**1,098**	1,128
Distribution costs	0.4	**171**	170
Total	4.2%	**9,837**	9,443

Strong balance sheet, efficient use of capital, low debt

- ✓ Two year extension to £40 million Bank facility on same terms
- ✓ Net debt down to £17.4 million (2016: £23.5 million)
- ✓ Loan to value ratio (LTV) down to 14% (2016: 20.8%)
- ✓ Gearing down
- ✓ Cost of debt averaged 1.66% in the year on £28.8 million drawn

Extension of existing £40 million Banking Facility to six years
Following the agreement of new facilities with Royal Bank of Scotland on improved terms last year, the Group has agreed a two year extension on its existing banking facility. The £40 million facility will now run until January 2023 and will provide continued funding for site acquisitions as well as working capital for the development of the business over the medium term.

The Group is not obliged to make any repayments prior to the facilities expiration in January 2023 and bank covenants and interest margin on existing facilities are unaffected by this extension of term. The facility also provides for the possibility of an additional accordion of up to £10 million which if taken up during the term of the facility will increase facilities available to £50 million.

Management of interest rate risk
Of the £28.8 million of gross debt currently drawn against the £40 million revolving credit facility £20 million was at a fixed interest rate with £10 million fixed rate swap at a fixed 1 month sterling LIBOR rate of 1.2% and £10 million swap at a fixed 1 month sterling LIBOR rate of 1.15%. Both swaps expired 20 October 2016 and the Group's all-in floating rate dropped to 1.65% on its entire gross debt.

Under the current bank facility the Group is not committed to enter into hedging instruments but rather to keep such matters under review. Given our low level of indebtedness, low Loan to Value and high interest cover, combined with the wider uncertainties within the economy of Brexit likely to produce low rates for longer, it is not the intention of the Group to enter into an interest rate hedging arrangement at this time.

Cash flow and financing
At 31 July 2017 the Group had cash balances of £11.4 million (2016: £5.3 million). Cash inflow from operating activities before investing and financing activities was £5.5 million (2016: £3.8 million) and the sale of the Treasury shares raising £9.9 million further added to our cash position. As well as using cash generated from operations to fund some capital expenditure, the Group has a six year revolving credit facility. This provides sufficient liquidity for the Group's current needs. Undrawn committed facilities at the year-end amounted to £11.2 million (2016: £11.2 million).

Gearing
At year end there was £28.8 million of gross borrowings (2016: £28.8 million) representing gearing of 19.6 % (2016: 32.9%) on net debt of £17.4 million (2016: £23.5 million). The leaseholds are stated at depreciated historic cost in the statement of financial position. If these leaseholds are adjusted for the uplift in value to their reported, Jones Lang LaSalle (JLL) valuation, gearing drops to 16.9% (2016: 27.6%). If the deferred tax liability carried at year-end of £16.4 million (2016: £15.4 million) is excluded gearing drops further to 14.6% (2016: 23.4%).

Strong cash flow supports 11.1% dividend increase

- ✓ Annual dividend 10 pence per share up 11.1% (2016: 9 pence per share)
- ✓ Cash available for Distribution (CAD) from operations £5.17 million up 9.9% (2016: £4.71 million)
- ✓ Cash available for Distribution (CAD) of 18.1 pence per share (2016: 18.1 pence per share)

Cash available for Distribution (CAD)
Cash available for Distribution (CAD) provides a clear picture of ongoing cash flow available for dividends. To illustrate this fully the table below shows the calculation of CAD.

Analysis of Cash Available for Distribution (CAD)

CAD

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Group Adjusted EBITDA	**6,493**	6,295
Less: Net finance costs (per Income Statement)	**(297)**	(735)
Capitalised maintenance expenses	**(90)**	(110)
New Works Team	**(138)**	(134)
Current tax	**(792)**	(606)
Total deductions	**(1,317)**	(1,585)
Cash Available for Distribution	**5,176**	4,710
Increase in CAD over last year	**9.9%**	
	Number	Number
Closing shares in issue	**28,679,711**	26,019,241
CAD per share (annualised)	**18.1p**	18.1p

Total CAD has increased by 9.9% as a result of higher EBITDA profit and a much lower finance charge. At a per share level this has been balanced by the sale of treasury shares increasing the number of shares so the CAD per share remained constant at 18.1 pence despite the de-risking of the business.

Capital expenditure and capital commitments
The Group has grown through a combination of new site acquisition, existing store improvements and relocations, and has concentrated on extracting value from its existing assets and developing through collaborative projects and management contracts. Capital expenditure during the year totalled £6.63 million (2016: £6.99 million). This was primarily the construction works at our development sites in Gillingham and Wellingborough and the refurbishment of the Old Southampton store for cruise parking.

The Group has capital expenditure contracted but not provided for in the financial statements of £2.6 million (2016: £1.1 million).

Statement of Financial Position
Net assets at the year-end were £89.1 million (2016: £71.5 million). Freehold and long leasehold properties were independently valued at 31 July 2017 at £102.9 million (2016: £96.1 million). Refer to the table of property values below.

Market Valuation of Freehold and Operating Leasehold Land and Buildings
It is the Group's policy to commission an independent external valuation of its properties at each year-end.

Our eleven freehold properties and one long leasehold are held in the statement of financial position at fair value and have been valued by JLL. Refer to note 10b) - 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 'operating 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 operating leases in the valuation totals £16.7 million (2016: £16.6 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. The proceeds from the sale of the old Reading store have been reinvested into new store development. It is not the intention of the Directors to make any other 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 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 2017 Valuation £	No of stores/sites	31 July 2016 Valuation £
Freehold & Long Leasehold valued by JLL[1]	**12**	**102,900,000**	12	96,125,000
Short Leasehold valued by JLL[2]	**7**	**16,725,000**	7	16,575,000
Freehold land and buildings at Director valuation [3]	**1**	**4,195,479**	1	3,000,000
Subtotal	**20**	**123,820,479**	20	115,700,000
Sites in development at cost	**2**	**5,124,567**	2	457,826
Total	**22**	**128,945,046**	22	116,157,826

1 Includes related fixtures and fittings (refer note 10b)

2 The seven leaseholds valued by JLL are all within the terms of the Landlord and Tenant Act (1954) giving a degree of security of tenure. The average length of the leases on the leasehold stores valued was 10 years and 8 months at the date of the 2017 valuation (2016 valuation: 11 years and 8 months).

3 For more details (refer note 10b - Directors valuation)

Total freeholds and long leasehold account for 87.0% of property values (2016: 85.7%).

Adjusted Net Asset Value per Share

- ✓ **Adjusted Net Asset Value per share up 7.9% to £4.16 (2016: £3.86)**

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 2017 the adjusted net asset value per share (before deferred tax) increased 7.9% to £4.16 from £3.86 last year. This increase is a result of higher property values as the strength of our landmark stores is recognised and cash generated from operations, offset in part by an increase in the shares in issue due to the exercise of share options by management and staff during the year. The sale of Treasury shares at the average price of £4.05 was largely neutral on this figure.

Analysis of net asset value (NAV)	Group 31 July 2017 £'000	Group 31 July 2016 £'000

Net assets	**89,119**	71,475
Adjustment to include operating/short leasehold stores at valuation	**16,725**	16,575
Add: JLL leasehold valuation	**(2,878)**	(3,065)
Deduct: leasehold properties and their fixtures and fittings at NBV		
	102,966	84,985
Deferred tax arising on revaluation of leasehold properties[1]	**(2,354)**	(2,432)
Adjusted net assets	**100,612**	82,553
Shares in issue	**Number**	Number
Opening shares in issue	**29,109**	28,447
Shares issued for the exercise of options	**194**	662
Closing shares in issue	**29,303**	29,109
Shares held in treasury	**-**	(2,467)
Shares held in EBT	**(623)**	(623)
Closing shares for NAV purposes	**28,680**	26,019
Adjusted net asset value per share after deferred tax provision	**£3.51**	£3.17

Adjusted net asset value per share before deferred tax provision

Adjusted net assets	**100,612**	82,553
Deferred tax liabilities and assets recognised by the Group	**16,363**	15,361
Deferred tax arising on revaluation of leasehold properties[1]	**2,354**	2,432
Adjusted net assets before deferred tax	**119,329**	100,346
Closing shares for NAV purposes	**28,680**	26,019
Adjusted net asset value per share before deferred tax provision	**£4.16**	£3.86

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

Summary

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. The business operates within the UK self-storage sector which is still relatively immature. With a low loan to value and flexible bank facilities through to 2023 this market presents an excellent opportunity for further growth of the business. Recently opened landmark stores in Broadstairs, Bristol, Southampton and Chichester, 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 in operating our Business

Credit Risk
Lok'nStore's self-storage credit model is strong with customers paying four weekly in advance in addition to an initial four weeks rental deposit. We retain a legal lien over customers' goods which can be sold to cover their unpaid bills. Credit control remains tight with only £33,900 (2016: £33,210) of bad debts recognised during the year representing around 0.20% of Group revenue (2016: 0.21%). There was £6,159 of additional costs associated with recovery (2016: £8,116). Given the tight credit conditions in the wider economy our own credit control indicators are resilient, showing no appreciable signs of weakening during the year.

Tax Risk
We regularly monitor proposed and actual changes in legislation in the tax regime particularly in corporation tax, capital gains tax, VAT and Stamp Duty Land Tax (SDLT). We work with our professional advisors and through trade bodies to understand and mitigate or benefit from their effects.

Corporate Social Responsibility and Employee Risk
The Corporate Social Responsibility and Employee Risk within the business are discussed within the Corporate Responsibility Report.

Reputational Risk
Lok'nStore's business reputation is very important to the Group. Our management and staff work hard to protect and develop it. 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. The Lok'nStore Group websites (www.loknstore.co.uk www.loknstore.com and www.saracendatastore.co.uk) are important avenues of communication and a source of information for employees, customers and investors. Employee communication is augmented by quarterly staff newsletters.

Approved by the Board of Directors and authorised for issue on 27 October 2017 and signed on its behalf by:

Andrew Jacobs
Chief Executive Officer

Ray Davies
Finance Director

Consolidated Statement of Comprehensive Income
For the year ended 31 July 2017

	Notes	**Group Year ended**	Group Year ended

		31 July 2017 £'000	31 July 2016 £'000
Revenue	1a	**16,654**	16,056
Total property, staff, distribution and general costs	2a	**(10,161)**	(9,761)
Adjusted EBITDA[1]		**6,493**	6,295
Amortisation of intangible assets	10a	**(165)**	(165)
Depreciation and loss on sale	10b	**(1,856)**	(1,537)
Equity settled share based payments	21a	**(97)**	(182)
Property disposal costs	2c	**(15)**	(123)
Store relocation costs	2c	**(29)**	-
Net settlement proceeds	2c	**-**	1,940
Director retirement costs	2c	**(69)**	-
		(2,231)	(67)
Operating profit[1]		**4,262**	6,228
Finance income	3	**309**	313
Finance cost	4	**(606)**	(1,048)
Profit before taxation	5	**3,965**	5,493
Income tax expense	7	**(904)**	(1,211)
Profit for the year		**3,061**	4,282
Profit attributable to:			
Owners of the parent	22	**3,061**	4,282
Other Comprehensive Income			
Items that will not be reclassified to profit and loss			
Increase in property valuation		**7,772**	17,651
Deferred tax relating to change in property valuation		**(932)**	(2,387)
		6,840	15,264
Items that may be subsequently reclassified to profit and loss			
Increase in fair value of cash flow hedges		**37**	83
Deferred tax relating to cash flow hedges		**-**	(21)
		37	62
Other comprehensive income		**6,877**	15,326
Total comprehensive income for the year		**9,938**	19,608
Attributable to owners of the parent		**9,938**	19,608
Earnings per share			
Basic	9	**11.02p**	16.60p
Diluted	9	**10.64p**	16.24p

[1] Adjusted EBITDA and operating profit are defined in the accounting policies section of the notes to the financial statements.

Consolidated Statement of Changes in Equity
For the year ended 31 July 2017

	Attributable to owners of the Parent					
	Share capital £'000	**Share premium £'000**	**Other reserves £'000**	**Revaluation reserve £'000**	**Retained earnings £'000**	**Total equity £'000**
1 August 2015	**285**	**2,614**	**8,685**	**32,239**	**9,146**	**52,969**
Profit for the year	-	-	-	-	4,282	**4,282**
Other comprehensive income:						
Increase in property valuation net of deferred tax	-	-	-	15,264	-	**15,264**
Decrease in fair value of cash flow hedges net of deferred tax	-	-	62	-	-	**62**
Total comprehensive income for the year	-	-	62	15,264	4,282	**19,608**
Transactions with owners:						
Dividend paid	-	-	-	-	(2,147)	**(2,147)**
Share based payments	-	-	182	-	-	**182**
Transfers in relation to share based payments	-	-	(401)	-	401	**-**
Deferred tax credit relating to share options	-	-	(96)	-	-	**(96)**
Exercise of share options	6	953	-	-	-	**959**

Total transactions with owners	6	953	(315)	-	(1,746)	**(1,102)**
Transfer realised gains on asset disposal	-	-	-	(1,639)	1,639	**-**
Transfer additional dep'n on revaluation net of deferred tax	-	-	-	(262)	262	**-**
31 July 2016	**291**	**3,567**	**8,432**	**45,602**	**13,583**	**71,475**
Profit for the year	-	-	-	-	3,061	**3,061**
Other comprehensive income:						
Increase in property valuation net of deferred tax	-	-	-	6,840	-	**6,840**
Decrease in fair value of cash flow hedges net of deferred tax	-	-	37	-	-	**37**
Total comprehensive income for the year	-	-	37	6,840	3,061	**9,938**
Transactions with owners:						
Dividend paid	-	-	-	-	(2,637)	**(2,637)**
Share based payments	-	-	97	-	-	**97**
Transfers in relation to share based payments	-	-	(139)	-	139	**-**
Deferred tax credit relating to share options	-	-	42	-	-	**42**
Sale of shares from treasury (net of costs)	-	6,150	-	-	3,741	**9,891**
Exercise of share options	2	311	-	-	-	**313**
Total transactions with owners	2	6,461	-	-	1,243	**7,706**
Transfer additional dep'n on revaluation net of deferred tax	-	-	-	(277)	277	**-**
31 July 2017	**293**	**10,028**	**8,469**	**52,165**	**18,164**	**89,119**

Company Statement of Changes in Equity
For the year ended 31 July 2017

	Share capital £'000	Share premium £'000	Retained reserves (deficit) £'000	Other reserves £'000	Total £'000
1 August 2015	**285**	**2,614**	**(8)**	**2,180**	**5,071**
Loss for the year	-	-	(276)	-	**(276)**
Equity settled share based payments	-	-	-	182	**182**
Transfer in relation to share based payments	-	-	401	(401)	**-**
Exercise of share options	6	953	-	-	**959**
31 July 2016	**291**	**3,567**	**117**	**1,961**	**5,936**
Profit for the year	-	-	5,547	-	**5,547**
Equity settled share based payments	-	-	-	97	**97**
Transfer in relation to share based payments	-	-	139	(139)	**-**
Sale of shares from treasury (net of costs)	-	6,150	-	-	**6,150**
Exercise of share options	2	311	-	-	**313**
Dividends paid	-	-	(2,637)	-	**(2,637)**
31 July 2017	**293**	**10,028**	**3,166**	**1,919**	**15,406**

Consolidated Statements of Financial Position
31 July 2017

Company Registration No. 04007169

	Notes	**Group 2017 £'000**	Group 2016 £'000	**Company 2017 £'000**	Company 2016 £'000
Assets					
Non-current assets					
Intangible assets	10a	**3,428**	3,593	**-**	-
Property, plant and equipment	10b	**116,901**	104,363	**-**	-
Investments	11	**-**	-	**2,385**	2,288
Development loan capital	12	**3,463**	3,159	**-**	-
		123,792	111,115	**2,385**	2,288
Current assets					
Inventories	13	**203**	165	**-**	-

Trade and other receivables	14	**4,266**	4,952	**13,021**	3,648
Cash and cash equivalents	16	**11,386**	5,335	**-**	-
Total current assets		**15,855**	10,452	**-**	-
Total assets		**139,647**	121,567	**15,406**	5,936
Liabilities					
Current liabilities					
Trade and other payables	15	**(5,032)**	(5,794)	**-**	-
Current tax liabilities		**(463)**	(173)	**-**	-
Derivative financial instruments	17b	**-**	(37)	**-**	-
		(5,495)	(6,004)	**-**	-
Non-current liabilities					
Borrowings	17a	**(28,670)**	(28,727)	**-**	-
Deferred tax	18	**(16,363)**	(15,361)	**-**	-
		(45,033)	(44,088)	**-**	-
Total liabilities		**(50,528)**	(50,092)	**-**	-
Net assets		**89,119**	71,475	**15,406**	5,936
Equity attributable to owners of the parent					
Called up share capital	19	**293**	291	**293**	291
Share premium		**10,028**	3,567	**10,028**	3,567
Other reserves	21a	**8,469**	8,432	**1,919**	1,961
Retained earnings	22	**18,164**	13,583	**3,166**	117
Revaluation reserve		**52,165**	45,602	**-**	-
Total equity attributable to owners of the parent		**89,119**	71,475	**15,406**	5,936

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 for the year ended 31 July 2017 was £5.55 million (2016: loss £276,288).

Approved by the Board of Directors and authorised for issue on 27 October 2017 and signed on its behalf by:

Andrew Jacobs Chief Executive Officer

Ray Davies Finance Director

Consolidated Statement of Cash Flows
For the year ended 31 July 2017

	Notes	**Group 2017 £'000**	Group 2016 £'000
Operating activities			
Cash generated from operations	24a	**5,523**	3,774
Income tax paid		**(502)**	(961)
Net cash generated from operations		**5,021**	2,813
Investing activities			
Development loan capital		**(304)**	(380)
Purchase of property, plant and equipment		**(6,628)**	(6,988)
Net proceeds from disposal of property, plant and equipment		**-**	8,399
Bank interest received		**25**	14
Net cash generated from investing activities		**(6,907)**	1,045
Financing activities			
Proceeds from new borrowings		**-**	28,816
Repayment of borrowings		**-**	(27,701)
Loans repaid from projects under management contracts		**944**	-
Finance costs paid		**(574)**	(885)
Equity dividends paid		**(2,637)**	(2,147)
Proceeds from issue of ordinary shares (net)		**313**	959
Proceeds from sale of shares from treasury (net of expenses)		**9,891**	-
Net cash used in financing activities		**7,937**	(958)
Net increase in cash and cash equivalents in the year		**6,051**	2,900
Cash and cash equivalents at beginning of the year		**5,335**	2,435
Cash and cash equivalents at end of the year			

	11,386	5,335

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 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 2017 and 31 July 2016, 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 2017. 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 2017 will be delivered to the Registrar of Companies following the Company's Annual General Meeting and can be obtained from the investor section of the Company's website at http://www.loknstore.co.uk. Statutory accounts for the year ended 31 July 2016 have been filed with the Registrar of Companies. The auditor's report for the year ended 31 July 2017 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.

Basis of accounting
The annual financial statements 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 2016.

The financial statements have been prepared on the historic cost basis except that certain trading properties and derivative financial instruments are stated at fair value.

Standards in issue but not yet effective
At the date of approval of these financial statements, the following principal standards and interpretations which were in issue but not yet effective:

Standards, interpretations and amendments *Not Yet Endorsed*		**Effective date: Periods commencing on or after**
IFRS 9	Financial Instruments	1 Jan 2018
IFRS15	Revenue from contracts with customers	1 Jan 2018
IFRS 2	Amendments, classification and measurement of share based payment transactions	1 Jan 2018
IFRS 16	Leases	1 Jan 2019
IFRIC 23	Uncertainty over income tax treatments	1 Jan 2019

Subject to the adoption in due course of IFRS 16, the directors do not anticipate that the adoption of these Standards will have a significant impact on the financial statements of the Group. With regard to IFRS 16, the Directors are currently assessing the impact on the financial statements.

There were no other Standards or Interpretations, which were in issue but not yet effective at the date of authorisation of these financial statements, that the Directors anticipate will have a material impact on the financial statements of the Group.

Basis of consolidation

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

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

Going concern
The Directors can report that, based on the Group's budgets and financial projections, they have satisfied themselves that the business is a going concern. The Board has a reasonable expectation that the Company and the Group have adequate resources and facilities to continue in operational existence for the foreseeable future based on Group cash balances and cash equivalents of £11.4 million (2016: £5.3 million), undrawn committed bank facilities at 31 July 2017 of £11.2 million (2016: £11.2 million), and future cash generated from operations (2017 £5.5 million: 2016: £3.8 million).

Following the agreement of a two-year extension to its facilities with Royal Bank of Scotland on equivalent terms, the Group will now operate its £40 million revolving credit facility with RBS plc for a further 6 years. The facility has been in place since 15 January 2016 and will now run until 14 January 2023. 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.

Critical accounting estimates and judgements
The preparation of consolidated 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 values its self storage stores using 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 10b. The carrying value of land and buildings held at valuation at the reporting date was £87.5 million (2016: £81 million) as shown in the table in note 10b.

b) Assets in the course of construction and land held for pipeline 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 rent 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 £5.1 million (2016: £0.5 million). Please see note 10b for more details.

c) Estimate of fair value of intangible assets acquired in business combination
The relative size of the Group's intangible assets, excluding goodwill, makes the judgements surrounding the estimated useful lives important to the Group's financial position and performance. At 31 July 2017 intangible assets, excluding goodwill, amounted to £2.32 million (2016: £2.48 million). The valuation method used and key assumptions are described in note 10a.

The useful life used to amortise intangible assets relates to the expected future performance of the assets acquired and management's judgement of the period over which economic benefit will be derived from the asset. The estimated useful life of customer relationships principally reflects management's view of the average economic life of the customer base and is assessed by reference to customer churn rates. Typically, the customer base for a serviced archive business is relatively inert. Corporate customers do not tend to switch service providers and indeed they incur box withdrawal charges should they do so. An increase in churn rates may lead to a reduction in the estimated useful life and an increase in the amortisation charge.

Notes to the Financial Statements
For the year ended 31 July 2017

1a Revenue
Analysis of the Group's revenue is shown below:

Self-storage	Group 2017 £'000	Group 2016 £'000
Self-storage revenue	**12,343**	11,931
Other storage related revenue	**1,550**	1,510
Ancillary store rental revenue	**14**	3
Total self-storage revenue	**13,907**	13,444
Management fees	**420**	439
Sub-total	**14,327**	13,883
Serviced archive & records management revenue	**2,327**	2,173
Total revenue per statement of comprehensive income	**16,654**	16,056

1b Segmental information

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board to allocate resources to the segments and to assess their performance. All of the Group's activities occur in the United Kingdom.

Financial information is reported to the Board with revenue and profit analysed between self-storage activity and serviced document storage activity. Segment revenue comprises of sales to external customers and excludes gains arising on the disposal of assets and finance income. Segment profit reported to the Board represents the profit earned by each segment before acquisition costs and other non-recurring set-up costs, finance income, finance costs and tax. For the purposes of assessing segment performance and for determining the allocation of resources between segments, the Board uses a measure of adjusted EBITDA (as defined in the accounting policies) and reviews the non-current assets attributable to each segment as well as the financial resources available. All assets are allocated to reportable segments. Assets that are used jointly by segments are allocated to the individual segments on a basis of revenues earned. All liabilities are allocated to individual segments other than borrowings and tax. Information is reported to the Board of Directors on a product basis as management believe that the activity of self-storage and the activity of serviced document storage expose the Group to differing levels of risk and rewards due to the length, nature, seasonality and customer base of their respective operating cycles.

The segment information for the year ended 31 July 2017 is as follows:

2017	Self-storage 2017 £'000	Serviced archive & records management 2017 £'000	Total 2017 £'000
Revenue from external customers	14,327	2,327	**16,654**
Adjusted EBITDA	5,933	560	**6,493**
Management charges	25	(25)	**-**
Segment Adjusted EBITDA	5,958	535	**6,493**
Depreciation	(1,760)	(96)	**(1,856)**
Amortisation of intangible assets	-	(165)	**(165)**
Equity settled share based payments	(97)	-	**(97)**
Store relocation costs	(29)	-	**(29)**
Property disposal costs	-	(15)	**(15)**
Director retirement costs	(69)	-	**(69)**
Segment operating profit per the income statement	4,003	259	**4,262**

Central costs not allocated to segments:	
Finance income	**309**
Finance costs	**(606)**
Profit before taxation	**3,965**
Income tax expense	**(904)**
Consolidated profit for the financial year	**3,061**

The segment information for the year ended 31 July 2016 is as follows:

2016	Self-storage 2016 £'000	Serviced archive & records management 2016 £'000	Total 2016 £'000
Revenue from external customers	13,883	2,173	16,056
Adjusted EBITDA	5,708	587	6,295
Management charges	72	(72)	-
Segment Adjusted EBITDA	5,780	515	6,295
Depreciation	(1,436)	(101)	(1,537)
Amortisation of intangible assets	-	(165)	(165)
Equity settled share based payments	(182)	-	(182)
Net settlement proceeds - Reading site	1,940	-	1,940
Disposal costs - Swindon store(s)	(123)	-	(123)
Segment operating profit per the income statement	5,979	249	6,228
Central costs not allocated to segments:			
Finance income			313
Finance costs			(1,048)
Profit before taxation			5,493
Income tax expense			(1,211)
Consolidated profit for the financial year			4,282

Corporate transactions and the treasury function are managed centrally and therefore are not allocated to segments. Sales between segments are carried out at arm's length. The serviced archive segment with over 490 customers has a greater customer concentration with its ten largest corporate customers accounting for 34.4% (2016: 34.6%) of revenue, its top 50 customers accounting for 61.1% (2016: 61.7%) and its top 100 customers accounting for 76.2 % (2016: 77.0%) of revenue. The self-storage segment with over 9,670 (2016: 9,200) customers has no individual self-storage customer accounting for more than 1% of total revenue and no group of entities under common control (e.g. Government) accounts for more than 10% of total revenues.

2017	**Self-storage 2017 £'000**	**Serviced archive & records management 2017 £'000**	**Total 2017 £'000**
Segment assets	133,457	6,190	**139,647**
Segment liabilities	(21,189)	(669)	**(21,858)**
Borrowings			**(28,670)**
Total liabilities			**(50,528)**
Capital expenditure (note 10b).	6,459	169	**6,628**

2016	Self-storage 2016 £'000	Serviced archive & records management 2016 £'000	Total 2016 £'000
Segment assets	115,253	6,314	121,567
Segment liabilities	(20,727)	(601)	(21,328)
Borrowings			(28,727)
Derivative financial instruments not allocated to segments			(37)
Total liabilities			(50,092)
Capital expenditure (note 10b).	6,629	359	6,988

The amounts presented to the Board with respect to total assets and total liabilities are measured in a manner consistent with the financial statements and are allocated based on the operations of the segment. Borrowings are managed centrally on a Group basis and are therefore not allocated to segments.

2a Property, staff, distribution and general costs

	Group 2017 £'000	Group 2016 £'000
Property and premises costs	**4,179**	3,913
Staff costs	**4,389**	4,232
General overheads	**1,098**	1,128
Distribution costs	**171**	170
Retail products cost of sales (see note 2b)	**324**	318
	10,161	9,761

2b 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 2017 £'000	Group 2016 £'000
Retail	**128**	118
Insurance	**37**	51
Other	**2**	2
	167	171
Serviced archive consumables and direct costs	**157**	147
	324	318

2c Other Income and costs

	Group 2017 £'000	Group 2016 £'000
Property disposal costs[1]	**-**	123
Net settlement proceeds[2]	**-**	(1,940)
Property disposal costs[3]	**15**	-
Director retirement costs[4]	**69**	-
Store relocation costs[5]	**29**	-
	113	(1,817)

1 Property disposal costs relate to the sale and manage back of the Swindon store.
2 Net settlement proceeds relate to an additional £2 million received for sale of old Reading store net of costs.
3 Property disposal costs relate to the closure and surrender of the lease on Unit 4 Leatherhead site and the consolidation of its warehouse capacity into Unit 6 Leatherhead.
4 Directors retirement costs relate to the retirement of CM Jacobs on 4 July 2017
5 Store relocation costs relate to the closure and surrender of the lease on the Staines store and the relocation of customers to alternative stores within the store portfolio.

3 Finance income

	Group 2017 £'000	Group 2016 £'000
Bank interest	**25**	14
Other interest	**284**	299
	309	313

Interest receivable arises on cash and cash equivalents (see note 16) and on development loan capital deployed.

4 Finance costs

	Group 2017 £'000	Group 2016 £'000
Bank interest	**520**	797
Non-utilisation fees and amortisation of bank loan arrangement fees	**86**	251
	606	1,048

5 Profit before taxation

	Group 2017 £'000	Group 2016 £'000
Profit before taxation is stated after charging:		
Depreciation and amounts written off property, plant and equipment:		
Owned assets	**1,856**	1,537
Amortisation of intangible assets	**165**	165
Operating lease rentals - land and buildings	**1,488**	1,529

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

Audit services		
- UK statutory audit of the Company and consolidated accounts	**50**	48
Other services		
-the auditing of accounts of associates of the Company pursuant to legislation	**14**	14
Other services supplied pursuant to such legislation		
- interim review	**10**	7
Tax services		
- compliance services	**28**	26
- advisory services	**18**	2
	120	97

Comprising:		
Audit services	**64**	62
Non-audit services	**56**	35
	120	97

6 Employees

	Group 2017 No.	Group 2016 No.
The average monthly number of persons (including Directors) employed by the Group during the year was:		
Store management	**131**	121
Administration	**31**	29
	162	150

	Group 2017 £'000	Group 2016 £'000
Costs for the above persons:		
Wages and salaries	**3,724**	3,425
Social security costs	**453**	532
Pension costs	**96**	92
	4,273	4,049
Share based remuneration (options)	**97**	182
	4,370	4,231

Share based remuneration is separately disclosed in the statement of comprehensive income. Wages and salaries of £138,137 (2016: £133,669) 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 £11,949 (2016: £11,705) outstanding at the year-end.

There were no employees employed by the Company in the year. (2016 :nil)

Directors' remuneration

2017	**Emoluments £**	**Bonuses £**	**Benefits £**	**Sub total £**	**Gains on share options £**	**Total £**
Executive:						
A Jacobs	212,242	14,000	3,403	229,645	-	229,645
RA Davies	123,838	12,000	3,551	139,389	78,503	217,892
Neil Newman-Shepherd	71,592	29,704	1,826	103,122	27,296	130,418
CM Jacobs[1]	115,284	-	2,593	117,877	35,250	153,127
Non-Executive:						
SG Thomas	53,060	-	3,228	56,288	143,437	199,725
RJ Holmes	21,224	-	-	21,224	-	21,224
ETD Luker	26,530	-	-	26,530	-	26,530
CP Peal	21,224	-	-	21,224	-	21,224
	644,994	**55,704**	**14,601**	**715,299**	**284,486**	**999,785**

[1] Includes director's retirement costs of £60,100 relating to the retirement of CM Jacobs on 4 July 2017.

2016	**Emoluments £**	**Bonuses £**	**Benefits £**	**Sub total £**	**Gains on share options £**	**Total £**
Executive:						
A Jacobs	208,080	24,000	3,460	235,540	408,600	**644,140**
SG Thomas	52,020	-	3,315	55,335	132,146	**187,481**
RA Davies	116,750	12,000	3,492	132,242	409,245	**541,487**
CM Jacobs	59,021	14,000	2,711	75,732	43,601	**119,333**
N Newman-Shepherd	42,556	21,154	1,299	65,009	-	**65,009**
Non-Executive:						
RJ Holmes	20,808	-	-	20,808	-	**20,808**
ETD Luker	26,010	-	-	26,010	-	**26,010**
CP Peal	20,808	-	-	20,808	22,900	**43,708**
	546,053	**71,154**	**14,277**	**631,484**	**1,016,492**	**1,647,976**

Key management personnel are defined as Directors of the Group. Details of their remuneration is shown above.

Pension contributions of £30,977 (2016: £30,775) were paid by the Group on behalf of R A Davies and are not included in the Directors' emoluments table above. The highest paid Director did not accrue any pension rights during the year. The benefits in kind all relate to medical insurance premiums paid on behalf of the Directors. The number of Directors to whom retirement benefits are accruing under money purchase pension schemes in respect of qualifying service is one (2016: one).

Retirement of C M Jacobs:
On 5 July 2017 the Company announced the retirement of Colin Jacobs as an Executive Director of the Company. The amounts settled to Mr Jacobs on his retirement are included within his 2017 emoluments in the table above.

7 Taxation

	Group 2017 £'000	Group 2016 £'000
Current tax:		
UK corporation tax at 20% (2016: 20%)	**792**	606
Deferred tax:		
Origination and reversal of temporary differences	**204**	976
Adjustments in respect of prior periods	**173**	75
Impact of change in tax rate on closing balance	**(265)**	(446)
Total deferred tax	**112**	605
Income tax expense for the year	**904**	1,211

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

	2017 £'000	2016 £'000
Profit before tax	**3,965**	5,493
Tax on ordinary activities at the effective standard rate of corporation tax in the UK of 20% (2015: 20%)	**793**	1,099
Expenses not deductible for tax purposes	**2**	3
Depreciation of non-qualifying assets	**104**	85
Share based payment charges in excess of corresponding tax deduction	**19**	36
Impact of change in tax rate on closing deferred tax balance	**(264)**	(69)
Adjustments in respect of prior periods - deferred tax	**173**	75
Other	**72**	4
Share option scheme	**5**	(22)
Income tax expense for the year	**904**	1,211
Effective tax rate	**23%**	22%

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 £932,089 (2016: £2,387,114) and the movement in the fair value of cash flow hedges of £nil (2016:(£20,834)) has been recognised as a debit/credit directly in other comprehensive income (see note 18 on deferred tax).

8 Dividends

	2017 £'000	2016 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 July 2015 (5.67 pence per share)	**-**	1,456
Interim dividend for the six months to 31 January 2016 (2.67 pence per share)	**-**	691
Final dividend for the year ended 31 July 2016 (6.33 pence per share)	**1,777**	-
Interim dividend for the six months to 31 January 2017 (3 pence per share)	**860**	-
	2,637	2,147

In respect of the current year the Directors propose that a final dividend of 7 pence per share will be paid to the shareholders. The total estimated dividend to be paid is £2 million based on the number of shares in issue at 13 October 2017 as adjusted for shares held in the Employee Benefits Trust and for shares held on treasury. 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 30 November 2017; the record date 1 December 2017; with an intended payment date of 10 January 2018.

9 Earnings per share

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

	Group 2017 £'000	Group 2016 £'000
Profit for the financial year attributable to owners of the parent	**3,061**	4,282

	2017 No. of shares	2016 No. of shares
Weighted average number of shares		
For basic earnings per share	**27,780,676**	25,791,821
Dilutive effect of share options[1]	**999,657**	577,822
For diluted earnings per share	**28,780,333**	26,369,643

[1] Further options that could potentially dilute EPS in the future are excluded from the above because they are not dilutive in the period presented. Full details of share options are included in notes 20 to 23

623,212 (2016: 623,212) shares held in the Employee Benefit Trust and Nil (2016: 2,466,869) Treasury shares are excluded from the above (see note 23).

	Group 2017	Group 2016
Earnings per share		
Basic	**11.02p**	16.60p
Diluted	**10.64p**	16.24p

10a Intangible assets

Group	**Contractual**	**Total**

	Goodwill £'000	customer relationships £'000	£'000
Cost at 1 August 2015	1,110	3,309	4,419
Amortisation at 1 August 2015	-	(661)	(661)
Amortisation charge	-	(165)	(165)
Amortisation at 31 July 2016	-	(826)	(826)
Net book value at 31 July 2016	**1,110**	**2,483**	**3,593**
Cost at 1 August 2016	1,110	3,309	4,419
Amortisation at 1 August 2016	-	(826)	(826)
Amortisation charge	-	(165)	(165)
Amortisation at 31 July 2017	-	(991)	(991)
Net book value at 31 July 2017	**1,110**	**2,318**	**3,428**

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

The remaining amortisation period of the contractual customer relationships at 31 July 2017 is 13 years and 11 months (2016: 14 years 11 months).

The values for impairment purposes are based on past and current experience of trading, estimated future cash flows and external information where relevant and derived from the following key assumptions:

- a discount rate of 11%
- estimated useful lives of customer relationships (20 years)
- short term sustainable growth rates of 5% (next 5 years)
- thereafter long term sustainable growth rates of 2.0%
- sensitivity: the Group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value. A cut in projected sales growth by around 7% would result in the carrying value of goodwill being reduced to its recoverable amount.

10b 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 2015	**10,492**	**61,035**	**6,425**	**2,563**	**20,571**	**30**	**101,116**
Additions	3,281	152	1	-	3,554	-	6,988
Disposals	(4,604)	(3,228)	-	-	(701)	(13)	(8,546)
Reclassification	(8,711)	9,377	-	-	(666)	-	-
Revaluations	-	13,617	2,837	-	-	-	16,454
31 July 2016	**458**	**80,953**	**9,263**	**2,563**	**22,758**	**17**	**116,012**
Depreciation							
1 August 2015	**1,604**	**-**	**-**	**1,690**	**9,999**	**21**	**13,314**
Depreciation	-	606	100	91	736	2	1,535
Disposals	(1,604)	-	-	-	(389)	(11)	(2,004)
Reclassification	-	490	-	-	(490)	-	-
Revaluations	-	(1,096)	(100)	-	-	-	(1,196)
31 July 2016	**-**	**-**	**-**	**1,781**	**9,856**	**12**	**11,649**
Net book value at 31 July 2016	**458**	**80,953**	**9,263**	**782**	**12,902**	**5**	**104,363**
Cost or valuation							
1 August 2016	**458**	**80,953**	**9,263**	**2,563**	**22,758**	**17**	**116,012**
Additions	4,666	685	-	36	1,241	-	6,628
Disposals	-	-	-	-	(15)	-	(15)
Reclassification	-	-	-	-	-	-	-
Revaluations	-	5,910	1,030	-	-	-	6,940
31 July 2017	**5,124**	**87,548**	**10,293**	**2,599**	**23,984**	**17**	**129,565**
Depreciation							
1 August 2016	**-**	**-**	**-**	**1,781**	**9,856**	**12**	**11,649**
Depreciation	-	705	125	99	926	1	1,856
Disposals	-	-	-	-	(11)	-	(11)
Reclassification	-	-	-	-	-	-	-
Revaluations	-	(705)	(125)	-	-	-	(830)
31 July 2017	**-**	**-**	**-**	**1,880**	**10,771**	**13**	**12,664**
Net book value at 31 July 2017	**5,124**	**87,548**	**10,293**	**719**	**13,213**	**4**	**116,901**

If all property, plant and equipment were stated at historic cost the carrying value would be £53.9 million (2016: £49.5 million).

Capital expenditure during the year totalled £6.6 million (2016: £7.0 million). This was primarily the construction works at our development sites in Gillingham and Wellingborough as well as completing fitting-out works at our Bristol store. £1.22 million was also spent on completing the initial phase of the refurbishment of the Old Southampton store for the ParknCruise operations.

Property, plant and equipment (non-current assets) with a carrying value of £116.9 million (2016: £104.4 million) are pledged as security for bank loans.

Market Valuation of Freehold, Long Leasehold and Operating Leasehold Land and Buildings

On 31 July 2017, a professional valuation was prepared by Jones Lang LaSalle Limited (JLL) in respect of eleven freehold, one long leasehold and seven operating 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 second 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 £119.6 million (2016: £112.7 million) of which £102.9 million (2016: £96.1 million) relates to freehold and long leasehold properties, and £16.7 million (2016: £16.6 million) relates to properties held under operating leases.

Freehold and long leasehold land and buildings are carried at valuation in the statement of financial position. Short leasehold improvements at properties held under operating 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 £102.9 million valuation of the freehold and long leasehold properties £9.3 million (2016: £9.0 million) relates to the net book value of fixtures, fittings and equipment, and the remaining £93.6 million (2016: £ 87.1 million) relates to freehold and long leasehold properties.

The 2017 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 19 trading stores (both freeholds and leaseholds) averages 81.2% (2016: 80.1%).

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 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 11.09% (2016: 11.32%). The yield arising from the first year of the projected cash flow is 7.19% (2016: 7.43%), rising to 10.49% (2016: 10.86%), in year five.
- JLL have assumed purchasers costs of 6.8% (2016: 6.8%).
- The average stabilised occupancy is 81.2% (2016: 80.1%).
- The average exit yield assumed is 7.67% (2016: 7.9%).

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.

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 10 years and 8 months as at 31 July 2017 (11 years and 8 months: 31 July 2016). Valuations for stores held under operating 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 has been redeveloped for cruise parking. Market evidence suggested that there is a substantial market in Southampton for car parking for cruise liner passengers and that this property was appropriate to this use. The Directors placed their valuation on the undeveloped site at the 2016 year-end at £2.5 million. The building has now been converted to this use costing £1.195 million and started trading as "ParknCruise" in May 2017. Early bookings are encouraging. Accordingly the Directors placed their valuation on the current developed site at the 2017 year-end at £3.695 million.

The New Southampton Store: Following the development and opening of the new Southampton store there remains surplus land to the rear of the building which may be ultimately utilised for an expansion of the store or could be sold or used for alternative use. The Directors have considered the advice given and recommendations of value obtained by local agents and in weighing this with their own view are satisfied to continue to place a value at year-end on this land of £0.5 million.

The total value of land and property carried at Director Valuation at 31 July 2017 is £4.195 million (2016: £3 million).

11 Investments

Company Investments in subsidiary undertakings	£'000
31 July 2013	**1,776**
Capital contributions arising from share-based payments	119
31 July 2014	**1,895**
Capital contributions arising from share-based payments	211
31 July 2015	**2,106**
Capital contributions arising from share-based payments	182
31 July 2016	**2,288**
Capital contributions arising from share-based payments	97
31 July 2017	**2,385**

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 Limited[1 *] ♦	Ordinary	-	100	Trustee
Southern Engineering and Machinery Company Limited[1 *] #	Ordinary	-	100	Land
Semco Machine Tools Limited[2 *] #	Ordinary	-	100	Dormant
Semco Engineering Limited[2 *] #	Ordinary	-	100	Dormant
Saracen Datastore Limited[1] #	Ordinary	-	100	Serviced Document Storage
ParknCruise Limited[1] ♦	Ordinary	-	100	Car parking for cruise passengers

[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 fair value of these investments has not been disclosed because it cannot be measured reliably as there is no active market for these equity instruments. The Company currently has no plans to dispose of these investments.

12 Development capital

In May 2015 Lok'nStore opened a managed store in Aldershot, Hampshire. The store is managed for third party investors under the Lok'nStore brand. Lok'nStore managed the construction and subsequent operation of the store and generates a 10% annual return on £2.5 million of the total development capital committed to the project, and a management fee for the construction, operation and branding of the store. The capital provided is fully secured by a first fixed charge on the property.

	Group 2017 £'000	Group 2016 £'000
Development capital	**3,463**	3,159

Contingent Asset
When the Aldershot Store is sold by its owners Lok'nStore is entitled to receive a fee of 5% of the proceeds of the sale (less reasonable selling costs).

Due to the uncertainty of the property market and the timing of the ultimate sale the directors believe that it would not be appropriate to recognise this as an asset at this time. There is a backstop date of 2022 at which time a realisation (or a payment based on an independent valuation) must be made to Lok'nStore and as this date gets nearer, the directors will give due consideration as to when the value of the property can be reliably measured, at which point it will be appropriate to recognise the asset in the financial statements.

13 Inventories

	Group 2017 £'000	Group 2016 £'000
Consumables and goods for resale	**203**	165

The amount of inventories recognised in cost of sales as an expense during the year was £164,225 (2016: £156,121).

14 Trade and other receivables

	Group 2017 £'000	Group 2016 £'000
Trade receivables	**1,693**	2,027
Other receivables	**1,822**	1,910
Prepayments and accrued income	**751**	1,015
	4,266	4,952

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

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

	Company 2017 £'000	Company 2016 £'000
Net amount due from Lok'nStore Limited	**13,021**	3,648

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 Company has the right to sell the items they store to cover the debt owed by the customer. Trade receivables that are overdue are provided for based on estimated irrecoverable amounts, determined by reference to past default experience.

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

In respect of its document storage business, customers are invoiced typically monthly in advance for the storage of their boxes, tapes and files. The provision of additional services, such as document boxes or tape collection and retrieval from archive, typically are invoiced monthly in arrears. The serviced archive segment with over 450 customers has a greater customer concentration - refer note 1(b) segmental analysis.

Included in the Group's trade receivables balance are receivables with a carrying amount of £268,252 (2016: £269,153) 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 43 days past due (2016: 40 days past due).

Ageing of past due but not impaired receivables

	Group 2017 £'000	Group 2016 £'000
0-30 days	**97**	147
30-60 days	**121**	72
60+ days	**50**	50
Total	**268**	269

Movement in the allowance for bad debts

	Group 2017 £'000	Group 2016 £'000
Balance at the beginning of the year	**186**	174
Impairment losses recognised	**34**	34
Amounts written off as uncollectible	**(32)**	(22)
Balance at the end of the year	**188**	186

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 2017 £'000**	Group 2016 £'000
0-30 days	**-**	-
30-60 days	**-**	-
60+ days	**188**	186
Total	**188**	186

15 Trade and other payables

	Group 2017 £'000	Group 2016 £'000
Trade payables	**818**	887
Taxation and social security costs	**288**	1,369
Other payables	**1,692**	1,197
Accruals and deferred income	**2,234**	2,341
	5,032	5,794

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

16 Financial instruments

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 17a, 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 conservative gearing ratio (the proportion of net debt to equity). 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:

Capital Management	Group 2017 £'000	Group 2016 £'000
Gross borrowings	**(28,816)**	(28,816)
Cash and cash equivalents	**11,386**	5,335
Net debt	**(17,430)**	(23,481)
Total equity	**89,119**	71,475
Net debt to equity ratio	**19.6 %**	32.8%

The decrease in the Group's gearing ratio arises principally through the combined effect of an increase in the value of its properties, the sale of the Group's treasury shares and the cash generated from operations.

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 currently had two interest rate swaps with Lloyds Bank plc which ran until 20 October 2016. These have now expired and are reported fully in the Financial Review and in note 17b.

B Debt management
Debt is defined as non-current and current borrowings, as detailed in note 17a. Equity includes all capital and reserves of the Group. The Group is not subject to externally imposed capital requirements.

The Group borrows through a senior six year term revolving credit facility with Royal Bank of Scotland plc secured on its store portfolio and other Group assets, excluding intangibles, with a net book value of £136.2 million (2016: £118.0 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 £40 million (2016: £40 million). This facility expires on 15 January 2023. Undrawn committed facilities at the year-end amounted to £11.2 million (2016: £11.2 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 17a. 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. The Group had two cash flow hedging interest rate swap arrangements and these expired during the year. These instruments and the movement in their fair values are detailed in note 17b.

Cash balances held in current accounts attract no interest but surplus cash is transferred daily to a treasury deposit account which earns interest at the prevailing money market rates[1]. All amounts are denominated in Sterling. The balances at 31 July 2017 are as follows:

	Group 2017 £'000	Group 2016 £'000
Variable rate treasury deposits[1]	**11,048**	4,915
SIP trustee deposits	**5**	34
Cash in operating current accounts	**285**	339
Other cash and cash equivalents	**48**	47
Total cash and cash equivalents	**11,386**	5,335

[1] Money market rates for the Group's variable rate treasury deposit track Royal Bank of Scotland plc base rate. The rate attributable to the variable rate deposits at 31 July 2017 was 0.1%.

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
In managing interest rate risk the Group aims to reduce the impact of short-term fluctuations on the Group's earnings, without jeopardising its flexibility. Over the longer term, permanent changes in interest rates may have an impact on consolidated earnings.

At 31 July 2017, it is estimated that an increase of one percentage point in interest rates would have reduced the Group's annual profit before tax by £288,156 (2016: £88,156) and conversely a decrease of one percentage point in interest rates would have increased the Group's annual profit before tax by £288,156 (2016: £88,156). 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 1.66% applying to the variable rate borrowings of £28.8 million in the year (2016: £8.8 million / 2.56%).

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 14. 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 2017 was £2.34 million (2016: £3.70 million) on receivables and £11.39 million (2016: £5.33 million) on cash and cash equivalents. Additionally, the Group has provided development loan capital in respect of the Aldershot store development, a managed contract. The current balance outstanding at 31 July 2017 was £3.46 million (2016: £3.16 million). These amounts are secured by way of a fixed priority first charge and a debenture over all of the Aldershot assets.

H Maturity analysis of financial liabilities
The undiscounted contractual cash flow maturities are as follows:

2017 - Group	**Trade and other payables £'000**	**Borrowings £'000**	**Interest on borrowings £'000**
Over five years	**-**	**28,816**	**219**
From two to five years	**-**	**-**	**1,438**
From one to two years	**-**	**-**	**479**
Due after more than one year	**-**	**28,816**	**2,136**
Due within one year	**2,934**	**-**	**479**
Total contractual undiscounted cash flows	**2,934**	**28,816**	**2,615**

2016 - Group	Trade and other payables £'000	Borrowings £'000	Interest on borrowings £'000
From two to five years	-	28,816	1,814
From one to two years	-	-	738
Due after more than one year	-	28,816	2,552
Due within one year	2,359	-	831
Total contractual undiscounted cash flows	2,359	28,816	3,383

I Fair values of financial instruments

	Group 2017 £'000	Group 2016 £'000
Categories of financial assets and financial liabilities		
Financial assets - loans and receivables		
Trade and other receivables	**3,967**	3,700
Cash and cash equivalents	**11,386**	5,335
Development loan capital	**3,463**	3,159
Financial liabilities - other financial liabilities at amortised cost		
Trade and other payables	**(2,934)**	(2,359)
Bank loans	**(28,670)**	(28,727)

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 classified as loans and receivables and 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 £9.9 million (2016: £3.8 million) which are classified as trade and other receivables, and the investment in its subsidiary undertaking of £0.1 million (excluding capital contributions). 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.

17a Borrowings

	Group 2017 £'000	Group 2016 £'000
Non-current		
Bank loans repayable in more than five years (Gross)	**28,816**	-
Bank loans repayable in more than two years but not more than five years (Gross)	**-**	**28,816**
Deferred financing costs	**(146)**	**(89)**
Net bank borrowings	**28,670**	**28,727**
Non-current borrowings	**28,670**	**28,727**

The Group has agreed a two year extension on its existing banking facility with Royal Bank of Scotland plc (RBS). The £40 million five year revolving credit facility which was executed last year included an extension option which has now been implemented. The facility which was due to expire in January 2021 will now run until January 2023 providing funding for more landmark site acquisitions and working capital.

The £40 million five year revolving credit facility set the interest rate margin at the London Inter-Bank Offer Rate (LIBOR) plus 1.40%-1.65% based on a loan to value covenant test. This rate is 1.40% currently and the all in debt cost on £28.8 million drawn averaged 1.66% in the period. Bank covenants and margin are unaffected by this extension of term.

The facility also provides for the possibility of an additional accordion of up to £10 million which if taken up during the term of the facility will increase facilities available to £50 million.

The Group currently has £28.8 million drawn against its existing £40 million facility. The margin on the new facility is at the London Inter-Bank Offer Rate (LIBOR) plus 1.40%-1.65% margin based on a loan to value covenant test (1.40% at Lok'nStore's current LTV level).

The £40 million revolving credit facility with RBS is secured by legal charges and debentures over the freehold and leasehold properties and other tangible assets of the business with a net book value of £120.4 million (2016: £118.0) million together with cross-company guarantees from Group companies.

17b Derivative financial instruments

During the year the Group continued to operate two separate £10 million interest rate swaps with Lloyds Bank plc, both effective from 31 May 2012, the first at a fixed 1 month sterling LIBOR rate of 1.2% and the second at a fixed one-month sterling LIBOR rate of 1.15%. Both swaps ran up to 20 October 2016 whereupon they lapsed.

The £20 million fixed rate was treated as an effective cash flow hedge and its fair value on a mark-to-market basis has fluctuated historically. Under current facility arrangements with Royal Bank of Scotland plc the Group is not committed to enter into hedging instruments going forwards but rather to keep such matters under periodic review.

As the fixed interest swaps expired on 20 October 2016, the Groups entire £28.8 million of gross debt reverted to variable rate and results in an overall weighted average rate over the financial period of 2.06% (2016: 2.88%). At the balance sheet date the effective cost of debt is 1.65%.

		Currency	Principal £	Maturity date	**Fair value 2017 £'000**	Fair value 2016 £'000
3032816LS	Interest rate swap	GBP	10,000,000	20/10/2016	**-**	(19)
3047549LS	Interest rate swap	GBP	10,000,000	20/10/2016	**-**	(18)
			20,000,000		**-**	(37)

The movement in fair value of the interest rate swaps of £37,850 (2016: £82,675) has been recognised in other comprehensive income in the year.

18 Deferred tax

Deferred tax liability	**Group 2017 £'000**	Group 2016 £'000
Liability at start of year	**15,361**	12,252
Credited to income for the year	**112**	605
Tax credited directly to other comprehensive income	**932**	2,408
Debit / (credit) to share based payment reserve	**(42)**	96
Liability at end of year	**16,363**	15,361

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

	Accelerated Capital Allowances £'000	Intangible assets £'000	Other temporary differences £'000	Revaluation of properties £'000	Rolled over gain on disposal £'000	Share options £'000	Total £'000
At 1 August 2015	**1,708**	**530**	**(8)**	**8,586**	**1,787**	**(351)**	**12,252**
Charge/ (credit) to income for the year	147	(83)	11	-	524	6	**605**
Charge to other comprehensive income	-	-	21	2,375	12	-	**2,408**
Charge to share based payment reserve	-	-	-	-	-	96	**96**
At 31 July 2016	**1,855**	**447**	**24**	**10,961**	**2,323**	**(249)**	**15,361**
Charge/ (credit) to income for the year	341	(53)	(7)	-	(189)	20	**112**
Charge to other comprehensive income	-	-	-	920	12	-	**932**
Charge to share based payment reserve	-	-	-	-	-	(42)	**(42)**
At 31 July 2017	**2,196**	**394**	**17**	**11,881**	**2,146**	**(271)**	**16,363**

19 Share capital

	2017	2016
Authorised:	**£'000**	£'000
35,000,000 ordinary shares of 1 pence each (2016: 35,000,000)	**350**	350
Allotted, issued and fully paid ordinary shares	**£'000**	£'000
Balance 1 August	**291**	285
Options exercised 193,601 shares (2016: 662,573 shares)	**2**	6
Balance 31 July	**293**	291
	Called up, allotted and fully paid Number	Called up, allotted and fully paid Number
Number of shares at 31 July	**29,302,923**	29,109,322

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

20 Equity settled share-based payment plans

The Group operates two equity-settled share-based payment plans, an approved and an unapproved share option scheme, the rules of which are similar in all material respects.

The Company has the following share options:

2017 Summary	As At 31 July 2016 No of options	Granted	Exercised	Lapsed/ surrendered	As at 31 July 2017 No of options
Unapproved Share Options	**1,094,482**	44,031	(150,408)	(23,997)	**964,108**
Approved CSOP Share Options	**166,011**	20,486	(43,193)	(7,926)	**135,378**
Total	**1,260,493**	64,517	(193,601)	(31,923)	**1,099,486**

2016 Summary	As At 31 July 2015 No of options	Granted	Exercised	Lapsed/ surrendered	As at 31 July 2016 No of options
Unapproved Share Options	1,722,361	59,858	(643,894)	(43,841)	1,094,484
Approved CSOP Share Options	172,462	23,137	(18,679)	(10,909)	166,011
Total	1,894,823	82,995	(662,573)	(54,750)	1,260,495

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

	Total at 31 July 2016	Options granted	Options Exercised/lapsed	Unapproved Scheme	Approved CSOP share options	Total at 31 July 2017
2017						
Executive Directors						
A Jacobs - Unapproved	**206,087**	**-**	**-**	**-**	**-**	**206,087**
SG Thomas - Unapproved	**75,217**	**-**	**(50,000)**	**(50,000)**	-	**25,217**
RA Davies - Unapproved	281,977	-	(25,000)	(25,000)		**256,977**
RA Davies - CSOP	14,493	7,742	(14,493)	-	(14,493)	**7,742**
RA Davies total	**296,470**	**7,742**	**(39,493)**	**(25,000)**	**(14,493)**	**264,719**
N Newman-Shepherd - Unapproved	187,742	19,679	(10,000)	(10,000)	-	**197,421**
N Newman-Shepherd - CSOP	16,195	966	(3,500)	-	(3,500)	**13,661**
N Newman-Shepherd total	**203,937**	**20,645**	**(13,500)**	**(10,000)**	**(3,500)**	**211,082**
C Jacobs - Unapproved	123,997	-	(23,997)	(23,997)	-	**100,000**
C Jacobs - CSOP	18,926	-	(18,926)	-	(18,926)	
C Jacobs total *	**142,923**	**-**	**(42,923)**	(23,997)	(18,926)	**100,000**
Non-Executive Directors						
ETD Luker - Unapproved	15,000	-	-	-	-	**15,000**
All Directors total	**939,634**	**28,387**	**(145,916)**	**(108,997)**	**(36,919)**	**822,105**

* C Jacobs retired 4 July 2017.

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 or three years.

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

The 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 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 years).

The total charge for the year relating to employer share-based payment schemes was £96,985 (2016: £182,124), all of which relates to equity-settled share-based payment transactions.

21a Other reserves

Group	Cash flow hedge reserve £'000	Merger reserve £'000	Other reserve £'000	Capital redemption reserve £'000	Share-based payment reserve £'000	Total £'000
1 August 2015	**(99)**	**6,295**	**1,294**	**34**	**1,161**	**8,685**
Share based remuneration (options)	-	-	-	-	182	182
IFRS 2 - transfer to retained earnings	-	-	-	-	(401)	(401)
Cash flow hedge reserve net of tax	62	-	-	-	-	62
Tax charge relating to share options	-	-	-	-	(96)	(96)
31 July 2016	**(37)**	**6,295**	**1,294**	**34**	**846**	**8,432**
Share based remuneration (options)	-	-	-	-	97	97
IFRS 2 - transfer (to)/ from retained earnings	-	-	-	-	(139)	(139)
Cash flow hedge reserve net of tax	37	-	-	-	-	37
Tax charge relating to share options	-	-	-	-	42	42
31 July 2017	**-**	**6,295**	**1,294**	**34**	**846**	**8,469**

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 £138,755 (2016: £400,957).

21b Other reserves

Company	Other reserve £'000	Share-based payment reserve £'000	Total £'000
1 August 2015	**1,114**	**1,066**	**2,180**
Share based remuneration (options)	-	182	182
IFRS 2 - transfer to retained earnings	-	(401)	(401)
31 July 2016	**1,114**	**847**	**1,961**
Share based remuneration (options)	-	97	97
IFRS 2 - transfer to/from retained earnings	-	(139)	(139)
31 July 2017	**1,114**	**805**	**1,919**

22 Retained earnings

Group	Retained earnings before deduction of own shares £'000	Own shares (note 23) £'000	Retained earnings Total £'000
1 August 2015	**13,387**	**(4,241)**	**9,146**
Profit attributable to owners of Parent for the financial year	4,282	-	4,282
Transfer from revaluation reserve (Additional depreciation on revaluation)	262	-	262
Transfer from share based payment reserve (Note 24a)	401	-	401
Transfer realised gain on asset disposal	1,639	-	1,639
Dividend paid	(2,147)	-	(2,147)
31 July 2016	**17,824**	**(4,241)**	**13,583**
Profit attributable to owners of Parent for the financial year	3,061	-	3,061
Transfer from revaluation reserve (Additional depreciation on revaluation)	277	-	277
Transfer from share based payment reserve (Note 24a)	139	-	139
Sale of shares from treasury	-	3,741	3,741
Dividend paid	(2,637)	-	(2,637)
31 July 2017	**18,664**	**(500)**	**18,164**

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. These treasury shares were not cancelled and have been released back into the market to assist liquidity of the Company's stock and to provide availability of a reasonable line of stock to satisfy investor demand.

23 Own shares

	EBT shares Number	EBT shares £	Treasury shares Number	Treasury shares £	Own shares total £
31 July 2016 and 31 July 2017	**623,212**	**499,910**	**-**	**-**	**499,910**

Sale of treasury shares: At the start of the financial year Lok'nStore Limited held a total of 2,466,869 of Lok'nStore Group plc ordinary shares of 1p each for treasury with an aggregate nominal value of £24,669 purchased for an aggregate cost of £3,741,036 at an average price of £1.503 per share (excluding broker's commission and stamp duty costs). These shares represented 8.4% of the Parent Company's called-up share capital. The maximum number of shares held by Lok'nStore Limited in the year was 2,466,869.

In November 2016, Lok'nStore sold 1,975,000 ordinary shares of these treasury shares. The shares were sold to a range of institutional investors at a price of 400 pence per share.

On 26 April 2017 it sold the remaining 491,869 ordinary treasury shares to a range of institutional and individual investors at a price of 425 pence per Ordinary Share. The sale of these shares realised a total surplus over and above the cost price of £6,150,000. In accordance with the Companies Act 2006 this surplus has been shown as in increase in share premium in the year in both the consolidated and parent company financial statements. These shares had been bought previously by Lok'nstore Limited on behalf of the parent company and in prior year accounts should therefore have been shown as treasury shares in the parent company's equity at an amount of £3,741,000 and as a reduction in the inter-company receivable of the amount.

The directors have considered whether a prior year adjustment should be made to reflect this reclassification in the parent company's comparative balance sheet but are mindful of the fact that this is all intercompany and the situation has been resolved in the current year through the sale of these shares. As a result, the directors do not believe that this adjustment would cause the reader of the financial statements to form a different view of the statement of financial position of the parent company at 31 July 2016 and therefore do not believe it is material in the context of the financial statements as a whole.

Employee Benefit Trust (EBT): 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 2017, the Trust held 623,212 (2016: 623,212) ordinary shares of 1 pence each with a market value of £2,414,947 (2016: £2,025,439). No shares were transferred out of the scheme during the year (2016: nil).

No dividends were waived during the year. No options have been granted under the EBT.

24 Cash flows

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

	Group 2017 £'000	Group 2016 £'000
Profit before tax	**3,965**	5,493
Depreciation	**1,856**	1,535
Amortisation of intangible assets	**165**	165
Equity settled share based payments	**97**	182
Net settlement proceeds - Reading site	**-**	(1,940)
Property disposal costs	**15**	123
Store relocation costs	**29**	-
Director retirement costs	**69**	-
Interest receivable	**(309)**	(313)
Interest payable	**606**	1,048
Increase in inventories	**(38)**	(24)
(Increase) / decrease in receivables	**(284)**	(2,471)
(Decrease) / increase in payables	**(648)**	(24)
Cash generated from operations	**5,523**	3,774

(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 17a less cash and cash equivalents.

	Group 2017 £'000	Group 2016 £'000
Increase in cash in the year	**6,051**	2,900
Change in net debt resulting from cash flows	**-**	(1,115)
Movement in net debt in year	**6,051**	1,785
Net debt brought forward	**(23,481)**	(25,266)
Net debt carried forward	**(17,430)**	(23,481)

25 Commitments under operating leases

At 31 July 2017 the total future minimum lease payments as a lessee under non-cancellable operating leases were as follows:

	Group 2017 £'000	Group 2016 £'000
Land and buildings		
Amounts due:		
Within one year	**1,469**	1,535
Between two and five years	**5,868**	5,847
After five years	**6,600**	7,468
	13,937	14,850

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

26 Related party 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 11.

The aggregate remuneration of the Directors, who are the key management personnel of the Group, is set out below. Further information on the remuneration of individual Directors is found in note 6.

	Group	Group

	2017 £'000	2016 £'000
Short term employee benefits	**1,000**	1,648
Post-employment benefits	**31**	31
Share-based payments	**97**	182
Total	**1,128**	1,861

The Group uses Trucost Plc, an environmental research company, to provide information and undertake performance assessment of the environmental effect of its business activities. The total fees payable to Trucost Plc in respect of its environmental assessment and reporting for the year was £6,000 (2016: £6,000). The balance outstanding to Trucost Plc at year-end was £nil (2016: £nil).

Group Director shareholdings - dividends received

In respect of the total dividends paid during the year of £2,637,353, the Group directors received the amounts set out in the table below.:-

Director's Dividend Income	Holding	Final 2016	Interim 2017
		£0.0633	£0.0300
		£	£
Executive:			
A Jacobs	5,205,600	329,514	156,168
RA Davies	61,780	2,935	1,409
Neil Newman	3,300	-	-
CM Jacobs[1]	7,500	475	225
Non-Executive:			
SG Thomas	1,800,000	113,940	54,000
RJ Holmes	273,674	17,207	8,155
ETD Luker	13,800	874	414
CP Peal	513,561	54,755	15,301
	7,879,215	**519,700**	**235,672**

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%

27a Capital commitments and guarantees

The Group has capital expenditure contracted but not provided for in the financial statements of £2.60 million (2016: £1.10 million) relating to building contracts on its Gillingham and Wellingborough development sites as well as building retentions outstanding on the completed Bristol, Southampton and Reading stores.

27b 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 £28.8 million (2016: £28.8 million).

28 Events after the reporting date

a) Contracts exchanged on the purchase of the Bedford site

On 3 August 2017 contracts were exchanged on the purchase of a site in Bedford for £1.1 million. Lok'nStore will develop this site as a purpose built landmark store.

b) Surrender of Lease on Unit 4, Leatherhead Industrial Estate and the execution of a new lease on the adjacent Unit 6.

On 10 August 2017 the Group completed the execution of a new lease on Unit 6, Leatherhead Industrial Estate, together with the surrender of the lease on Unit 4.

This is part of a continuing strategy within the document storage business of optimising the utilisation of trading space which has now been consolidated into two trading units.

i) **Surrender of Unit 4**

The Group has obtained releases from all obligations whether past, present or future and received all of the rent deposits held by the Landlord. There were no outstanding dilapidations obligations.

ii) **New lease on Unit 6**

The lease is in substantially the same form as the existing lease but is for fifteen years and inside the 1954 Landlord & Tenant Act. The landlord has a right to break at the end of the tenth year on redevelopment grounds on six months' notice. There is an upward only rent review at the end of the fifth year of the term.

c) Planning permission obtained on the Dover site

On 9 September 2017, planning permission was granted for the construction of a detached storage building with associated vehicular access, parking and landscaping works.

Our Stores

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Southampton, Hampshire
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southampton@loknstore.co.uk

Sunbury on Thames, Middlesex
Unit C, The Sunbury Centre
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Middlesex
TW16 5DA
Tel 01932 761100
sunbury@loknstore.co.uk

Tonbridge, Kent
Unit 6 Deacon Trading Estate
Vale Road
Tonbridge
Kent
TN9 1SW
Tel 01732 771007
tonbridge@loknstore.co.uk

Development locations (Owned Stores)

Wellingborough, Northamptonshire
19/21 Whitworth Way
Wellingborough
NN8 2EF

Gillingham, Kent
Courtney Road
Gillingham
Kent
ME8 0RT

Bedford, Bedfordshire
69 Cardington Road
Bedford
MK42 0BQ

Managed stores

Aldershot, Hampshire
251, Ash Road
Aldershot
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Tel 0845 4856415
aldershot@loknstore.co.uk

Ashford, Kent
Wotton Road
Ashford
Kent
TN23 6LL

Tel 01233 645500
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Broadstairs, Kent
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Chichester, West Sussex
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Tel 01243 771840
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Crawley, West Sussex
Sussex Manor Business Park
Gatwick Road
Crawley
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crawley@loknstore.co.uk

Swindon, Wiltshire
Kembrey Street
Elgin Industrial Estate
Swindon
Wiltshire
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Woking, Surrey
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Under Development (Managed Stores)

Hemel Hempstead, Herts
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Exeter, Devon
The former Auction Centre
Matford Park Road
Exeter
EX2 8FD

Ipswich, Suffolk
Plot 7A, Crane Boulevard
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Dover, Kent
Honeywood Parkway
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