LOK'n STORE

Self Storage

Lok'nStore Group Plc

ANNUAL REPORT AND ACCOUNTS

for the year ended 31 July 2018

We are a **leading company** in the fast growing UK self-storage market. We opened our first self-storage centre in February 1995 and have **grown consistently over the last 23 years**. We currently operate **29 self-storage centres** and two **serviced document stores** in Southern England.

Overview

Strategic Report

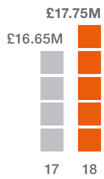
Governance

Financial Statements

To find out more visit:
www.loknstore.com/investors

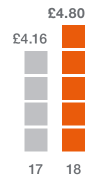
Highlights

GROUP REVENUE



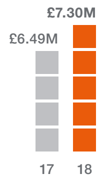
up **6.6%**

ADJUSTED NET ASSET VALUE PER SHARE[4]



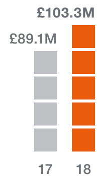
up **15.3%**

GROUP ADJUSTED EBITDA[1]



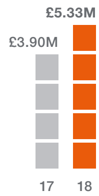
up **12.3%**

NET ASSETS



up **15.9%**

PROFIT BEFORE TAXATION



up **34.3%**

ANNUAL DIVIDEND PER SHARE

up **10%**

STRONG BALANCE SHEET, EFFICIENT USE OF CAPITAL, CONSERVATIVE DEBT

- Net debt £32.3 million (2017: £17.4 million)
- Loan to value[6] ratio 19.7% (2017: 14.0%)
- Bank facility increased by £10 million to £50 million
- Cash available for distribution[5] £5.60 million (2017: £5.17 million)

MORE NEW STORES TO COME DELIVERING FURTHER GROWTH

- 3 new stores opened this year accounting for 29.2p of increase in NAV per shares
- 3 new stores opening this coming financial year
- Plus 5 new sites secured this financial year
- Expanding pipeline[7] of 13 new landmark stores

"Lok'nStore Group has had an **excellent** year successfully implementing our strategic objectives. We have created a strong platform for an **exciting period of growth** for Lok'nStore with revenue, profits and asset values all moving ahead. Our adjusted net asset value per share has increased by a substantial 15.3% to £4.80 this year and we are raising the dividend by 10.0% to 11 pence per share.

We have achieved a **notable acceleration** in our new store pipeline to 13 sites which will increase operating space by 32.4% over the coming three years. This will add **considerable momentum** to sales and earnings growth. Lok'nStore's **strong balance sheet** and strategy of opening new landmark stores position the Group well for future growth."

Andrew Jacobs, CEO

Find out more about our key performance indicators on page 17

Chairman's Statement

"We are fulfilling our commitment to a period of **sustainable growth** based on the strong platform we have built."

Simon G. Thomas
Chairman

Last year we committed to a period of rapid and sustainable growth based on the strong platform we have built. It is my pleasure to introduce this year's results which show that we are fulfilling that commitment.

During the year we opened 3 new landmark stores which are all trading above expectations and have contributed to both the growth in turnover and the significant rise (15.3%) in our Adjusted Net Asset Value per share to £4.80 (2017: £4.16). Of this 64.4 pence increase, 29.2 pence was accounted for by the new store openings demonstrating the value creative capacity of our landmark store opening strategy. Our new store pipeline is 9 secured sites and we have 4 more progressing with our lawyers. Of these, 6 are scheduled to open in 2019 and 3 in 2020. This acceleration in new store openings is reflected in the increase in capital expenditure to £21.9 million this year up from £6.3 million last year (refer note 10(b)). When these stores open they will add further to our profits and asset value.

The detail behind these results is discussed further in our Chief Executive's Review and the Financial Review on pages 13 and 20 respectively. For me the performance of Lok'nStore this year can be summarised under three headings:

- Strong operating performance resulting in an increase in turnover and profits
- Growing asset value driven by existing store performance and growth in new stores
- Many more stores under development and more acquisitions on the horizon

The increasing value of our assets is emphasised by further transactions in the market positively reflecting the demand for established self-storage assets, especially of the quality of our newly built stores. In their July 2018 Market Commentary Report JLL estimate, "there have been around €350m of self-storage transactions over the last 12 months in Europe" and note that they are "seeing a broad base of specialist self-storage investors, private equity and institutions looking to invest in the sector – with real appetite for scale of over £100m.

Managed Stores

Our growth strategy includes increasing the number of stores we manage for third party owners. This enables the Company to earn revenue without having to commit our capital, to amortise fixed central costs over a wider operating base and drive further traffic to our website which benefits our entire operation. Our current pipeline includes an additional 4 managed stores which will take the total number of managed stores to 12.

For the first time in these accounts (note 2(c)) we are recognising a carried interest fee receivable of £361,000 relating to a managed store demonstrating the value of this strategy.

Committed People

None of these results are possible without the commitment of our members of staff who deserve our thanks and importantly our continued investment in them. This year we have provided over 5,000 hours of training via our Academy and you can read more about this in our Corporate Social Responsibility Report. We have also reviewed our pay levels to ensure that all of our employees are paid fairly and we continue to promote equity ownership to our staff via our Share Investment Plan and the granting of options.

We will continue to invest in our people because it makes business sense, directly contributing to our strategic and operational objectives which are to:

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

1995
LOK'N STORE FOUNDED

£10m
EQUITY RAISED IN 2001

#4
SELF STORAGE OPERATOR IN THE UK

Board Governance

In March 2018 the London Stock Exchange published AIM Notice 50 requiring companies to comply with a recognised corporate governance code. Your Board has decided to apply the Quoted Companies Alliance's (QCA) Corporate Governance code which takes a proportionate principle based approach to the application and reporting of good governance. We believe this code is appropriate to the size and nature of the Company. Please refer to the Corporate Governance sections of this Report and our website for more information.

The composition of the Board is also my responsibility and once again this year I spent time reviewing the Board's configuration with our team. An account of this work is given under board performance and evaluation; it has reconfirmed to me that the current composition of your Board continues to be in the best interest of Shareholders as a whole.

Progressive Dividend Policy

For the seventh consecutive year and in line with our stated aim to provide a predictable growth in dividend, we are proposing to increase the annual dividend pay-out by one penny. The Group will therefore pay a final dividend of 7.67 pence per share on 11 January 2019 following the payment of an interim dividend of 3.33 pence per share in June 2018 making a total annual dividend of 11 pence per share, up 10% from 10 pence last year.

I hope you enjoy reading this year's report and that you will feel as confident and optimistic as I do about the future of Lok'nStore Group Plc.

Simon G. Thomas
Chairman
26 October 2018

STORE OPENINGS IN PERIOD

3
NEW LANDMARK STORES

150,000
ADDITIONAL SQ. FT. OF LETTABLE SPACE

ALL
TRADING AHEAD OF EXPECTATION

Group at a Glance

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 23 years, currently with 29 self-storage centres open and trading and two serviced document stores in Southern England.

We have been listed on the AIM Market since June 2000 and the Board accounts for 29.3% of the Total Voting Rights (TVR) in the ordinary shares of the Company (2017: 29.4%).

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.

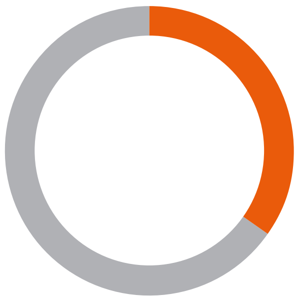
HOUSEHOLD STORAGE

- Storage rooms
- Vehicle storage
- Student packages
- Forces & services packages

BUSINESS STORAGE

- Flexible space
- Document storage
- Pallet storage
- Commercial vehicle storage

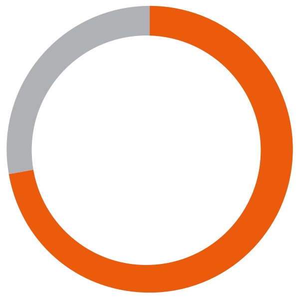
REVENUE BY CUSTOMER TYPE



33.9%
Business customers

66.1%
Household customers

NUMBER OF TRADING STORES BY TYPE



21
Owned stores

8
Managed stores

Our landmark stores

We develop and operate self-storage centres in prominent locations in Southern England. 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.

3 landmark stores opened this financial year: Gillingham, Wellingborough and Hemel Hempstead.

PAGE 06

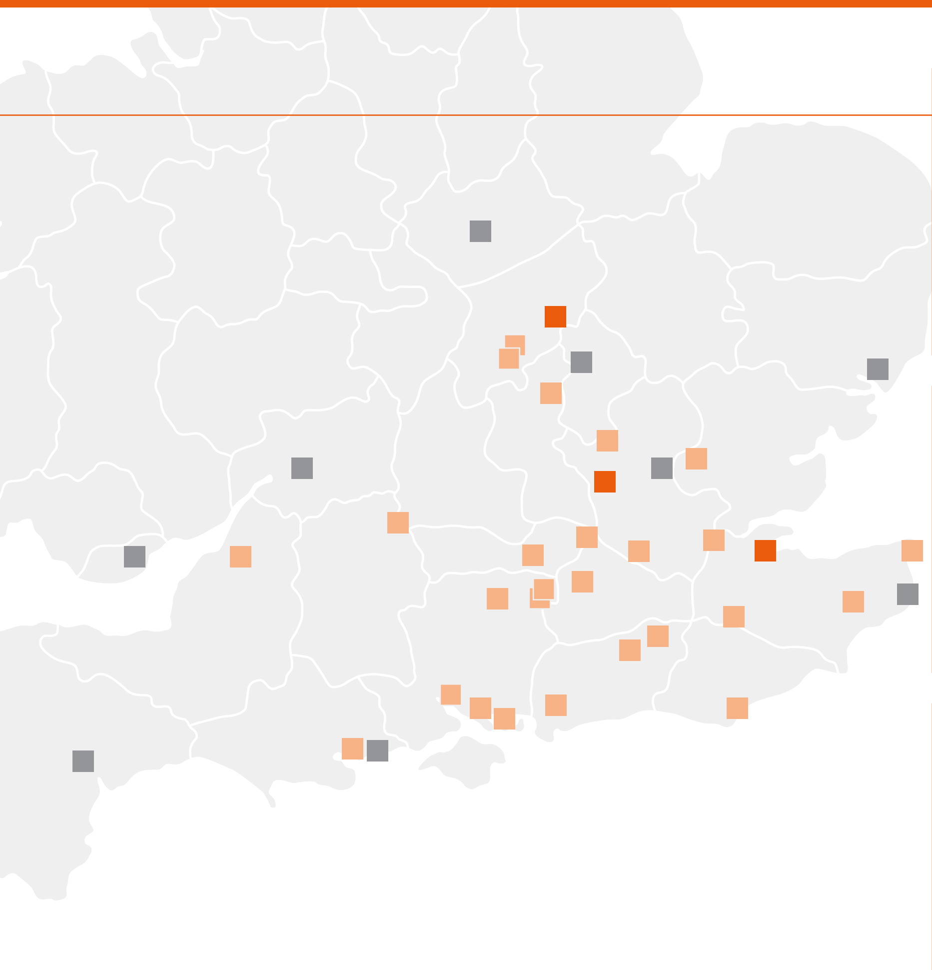
GILLINGHAM

29
STORAGE CENTRES

10,600+
CUSTOMERS

187
EMPLOYEES

Our locations



Stores
Aldershot
Ashford
Basingstoke
Bristol
Broadstairs
Chichester
Crawley
Crayford
Eastbourne
Farnborough
Fareham
Harlow
Horsham
Luton
Maidenhead
Milton Keynes
Northampton Central
Northampton Riverside
Poole
Portsmouth
Reading
Southampton
Sunbury
Swindon
Tonbridge
Woking

New Stores
Gillingham
Hemel Hempstead
Wellingborough

Stores Under Development
Bedford
Bournemouth
Cardiff
Cheshunt
Dover
Exeter
Gloucester
Ipswich
Leicester

To find out more about our store locations visit:
www.loknstore.com

PAGE 32

WELLINGBOROUGH

PAGE 48

HEMEL HEMPSTEAD


LOK'n STORE
Self Storage
CUSTOMER LOADING
RECEPTION

Strategic Report

LANDMARK STORE

Gillingham

61,000
SQUARE FEET OF MAXIMUM LETTABLE AREA

NOW **OPEN**

Lok'nStore Gillingham opened in December 2017 and early trading has been excellent.

Located 2 miles from the M2, this strongly branded freehold store is at the centre of the largest out of town retail offer in the area. Four floors high, this store dominates the skyline above Tesco Extra, McDonalds, KFC and Dobbie's Garden Centre.

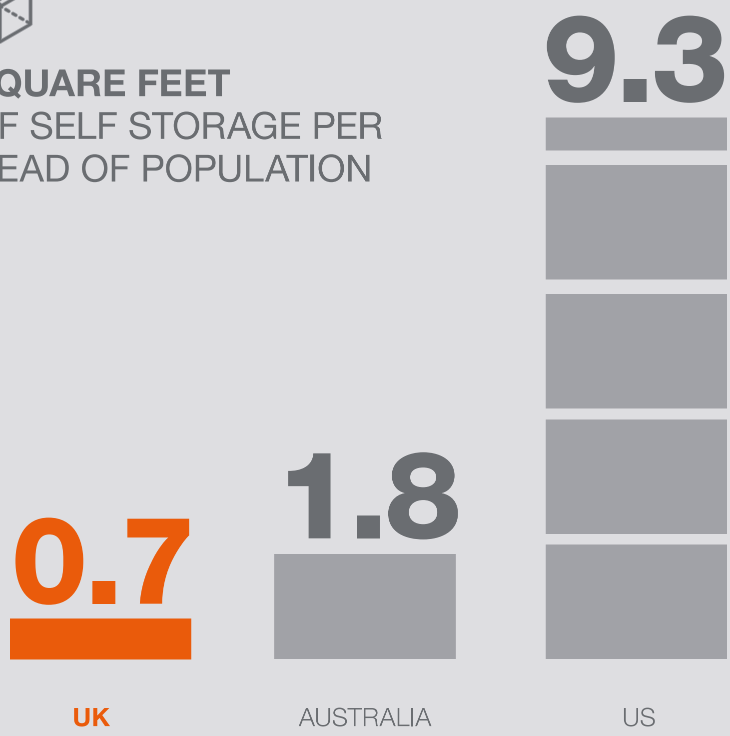
The store serves business and household customers across the Medway area, which has a population of in excess of 275,000. Offering a range of storage spaces from 20 sq. ft. – 5,000 sq. ft. the store will have 700 individual rooms when fully developed.

The UK Self-Storage Market

The UK self-storage market at a glance

The Self-Storage Association UK Annual Industry Survey 2018 reports that the UK Self Storage industry is made up of about 1,505 sites offering 44.6 million square feet of space. It calculates an 8.8% increase in space used by customers in 2017.

SQUARE FEET
OF SELF STORAGE PER HEAD OF POPULATION



£750m
ANNUAL TURNOVER OF UK SELF STORAGE INDUSTRY

29,600
SQ. FT. AVERAGE STORE SIZE

2.4m
SQ FT OF ADDITIONAL SPACE USED BY CUSTOMERS IN 2017

3%
RISE IN OCCUPANCY ACROSS THE INDUSTRY IN 2017

ONLY **42%**
OF PEOPLE HAVE A REASONABLE OR GOOD AWARENESS OF SELF STORAGE

Market overview

As reported in the Self-Storage Association UK (SSA UK) Annual Industry Survey 2018 the UK self-storage market continues to grow but remains under-developed relative to Australia and the US. In the UK, there are an estimated 1,505 self-storage facilities providing approximately 44.6 million square feet of storage space. With a population of 65.2 million people in the UK this equates to only 0.7 square feet per person compared to 9.3 square feet per person in the USA and 1.8 square feet in Australia.

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

The main barriers to entry to the market remain the difficulty in finding and securing suitable sites as well as gaining the appropriate planning consents. As a result, according to the SSA UK, larger operators now own or manage around 30% of facilities which translates to 40% of market share in terms of revenue and space. Currently Lok'nStore is the 4th largest operator in the UK with 29 stores providing 1.4 million square feet of space.

Drivers of demand for self-storage

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

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

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

Lok'nStore's Opportunity in the Market

The Self-Storage Association UK (SSA UK) Annual Industry Survey 2018 notes that public awareness of and demand for self-storage is increasing. We know that on average customers chose a store within 5 miles of their home or business. With a pipeline of 9 secured stores and a further 4 stores progressing through the acquisitions process, Lok'nStore is well placed to attract these customers and add further momentum to the growth of our sales and profits.

Combining the Company's competitive strengths (recognised brand, excellent customer service, rigorous cost control) and the attractive market dynamics of the storage sector (growing sector, under supply, proven resilience during an economic downturn) with our strong balance sheet and flexible operating and ownership model (see our portfolio strategy on page 18), we believe Lok'nStore can take advantage of the opportunities presented and grow at a rapid rate without significantly increasing risk.

Our Business Model

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

WHAT WE DO

- Buy (or lease) prominent sites
- Build (or refurbish) landmark, highly visible orange storage centres
- Offer clean, dry, secure storage to business and household customers

29

UK STORES

HOW WE CREATE VALUE

- Take a flexible approach to site selection
- Increase our asset base
- Careful cost control
- Managed pricing strategy
- Earn fees from managing stores on behalf of others

£17.75m

REVENUE

SHARING VALUE WITH OUR STAKEHOLDERS

SHAREHOLDERS

- High quality earnings
- Growing NAV
- Progressive dividend policy

11p
DIVIDEND
PER SHARE

CUSTOMERS

- Easy to locate stores
- Friendly and high level customer service
- Wide range of storage solutions
- Transparent and open contracts

5 STAR
CUSTOMER REVIEWS ON TRUST PILOT & FEEFO

OUR PEOPLE

- Development opportunities through the Lok'nStore Academy
- Uncapped store bonus scheme
- Share ownership plans
- Strong health and safety approach

£400,000
PAID OUT IN
STORE BONUSES

Our Strategy

OUR OBJECTIVES	ACHIEVEMENTS IN 2018	STRATEGY IN ACTION
STEADILY INCREASE CASH AVAILABLE FOR DISTRIBUTION (CAD) PER SHARE	Cash available for distribution (CAD) per share up 7.5% to 19.4 pence (2017: 18.1 pence).	**10%** increase in annual dividend to 11 pence per share
FILL EXISTING STORES AND IMPROVE PRICING	We developed the customer journey giving customers the ability to find and respond to previous quotes with one click. We focussed on developing our teams' sales and customer service through the Lok'nStore Academy. These actions resulted in conversion of new enquiries improving by 1% over the year.	**7.7%** Self-storage unit occupancy up **0.5%** Self-storage pricing up
ACQUIRE MORE SITES TO BUILD NEW LANDMARK STORES	Gillingham and Wellingborough stores opening in the year. Both are in prominent retail locations with little established competition.	**5** sites acquired
INCREASE THE NUMBER OF STORES WE MANAGE FOR THIRD PARTIES	The Hemel Hempstead store opened during the year. We are developing managed stores in Exeter, Dover, Gloucester and Ipswich and have 1 managed store site with lawyers.	**4** managed stores in pipeline

Chief Executive Officer's Review

"Store visibility remains pivotal to our marketing efforts. Our **new landmark stores** are located in highly prominent locations and we continually invest in new signage and lighting at our existing stores."

Andrew Jacobs
Chief Executive Officer

Lok'nStore Group has had an excellent year successfully implementing all of our strategic objectives. Revenue, profits and asset values have all moved ahead steadily. 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 three years.

Robust trading

Group revenue for the year was £17.75 million, up 6.6% year on year (2017: £16.65 million) driven by occupancy increases in both old and new stores. This revenue growth led to a 12.3% increase in Group Adjusted EBITDA. Tight control over operating costs leading to a 2% increase in self-storage margins has also contributed in pushing the Group's profits to record levels.

- Self-storage revenue £14.78 million up 5.6% (2017: £13.99 million)
- Adjusted Store EBITDA £8.42 million up 9.3% (2017: £7.70 million)
- Unit occupancy up 7.7%
- Unit pricing up 0.5%

With costs firmly under control revenue growth translates into healthy profit growth. Total adjusted store EBITDA in self-storage, a key performance indicator of profitability and cash flow of the business, increased 9.3% to £8.42 million (2017: £7.70 million). The overall adjusted EBITDA margin across all stores was nearly 2 percentage points higher at 57.0% (2017: 55.1%) with the adjusted Store EBITDA margins of the freehold stores at 64.1% (2017: 63.4%) and the leasehold stores at 44.1% (2017: 41.5%).

Over the course of the year unit occupancy rose by a healthy 7.7% and unit pricing increased 0.5%. Out of 29 stores open 15 were trading at above 70% occupancy. At the end of July 2018 33.9% of Lok'nStore's self-storage revenue was from business customers (2017: 33.5%) and 66.1% was from household customers, (2017: 66.5%). By number of customers 17.8% of our customers were business customers (2017: 18.1%) and 82.2% household customers (2017: 81.9%).

By the year-end we had 8 managed stores following the opening of the Hemel Hempstead store in November 2017.

The average unexpired term of the Group's operating leaseholds is approximately 11 years and 1 month as at 31 July 2018 (10 years and 8 months: 31 July 2017). The leaseholds produced 27.6% of the total store EBITDA in the year (2017: 28.5%).

In the table overleaf we show how the performance of the stores varies between freehold and leasehold stores. Currently 67.2% of Lok'nStore owned trading space is freehold and 32.8% is leasehold. Inevitably the leaseholds trade on lower margins due the rent payable, but nevertheless the 44.1% margins achieved is substantial, and leads to a higher return on capital than the freehold stores which require much larger capital expenditure to buy the land and buildings. The freehold stores produce 72.4% of the store EBITDA and account for 88.8% of valuations (including secured pipeline stores).

When the secured pipeline is fully developed the freeholds will account for 55.8% of trading space, leaseholds will be 19.5% and managed stores 24.7%. This mix of tenures with their different risk and return characteristics provides strength in the balance sheet and opportunities to create value throughout the cycle, and is always driven solely by consideration of the operating business.

6.7%

INCREASE IN SELF-STORAGE REVENUE

Portfolio Analysis and Performance Breakdown

As at 31 July 2018	Number of stores	% of Valuation	% of Adjusted store EBITDA	Adjusted store EBITDA margin (%)	% lettable space Lok owned	When fully developed Number of stores	When fully developed Total % lettable space
Freehold and long leasehold	14	78.6	72.4	64.1	67.2	19	55.8
Operating Leaseholds	7	11.2	27.6	44.1	32.8	7	19.5
Managed Stores	8	–	–	100	–	12	24.7
Total Stores Trading	29	–	–	–	–	38	–
Pipeline Stores							
Owned	5	10.2	–	–	–	–	–
Managed Stores	4	–	–	–	–	–	–
Total Self-Storage	38	100	100	57.0	100	38	100
Document Storage	2	–	–	–	–	2	–

In the table below we show how the performance breaks down between the age brackets of the stores. Clearly older stores have had time to fill up and produced a 67% EBITDAR profit (earnings before interest, tax, depreciation, amortisation and rent) margins. Over time as new stores goes through their life cycle they will progress towards the same margins as the fully established stores and add substantially to revenues and profits.

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

Weeks Old	Pipeline	Under 100	100 to 250	over 250	Total
Year Ended 31 July 2018					
Sales £'000		180	1,607	12,992	14,779
Stores Adjusted EBITDA £'000		(75.91)	1,025	7,471	8,420
EBITDA Margin (%)		**(42%)**	**64%**	**58%**	**57%**
Stores Adjusted EBITDAR £'000		(75.91)	1,025	8,662	9,611
EBITDAR Margin (%)		**(42%)**	**64%**	**67%**	**65%**
As at 31 July 2018 ('000 sq ft)					
Maximum Net Area	**300**	**105**	**111**	**915**	**1,432**
Freehold & Long Leasehold ('000 sq ft)	300	105	111	544	1,060
Short Leasehold ('000 sq ft)	–	–	–	372	372
Number Stores					
Freehold and Long Leasehold	5	2	2	10	19
Short Leasehold	–	–	–	7	7
Total Stores	5	2	2	17	26

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

9.3%
INCREASE IN ADJUSTED STORE EBITDA

23.7%
INCREASE IN SERVICED DOCUMENT STORAGE EBITDA

7.7%
INCREASE IN UNIT OCCUPANCY

Ancillary Sales

Ancillary sales which consist of boxes and packaging materials, insurance and other sales increased 4.0% (2017: 2.6%) over the year accounting for 11.0% of self-storage revenues (2017: 11.2%).

Serviced document storage revenue and profits up

- Revenue £2.38 million up 2.4% (2017: £2.33 million)
- Adjusted EBITDA £0.662 million up 23.7% (2017: £0.54 million) (after adjustment for Lok'nStore Management charges)

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.

Marketing

Store visibility remains pivotal to our marketing efforts. Our new landmark stores are located in highly prominent locations and we continually invest in new signage and lighting at our existing stores.

During the year our marketing efforts have continued to focus on the presentation of our buildings to attract passing traffic and internet marketing. With their prominent positions, distinctive design and bright orange elevations, our stores raise the profile of the Lok'nStore brand and generate a substantial 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, and engage the local community.

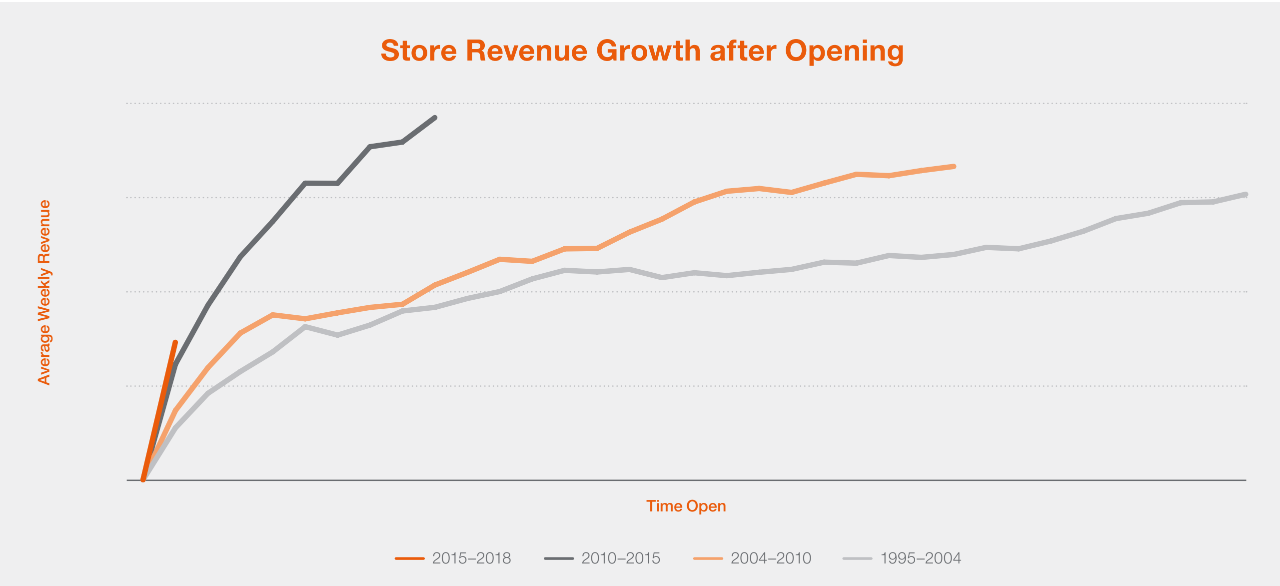
The internet continues to be the main media channel for our advertising. Our website at www.loknstore.co.uk is one of the most established self-storage websites in the UK. The website delivers a high level of customer experience across desktop, tablet and smartphone devices. This is a very dynamic area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

Pipeline of new stores

Against this background of ever improving operating performance we have invested £21.7 million in store development this year and we have now seen a rapid increase in our new store pipeline to 9 secured stores by the reporting date, which will take the total to 38 stores. These will all be purpose built landmark stores in highly prominent locations and will add substantially to the Group's capacity for revenue, profit and asset growth. We have 4 further store acquisitions progressing through the legal process.

Chief Executive Officer's Review continued

The graph below shows the speed of fill-up of our stores broken down into their age groups. You can see that over time the stores have filled up faster with the most recently opened stores (on the left of the graph) filling fastest of all. We believe that this shows that the UK self-storage market is still in its infancy with low penetration and increased consumer awareness leading to faster fill. It also shows the strength of Lok'nStore's newly developed landmark store model.



Management stores

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

The operating expenses of the store are paid for by the third party out of the store revenue with Lok'nStore receiving various fees and performance bonuses. Lok'nStore has no costs directly associated with this function and no equity capital at risk. Therefore this activity generates an increasing return at minimal risk increasing the overall risk adjusted return of the Group as a whole.

Notable in this year's accounts (note 2(c)) is a carried interest receivable of £361,000 in relation to a management contract, over and above the £534,000 store management fees noted elsewhere. This is the first time the Group has recognised such a gain. As the number of managed stores increases rapidly over the coming years the revenue from them will rise commensurately.

Future

Lok'nStore Group has had an excellent year successfully implementing our strategic objectives. We have created a strong platform for an exciting period of growth for Lok'nStore with revenue, profits and asset values all moving ahead.

Against this background of a strong performance from our existing stores, we have also achieved a notable increase in our pipeline to 13 new stores. This will increase operating space by 32.4% over the coming three years, adding considerable momentum to sales and earnings growth.

Lok'nStore's strong operating performance and robust balance sheet underpin our strategy of new landmark store openings positioning the Group well for future growth.

Andrew Jacobs
Chief Executive Officer
26 October 2018

Key Performance Indicators

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

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

1. 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, exceptional items, finance income, finance costs and taxation.

2. Exceptional Items – refers to 'one-off' items of a non-operational nature which arose during the year and are unlikely to be recurring (refer note 2(c) of the Financial Statements).

3. Adjusted Total Assets – The value of adjusted total assets of £181.4 million (2017: £153.5 million) is calculated by adding the independent valuation of the leasehold properties of £18.2 million (2017: £16.7 million) less their corresponding net book value (NBV) £2.7 million (2017: £2.9 million) to the total assets in the Statement of Financial Position of £165.9 million (2017: £139.7 million). This provides clarity on the significant value of the leasehold stores as trading businesses which under accounting rules on operating leases are only presented at their book values within the Statement of Financial Position.

4. 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. The calculation of the Net Asset Value per share is set out in the Financial Review on page 24.

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 ongoing net operating cash that can be used to pay dividends to shareholders. The calculation of the Cash available for Distribution is set out in the Financial Review on page 22.

6. LTV – Loan to Value Ratio – measures the debt of the business expressed as a percentage of total property assets giving a perspective on the gearing of the business. The calculation is based on net debt of £32.3 million as set out in note 27(b) (2017: £17.4 million) as a percentage of the total properties independently valued by JLL and including development land assets totalling £162.8 million (2017: £124.8 million) as set out in the Financial Review on page 21.

7. Pipeline Sites – means sites for new stores that we have either exchanged contracts on or have agreed heads of terms on and are now with our lawyers for completion. We now have 13 pipeline sites which include 9 secured and 4 sites which are currently with lawyers.

8. Adjusted Store EBITDA – is Adjusted EBITDA (see 1 above) before the deduction of central and head office costs. This important information provides an insight into the underlying performance of the trading stores and shows the cash generating core of the business. Use of this metric enables us to provide additional information on store EBITDA contributions and the margins analysed between freehold and leasehold stores and according to the age of the stores. This analysis is set out in a table in the Chief Executive Officer's Review on page 14.

9. Gearing – refers to the level of a company's debt related to its equity capital, usually expressed in percentage form. It is a measure of a company's financial leverage and shows the extent to which its operations are funded by lenders versus shareholders. Gearing can be measured by a number of ratios and we use the debt-to-equity ratio in this document. The calculation of the Gearing percentage, also referred to as the net debt to equity ratio is set out in note 16 of the Financial Statements.

10. Group Adjusted EBITDAR – EBITDAR is Earnings before interest, tax, depreciation amortisation and rent. The measure is designed to give clarity on the effect of the rent payable by leasehold stores and how its elimination enables an analytical comparison between freehold stores operating performance (which do not pay rent) and leasehold stores operating performance. This analysis is set out in a table in the Chief Executive Officer's Review on page 14.

11. Cost Ratio – calculates the ratio of the total operating costs of the business as set out on page 21 of the Financial Review, expressed as a percentage of total group revenue (refer note 1(a)), giving a perspective on the cost efficiency of the business when compared to the cost ratio of the previous year.

See also the glossary on page 94.

Property Review

Store and portfolio strategy

In the self-storage industry each operating store is a profitable unit in its own right. Therefore our strategy is to continue to increase the number of stores we operate without stretching our balance sheet. The core focus of this strategy is the acquisition of highly prominent freehold locations in busy towns in Southern England where we will build well branded landmark stores.

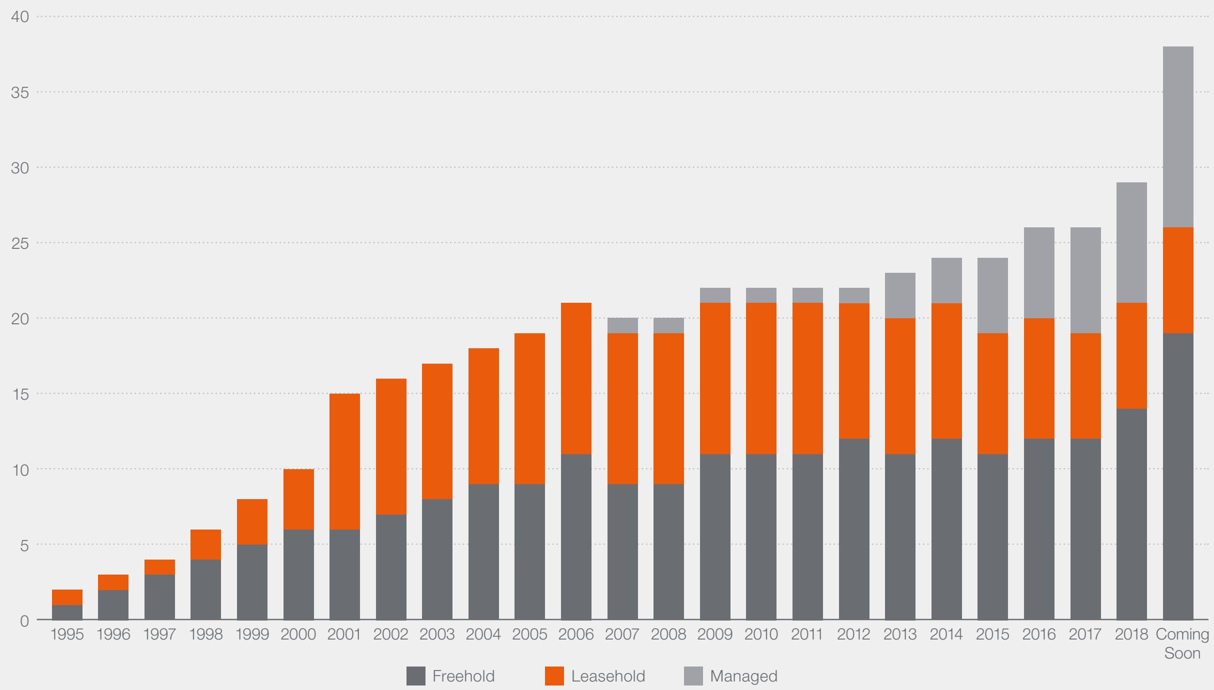
Flexible approach to site acquisition

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

We prefer to own freeholds if possible, and where opportunities arise we will seek to acquire the freehold of our leasehold stores. However we are happy to take leases on appropriate terms and benefit from the advantages of a lower entry cost, with further options to create value later in the store's development. We also consider selling established stores on sale and manage back contracts in order to recycle the capital and protect the balance sheet. Indeed some of our stores have been freehold, leasehold and managed stores during their operating life cycle! Our most important consideration is always the trading potential of the store rather than the property tenure.

The chart below illustrates the rapid growth of store numbers and the changing tenure mix over time. Noteworthy is the growth of managed stores over recent years.

Number of Stores Trading Since Inception by Tenure



Lok'nStore now operates 29 stores and 2 serviced document stores in Southern England. Of the 29 stores Lok'nStore owns the freehold or long leasehold interest in 14 stores, 7 stores are held under commercial leases with all of our leasehold stores 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 11 years and 1 month as at 31 July 2018.

A further 5 freehold stores are under development which will be owned by Lok'nStore.

3
NEW LANDMARK STORES TRADING

9
LANDMARK STORES SECURED AND UNDER DEVELOPMENT

32%
INCREASE IN TRADING SPACE

Additionally we have 8 managed stores for third party owners and a further 4 managed stores under development. One of the features of Lok'nStore's strategy is to increase the number of stores we manage for third parties selling our expertise in storage solutions management, operating systems and marketing, leveraging our brand and skill rather than retaining a proprietary interest in the land. From a very low base Lok'nStore has grown this managed store revenue to around £0.5 million currently (up 27.3%) but with the pipeline of secured sites and further additional sites anticipated for the foreseeable future we expect this revenue stream to continue to grow strongly.

Management fees	Group Year ended 31 July 2018 £	Group Year ended 31 July 2017 £
Management fees	534,888	420,117
Total management fees	534,888	420,117

When this secured development pipeline of 9 sites has been completed Lok'nStore will operate from 38 stores and 2 serviced document stores, including 12 managed stores. In addition 4 further new store opportunities are progressing with lawyers.

The 9 secured pipeline sites represent a combination of owned and managed stores. These will add 465,000 sq. ft. of new capacity adding 39% to freehold trading space and 54% to the managed store portfolio delivering a 32% increase in overall trading space.

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 tenure is always driven by the requirements of the trading business.

Growth from new stores and more new stores to come

- Early trading at our new Hemel Hempstead, Gillingham and Wellingborough stores has been excellent
- Dover store to open December 2018
- Exeter store to open spring 2019
- Cardiff store to open spring 2019
- Ipswich store to open summer 2019

Acquisition of sites for new landmark stores – sites acquired during FY2018

- Bedford – scheduled to open in 2020 55,000 sq. ft.
- Bournemouth – scheduled to open in 2020 80,000 sq. ft.
- Cheshunt – scheduled to open in 2020 60,000 sq. ft.
- Leicester – scheduled to open end of 2019 60,000 sq. ft.
- Cardiff – see above

We have 4 more pipeline sites currently with lawyers.

Growing Store property assets and Net Asset Value

- Adjusted total assets now circa £181.4 million[3] (2017: £153.5 million) up 18.2% on last year
- Adjusted net asset value of £4.80 per share up 15.3% on last year (2017: £4.16 per share)

Lok'nStore has a strong and growing asset base. Our freehold and operating leasehold stores have been independently valued by Jones Lang LaSalle (JLL) at £146.2 million (Net Book Value (NBV) £55.4 million) as at 31 July 2018 (2017: £119.6 million: NBV £45.3 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 £165.2 million (2017: £127.8 million). This translates into an adjusted net asset value of £4.80 per share up 15.3% on last year (2017: £4.16 per share).

The increase in the property values of properties which were also valued last year was 6.33% (2017: 6.14%).

Financial Review

"Capital expenditure of £21.7 million up from £6.3 million last year is reflective of our **expanding pipeline** of new stores."

Ray Davies
Finance Director

Record financial results on all measures

- Group Revenue £17.75 million up 6.6% (2017: £16.65 million)
- Group Adjusted EBITDA £7.30 million up 12.3% (2017: £6.49 million)
- Operating profit (before exceptional items[2]) £5.17 million up 16.9% (2017: £4.38 million)
- Operating profit (after exceptional items) £5.71 million up 33.9% (2017: £4.26 million)

The Group has again delivered strong financial results.

Earnings per share

Basic earnings per share (EPS) were 13.05 pence up 18.4% (2017: 11.02 pence per share). Diluted EPS were 12.83 pence up 20.6% (2017: 10.64 pence per share). If 2018 figures are adjusted to eliminate the 2018 exceptional items of £0.59 million, the 2018 EPS is adjusted to 11.0 pence per share (2017: 11.43 pence per share) and the 2018 diluted EPS to 10.81 pence per share (2017: 11.03 pence per share).

Earnings per share (EPS)	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Profit for the year	3,757	3,061
Exceptional (income)/costs	(591)	113
Adjusted earnings	3,166	3,174

Weighted average number of shares	No. of shares	No. of shares
For basic earnings per share	28,792,029	27,780,676
Dilutive effect of share options	490,064	999,657
For diluted earnings per share	29,282,093	28,780,333
Basic EPS (pence)	13.05p	11.02p
Diluted EPS (pence)	12.83p	10.64p

Purchase of treasury shares

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

Operating costs

- Cost ratio[11] reduced to 57% (2017: 59%)

We have a strong record of reducing our Group operating costs each year. We cautioned in our 2017 year end results that although we maintain a disciplined approach to costs, continuing to reduce them is increasingly challenging while delivering an acceleration of our store opening programme.

Group operating costs amounted to £10.1 million for the period, a 2.7% increase year on year (2017: £9.84 million) which derived from higher aggregate costs as we opened new landmark stores. We are also spending more on internet marketing. Nevertheless our tight discipline on costs has enabled us to reduce our cost ratio by 2.0% points to 57%.

In respect of property costs which mainly constitute rent and rates we had in the previous year felt the effects of higher rates bills as we opened our new landmark stores and had incurred rates on a development site. We have now negotiated rate reductions on these stores resulting in an overall cost reduction this year in property costs.

£17.75M
GROUP REVENUE UP 6.6%

£7.30M
GROUP ADJUSTED EBITDA UP 12.3%

£5.71M
OPERATING PROFIT* UP 33.9%

* after exceptional items

Rents have remained broadly static but overall are lower in this period as the closure of a store has eliminated rent costs (2017: £70,944). Utility costs are lower as a result of a renegotiation of our energy tariffs. Overall property costs are down 3.2%.

Staff costs increased by 6.6% as we staffed the new stores and paid performance bonuses to all our store staff for exceptional sales growth. We also incurred additional national insurance costs arising on the exercise of employee share options.

The principal increase in overhead costs have been driven by a higher level of legal and professional costs due to work on rent reviews, business rate reductions and abortive costs arising on prospective store acquisitions that did not proceed.

Overall the cost increases are driven by the expansion of the business and we are seeing little other cost pressures. Significantly, if we exclude the costs of the new stores overall costs increased by a modest 1.4% compared to last year.

Group	Increase/ Decrease in costs %	2018 £'000	2017 £'000
Property costs	(3.2)	4,043	4,179
Staff costs	6.6	4,681	4,389
Overheads	10.6	1,214	1,098
Distribution costs	(2.9)	166	171
Total	2.7%	10,104	9,837

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

- Increase in £40 million Bank facility to £50 million on same terms
- £21.7 million invested in new store pipeline
- Net debt £32.3 million (2017: £17.4 million)
- Loan to value ratio (LTV) 19.7% (2017: 14.0%)
- Cost of debt averaged 1.85% in the year on £32.3 million drawn (2017: 1.66%)

Lok'nStore is a robust business with an excellent credit model, low debt and gearing[9] and which is strongly cash generative from an increasing asset base. Its increased bank facilities at low rates of interest position the business for new store development.

Increase in £40 million Banking Facility to £50 million

Following the agreement of a two year extension on its existing banking facility with Royal Bank of Scotland last year, the Group has now agreed an increase in its £40 million facility to £50 million which 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 increase in the facility size.

Management of interest rate risk

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 relatively low level of indebtedness, low Loan to Value ratio and high interest cover, combined with the wider uncertainties within the economy, 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 2018 the Group had cash balances of £5.0 million (2017: £11.4 million). Cash inflow from operating activities before investing and financing activities was £7.0 million (2017: £5.5 million). As well as using cash generated from operations to fund some capital expenditure, the Group has a revolving credit facility which runs to 2023. This provides sufficient liquidity for the Group's current needs. Undrawn committed facilities at the year-end amounted to £12.7 million (2017: £11.2 million).

Gearing

At year end there was £37.3 million of gross borrowings (2017: £28.8 million) representing gearing of 31.3% (2017: 19.6%) on net debt of £32.3 million (2017: £17.4 million) (refer note 16 – Capital management). 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 Jones Lang LaSalle (JLL) valuation, gearing drops to 27.2% (2017: 16.9%). If the deferred tax liability carried at year-end of £19.7 million (2017: £16.4 million) is excluded gearing drops further to 23.4% (2016: 14.6%).

Strong cash flow supports 10.0% dividend increase

- Annual dividend 11 pence per share up 10.0% (2017: 10 pence per share)
- Cash available for Distribution (CAD) from operations £5.60 million up 8.3% (2017: £5.17 million)
- Cash available for Distribution (CAD) of 19.4 pence per share (2017: 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 2018 £'000	Year ended 31 July 2017 £'000
Group Adjusted EBITDA (per Statement of Comprehensive Income)	7,295	6,493
Less: Net finance costs[1]	(537)	(297)
Capitalised maintenance expenses	(80)	(90)
New Works Team	(149)	(138)
Current tax (note 7)	(924)	(792)
Total deductions	(1,690)	(1,317)
Cash Available for Distribution	5,605	5,176
Increase in CAD over last year	8.3%	
	Number	Number
Closing shares in issue (less shares held in EBT)	28,875,403	28,679,711
CAD per share	19.4p	18.1p

1 Net finance costs represent finance costs paid per the cash flow statement of £0.42 million less bank interest received of £0.08 million adjusted for capitalised interest of £0.2 million to give the true cash flow effect.

Total CAD has increased by 8.3% as a result of higher EBITDA profit and despite a higher net finance charge due to the repayment of the development loan in November 2017. Interest received in the year relating to this loan was £62,500 (2017: £250,000).

Capital expenditure and capital commitments

The Group has grown through a combination of new site acquisition, existing store improvements and relocations. Capital expenditure during the year totalled £21.74 million (2017: £6.63 million). This was primarily the completion of construction works at our development sites in Gillingham and Wellingborough which are now open and trading as well as completing the acquisition of our Bournemouth, Bedford, Cardiff, Cheshunt, Gloucester and Ipswich sites. £0.2 million (2017: nil) of interest was capitalised against development assets.

The Group has capital expenditure contracted but not provided for in the financial statements of £3.4 million (2017: £2.6 million).

Statement of Financial Position

Net assets at the year-end were £103.3 million up 15.9% (2017: £89.1 million). Freehold and long leasehold properties were independently valued at 31 July 2018 at £128.0 million up 24.4% (2017: £102.9 million). Refer to the Analysis of Total Property Value table on page 23.

Review of distributable reserves and rectification of prior dividends (the Relevant Dividends)

The Board has become aware of certain technical issues relating to the levels of distributable reserves within the Lok'nStore Group and the payment of interim and final dividends by Lok'nStore Group Plc to our shareholders during the period from 2013 to 2016 ('the Relevant Dividends').

Lok'nStore's Group structure is that almost all of the self-storage operations and assets and cash sit within the principal operating subsidiary Lok'nStore Limited. Lok'nStore Group Plc is of itself a non-trading holding company. Throughout this period at all relevant times, the Group had adequate distributable reserves in subsidiary companies to enable payment of the Relevant Dividends, and each year payment of the final dividends was approved by the Company's shareholders at its annual general meeting.

However, a review of historical intra-group transactions revealed that internal dividends were not paid up from Lok'nStore Limited through the Group structure to Lok'nStore Group Plc in the period from 2013 to 2016 and thereby did not create distributable reserves in Lok'nStore Group Plc in the manner that had been intended. As a consequence, the Relevant Dividends paid by Lok'nStore Group Plc were not paid out of distributable reserves and were therefore not paid in accordance with the Companies Act 2006.

We are undertaking a series of procedural steps in order to rectify this issue and put the Company and its subsidiaries, in the position that was originally intended with respect to the creation of distributable reserves in Lok'nStore Group Plc.

We will put a resolution to shareholders at the forthcoming Annual General meeting to be held on 11 December 2018 which, if passed, would put all potentially affected parties, in so far as possible, in the position they would be had the Relevant Dividends been paid in accordance with the requirements of the Companies Act 2006. Full details will be included in the circular and notice of general meeting to be sent to shareholders.

Taxation

The Group will pay tax on its earnings and has made a tax provision of £0.92 million (2017: £0.79 million), an effective tax rate of 17.4% (2017: 20%). The deferred tax provision 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 and amounts to £19.7 million (2017: £16.4 million) See note 18.

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 financial year-end.

Our thirteen 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 10(b) – property, plant and equipment and also to the accounting policies for details of the fair value of trading properties.

The valuations of the leasehold stores held as '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 £18.2 million (2017: £16.7 million) and we have reported by way of a note the underlying value of these leasehold stores in our revaluations and adjusted our Net Asset Value (NAV) calculation accordingly to include their value. This ensures comparable NAV calculations.

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

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

Analysis of Total Property Value

	No of stores/ sites	31 July 2018 Valuation £	No of stores/ sites	31 July 2017 Valuation £
Freehold & Long Leasehold valued by JLL[1]	14	128,000,000	12	102,900,000
Short Leasehold valued by JLL[2]	7	18,200,000	7	16,725,000
Freehold land and buildings at Director valuation[3]	1	3,603,013	1	4,195,479
Subtotal	22	149,803,013	20	123,820,479
Sites in development at cost[4]	7	16,568,961	2	5,124,567
Total	29	166,371,974	22	128,945,046

1 Includes related fixtures and fittings (refer to 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 11 years and 1 month at the date of the 2018 valuation (2017 valuation: 10 years and 8 months).

3 For more details refer note 10b – Directors valuation

4 Includes £114,507 of capitalised interest

Total freeholds and long leasehold account for 89.1% of property valuations (2017: 87.0%).

Significant increase in Adjusted Net Asset Value per Share

- Adjusted Net Asset Value per share up 15.3% to £4.80 (2017: £4.16)

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 2018 the adjusted net asset value per share (before deferred tax) increased 15.3% to £4.80 from £4.16 last year. This increase is a result of higher existing property values as well as the maiden valuations of our new stores 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 during the year.

Analysis of net asset value (NAV)	Group Year ended 31 July 2018 £'000	Group Year ended 31 July 2017 £'000
Net assets	103,251	89,119
Adjustment to include operating/short leasehold stores at valuation		
Add: JLL operating leasehold valuation	18,200	16,725
Deduct: leasehold properties and their fixtures and fittings at NBV	(2,691)	(2,878)
	118,760	102,966
Deferred tax arising on revaluation of leasehold properties[1]	(2,636)	(2,354)
Adjusted net assets	116,124	100,612

Shares in issue	Number ('000s)	Number ('000s)
Opening shares in issue	29,303	29,109
Shares issued for the exercise of options	196	194
Closing shares in issue	29,499	29,303
Shares held in EBT	(623)	(623)
Closing shares for NAV purposes	28,876	28,680
Adjusted net asset value per share after deferred tax provision	£4.02	£3.51
Adjusted net asset value per share before deferred tax provision		
Adjusted net assets	116,124	100,612
Deferred tax liabilities and assets recognised by the Group	19,735	16,363
Deferred tax arising on revaluation of leasehold properties[1]	2,636	2,354
Adjusted net assets before deferred tax	138,495	119,329
Closing shares for NAV purposes	28,876	28,680
Adjusted net asset value per share before deferred tax provision	£4.80	£4.16

1 A deferred tax adjustment in respect of the uplift in the value of the leasehold properties has been included, calculated by applying a tax rate of 17% (2017: 17%). Although this is a memorandum adjustment as leasehold properties are included in the Group's financial statements at cost and not at valuation, this deferred tax adjustment is included in the adjusted net asset value calculation in order to maintain a consistency of tax treatment between freehold and leasehold properties.

Summary

Lok'nStore 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 Gillingham and Wellingborough and our strong pipeline of more landmark stores demonstrate the Group's ability to use those strengths to exploit the opportunities available.

IFRS UPDATE

IFRS 16 Leases

Although not relevant for the year under review (or the next) when applied IFRS 16 will represent a significant change to the way that the Group will prepare its financial statements. The effective date of adoption is for accounting periods commencing after 1 January 2019 and will therefore apply to Lok'nStore's financial statements for the year ended 31 July 2020.

Nevertheless it is important now to give the users of our financial statements sufficient overview of the effects of IFRS 16 on the profit and loss, balance sheet, financial performance and cash flows of the Group as a significant lessee in respect of our leased stores.

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

The Statement of Profit or Loss: will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, the rent operating expense currently reported in these financial statements at £1.44 million (2017: £1.49 million) will be replaced with interest and depreciation as a consequence of the 'capitalisation effect' of the leases, so the Group's key metric of Adjusted EBITDA will increase significantly by the removal of the rent expense from the operating profit and loss. Other performance measures including Operating Profit will also increase although reported interest and depreciation will be higher.

The Consolidated Statement of Cash Flows: While overall underlying cash flow is unaffected by the changes the presentation within the Consolidated Statement of Cash Flows will change. Reported operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The Statement of Financial Position: The Group's operating leases on its leased stores will be recognised as a 'right of use asset' and as a corresponding liability at the year-end. Each lease payment is allocated between the liability and finance cost. The finance costs are charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining liability for the period. The right-of-use asset is depreciated over the lease term on a straight line basis. Assets and liabilities arising from a lease will initially be measured on a present value basis which will include the fixed rental payments less any lease incentives receivable. If the interest rate implicit in the lease cannot be readily determined the lease payments will be discounted by the Group's incremental borrowing rate (cost of debt) to obtain an asset of similar value over a similar term with similar security. Right of use assets will be measured at cost comprising the initial measurement of the lease liability plus any initial direct costs (if any). The Groups current operating lease commitments are reported in note 28.

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

Principal Risks and Uncertainties

Principal Risks and Uncertainties in operating our Business

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

Management of our risks helps us protect our reputation which is very important to the ability of the Group to attract customers particularly with the growth of social media. We always try to communicate clearly with our customers, suppliers, local authorities and communities, employees and shareholders and to listen and take account of their views. We operate strict Health and Safety policies and procedures and more information on these can be found on page 30.

Our Risk Management Governance

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

Risk Management Framework

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

Risk Management Team

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

Our Risk Management and Reporting Structure

THE BOARD

Reviews Risk Register in full twice a year

Considers specific risk areas as raised by the Executive Board

EXECUTIVE BOARD COMMITTEE

Reviews risks at monthly executive management meetings and if material requests for the Board to consider risk at next scheduled Board Meeting (or earlier if necessary)

CAPEX COMMITTEE

Meets Monthly

Manages proposed capital expenditure, actual spend, rolling capex requirements

PROPERTY RISK COMMITTEE

Meets Quarterly

Considers: Risks associated with properties including Health & Safety

Environmental Impact

Principal Risks

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

Risk	Description	Key mitigation
Interest Rate and Liquidity Risk	The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk (for details please see note 16, page 80).	• Regular review by the Board (full details are set out in the Financial Review, page 21)
Tax Risk	Changes to tax legislation may impact the level of corporation tax, capital gains tax, VAT and stamp duty land tax which would in turn affect the profits of the company.	• Regular monitoring of changes in legislation • Use of appointed professional advisers and trade bodies
Property Acquisition	Acquiring new sites is a key strategic objective of the business but we face significant competition from other uses such as hotels, car showrooms and offices as well as from other self-storage operators.	• We hold weekly property meetings to manage the search process and property purchases • Use of property acquisition consultants • Regular communication with agents • Attendance at industry relevant property events
Planning Permission	The process of gaining planning permissions remains challenging.	• Where we can we acquire sites subject to planning • We work with an established external planning consultant • Our property team has over 20 years' experience
Construction	Poor construction may affect the value of the property and/ or the efficient operation of the centre.	• We use a design and build contract with a variety of established contractors • We use external project managers • All projects are overseen by our property team which has over 20 years' experience
Maintenance/ Damage	Damage to properties through poor maintenance or flood or fire could render a centre inoperable.	• Regular site checks by staff • Rolling maintenance plan for all stores • Comprehensive disaster recovery plan • Appropriate Insurance cover
Increased Competition	An increasing number of competitors in the industry may negatively impact Lok'nStore's existing operations (e.g. pricing / available sites).	• Prominent locations • High visibility • Distinctive designs and bright orange elevations and strong signage to attract customers • Continued investment in internet marketing • Ensure high levels of customer service through training & monitoring
Employee Retention	Loss of employees may affect our ability to operate our stores and provide the high levels of customer service expected.	• Agreed aim to offer a good work/life balance and career development • Regular reviews of remuneration levels against market • Achievable bonus systems • Generous Employee Share Schemes • High quality training via Lok'nStore Academy (for further information see page 28) • New Intranet for improved communications • Established Employee rewards program
IT System Breach	A breach of our IT systems might adversely affect the operations of the business and our reputation.	• Strong and regularly reviewed IT security systems • Well communicated policies and procedures for handling and managing a systems breach

Corporate Social Responsibility Report

Corporate and Social Responsibilities

Lok'nStore conducts its business in a manner that reflects honesty, integrity and ethical conduct. Our Corporate Social Responsibility Report sets out our environmental policy and how we manage our impact on the environment and our policies and principles in relation to our responsibilities to stakeholders including suppliers, customers and employees.

We believe that the long-term success of our business is best served by respecting the interests of all of our stakeholders. Management of social, environmental and ethical issues is of high importance to Lok'nStore. These issues are dealt with on a day-to-day basis by the Group's managers with principal accountability lying with the Board of Directors. We look for opportunities to address our responsibility to the environment, and we pay close attention to our energy use, carbon dioxide emissions, water use and waste production. A full assessment is set out below in our Environmental Policy.

Customers

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

THE LOK'nSTORE ACADEMY

The Lok'nStore Academy continues to bring strategic and operational benefits to the business, aligning our training under one branded project, improving the sales skills of and providing personal development opportunities to our team members. During the year the Academy offered training courses on 21 different subjects resulting in 5,000 hours of interactive classroom based training to our team members – the equivalent of 30 hours per person. We are delighted to report that 9 team members completed National Vocational Qualifications (NVQ's) during the financial year bringing the total number of NVQ's attained to 27 since the Academy opened.

Development of our teams through the Academy supports our strategic aim to fill future Centre Manager roles internally. Almost 50% of our current Centre Managers are internal appointments and we expect to improve this percentage as the business grows, giving us committed and talented team members right at the customer facing heart of our business. The Academy encompasses all in house training and quality audits such as our monthly mystery shop programme and standards audits and performance reviews.

Suppliers

We are committed to conducting our business with suppliers in a fair and honest manner, with openness and integrity, operating in accordance with the terms and conditions agreed upon. We expect our suppliers to operate to these same principles.

Policy on Payment of Suppliers

The Group does not follow any formal code or standard on payment practice. The Company's policy, which is also applied by the Group, is to ensure that, in the absence of dispute, all suppliers are dealt with in accordance with standard payment practice, whereby all outstanding trade accounts are settled within the terms agreed with the supplier at the time of the supply or otherwise 30 days from invoice date. At the year-end the credit taken from suppliers by the Group was 40 days (2017: 43 days).

Employees

At 31 July 2018 we had 187 employees (2017: 167).

We treat our employees with dignity and respect and are committed to providing a positive attitude in the business and an enjoyable working environment. We have a professional open culture where staff can exchange ideas and offer suggestions for work and business improvement. This encourages our staff to build on their skills, through appropriate training and regular performance review. Regular training courses at our Farnborough Head Office support these objectives and we talk below about the contribution Lok'nStore Academy makes to this (see the case study on the work of the Academy). We have a large conference room which can accommodate all our training requirements for the foreseeable future. This reduces outgoings and increases and improves contact between Head Office and the stores by bringing staff into Head Office for their training. This in turn contributes to attracting and retaining the right people which is key to the success of Lok'nStore.

A review of our pay levels was also undertaken in the year to ensure all of our employees are paid fairly and to check our levels are comparable in the market. Where necessary, pay levels were adjusted but the effect on employment costs was minimal.

This year we launched our company Intranet to provide a central point of knowledge for all employees across the organisation. The system is regularly updated with news, events and files making it a first point of reference for company communication and documents.

ENVIRONMENTAL CASE STUDY

As a socially responsible company Lok'nStore is committed to reducing the impact our operations have on the environment. To ensure this commitment is fulfilled for this year and in the future we are proud to confirm that electricity for the entire Lok'nStore Group now comes from 100% renewable energy.

Our electricity supplier obtains its energy either from renewable generators or from combined heat and power sources. The Group stipulates that all energy supplied must be from renewable generation. We believe that a large part of being a socially responsible company is ensuring our suppliers share our commitment to our green policies.

We continue to install photovoltaic (PV) solar panels on the roofs of our new buildings and are proud that we have managed to eliminate greenhouse gas emissions from our electricity consumption whilst exporting clean green energy to the national grid.

Further information on our environmental management and performance can be found on page 31.

Share Ownership Plans

We are proud to have share ownership plans in which all employees are eligible to participate. Almost two thirds of our employees are members of our Share Incentive Plan (SIP) – a tax efficient equity scheme. SIP members purchased a total of 52,000 shares in the year and received a further 46,000 free shares on top of dividend reinvestment. This high level of participation is testament to the loyalty and commitment of our staff.

Our personnel are committed and motivated and help maintain the exemplary levels of friendly service that Lok'nStore provides to its customers. The Board would like to thank all of our staff for their commitment to our business and for their hard work and efforts over the year.

Corporate Social Responsibility Report continued

Employee Benefit Trust

The Employee Benefit Trust owns 623,212 shares (2017: 623,212), the costs of which are shown as a deduction from shareholders' funds. Full details are provided in note 26 – Own Shares.

Health and Safety

The Board recognises the prime importance of maintaining high standards of Health & Safety and healthy working conditions for staff, customers, visitors, contractors and other people who may be affected by our business activities. Lok'nStore has a Property Risk Committee which meets every other month and considers issues relevant to Health and Safety and other risk issues within the Group under the overall supervision of Ray Davies, Finance Director, who carries Board responsibility for risk management.

The Health and Safety policy is reviewed by the Committee on an annual basis. It is also amended to include changes to Health and Safety Law as they occur. The Health and Safety policy clearly sets out the duties and responsibilities of the Chief Executive Officer, Managers and all staff within the Group.

Environmental Performance

Lok'nStore remains committed to reducing waste and ensuring commitment to its green policies. We have been actively monitoring and measuring our environmental impacts since 2005. By monitoring environmental key performance indicators (eKPIs) including greenhouse gas emissions (GHG), water use and waste, and reviewing them against our stated Environmental Policy, we continue to achieve our stated aims; to manage waste effectively, control polluting emissions and to encourage suppliers to minimise their impact on the environment.

The UK government requires all quoted companies to report on their GHG emissions as part of their annual director's report under the Companies Act 2006 (Strategic Report and Director's Report) Regulations 2013. As in previous years, Lok'nStore engaged Trucost to review its reporting of environmental impacts for the financial year ending 31 July 2018. A summary of their findings is included on page 31. More detail can be found on our website.

5,000
HOURS OF ACADEMY TRAINING

65%
OF EMPLOYEES ARE MEMBERS OF SHARE INCENTIVE PLAN

100%
OF ELECTRICITY FROM RENEWABLE SOURCES

Environmental Management and Performance

Highlights for the year ending 31 July 2018:

Impact	Trend	Comment
Direct Operational GHG Emissions (scope 1)	↓	This year we worked with our customers to reduce the use of heating from gas sources whenever possible. This combined with an active reduction in mileage of Head Office staff countered the slight increase in mileage of our maintenance and service vans to effect an overall reduction in our direct operational GHG emissions.
Indirect Operational GHG Emissions (scope 2)	→	We continue to emit no indirect operational GHG emissions due to all our electricity coming from renewable feed stocks and onsite photovoltaic electricity generation. Where possible PV solar panels will be installed on all new sites going forward.
Water Consumption	↓	By identifying and resolving waste and leakage at the earliest opportunity we have continually reduced our consumption of water since 2005. Since 2005, absolute water consumption and water use intensity have decreased by 34% and 68% respectively.
Waste Generation	↓	Total waste generation decreased by 35% in the year and during the year we sent more waste to recycling than to landfill. We continue to promote recycling in our stores and offices to both our staff and our customers.

The company's environmental reporting is consistent with, "Environmental Key Performance Indicators: Reporting Guidelines for UK Business 2006"

Lok'nStore's GHG reporting for 2017–18 aligns with government guidelines

Trucost found that Lok'nStore assessed and disclosed all material environmental impacts – GHG emissions, water consumption and waste generation for its own facilities

Operational GHG emissions decreased by 8%. Since 2005, GHG emissions have decreased by 83% and when normalised by annual revenue have decreased by 92%

GHG emissions from the consumption of purchased electricity remains at 0 due to the Group's use of electricity derived from renewable sources

The Board is committed to considering the impact our operations have on the environment and minimising them wherever possible. We will continue to monitor and report our environmental impacts in line with government guidelines.

The Strategic Report as set out in pages 7 to 31 was approved by the Board of Directors and authorised for issue on 26 October 2018 and signed on its behalf by:

Andrew Jacobs
Chief Executive Officer

Ray Davies
Finance Director


Self Storage
NOW OPEN
LOK'n STORE
Self Storage

Governance

LANDMARK STORE

Wellingborough

45,000

SQUARE FEET OF MAXIMUM LETTABLE AREA

NOW

OPEN

Lok'nStore Wellingborough opened in spring 2018 and early trading has been very good.

The prominent store, with its strong orange livery, can be seen from almost two miles away on the A509! Following the success of our two centres in Northampton, this becomes our third store to open in Northamptonshire.

Located just off the A45, the store sits in a perfect location on the main entrance to the Victoria Retail Park, home to a large Tesco Extra as well as Halfords and a B&M Homestore. With little established competition, the store offers storage space from 16 sq. ft. to over 5,000 sq. ft. and will attract customers from across Wellingborough and the surrounding areas.

Board of Directors and Advisers

EXECUTIVE DIRECTORS

Andrew Jacobs (59)
Chief Executive Officer

Experience
Andrew established Lok'nStore over 20 years ago after 8 years working in the Japanese equity market. Andrew is responsible for strategy, corporate finance and property. He has an MPhil in Economics from Cambridge University and a BSc in Economics from LSE.

Key Areas of Expertise
Strategy, corporate finance, economics and property.

Ray Davies (61)
Finance Director

Experience
Ray is a Fellow of the Institute of Chartered Accountants and the Institute of Chartered Secretaries & Administrators. Prior to joining Lok'nStore in 2004, Ray held several senior finance positions in listed companies in the construction, health and fitness sectors.

Key Areas of Expertise
Finance and accounting, corporate reporting, risk management, legal, tax and compliance.

Neil Newman-Shepherd (41)
Director

Experience
Neil joined the Lok'nStore Group in October 2006 becoming Sales Director in November 2015. Prior to joining Lok'nStore, Neil gained retail experience at Wickes and Woolworths plc. Neil is responsible for sales, marketing and our people.

Key Areas of Expertise
Sales, Marketing and Human Resource Management.

NON-EXECUTIVE DIRECTORS

Simon Thomas (58)
Non-Executive Chairman

Experience
Simon joined Lok'nStore in 1997 following successful careers in the publishing and finance sectors. He worked at Reed International, Swiss Bank Corporation, Nomura International and co-founded the emerging markets investment trust business at LCF Edmond de Rothschild. Simon is responsible for the composition and performance of the Board.

Key Areas of Expertise
Corporate Finance.

Edward Luker (69)
Senior Non-Executive Director

Experience
Edward is a Fellow of the Royal Institution of Chartered Surveyors. Edward is a well-known figure in the UK property industry, having worked for CB Richard Ellis for 33 years, where he has been a Director and Partner for 20 years. Edward joined Lok'nStore in 2007.

Key Areas of Expertise
Commercial Property.

Richard Holmes (58)
Non-Executive Director

Experience
Richard joined Lok'nStore in 2000 having held senior marketing and commercial roles in Unilever, Boots (as Marketing Director and Commercial Director) and latterly Specsavers (as Group Marketing Director).

Key Areas of Expertise
Marketing including digital marketing, and customer experience.

The Board has over 100 years of self-storage experience.

- Audit Committee
- Remuneration Committee

Find out more about the Company's committees on page 40.

Charles Peal (63)

Non-Executive Director

Experience

Charles joined Lok'nStore in 2007. Charles started his career in 1977 at 3i Group, the leading UK quoted Venture Capital Company. He was Chief Executive of Legal and General Ventures from 1988 to 2000 and has served on several boards since then.

Key Areas of Expertise

Capital Markets and Fund Management.

DIRECTORS AND ADVISERS

Directors

The Board of Directors is supported by an Assistant Company Secretary who assists the Chairman with the setting of meeting agendas and provides the information to the Board members prior to the meetings. A procedure to enable Directors to take independent professional advice if required has been agreed by the Board and formally confirmed by all Directors.

S.G. Thomas	Non-Executive Chairman
A. Jacobs	Chief Executive Officer
R.A. Davies	Finance Director
N. Newman-Shepherd	Director
E.T.D. Luker	Senior Non-Executive Director
R.J. Holmes	Non-Executive Director
C.P. Peal	Non-Executive Director

In addition the Board is advised by:

Secretary and Registered Office

Dentons Secretaries Limited
One Fleet Place
London
EC4M 7WS

Nominated Adviser and Broker

finnCap Ltd
60 New Broad Street
London
EC2M 1JJ

Solicitors

Dentons UKMEA LLP
(formerly Maclay Murray Spens LLP)
One Fleet Place
London
EC4M 7WS

Solicitors

Glovers LLP
6 York Street
London
W1U 6QD

Auditor

RSM UK Audit LLP
25 Farringdon Street
London
EC4A 4AB

Registrars

Link Asset Services
(Formerly Capita Registrars)
Link Group
6th Floor, 65 Gresham Street,
London
EC2V 7NQ

Solicitors

Goodman Derrick LLP
10 St Bride Street
London
EC4A 4AD

To find out more visit:
www.loknstore.com/investors/the-board

Corporate Governance

The Board of Lok'nStore Group Plc has always sought to operate the highest level of governance standards appropriate to the size and nature of the Company. Although the Company has not been obliged to comply with a recognised code, its annual reporting has previously detailed how the company has followed the UK Corporate Governance Code and where it has departed from the code explained why.

In March 2018, the London Stock Exchange published Aim Notice 50 which requires AIM companies to state which of the recognised corporate governance codes the Board of directors has decided to apply, how the company complies with that code and where it departs from the code an explanation of the reasons for doing so. Having reviewed the two recognised codes, the Board has decided to apply the Quoted Companies Alliance's Corporate Governance code ('QCA Code').

As Chairman it is my responsibility to ensure the Company complies with the QCA code and where the company deviates to explain why the Director's believe this to be in the best interests of the Company. In this section, we hope to demonstrate our company's good corporate governance structure and where our practices differ from the expectations set by the QCA Code, why they do so. You can find more information including our reporting directly referenced to the 10 principles of the QCA code on the corporate governance page in the investor section on our website.

Our Governance Structure

THE BOARD

Remuneration Committee
Meets Once a Year
Chaired by Edward Luker
See page 40 for more information

Audit Committee
Meets Twice a Year
Chaired by Charles Peal
See page 40 for more information

EXECUTIVE BOARD COMMITTEE
Meets Monthly
Considers:
Strategy, Management accounts, Store operations, Customer Issues & Human Resources

Capex Committee
Meets Monthly
Considers:
proposed capital expenditure, actual spend against budgets

Property Committee
Meets Weekly
Considers:
Sites under development
New acquisitions

Property Risk Committee
Meets Quarterly
Considers:
Risks associated with properties including HS&E

OPERATIONAL MANAGEMENT
Day-to-day Business Delivery

Internal Control

The Board is responsible for ensuring that the Group has established and operates a system of internal control. In this context, internal control is defined as those policies and processes established to ensure that business objectives are achieved cost effectively, assets and shareholder value are safeguarded, and laws, regulations and policies are complied with. Controls can provide reasonable but not absolute assurance that risks are identified and adequately managed to achieve business objectives and to minimise material errors, losses and fraud or breaches of laws and regulations.

The Group operates a strict system of internal financial control, which is designed to ensure that the possibility of misstatement or loss is kept to a minimum. There is a comprehensive system in place for financial reporting and the Board receives a number of reports to enable it to carry out these functions in the most efficient manner. These procedures include the preparation of management accounts, forecast variance analysis and other ad hoc reports. There are clearly defined authority limits throughout the Group.

The Group continues to develop the internal audit function utilising operational management to make unannounced store visits as part of a process supported by audit control checklists and other procedures. This undertaking has contributed to sales by promoting efficient store management, but also addresses risk and credit control, cash and store banking, and space and customer management. The internal audit checks are designed to ensure any fraud or mismanagement is quickly identified. The Group has a whistle-blowing procedure within its staff handbook, which is issued to all staff. All employees may raise concerns about malpractice or improper or potentially illegal behaviour in confidence without concern of victimisation or disciplinary action.

The Board

Three Executive Directors and Four Non-Executive Directors

Meets:	Considers:	Receives:
5 times a year with teleconferences when required	• Financial strategy • Company performance • Major investments • Capital resources • Risk Management • Reporting to shareholders	• Detailed management accounts against budgets • A current trading appraisal • Minutes of all subcommittees • The Risk Register • The Conflicts Register

The Directors

The Board consists of three Executive Directors and Four Non-Executive Directors. The expertise of the directors covers Company Law, Corporate Finance, Economics, Finance and Accounting, Corporate Reporting, Risk Management, Tax and Compliance, Marketing, Operations, Property Law and Strategy.

Activities

The Non-Executive Directors provide considerable support to the Chief Executive Officer and while much of this is via informal meetings, telephone calls and email correspondence, the Non-Executive Directors also lend their expertise and experience to other members of the management team (see 'Our Board in Action' for an account of this).

Conflicts of Interest

The Directors have a responsibility to act in the best interests of the Group and its Shareholders and in keeping with this responsibility it is imperative that Directors are aware of and properly manage potential conflicts of interest.

The table below shows the directorships that the current Group Directors hold in other Companies both inside and outside the Group:

Andrew Jacobs
Andrew Jacobs (UK) Limited
Lok'nStore Limited*
Saracen DataStore Limited*

Ray Davies
Ash Road SS Limited
Davies Elise Consulting Limited
Lincoln Space Solutions Limited
Lok'nStore Limited*
Lok'nStore Trustee Limited*
ParknCruise Limited*
Saracen DataStore Limited*
Semco Engineering Limited*
Semco Machine Tools Limited*
Southern Engineering and Machinery Co. Limited*

Neil Newman-Shepherd
Lok'nStore Limited*

Simon Thomas
Lok'nStore Limited*
Simon Thomas (UK) Limited

Edward Luker
Edward Luker Consultancy Limited
St George's School Ascot Trust Limited

Richard Holmes
Lok'nStore Limited*
Lok'nStore Trustee Limited*
First Contact Limited**

Charles Peal
Warnborough Asset Management Limited

* Lok'nStore Group Companies

**Guernsey registered company

Conflicts of interest arise where an individual's personal interests or those interests related to legitimate outside roles may conflict with the interests of the Group. This could, for example, inhibit open discussions or lead to a perception that the individual is acting outside of the Group's interests.

It is recognised that conflicts of interest will inevitably occur from time to time and that Directors legitimately undertake roles outside of the Group. The Board therefore believes it is important to be transparent in terms of such interests and to ensure they are properly recorded and, where necessary, Directors will withdraw from decision-making if there is a danger of perceived conflict.

A register of interests is maintained by the Assistant Company Secretary and is circulated to the Directors in advance of each Board meeting. Conflicts of Interest are considered and authorised by the Board as they arise.

We report in note 29 related party transactions. Additionally, within note 29, in the interests of transparency we include items which, while not strictly falling within the definition of a related party transaction, are still considered matters of interest.

Board Evaluation and Composition

Board Attendance	Board	Audit Committee	Remuneration Committee	Annual General Meeting	% Attendance
Total Number of Meetings in 2017/2018	5 (2 Telecon)	2	1	1	
Executive Directors					
Andrew Jacobs	5 (2)	n/a	n/a	1	100%
Ray Davies	5 (2)	n/a	n/a	1	100%
Neil Newman-Shepherd	5 (2)	n/a	n/a	1	100%
Non-Executive Directors					
Simon Thomas	5 (2)	n/a	n/a	1	100%
Edward Luker	5 (2)	2	1	1	100%
Charles Peal	5 (2)	2	n/a	1	100%
Richard Holmes	5 (1)	n/a	1	1	89%

The 2018 QCA Code expects companies to, 'evaluate board performance based on clear and relevant objectives, seeking continuous improvement.' Our Executive Directors are evaluated on a quarterly basis via the company's senior management review system in which objectives are set and performance against these objectives is subsequently measured. Remuneration is linked to these objectives and may include relevant performance targets such as number of new properties acquired or turnover growth. Our Non-executives were evaluated informally within this year's review of our Board composition and we report on this below.

We have previously reported (against The UK Corporate Governance Code's requirement that a smaller company should have at least 2 Non-Executive Directors that are deemed independent) that all of our non-executive directors have served for longer than 9 years and were therefore no longer deemed independent. Our new code, the Quoted Companies Alliance Code, takes a more pragmatic approach stating that, 'length of tenure does not automatically affect independence' and that the Board should, 'make a decision regarding such director's independence.'

Therefore as part of our review of the Board composition this year we looked at the ability of our Non-Executive directors to be objective, the experience each of our non-executive directors brings to the business and the contribution they have made in the year. We established that the broad range of skills, expertise and attitude amongst the Executive and Non-Executive Directors includes all the matters that the Company deals with – strategy, property, finance, human resources, marketing, and organisation. Further the long experience of Board Members continues to be considered an asset and all express challenges freely and robustly.

We also met with potential non-executive directors to explore what expertise they might bring to the Board and discussed the balance between new experiences and increasing costs. After careful consideration we concluded that the current composition of the Board remains in the best interest of shareholders and the company as a whole.

Non-Executive Directors who have served over 9 years must offer themselves for re-election at every Annual General Meeting and accordingly Simon Thomas, Edward Luker, Charles Peal and Richard Holmes offer themselves for re-election at every AGM.

Directors' Remuneration

The Remuneration Committee consists of Edward Luker (Chairman of the Committee) and Richard Holmes. The Committee meets and considers, within existing terms of reference, the remuneration policy and makes recommendations to the Board for each Executive Director. The Committee's remuneration policy aims to design a package that will align the interests of Executive Directors and those of shareholders. The Executive Directors' remuneration consists of a package of basic salary, bonuses and share options, which are linked to corporate achievements and these levels are determined by the Remuneration Committee.

Performance related bonuses are calculated in accordance with strict and measurable performance criteria. There are no specific performance conditions relating to the historic grant of share options beyond the share price performance. The Remuneration Committee has introduced appropriate performance criteria to apply for the grant of future share options as part of long term performance awards in order to meet the objectives of the business and accord with accepted corporate governance. The details of each Director's remuneration are set out in note 6 in the financial statements.

The Committee meets once a year and considers proposals from the Chairman and Chief Executive Officer.

Shareholder Relations

We aim to provide balanced, clear and transparent communications which allow our shareholders to understand our performance, strategy and prospects. Further aiding transparency is the fact that the Group has a straight forward capital structure; one class of shares and one lending bank.

The Directors also meet and discuss the performance of the Group with shareholders throughout the year with specific schedules to visit institutional investors, analysts and the media being held after the announcement of the half year and full year results. At the AGM the Board give a presentation of events and progress during the year. Attendee shareholders are encouraged to mix and engage with the Directors after the formal business of the AGM has concluded.

Regular Regulatory News Service announcements (RNS) are made via the London Stock Exchange throughout the year keeping all shareholders informed about acquisitions, trading conditions, director dealings etc. Queries raised by a shareholder, either verbally or in writing, are promptly answered by whoever is best placed on the Board to do so.

Accounting Dates and Reporting Calendar 2018

January	H1 Period-End
February	Pre-close Trading Statement (H1)
March	
April	Interim Results announced Institutional Investor visits
May	
June	Institutional Investor & Media Site visits
July	Financial Year-End
August	Pre-close Trading Statement
September	
October	Preliminary Statement Institutional Investor visits
November	
December	AGM

Accountability and Audit

The Board believes that the audited Annual Report and Accounts play an important part in presenting all shareholders with an assessment of the Group's position and prospects. The Strategic Review contains a detailed consideration of the Group's position and prospects.

OUR BOARD IN ACTION

As the Director responsible for Specsavers' compliance with the General Data Protection Act (GDPR) our Non-Executive Director Richard Holmes' knowledge and experience was invaluable in our own GDPR compliance project. Richard spent time with our team discussing the implications of the new rules and how our data collection and management processes might have to change in order to comply. He reviewed our project plan and supported the team towards compliance when the Act came into force in May this year.

Board Committees

The following section introduces the Group's committees, members and the terms of reference.

Nomination Committee

A Nomination Committee would oversee the appointment of a new Director. Due to the relatively small size of the Company, the Board do not believe that a Nomination Committee is necessary. In the event of a proposal to appoint a new Director, this is discussed at a full Board meeting with each member being given the opportunity to meet the individual concerned prior to any formal decision being taken.

Each member of the Board is subject to the re-election provisions of the Articles of Association, which require them to offer themselves for re-election at least once every three years.

Remuneration Committee

The Remuneration Committee consists of Edward Luker (Chairman of the Committee) and Richard Holmes. The Committee meets once a year and considers, within existing terms of reference, the remuneration policy and makes recommendations to the Board for each Executive Director. Further the committee considers proposals from the Chief Executive Officer on the remuneration of the operational management team especially in relation to bonus share option awards under the long term performance related pay schemes.

The Committee's remuneration policy aims to design a package that will align the interests of Executive Directors and those of shareholders. The Executive Directors' remuneration consists of a package of basic salary, bonuses and long term performance related pay including share options, which are linked to corporate achievements and these levels are determined by the Remuneration Committee. The details of each Director's remuneration are set out in the Remuneration Report on page 43 and more details are given in note 6 in the financial statements.

Audit Committee

The Company has an Audit Committee, to whom the external auditor, RSM UK Audit LLP, reports. The Committee consists of Charles Peal (Chairman of the Committee) and Edward Luker. Charles Peal is the Committee's Nominated Financial Expert (for details of Charles's experience please see his biography on page 35).

The Committee is responsible for the relationship with the Group's external auditor and the review of the Group's financial reporting and internal controls.

The Committee meets prior to the announcement of the Group's financial results to consider the Auditors' Findings Report and consider any corresponding recommendations. It also convenes to discuss and review the findings of the external JLL Valuation Report prior to the Group's year-end results. The Committee, would convene at other times should it be necessary.

The Audit Committee also undertakes a formal assessment of the auditor's independence each year, which includes:

- a review of non-audit services provided to the Group and related fees;
- discussion with the auditor of a written report detailing all relationships with the Company and any other parties that could affect independence or the perception of independence;
- a review of the auditor's own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner every five years; and
- obtaining written confirmation from the auditor that, in their professional judgement, they are independent.

An analysis of the fees payable to the external audit firm in respect of both audit and non-audit services during the year is set out in note 5 to the financial statements.

The Committee is satisfied that the external auditor remains independent in the discharge of their audit responsibilities.

The Board will continue to review the Company's corporate governance and annual reporting against the QCA Code and to implement appropriate systems in order to support the Directors in executing their responsibilities to all of the Company's Stakeholders.

On behalf of the Board.

Simon G Thomas
Chairman
26 October 2018

Directors' Report

The Directors submit their report and the audited financial statements of the Company and of the Group for the year ended 31 July 2018.

Principal Activity

The principal activity of the Group during the year was that of providing self-storage and related services.

Review of the Business and Future Developments

A detailed account of the Group's progress during the year and its future prospects are set out in the Chairman's Statement on page 2 and the Strategic Report on pages 7 to 31.

The key performance indicators are set out in the Highlights on page 1 and discussed in more detail in the Financial Review on page 20 and the Chief Executive's Review on page 13. Commentary on financial risk management is included on page 26 and disclosures on financial instruments are provided in note 16.

Going Concern

A review of the Group's business activities, together with the matters likely to influence its future development, performance and its position in the wider market are set out in the Strategic Report. The financial position of the Group, its cash flows and borrowing facilities are shown in the Statement of Financial Position, Cash Flow Statement and corresponding notes and policies contained within the financial statements.

Further information concerning the Group's objectives, policies, its financial risk management objectives as well as details of financial instruments and credit and liquidity risk are also found in the Strategic Report and in the notes to the financial statements.

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 of £5.0 million, (2017: £11.4 million) undrawn committed facilities at 31 July 2018 of £12.7 million (2017: £11.2 million) and cash generated from operations (2018: £7.0 million 2017: £5.5 million). In February 2018, the Group increased its bank facility by £10 million to £50 million with Royal Bank of Scotland on equivalent terms; the Group will now operate its £50 million revolving credit facility with RBS plc 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.

Dividend

In respect of the current year, the Directors propose that a final dividend of 7.67 pence per share (2017: 6.33 pence) will be paid on 11 January 2019 to shareholders on the register on 30 November 2018. The corresponding ex-dividend date is 29 November 2018. The total estimated dividend to be paid is £2.22 million based on the number of shares in issue on 17 October 2018 as adjusted for shares held in the Employee Benefits Trust. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Events after the Reporting Date

Reportable events after the reporting date are set out in note 31 in the financial statements.

Directors

The following Directors held office during the year and subsequently:

SG Thomas	ETD Luker
A Jacobs	RJ Holmes
RA Davies	CP Peal
N Newman-Shepherd	

Details of the interests of the Directors in the shares of the Company are set out below and details of their remuneration are disclosed in note 6 of the financial statements.

Biographical details of the Directors are set out on pages 34 and 35.

Reappointment of Directors

Richard Holmes, Edward Luker and Charles Peal who have over 14, 11 and 11 years tenure respectively as Non-Executives are required under the Companies Act 2006 to offer themselves for re-election at every AGM and accordingly offer themselves for re-election at the next AGM. Simon Thomas by virtue of his accumulated tenure both as an executive and a non-executive director also offers himself for re-election at the next AGM.

Directors' and Officers' Liability Insurance

The Company has liability insurance covering the Directors and Officers of the Company and its subsidiaries.

Substantial Shareholdings

The Directors have been notified or are aware that the following are interested in 3% or more of the issued Ordinary Share capital of the Company as at 17 October 2018:

	Current rank	% at 17 Oct 2018	Number of shares	Total shares in issue)	% at 13 Oct 2017	Number of shares	Total shares in issue)
Andrew Jacobs	1	17.64	5,204,600		17.75	5,205,600	
Miton Asset Management	2	8.50	2,509,455		10.46	3,067,171	
Simon Thomas	3	6.03	1,780,000		6.14	1,800,000	
Canaccord Genuity Wealth Management (previously Hargreave Hale Investment Managers)	4	5.56	1,640,000		5.59	1,640,000	
Cavendish Asset Management	5	5.07	1,496,500		5.14	1,507,750	
Slater Investments	6	4.16	1,228,750		4.19	1,228,750	
Downing	7	4.15	1,225,250		2.24	656,399	
				29,505,919			29,323,923[1]

1 Represents total shares in issue.

Market Valuation of Freehold Land and Buildings

The changes in property, plant and equipment during the year and details of property valuations at 31 July 2018 are shown in note 10(b) to the Financial Statements. Further commentary on the property portfolio is contained in the Property Review on page 18 and in the Financial Review on page 22.

Share Buy-back Authority

Authority will be sought at the Company's AGM on 11 December 2018 from shareholders to approve a share buyback authority. The buy-back authority will only be exercised in circumstances where the Directors regard such purchases to be in the best interests of shareholders as a whole.

Statement of Disclosure of Information to the Auditor

The Directors who were in office at the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Annual General Meeting

The Company's Annual General Meeting will be held on 11 December 2018 at 5.30pm at the offices of Goodman Derrick LLP 10, St Bride Street London EC4A 4AD.

Auditor

A resolution to reappoint RSM UK Audit LLP as auditor will be put to the members at the Annual General Meeting.

A formal notice together with explanatory circular and Form of Proxy will be sent to shareholders.

On behalf of the Board:

Ray Davies
Director
26 October 2018

Remuneration Report

Although the Group is not required to set out a formal Remuneration Report we set out below the key components of the Directors' remuneration in accordance with AIM Rule 19.

Base Salary: Provides competitive fixed remuneration to retain key employees and reflect their experience and expertise in the context of the role and set by reference to the market.

Annual and Monthly Bonuses: Aligns reward to key Group strategic objectives and drives short-term performance.

Long Term Incentive Plan: Following strict performance criteria aligns Executive Director interests with those of shareholders and rewards achievement of the long term plan. (See below and note 22(b) of the financial statements).

All Employee Scheme: The Group operates an HMRC approved Share Incentive Plan (SIP). This encourages share ownership by all employees and allows them to share in the long term success of the Group. R Davies and N Newman, Executive Directors, also participate in this scheme.

Other Benefits: The benefits reported in the table below all relate to medical insurance premiums paid on behalf of the Directors. An additional benefit is Death in Service Insurance typically at four times base salary (subject to a cap of £0.5 million).

Service Contracts: Executive Directors' service contracts operate on a rolling basis without a specific end-date providing for one year's notice on the part of the Company and 6 months' notice on the part of the employee. Non executives do not have service contracts with the Company but rather their appointments are governed by letters of appointment.

Directors' remuneration

2018	Emoluments £	Bonuses £	Pension £	Benefits £	Sub total £	Gains on share options £	Total £
Executive:							
A Jacobs	216,487	26,000	–	4,272	246,759	–	246,759
RA Davies	131,280	19,222	31,190	4,090	185,782	20,415	206,197
Neil Newman-Shepherd	75,172	42,477	2,255	1,933	121,837	71,317	193,154
Non-Executive:							
SG Thomas	30,000	–	–	4,009	34,009	–	34,009
RJ Holmes	21,648	–	–	–	21,648	–	21,648
ETD Luker	27,061	–	–	–	27,061	–	27,061
CP Peal	21,648	–	–	–	21,648	–	21,648
	523,296	87,699	33,445	14,304	658,744	91,732	750,476

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

The following table shows a summary of the options held by Directors under all schemes. Refer notes 20 to 23 for details.

	Total at 31 July 2018
A Jacobs	206,087
SG Thomas	25,217
RA Davies	254,719
N Newman-Shepherd	183,082
Total	669,105

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

Unapproved Share Options – Long Term Partnership Performance Plan (LTPPP)

On 2 July 2018 the Group adopted a Company Long Term Partnership Performance Plan (LTPPP). The Plan is a discretionary benefit offered by the Company for the benefit of selected key employees including Executive Directors. Its main purpose is to increase the interest of the employees in the Groups long term business goals and performance through share ownership. It contains specific performance criteria. Further details are set out in note 22(b) of the financial statements.

On behalf of the Board and signed on its behalf by:

Andrew Jacobs
Chief Executive Officer

Ray Davies
Finance Director

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company Financial Statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing the Group and Company financial statements the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. state whether they have been prepared in accordance with IFRSs adopted by the EU; and

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information on the Lok'nStore Group Plc websites.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report
to the Members of Lok'nStore Group Plc

Opinion

We have audited the financial statements of Lok'nStore Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 July 2018 which comprises the consolidated statement of comprehensive income, the consolidated and company statements of change in equity, the consolidated and company statements of financial position, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 July 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified is the valuation of properties as set out below:

Property valuation

Risk

Fair values are calculated using actual and forecast inputs such as: occupancy, capitalisation rates, maximum lettable area, operating expenses and net rent per square foot by property as at 31 July 2018. In addition, the external valuer applies professional judgement concerning market conditions and factors impacting individual properties.

We consider property valuation to be a significant and key risk of material misstatement as the valuation process is subjective and inherently judgemental in nature.

Refer to note 10(b) to the financial statements for the disclosures relating to the property valuations.

Independent Auditor's Report continued
to the Members of Lok'nStore Group Plc

Approach

Our approach to auditing the valuations involved the following:

- We tested the integrity of the information provided to the external valuer by management by agreeing key inputs such as actual occupancy and profitability to underlying records and source evidence;
- We evaluated the competence, capabilities and objectivity of external valuation experts;
- We assessed the scope of the work which the external valuer was requested to perform by management and the valuation methodology applied;
- We discussed the valuations with the external valuer and challenged them on the key assumptions applied and focussed on properties we identified as having significant or unusual valuation movements (compared to underlying performance or previous periods); and
- We challenged management to justify the assumptions used in the model (particularly in respect of trading forecasts and comparison of those forecasts to actual results).

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures and to evaluate the effects of misstatements, both individually and on the financial statements as a whole. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole (FSM). During planning FSM was calculated at £559,500 which was not changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £20,000, as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Group and its control environment, including Group-wide controls, and assessing the risks of material misstatement. The scope of our audit covered 100% of both consolidated profit before tax and consolidated net assets. Subsidiaries that were subject to audit exemption were audited to group materiality as part of the audit of the consolidated financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement (set out on page 44), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Graham Ricketts
(Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP,
Statutory Auditor
Chartered Accountants
25 Farringdon Street
EC4A 4AB

26 October 2018


Storage
NOW OPEN
RECEPTION
CUSTOMER LOADING 1
CUSTOMER LOADING 2

Financial Statements

LANDMARK STORE

Hemel Hempstead

45,000

SQUARE FEET OF MAXIMUM LETTABLE AREA

NOW

OPEN

Lok'nStore Hemel Hempstead opened in November 2017 and is our tallest storage centre so far.

Located just off junction 8 of the M1 this striking centre, with its powerful cantilevered façade, is accessible from the main road off the motorway into the heart of Hemel Hempstead. Opposite is the soon-to-open Maylands Gateway Retail Park. With brands such as Aldi, Costa and McDonalds this will bring excellent footfall to the immediate area. With over 40% of new customers coming from passing traffic, this development will bring even more new customers to the store.

Hemel Hempstead is the 8th store we have opened under a management contract. Standing an impressive 18 metres above the ground, the store offers storage spaces of all sizes from 16sq ft. up to 5,000sq ft. over five floors.

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2018

	Notes	Group Year ended 31 July 2018 £'000	Group Year ended 31 July 2017 £'000
Revenue	1(a)	17,754	16,654
Total property, staff, distribution and general costs	2(a)	(10,459)	(10,161)
Adjusted EBITDA[1]		7,295	6,493
Amortisation of intangible assets	10(a)	(165)	(165)
Depreciation	10(b)	(1,980)	(1,856)
Equity settled share based payments	21	(33)	(97)
Carried interest – fees receivable	2(c)	361	–
Receivables from warranty claims	2(c)	230	–
Property disposal costs	2(c)	–	(15)
Store relocation costs	2(c)	–	(29)
Director retirement costs	2(c)	–	(69)
		(1,587)	(2,231)
Operating profit[1]		5,708	4,262
Finance income	3	80	309
Finance cost	4	(463)	(606)
Profit before taxation	5	5,325	3,965
Income tax expense	7	(1,568)	(904)
Profit for the year		3,757	3,061
Profit attributable to:			
Owners of the parent	25	3,757	3,061
Other Comprehensive Income			
Items that will not be reclassified to profit and loss			
Increase in property valuation		15,723	7,772
Deferred tax relating to change in property valuation		(2,698)	(932)
		13,025	6,840
Items that may be subsequently reclassified to profit and loss			
Increase in fair value of cash flow hedges		–	37
		–	37
Other comprehensive income		13,025	6,877
Total comprehensive income for the year		16,782	9,938
Attributable to owners of the parent		16,782	9,938
Earnings per share			
Basic	9	13.05p	11.02p
Diluted	9	12.83p	10.64p

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 2018

	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 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 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 depreciation on revaluation net of deferred tax	–	–	–	(277)	277	–
31 July 2017	293	10,028	8,469	52,165	18,164	89,119
Profit for the year	–	–	–	–	3,757	3,757
Other comprehensive income:						
Increase in property valuation net of deferred tax	–	–	–	13,025	–	13,025
Total comprehensive income for the year	–	–	–	13,025	3,757	16,782
Transactions with owners:						
Dividend paid	–	–	–	–	(2,977)	(2,977)
Share based payments	–	–	33	–	–	33
Transfers in relation to share based payments	–	–	(109)	–	109	–
Deferred tax relating to share options	–	–	(30)	–	–	(30)
Exercise of share options	2	322	–	–	–	324
Total transactions with owners	2	322	(106)	–	(2,868)	(2,650)
Transfer additional depreciation on revaluation net of deferred tax	–	–	–	(291)	291	–
31 July 2018	295	10,350	8,363	64,899	19,344	103,251

Company Statement of Changes in Equity

For the year ended 31 July 2018

	Share capital £'000	Share premium £'000	Retained reserves (deficit) £'000	Other reserves £'000	Total £'000
1 August 2016	291	3,567	117	1,961	5,936
1 August 2016 – restated	291	3,567	(3,624)	1,961	2,195
Profit for the year	–	–	5,547	–	5,547
Share based payments	–	–	–	97	97
Transfer in relation to share based payments	–	–	139	(139)	–
Disposal of treasury shares - restated	–	–	3,741	–	3,741
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
Profit for the year	–	–	3,572	–	3,572
Equity settled share based payments	–	–	–	33	33
Transfer in relation to share based payments	–	–	109	(109)	–
Exercise of share options	2	322	–	–	324
Dividends paid	–	–	(2,977)	–	(2,977)
31 July 2018	295	10,350	3,870	1,843	16,358

Consolidated and Company Statements of Financial Position

31 July 2018

Company Registration No. 04007169

	Notes	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Assets					
Non-current assets					
Intangible assets	10(a)	3,263	3,428	–	–
Property, plant and equipment	10(b)	152,580	116,901	–	–
Investments	11	–	–	2,418	2,385
Development loan capital	12	–	3,463	–	–
Financial assets	2(c)[1]	361	–	–	–
		156,204	123,792	2,418	2,385
Current assets					
Inventories	13	257	203	–	–
Trade and other receivables	14	4,476	4,266	13,940	13,021
Cash and cash equivalents	16	4,990	11,386	–	–
Total current assets		9,723	15,855	13,940	13,021
Total assets		165,927	139,647	16,358	15,406
Liabilities					
Current liabilities					
Trade and other payables	15	(5,159)	(5,032)	–	–
Current tax liabilities		(612)	(463)	–	–
		(5,771)	(5,495)	–	–
Non-current liabilities					
Borrowings	17	(37,170)	(28,670)	–	–
Deferred tax	18	(19,735)	(16,363)	–	–
		(56,905)	(45,033)	–	–
Total liabilities		(62,676)	(50,528)		–
Net assets		103,251	89,119	16,358	15,406
Equity attributable to owners of the parent					
Called up share capital	19	295	293	295	293
Share premium		10,350	10,028	10,350	10,028
Other reserves	24(a)	8,363	8,469	1,843	1,919
Retained earnings	25	19,344	18,164	3,870	3,166
Revaluation reserve		64,899	52,165	–	–
Total equity attributable to owners of the parent		103,251	89,119	16,358	15,406

As permitted by section 408 Companies Act 2006, the parent company's statement of comprehensive income has not been included in these financial statements. The profit and comprehensive income for the year ended 31 July 2018 was £3.6 million (2017: £5.5 million).

Approved by the Board of Directors and authorised for issue on 26 October 2018 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 2018

	Notes	Group 2018 £'000	Group 2017 £'000
Operating activities			
Cash generated from operations	27(a)	6,982	5,523
Income tax paid		(775)	(502)
Net cash generated from operations		6,207	5,021
Investing activities			
Development loan capital repaid / invested		3,463	(304)
Purchase of property, plant and equipment		(21,935)	(6,628)
Proceeds from warranty claims		342	–
Interest received		80	25
Net cash outflow from investing activities		(18,050)	(6,907)
Financing activities			
Proceeds from new borrowings		8,519	–
Loans repaid from projects under management contracts		–	944
Finance costs paid		(419)	(574)
Equity dividends paid		(2,977)	(2,637)
Proceeds from issue of ordinary shares (net)		324	313
Proceeds from sale of shares from treasury (net of expenses)		–	9,891
Net cash inflow from financing activities		5,447	7,937
Net (decrease) / increase in cash and cash equivalents in the year		(6,396)	6,051
Cash and cash equivalents at beginning of the year		11,386	5,335
Cash and cash equivalents at end of the year		4,990	11,386

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

Accounting Policies

General Information

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

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 2017.

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

Standards adopted in the year

Amendments to IAS 7 Disclosure Initiative (issued in January 2016) requires entities to provide information that enables users of financial statements to evaluate changes in liabilities arising from the entity's financing activities. The effect of the amendments on the Group's consolidated financial statements has been the inclusion of additional disclosures where appropriate.

Standards in issue but not yet effective

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

Standards, interpretations and amendments *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

Standards, interpretations and amendments *Not Yet Endorsed*		**Effective date: Periods commencing on or after**
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, although the Group will not be adopting the Standard until its year ended 31 July 2020 the Directors consider that this will have a significant impact on the financial statements of the Group at that time and have provided an initial overview of the impact on the 2020 financial statements which is set out on page 25.

There were no other Standards or Interpretations issued 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 (and its subsidiaries) made up to 31 July each year. Control is achieved where the Company has power over the investee, exposure or rights to variable returns from the investee and the ability to use its power to vary those returns.

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

Accounting Policies continued

Goodwill

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

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

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

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

Going concern

The Directors can report that, based on the Group's budgets and financial projections, 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 £5.0 million (2017: £11.4 million), undrawn committed bank facilities at 31 July 2018 of £12.7 million (2017: £11.2 million), and cash generated from operations in the year ended 31 July 2018 of £7.0 million (2017: £5.5 million).

Following the agreement last year of a two-year extension to its facilities with Royal Bank of Scotland on equivalent terms, the Group can continue to operate its £50 million revolving credit facility with RBS plc for a further 5 years. The facility has been in place since 15 January 2016 and will 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.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for goods and services provided in the ordinary course of the Group's activities, net of discount, VAT and after eliminating sales within the Group.

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

a) Self-storage revenue

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

b) Retail sales

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

c) Insurance

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

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

The key characteristics of a block policy are that:

- There is a contract between the block policyholder and the insurer which allows the block policyholder to effect insurance cover subject to certain conditions
- The Group acting in our own name as the block policyholder procures insurance cover for third parties from the insurer
- There is a contractual relationship between the block policyholder and third parties under which the insurance is procured
- The block policyholder stands in place of the insurer in effecting the supply of insurance to the third parties

The Group is not exposed to any insured losses arising from its insurance activity.

d) Management fee income

Management fees earned for managing stores not owned by the Group are recognised over the period for which the services are provided.

e) Serviced archive and records management

Customers are invoiced typically monthly in advance for the archive storage of their boxes, tapes and files and revenue is recognised based on time stored to date within the monthly cycle. In respect of the provision of additional services, such as document box or tape collection and retrieval from archive, customers are invoiced typically monthly in arrears and revenue is recognised in line with the provision of these services.

Segmental information

In accordance with the requirements of IFRS8 Operating Segments, the Group has reviewed its identifiable business segments and the information used and provided internally to the Board, which is considered to be the Chief Operating Decision Maker, in order to make decisions about resource allocation and performance management. Financial information is reported to the Board with revenue and profit analysed between self-storage activity and serviced archive and records management activity. All activities arise in the United Kingdom.

Adjusted EBITDA

Earnings before interest, tax, depreciation and amortisation (EBITDA), is defined as defined as EBITDA before losses or profits on disposal, share-based payments, acquisition costs, and exceptional items, finance income, finance costs and taxation.

Adjusted Store EBITDA

Adjusted Store EBITDA is defined as adjusted EBITDA (see above) but before central and head office costs.

Operating profit

Operating profit is defined as profit after all costs except finance income, finance costs and taxation.

Taxation

Income tax expense represents the sum of the current tax payable and deferred tax.

Current tax payable or recoverable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because some items of income or expense are taxable or deductible in different years or may not be taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax which may be payable or recoverable in the future arising from the temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the 'balance sheet liability method'. Deferred tax is provided in full on the differences between the revalued amount of trading property assets carried in the Statement of Financial Position and their corresponding tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the reporting date.

Tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the tax is also recognised directly in other comprehensive income.

Retirement benefits

The amount charged to profit or loss in respect of pension costs is the contributions payable to money purchase schemes in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position. There are no defined benefits schemes.

Equity share-based payments

The cost of providing share-based payments to employees is charged to profit or loss over the vesting period of the related share options. The cost is based on the fair value of the options determined at grant date using the Black-Scholes pricing model, which is appropriate given the vesting and other conditions attaching to the options. The value of the charge may be adjusted to reflect expected and actual levels of vesting.

Property lease premiums

Costs relating to the acquisition of long leases are classified as a non-current asset in the Statement of Financial Position. Costs may include lease premiums paid on entering such a lease and other related costs. Following the opening of a store during the year amounts held under lease premiums are transferred to property plant and equipment.

Property, plant and equipment

Freehold properties and long leasehold properties (classified as finance leases) are measured at fair value which represents the Group's assessment of the highest and best use of the asset. Gains or losses arising from the changes in fair value of the trading properties are included in the Consolidated Statement of Changes in Equity for the period in which they arise. A comprehensive external valuation is performed annually at each reporting date. Once a store is opened lease premiums are transferred to property, plant and equipment and carried at their transferred cost less any accumulated depreciation.

Short leasehold improvements, fixtures, fittings and equipment, and motor vehicles are carried at cost less accumulated depreciation. Expenditure related to the improvement of the buildings is capitalised and depreciated over the remaining period of the lease term.

Assets in the course of construction and land held for development of new stores ('development property assets') are carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is provided on all property, plant and equipment other than freehold land and development property assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life as follows:

Freehold property	over 50 years straight line
Long leasehold property and lease premium	over unexpired lease period or renewal term
Short leasehold improvements	over unexpired lease period or renewal term
Fixtures, fittings and equipment	5% to 15% reducing balance
Computer equipment	over two years straight line
Motor vehicles	25% reducing balance

The assets' residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate on an annual basis. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The additional depreciation arising from the revaluation of freehold and long leasehold properties of £363,963 (2017: £346,219) is included within total depreciation on the face of the statement of comprehensive income and transferred from the revaluation reserve to retained earnings each year.

Intangible assets (other than goodwill)

Customer relationships acquired in a business combination are measured initially at fair value and are subsequently amortised on a straight-line basis over their estimated useful lives (20 years).

Impairment of property, plant and equipment and intangible assets (other than goodwill)

At each reporting date the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. Where an impairment loss is subsequently reversed, the carrying amount of the assets or cash-generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leased assets and obligations

Annual rentals under 'operating leases' are charged to profit or loss on a straight-line basis over the lease term. Payments made on entering into or acquiring a leasehold that is accounted for as an operating lease are amortised over the lease term once the property is brought into use. Whenever land and buildings are acquired by the Group they will not be acquired under finance leases but rather through a combination of operational cash generated by the Group business supported by bank debt drawn from its revolving credit facility.

Investments

Shares in subsidiary undertakings are considered long-term investments and are classified as non-current assets in the parent company's statement of financial position. All investments are stated at cost. Provision is made for any impairment in the value of non-current asset investments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis. Net realisable value is based upon estimated selling prices less any costs of disposal. Provision is made for obsolete and slow moving items.

Accounting Policies continued

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provision of the instrument.

Bank borrowings and finance costs

Interest-bearing bank loans are recorded at the proceeds received net of direct issue costs. Issue costs are amortised against the carrying value amount of the loan over the period of the loan with the cost recognised in profit and loss as part of finance costs.

Borrowing costs are recognised in profit or loss in the year in which they are incurred, unless the costs are incurred as part of the development of a qualifying asset, when they will be capitalised. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. Commencement of capitalisation is the date when the Group incurs expenditure for the qualifying asset, incurs borrowing costs and undertakes activities that are necessary to prepare the assets for their intended use. In the case of suspension of activities during extended periods, the Group suspends capitalisation. The Group ceases capitalisation of borrowing costs when substantially all of the activities necessary to prepare the asset for use are complete.

The Group has an active store development programme and in accordance with IAS 23 has material qualifying assets that take a substantial period of time to develop from acquisition to ultimate store opening. Accordingly borrowing costs have been capitalised in the current year that are directly attributable to the acquisition, construction and fit-out of these qualifying store assets. The Group funds these developments from a general bank revolving credit facility and the capitalisation rate applied is the average cost of these funds. When an individual store development is complete and the store has opened capitalisation of attributable borrowing costs ceases. In the current year £197,209 interest was capitalised in respect of nine qualifying development assets.

Derivative financial instruments and hedge accounting

The Group's activities expose it to interest rate risk. The Group has used interest rate swap contracts to hedge these exposures. The Group does not use derivative financial instruments for speculative or for any other purposes.

The use of financial derivatives is governed by the Group's policies as approved by the Board of Directors. The Group documents its risk management objectives and strategy for undertaking hedging transactions within the Group's Risk Register. The Group also documents its assessment both at hedge inception and on an on-going basis to assess whether the derivatives that are used are effective in offsetting changes in fair value or cash flows of the hedged items.

There were no financial derivatives held by the Group at 31 July 2017 or 31 July 2018.

Cash flow hedges

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

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

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs. Interest bearing loans and overdrafts are initially measured at fair value net of direct transaction costs and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds net of transaction costs and the settlement or redemption of borrowings is recognised over the term of the borrowing.

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprises cash and short-term deposits and other short term highly liquid investments that are readily convertible to a known amount of cash. The carrying amounts of these assets approximate to their fair value and the risk of changes in value is not significant.

Financial assets

Trade, group and other debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost being the transaction price less any amounts settled and any impairment losses. Where the Group is entitled to receive cash under a management services agreement at a future specified date this is recorded as a financial asset at the current fair value of the cash ultimately receivable. Where this amount is receivable in more than one year hence the financial asset is presented as a non-current asset.

Impairment of financial assets

Financial assets are assessed for indications of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated amount or timing of future cash flows from the asset have been reduced.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Net debt

Net debt comprises the borrowings of the Group less cash and cash equivalents.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Employee Benefit Trust

The Group operates an employment benefit trust and has de facto control of the shares held by the trust and bears their benefits and risks. The Group records certain assets and liabilities of the trust as its own. Finance costs and administrative expenses are charged as they accrue.

Own shares

The cost of own shares held by the employee benefit trust ('ESOP shares') and treasury shares is shown as a deduction from retained earnings. Earnings per share are calculated on the net shares in issue.

Accounting Policies continued

Critical accounting estimates and judgements

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

a) Estimate of fair value of trading properties

The Group commissions an external valuation of its self-storage stores. This valuation uses a discounted cash flow methodology which is based on current and projected net operating income. Principal assumptions underlying management's estimation of the fair value are those relating to stabilised occupancy levels; expected future growth in storage rents and operating costs, maintenance requirements, capitalisation rates and discount rates. A more detailed explanation of the background and methodology adopted in the valuation of the Group's trading properties is set out in note 10(b). The carrying value of land and buildings held at valuation at the reporting date was £108.5 million (2017: £87.5 million) as shown in the table in note 10(b).

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

The Group's development property assets are held in the statement of financial position at historic cost and are not valued externally. In acquiring sites for redevelopment into self-storage facilities, the Group estimates and makes judgements on the potential net lettable storage space that it can achieve in its planning negotiations, together with the time it will take to achieve maturity occupancy level. In addition, assumptions are made on the storage 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 £16.6 million (2017: £5.1 million). Please see note 10(b) for more details.

c) Estimate of useful lives of intangible assets acquired in business combination

The relative size of the Group's intangible assets excluding goodwill make the estimates of useful lives important to the Group's financial position and performance. At 31 July 2018 intangible assets, excluding goodwill, amounted to £2.15 million (2017: £2.32 million). The valuation method used and key assumptions are described in note 10(a).

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 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.

d) Classification of self-storage facilities as owner occupied properties rather than investment properties

The Directors consider that Lok'nStore Group Plc is the parent company of a "Trading business" and is not wholly or mainly engaged in making investments. The holding of land is not a core activity.

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

The range of services provided to customers has increased progressively with significant revenue earned from records management and serviced archive activities. Additionally, the Group has developed its managed stores business where it uses its operational and logistic expertise to manage stores for third party owners. In recent years the Group has developed new managed stores in Aldershot, Broadstairs, Chichester, Crawley and Hemel Hempstead all of which are owned by third-party investors and managed by Lok'nStore. There is a further pipeline of 4 managed stores which will open next year.

Previously owned sites at Woking, Ashford and Swindon have been the subject of sale and manage-back transactions by which Lok'nStore has retained the management of the business when a third party owner acquired the business, land and buildings. All of this trading activity as well as the self-storage income earned from our leasehold stores activity demonstrate that the holding of land is not a core activity because the trading operation is not dependent on the ownership of land. See the chart on page 18 for the changing ownership structure of the stores.

Furthermore the Group has always and continues to comply with all of the usual accounting and tax protocols consistent with a trading business. Lok'nStore operates 29 stores and 2 serviced document stores in Southern England. Of the 29 stores, Lok'nStore owns the freehold or long leasehold interest in 14 stores, 7 of the stores are held under commercial leases, with the remaining 8 managed stores operating under management contracts for third party owners. One of the features of Lok'nStore's strategy is to increase the number of stores we manage for third parties selling our expertise in storage solutions management, operating systems and marketing, through management fees rather than retaining a proprietary interest in land and buildings.

The classification of self-storage facilities as owner occupied properties rather than investment properties has resulted in the recognition of fair value gains in 2018 (net deferred of tax) of £13.0 million (2017: £6.84 million) in Other Comprehensive Income rather than the Income Statement.

1(a) Revenue

Analysis of the Group's revenue is shown below:

Self-storage	Group 2018 £'000	Group 2017 £'000
Self-storage revenue	13,094	12,343
Other storage related revenue	1,585	1,550
Total self-storage revenue	14,679	13,893
Ancillary revenue	159	14
Management fees	534	420
Sub-total	15,372	14,327
Serviced archive & records management revenue	2,382	2,327
Total revenue per statement of comprehensive income	17,754	16,654

1(b) 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 2018 is as follows:

2018	Self-storage 2018 £'000	Serviced archive & records management 2018 £'000	Total 2018 £'000
Revenue from external customers	15,372	2,382	17,754
Adjusted EBITDA	6,608	687	7,295
Management charges	25	(25)	–
Segment Adjusted EBITDA	6,633	662	7,295
Depreciation	(1,880)	(100)	(1,980)
Amortisation of intangible assets	–	(165)	(165)
Equity settled share based payments	(33)	–	(33)
Carried interest - fees receivable	361	–	361
Receipts from warranty claims	–	230	230
Segment operating profit per the income statement	5,081	627	5,708
Central costs not allocated to segments:			
Finance income			80
Finance costs			(463)
Profit before taxation			5,325
Income tax expense			(1,568)
Consolidated profit for the financial year			3,757

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

1(b) Segmental information continued

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 500 customers has a greater customer concentration with its ten largest corporate customers accounting for 33.6% (2017: 34.4%) of revenue, its top 50 customers accounting for 60.0% (2017: 61.1%) and its top 100 customers accounting for 74.5 % (2017: 76.2%) of revenue. The self-storage segment with over 10,600 (2017: 9,670) 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.

2018	Self-storage 2018 £'000	Serviced archive & records management 2018 £'000	Total 2018 £'000
Segment assets	158,843	5,978	164,821
Segment liabilities	(23,780)	(620)	(24,400)
Borrowings			(37,170)
Total liabilities			(61,570)
Capital expenditure (note 10(b)).	21,906	29	21,935

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 10(b)).	6,459	169	6,628

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.

2(a) Property, staff, distribution and general costs

	Group 2018 £'000	Group 2017 £'000
Property and premises costs	4,043	4,179
Staff costs	4,681	4,389
General overheads	1,214	1,098
Distribution costs	166	171
Retail products cost of sales (see note 2(b))	355	324
	10,459	10,161

2(b) Cost of sales of retail products

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

	Group 2018 £'000	Group 2017 £'000
Retail	116	128
Insurance	45	37
Other	20	2
	181	167
Serviced archive consumables and direct costs	174	157
	355	324

2(c) Other Income and costs

	Group 2018 £'000	Group 2017 £'000
Carried interest - fees receivable[1]	(361)	–
Receipts from warranty claims[2]	(230)	–
Property disposal costs[3]	–	15
Store relocation costs[4]	–	29
Director retirement costs[5]	–	69
	(591)	113

2018:

1 Carried interest fees receivable:

Upon the sale of one of the 'Managed stores' Lok'nStore will be 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 have in previous years believed that it would not yet be appropriate to recognise this as an asset, on the basis that it could not be reliably measured. However 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. Accordingly, the directors have given due consideration as to the current fair value of the Carried interest - fee receivable and have recognised £361,460 as a non-current financial asset in the financial statements.

2 Receipts from warranty claims relates to receipts due and payable under a mediated settlement agreement.

2017:

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 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.

5 Directors retirement costs relate to the retirement of CM Jacobs on 4 July 2017.

3 Finance income

	Group 2018 £'000	Group 2017 £'000
Bank interest	7	25
Other interest	73	284
	80	309

Interest receivable arises on cash and cash equivalents (see note 16) and on development loan capital deployed (see note 12).

4 Finance costs

	Group 2018 £'000	Group 2017 £'000
Bank interest	342	520
Non-utilisation fees and amortisation of bank loan arrangement fees	116	86
Other interest	5	–
	463	606

5 Profit before taxation

	Group 2018 £'000	Group 2017 £'000
Profit before taxation is stated after charging:		
Depreciation and amounts written off property, plant and equipment:		
Owned assets	1,980	1,856
Amortisation of intangible assets	165	165
Operating lease rentals – land and buildings	1,436	1,488

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

	Group 2018 £'000	Group 2017 £'000
Audit services		
– UK statutory audit of the Company and consolidated accounts	52	50
Other services		
– the auditing of accounts of subsidiaries of the Company pursuant to legislation	15	14
Other services supplied pursuant to such legislation		
– interim review	11	10
– other services	7	–
Tax services		
– compliance services	29	28
– advisory services	10	18
	124	120
Comprising:		
Audit services	67	64
Non-audit services	57	56
	124	120

6 Employees

	Group 2018 No.	Group 2017 No.
The average monthly number of persons (including Directors) employed by the Group during the year was:		
Store management	143	131
Administration	31	31
	174	162

	Group 2018 £'000	Group 2017 £'000
Costs for the above persons:		
Wages and salaries	3,808	3,724
Social security costs	456	453
Pension costs	100	96
	4,364	4,273
Share based remuneration (options)	33	97
	4,397	4,370

Share based remuneration is separately disclosed in the statement of comprehensive income. Wages and salaries of £149,492, (2017: £138,137) 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 £13,894 (2017: £11,949) outstanding at the year-end.

There were no employees employed by the Company in the year (2017: nil).

6 Employees continued

Directors' remuneration

2018	Emoluments £	Bonuses £	Pension £	Benefits £	Sub total £	Gains on share options £	Total £
Executive:							
A Jacobs	216,487	26,000	–	4,272	246,759	–	246,759
RA Davies	131,280	19,222	31,190	4,090	185,782	20,415	206,197
N Newman-Shepherd	75,172	42,477	2,255	1,933	121,837	71,317	193,154
Non-Executive:							
SG Thomas	30,000	–	–	4,009	34,009	–	34,009
RJ Holmes	21,648	–	–	–	21,648	–	21,648
ETD Luker	27,061	–	–	–	27,061	–	27,061
CP Peal	21,648	–	–	–	21,648	–	21,648
	523,296	87,699	33,445	14,304	658,744	91,732	750,476

2017	Emoluments £	Bonuses £	Pension £	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	30,977	3,551	170,366	78,503	248,869
N Newman-Shepherd	71,592	29,704	2,148	1,826	105,270	27,296	132,566
CM Jacobs	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	33,125	14,601	748,424	284,486	1,032,910

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

The highest paid Director did not accrue any pension rights during the year. The benefits in kind all relate to medical insurance premiums paid on behalf of the Directors. The number of Directors to whom retirement benefits are accruing under money purchase pension schemes in respect of qualifying service is two (2017: two).

7 Taxation

	Group 2018 £'000	Group 2017 £'000
Current tax:		
UK corporation tax at 17.4% (2017: 20%)	924	792
Deferred tax:		
Origination and reversal of temporary differences	311	204
Adjustments in respect of prior periods	333	173
Impact of change in tax rate on closing balance	–	(265)
Total deferred tax	644	112
Income tax expense for the year	1,568	904

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

	2018 £'000	2017 £'000
Profit before tax	5,325	3,965
Tax on ordinary activities at the effective standard rate of corporation tax in the UK of 19% (2017: 20 /19%)	985	793
Expenses not deductible for tax purposes	–	2
Depreciation of non-qualifying assets	322	104
Share based payment charges in excess of corresponding tax deduction	6	19
Impact of change in tax rate on closing deferred tax balance	–	(264)
Adjustments in respect of prior periods – deferred tax	333	173
Other	(48)	72
Small companies relief	(30)	–
Share option scheme	–	5
Income tax expense for the year	1,568	904
Effective tax rate	29 %	23 %

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 £2.7 million (2017: £932,089) has been recognised as a debit/credit directly in other comprehensive income (see note 18 on deferred tax).

8 Dividends

	2018 £'000	2017 £'000
Amounts recognised as distributions to equity holders in the year:		
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
Final dividend for the year ended 31 July 2017 (7.00 pence per share)	2,016	–
Interim dividend for the six months to 31 January 2018 (3.33 pence per share)	961	–
	2,977	2,637

In respect of the current year the Directors propose that a final dividend of 7.67 pence per share will be paid to the shareholders. The total estimated dividend to be paid is £2.22 million based on the number of shares in issue at 17 October 2018 as adjusted for shares held in the Employee Benefits Trust. This is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The ex-dividend date will be 29 November 2018; the record date 30 November 2018; with an intended payment date of 11 January 2019. The final deadline for Dividend Reinvestment Election (DRIP) is 14 December 2018.

9 Earnings per share

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

	Group 2018 £'000	Group 2017 £'000
Profit for the financial year attributable to owners of the parent	3,757	3,061

	2018 No. of shares	2017 No. of shares
Weighted average number of shares		
For basic earnings per share	28,792,029	27,780,676
Dilutive effect of share options[1]	490,064	999,657
For diluted earnings per share	29,282,093	28,780,333

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 (2017: 623,212) shares are held in the Employee Benefit Trust (see note 26).

	Group 2018	Group 2017
Earnings per share		
Basic	13.05p	11.02p
Diluted	12.83p	10.64p

10(a) Intangible assets

Group	Goodwill £'000	Contractual customer relationships £'000	Total £'000
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
Cost at 1 August 2017	1,110	3,309	4,419
Amortisation at 1 August 2017	–	(991)	(991)
Amortisation charge	–	(165)	(165)
Amortisation at 31 July 2018	–	(1,156)	(1,156)
Net book value at 31 July 2018	1,110	2,153	3,263

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 2018 is 12 years and 11 months (2017: 13 years 11 months).

The values for impairment testing purposes are based on past and current experience of trading, recognising the long term stability and retention of the customer base, estimated future cash flows and external information where relevant and derived from the following key assumptions:

- a discount rate of 11% (2017: 11%)
- estimated useful lives of customer relationships (20 years) (2017: 20 years)
- medium term sustainable growth rates of 3% (next 10 years) (2017: 3%)
- thereafter long term sustainable growth rates of 2.0% (2017: 2%)
- cost increases of 2.75% – 3.0% pa (2017: 2.75% – 3.0% pa)

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 13.5% (2017: 7%) would result in the carrying value of goodwill being reduced to its recoverable amount.

On the basis of the assumptions and corresponding calculations made it is estimated that the recoverable amount exceeds the carrying amount of the CGU by over £3 million.

Notes to the Financial Statements continued

For the year ended 31 July 2018

10(b) Property, plant and equipment

Group	Development property assets at cost £'000	Land and buildings at valuation £'000	Long leasehold land and buildings at valuation £'000	Short leasehold improvements at cost £'000	Fixtures, fittings and equipment at cost £'000	Motor vehicles at cost £'000	Total £'000
Cost or valuation							
1 August 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
Cost or valuation							
1 August 2017	5,124	87,548	10,293	2,599	23,984	17	129,565
Additions	18,513	183	–	49	3,190	–	21,935
Reclassification	(7,067)	7,055	–	–	12	–	–
Revaluations	–	13,700	1,145	–	–	–	14,845
31 July 2018	16,570	108,486	11,438	2,648	27,186	17	166,345
Depreciation							
1 August 2017	–	–	–	1,880	10,771	13	12,664
Depreciation	–	753	126	99	1,001	1	1,980
Revaluations	–	(753)	(126)	–	–	–	(879)
31 July 2018	–	–	–	1,979	11,772	14	13,765
Net book value at 31 July 2018	16,570	108,486	11,438	669	15,414	3	152,580

The Group has an active store development programme and in accordance with IAS 23 has material qualifying assets that take a substantial period of time to develop from acquisition to ultimate store opening. Accordingly borrowing costs of £197,209 (2017: nil) have been capitalised in the current year that are directly attributable to the acquisition, construction and fit-out of these qualifying store assets. £114,507 of the total amount is carried in development property assets and £82,702 is carried in land and buildings following the opening of the Gillingham and Wellingborough stores.

If all property, plant and equipment were stated at historic cost the carrying value would be £74.1 million (2017: £53.9 million).

Capital expenditure during the year totalled £21.9 million (2017: £6.6 million). This was primarily the completion of construction works at our development sites in Gillingham and Wellingborough which are now open and trading as well as completing the acquisition of our Bournemouth, Bedford, Cardiff and Cheshunt sites.

Property, plant and equipment (non-current assets) with a carrying value of £152.6 million (2017: £116.9 million) are pledged as security for bank loans.

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

On 31 July 2018 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 third 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 £146.2 million (2017: £119.6 million) of which £128.0 million (2017: £102.9 million) relates to freehold and long leasehold properties, and £18.2 million (2017: £16.7 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 £128.0 million valuation of the freehold and long leasehold properties £11.7 million (2017: £9.3 million) relates to the net book value of fixtures, fittings and equipment, and the remaining £116.3 million (2017: £93.6 million) relates to freehold and long leasehold properties.

The 2018 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 21 trading stores (both freeholds and leaseholds) averages 84.1% (2017: 81.2%).

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.

10(b) Property, plant and equipment continued

Valuation Methodology continued

- 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 10.58% (2017: 11.09%). The yield arising from the first year of the projected cash flow is 6.35% (2017: 7.19%), rising to 9.39% (2017: 10.49%) in year five
- JLL have assumed purchasers costs of 6.8% (2017: 6.8%)
- The average stabilised occupancy is 84.1% (2017: 81.2%)
- The average exit yield assumed is 7.42% (2017: 7.67%)

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

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

For leaseholds the same methodology has been used as for freehold property, except that no sale of the assets in the 10th year is assumed, but the discounted cash flow is extended to the expiry of the lease. The average unexpired term of the Group's operating leaseholds is approximately 11 years and 1 month as at 31 July 2018 (10 years and 8 months: 31 July 2017). 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.

On 22 February 2018, the Group completed the Deed of Variation, Reversionary Lease and Rent Review Memorandum extending the lease term of the Fareham Store by ten years to 2036.

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

Directors' valuation of land and property

The old Southampton store: Following the opening of the new Southampton store with the corresponding transfer of all customers from the old Southampton store, the vacant building was redeveloped for cruise parking. 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 have placed a valuation on the site at the 2018 year-end at £2.0 million. The building was converted to this use costing £1.195 million (£1.103 million net of depreciation) and started trading as "ParknCruise" in May 2017. Accordingly the Directors placed their valuation on the current developed site at the 2018 year-end at £3.103 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 2018 is £3.603 million (2017: £4.195 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
Capital contributions arising from share-based payments	33
31 July 2018	2,418

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	Self-storage
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	Dormant

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.

12 Development loan capital

In May 2015 Lok'nStore opened a new store in Aldershot, Hampshire on behalf of outside investors, to which it provided development loan capital. The store is managed under the Lok'nStore brand. The Group has managed the building and subsequent operation of the store and has generated a return on £2.5 million of the total development capital committed to the project, as well as management fees for the construction, operation and branding of the store. On 31 October 2017 the entire development loan was repaid to Lok'nStore together with all accrued interest. Lok'nStore continues to manage the operation of the store.

	Group 2018 £'000	Group 2017 £'000
Development loan capital	–	3,463

13 Inventories

	Group 2018 £'000	Group 2017 £'000
Consumables and goods for resale	257	203

The amount of inventories recognised in cost of sales as an expense during the year was £160,177 (2017: £164,225). (See note 2(b)).

14 Trade and other receivables

	Group 2018 £'000	Group 2017 £'000
Trade receivables	1,969	1,693
Other receivables	1,927	1,822
Prepayments and accrued income	580	751
	4,476	4,266

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 2018 £'000	Company 2017 £'000
Net amount due from Lok'nStore Limited	13,940	13,021

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 £223,092 (2017: £268,252) 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 41 days past due (2017: 43 days past due).

Ageing of past due but not impaired receivables

	Group 2018 £'000	Group 2017 £'000
0–30 days	100	97
30–60 days	85	121
60+ days	38	50
Total	223	268

Movement in the allowance for bad debts

	Group 2018 £'000	Group 2017 £'000
Balance at the beginning of the year	188	186
Impairment losses recognised	40	34
Amounts written off as uncollectible	(36)	(32)
Balance at the end of the year	192	188

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 2018 £'000	Group 2017 £'000
0–30 days	–	–
30–60 days	–	–
60+ days	192	188
Total	192	188

15 Trade and other payables

	Group 2018 £'000	Group 2017 £'000
Trade payables	1,102	818
Taxation and social security costs	313	288
Other payables	1,340	1,692
Accruals and deferred income	2,404	2,234
	5,159	5,032

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 17, cash and cash equivalents and equity attributable to the owners of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity. The Group's banking facilities require that management give regular consideration to interest rate hedging strategy. The Group has complied with this during the year.

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

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

Capital Management	Group 2018 £'000	Group 2017 £'000
Gross borrowings	(37,335)	(28,816)
Cash and cash equivalents	4,990	11,386
Net debt	(32,345)	(17,430)
Total equity	103,251	89,119
Net debt to equity ratio	31.3 %	19.6 %

The increase in the Group's gearing ratio arises principally through the acquisition of our Bournemouth, Bedford, Cardiff, Cheshunt and Leicester sites funded by bank borrowings, mitigated by the combined effect of an increase in the value of its properties, 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. Historically the Group has hedged through the deployment of interest rate swaps although the Group had no such instruments in place at 31 July 2017 or 31 July 2018. The Board continues to keep its hedging policy under periodic review.

B Debt management

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

The Group borrows through a 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 £161.6 million (2017: £136.2 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 £50 million (2017: £40 million). This facility expires on 15 January 2023. Undrawn committed facilities at the year-end amounted to £12.7 million (2017: £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 17. The Group has a number of revolving loans within its overall revolving credit facility and as such is exposed to interest rate risks at the time of renewal arising from any upward movement in the LIBOR rate.

Cash balances held in current accounts attract no interest but surplus cash is transferred daily to a treasury deposit account which earns interest at the prevailing money market rates[1]. All amounts are denominated in Sterling. The balances at 31 July 2018 are as follows:

	Group 2018 £'000	Group 2017 £'000
Variable rate treasury deposits[1]	4,337	11,048
SIP trustee deposits	40	5
Cash in operating current accounts	582	285
Other cash and cash equivalents	31	48
Total cash and cash equivalents	4,990	11,386

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 2018 was 0.1% (2017: 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

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

At 31 July 2018, it is estimated that an increase of one percentage point in interest rates would have reduced the Group's annual profit before tax by £373,345 (2017: £288,156) and conversely a decrease of one percentage point in interest rates would have increased the Group's annual profit before tax by £373,345 (2017: £288,156). 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 1.85% applying to the variable rate borrowings of £37.3 million in the year (2017: £28.8 million / 1.66%).

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 2018 was £3.06 million (2017: £2.34 million) on receivables and £4.99 million (2017: £11.39 million) on cash and cash equivalents.

16 Financial instruments continued

H Maturity analysis of financial liabilities

The undiscounted contractual cash flow maturities are as follows:

2018 - Group	Trade and other payables £'000	Borrowings £'000	Interest on borrowings £'000
Over five years	–	–	–
From two to five years	–	37,335	1,307
From one to two years	–	–	532
Due after more than one year	–	37,335	1,839
Due within one year	2,728	–	532
Total contractual undiscounted cash flows	2,728	37,335	2,371

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

I Fair values of financial instruments

	Group 2018 £'000	Group 2017 £'000
Categories of financial assets and financial liabilities		
Financial assets – loans and receivables		
Trade and other receivables[1]	4,616	3,967
Cash and cash equivalents	4,990	11,386
Development loan capital	–	3,463
Financial liabilities – other financial liabilities at amortised cost		
Trade and other payables	(2,728)	(2,934)
Bank loans	(37,170)	(28,670)

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

The fair values of the Group's cash and short-term deposits and those of other financial assets equate to their carrying amounts. The Group's receivables and cash and cash equivalents are all 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 £13.9 million (2017: £13.0 million) which are classified as loans and 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.

17 Borrowings

	Group 2018 £'000	Group 2017 £'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)	37,335	–
Deferred financing costs	(165)	(146)
Net bank borrowings	37,170	28,670
Non-current borrowings	37,170	28,670

The Group has an existing banking facility with Royal Bank of Scotland plc (RBS). The facility runs until January 2023 providing funding for more site acquisitions and working capital. The Group is not obliged to make any repayments prior to its expiration in January 2023.

In February 2018 the Group executed its £10 million accordion increasing its £40 million Banking Facility to £50 million. The increased facility will provide funding for site acquisitions and working capital to support the Group's ambitious growth plans for more landmark site acquisitions and working capital.

Bank covenants and margin are unaffected following the increased facility with 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 £37.3 million drawn averaged 1.85% in the year.

The Group currently has £37.3 million drawn against its existing £50 million facility. The £50 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 £152.6 million (2017: £120.4) million together with cross-company guarantees from Group companies.

18 Deferred tax

Deferred tax liability	Group 2018 £'000	Group 2017 £'000
Liability at start of year	16,363	15,361
Credited to income for the year	644	112
Tax credited directly to other comprehensive income	2,698	932
Debit / (credit) to share based payment reserve	30	(42)
Liability at end of year	19,735	16,363

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 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
Charge/(credit) to income for the year	683	(28)	–	–	(11)	–	644
Charge to other comprehensive income	–	–	–	2,687	11	–	2,698
Charge to share based payment reserve	–	–	–	–	–	30	30
At 31 July 2018	2,879	366	17	14,568	2,146	(241)	19,735

19 Share capital

Authorised:	2018 £'000	2017 £'000
35,000,000 ordinary shares of 1 pence each (2017: 35,000,000)	350	350

Allotted, issued and fully paid ordinary shares	£'000	£'000
Balance 1 August	293	291
Options exercised 193,692 (2017: 193,601)	2	2
Balance 31 July	295	293

	Called up, allotted and fully paid Number	Called up, allotted and fully paid Number
Number of shares at 31 July	29,498,615	29,302,923

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:

2018 Summary	As at 31 July 2017 No of options	Granted	Exercised	Lapsed/ surrendered	As at 31 July 2018 No of options
Unapproved Share Options (refer note 22(a))	964,108	4,343	(145,095)	(5,805)	817,551
Unapproved Share Options (LTPRP Scheme – refer note 22(b))		140,000	–	–	140,000
Approved CSOP Share Options (refer note 23)	135,378	21,493	(55,814)	(8,858)	92,199
Total	1,099,486	165,836	(200,909)	(14,663)	1,049,750

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

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

	Total at 31 July 2017	Options granted	Options Exercised/ lapsed	Unapproved Scheme	Approved CSOP share options	Total at 31 July 2018
2018						
Executive Directors						
A Jacobs – Unapproved	206,087	–	–	206,087	–	206,087
RA Davies – Unapproved	256,977	–	(10,000)	246,977	–	246,977
RA Davies – CSOP	7,742	–	–	–	7,742	7,742
RA Davies total	264,719	–	(10,000)	246,977	7,742	254,719
N Newman-Shepherd – Unapproved	197,421	–	(25,000)	172,421	–	172,421
N Newman-Shepherd – CSOP	13,661	–	(3,000)	–	10,661	10,661
N Newman-Shepherd total	211,082	–	(28,000)	172,421	10,661	183,082
Non-Executive Directors						
SG Thomas – Unapproved	25,217	–	–	25,217	–	25,217
ETD Luker – Unapproved	15,000	–	(15,000)	–	–	–
All Directors total	722,105		(53,000)	650,702	18,403	669,105

The grant of options to Executive Directors and senior management is recommended by the Remuneration Committee on the basis of their contribution to the Group's success. The options vest after two and a half 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 £33,339 (2017: £96,985), all of which relates to equity-settled share-based payment transactions.

21 Enterprise Management Initiative Scheme

The Company operated a share option scheme under the Enterprise Management Initiative (EMI).

The Group has for some years no longer met the EMI Scheme qualifying criteria. Accordingly, there were no options issued under this scheme during the year, and no options remained at the year end. The scheme is now closed.

22(a) Unapproved Share Options

The Company issues unapproved share options, the vesting conditions of which have been met.

Movements in the year are shown below:

	Options 2018 number	Weighted average exercise price 2018 pence	Options 2017 number	Weighted average exercise price 2017 pence
Outstanding at 1 August	964,108	167.57	1,094,482	159.85
Granted during the year	4,343	402.50	44,031	387.50
Forfeited during the year	(5,805)	387.50	(23,997)	223.37
Exercised during the year	(145,095)	126.23	(150,408)	166.92
Outstanding at 31 July	817,551	174.59	964,108	167.57
Exercisable at 31 July	718,453	150.79	758,366	146.63

The options outstanding at 31 July 2018 had a weighted average remaining contractual life of 6.6 years (2017: 6.3 years). The exercise prices for shares exercisable at 31 July 2018 ranged from 56.0 pence per share to 287.5 pence per share.

The following sets out the movements in the year in respect of unapproved share options held by the Directors of the Company.

	As at 31 July 2017	Granted	Exercised/ lapsed	As at 31 July 2018	Exercise price (pence)	Date from which exercisable	Expiry date
A Jacobs	206,087	–	–	206,087	1.085 – 2.855	31/7/15 – 6/8/18	31/7/22 – 6/8/25
S Thomas	25,217	–	–	25,217	2.070 – 2.855	31/7/17 – 6/8/18	31/1/24 – 6/8/25
R Davies	256,977	–	(10,000)	246,977	0.850 – 2.135	31/7/10 – 31/7/17	31/7/17 – 31/7/27
N Newman-Shepherd	197,421	–	(25,000)	172,421	1.070 – 3.875	31/7/11 – 31/7/20	31/7/18 – 31/7/27
ETD Luker	15,000	–	(15,000)	–	0.565	31/7/12	31/7/19
Total	700,702		(50,000)	650,702			

22(b) Unapproved Share Options – Long Term Partnership Performance Plan (LTPPP)

On 2 July 2018 the Group adopted a Company Long Term Partnership Performance Plan (LTPPP).

The Plan is a discretionary benefit offered by the Company for the benefit of selected key employees. Its main purpose is to increase the interest of the employees in the Group's long term business goals and performance through share ownership.

Shares purchased or received under the Plan, any cash received under the Plan and any gains obtained under the Plan are not part of salary for any purpose except to any extent required by statute. The Remuneration Committee of the Board of the Company shall have the right to decide, in its sole discretion, whether or not awards will be granted and to which employees those awards will be granted.

A summary of the structure and rules of the Plan are set out below:

Structure

- Options are granted on Lok'nStore Group Plc shares
- The exercise price is at £6 is well above the current price to allow the issuance of more options increasing member returns if ambitious targets are hit
- Options are to be issued to participants in 5 annual tranches from July 2018 to July 2022
- Participants will have 10 years to exercise from vesting dates
- Performance criteria are geared to achievement of ambitious long term plan
- Twin performance targets of share price and CAD thresholds for each award. CAD thresholds to be determined each year by the Remuneration Committee
- Alternative exercise methods can be considered by the Group:
  - Participants may exercise and hold – paying tax arising
  - Participants may exercise and sell – paying tax arising
  - Group delivers net profit to participants in cash or shares

Main Rules & Conditions

- Conditional on participants remaining in employment with the Group
- Replaces LTPRP for participating members
- Existing cash bonus schemes remain in place
- All options vest if there is a change of control
- Includes Good / Bad Leaver clauses
- The Scheme is entirely at the discretion of the Remuneration Committee who act on behalf of the Board

Movements in the year are shown below:

	Options 2018 number	Weighted average exercise price 2018 pence
Outstanding at 1 August	–	–
Granted during the year	140,000	600.00
Outstanding at 31 July	140,000	600.00
Exercisable at 31 July	–	–

Post Balance Sheet: The following unapproved share options have been granted to Directors of the Company on 7 August 2018.

	As at 31 July 2018	Granted	As at 7 August 2018	Exercise price (pence)	Date from which exercisable	Expiry date
A Jacobs	–	40,000	40,000	600.00	31/07/2023	31/07/2033
R Davies	–	40,000	40,000	600.00	31/07/2023	31/07/2033
N Newman-Shepherd	–	60,000	60,000	600.00	31/07/2023	31/07/2033
Total	–	140,000	140,000			

23 CSOP Approved Share Options

On 2 June 2010 the Group adopted a Company Share Option Plan (CSOP). The CSOP achieved HMRC approval on 28 June 2010. There are no performance conditions attached to share options issued under CSOP.

Movements in the year are shown below:

	Options 2018 number	Weighted average exercise price 2018 pence	Options 2017 number	Weighted average exercise price 2017 pence
Outstanding at 1 August	135,378	250.22	166,009	206.05
Granted during the year	21,493	402.50	20,488	387.50
Forfeited/surrendered during the year	(8,858)	338.65	(7,926)	260.51
Exercised during the year	(55,814)	193.46	(43,193)	143.66
Outstanding at 31 July	92,199	311.59	135,378	250.22
Exercisable at 31 July	39,537	222.27	81,880	191.90

The options outstanding at 31 July 2018 had a weighted average remaining contractual life of 9.9 years (2017: 8.7 years). The exercise prices for shares exercisable at 31 July 2018 ranged from 107.00 pence per share to 287.50 pence per share.

The inputs into the Black-Scholes model used to value the options granted during the year are as follows:

Date of grant	Expected life (years)	Share price at date of grant (pence)	Exercise price (pence)	Expected volatility (%)	Expected dividend yield (%)	Risk free interest rate (%)	Fair value charge per award (pence)
31 July 2018	6.50	402.50	402.50	24.59	2.57	1.15	72.0

The following CSOP approved share options have been granted to Directors of the Company.

	As at 31 July 2017	Granted	Exercised/ lapsed	As at 31 July 2018	Exercise price (pence)	Date from which exercisable	Expiry Date
R Davies	7,742	–	–	7,742	3.875	31/7/20	31/7/27
N Newman-Shepherd	13,661	–	(3,000)	10,661	1.070 – 3.875	31/7/14 – 31/7/20	31/7/21 – 31/7/27
	21,403	–	(3,000)	18,403			

24(a) 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 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
Share based remuneration (options)	–	–	–	–	33	33
IFRS 2 – transfer (to)/ from retained earnings	–	–	–	–	(109)	(109)
Cash flow hedge reserve net of tax	–	–	–	–	–	–
Tax charge relating to share options	–	–	–	–	(30)	(30)
31 July 2018	–	6,295	1,294	34	740	8,363

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 £109,218 (2017: £138,755).

24(b) Other reserves

Company	Other reserve £'000	Share-based payment reserve £'000	Total £'000
1 August 2016	1,114	847	1,961
Share based remuneration (options)	–	97	97
IFRS 2 – transfer to retained earnings	–	(139)	(139)
31 July 2017	1,114	805	1,919
Share based remuneration (options)	–	33	33
IFRS 2 – transfer to/from retained earnings	–	(109)	(109)
31 July 2018	1,114	729	1,843

25(a) Retained earnings

Group	Retained earnings before deduction of own shares £'000	Own shares (note 26) £'000	Retained earnings Total £'000
1 August 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 24(a))	139	–	139
Transfer realised gain on asset disposal	–	3,741	3,741
Dividend paid	(2,637)	–	(2,637)
31 July 2017	18,664	(500)	18,164
Profit attributable to owners of Parent for the financial year	3,757	–	3,757
Transfer from revaluation reserve			
(Additional depreciation on revaluation)	291	–	291
Transfer from share based payment reserve (note 24(a))	109	–	109
Dividend paid	(2,977)	–	(2,977)
31 July 2018	19,844	(500)	19,344

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.

25(b) Retained earnings

Company	Retained earnings before deduction of own shares £'000	Own shares (note 26) £'000	Retained earnings Total £'000
1 August 2016	117	–	117
1 August 2016 – As restated	117	(3,741)	(3,624)
Profit attributable to owners of Company for the financial year	5,547	–	5,547
Transfer from share based payment reserve (note 24(a))	139	–	139
Disposal of treasury shares – restated	–	3,741	3,741
Dividend paid	(2,637)	–	(2,637)
31 July 2017	3,166	–	3,166
Profit attributable to owners of Company for the financial year	3,572	–	3,572
Transfer from share based payment reserve (note 24(a))	109	–	109
Dividend paid	(2,977)	–	(2,977)
31 July 2018	3,870	–	3,870

Restatement of 2016 Retained Earnings

At the start of the 2017 financial year a total of 2,466,869 of Lok'nStore Group Plc ordinary shares of 1p each were held 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 were sold in November 2016 and April 2017 to a range of institutional investors, as described in the 2017 Annual Report.

The treasury shares amount of £3,741,000 was previously reported as an investment by Lok'nStore Limited (the subsidiary) but should have been recognised in Lok'nStore Group Plc's accounts since they were registered in the name of the parent company.

The impact of the prior period adjustment in plc is to change the amounts shown as the intercompany balance with Lok'nStore Limited and the amount shown as own shares at 1 August 2016, which is included within Retained Earnings on the Statement of Financial Position and disclosed separately in the notes to the accounts.

Accordingly, the comparative 2016 amounts have been restated in the parent company's accounts. 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 and therefore have not presented a restated balance sheet at 31 July 2016 as they do not believe it is material in the context of the financial statements as a whole.

Review of distributable reserves and rectification of prior dividends (the Relevant Dividends)

The Board has become aware of certain technical issues relating to the levels of distributable reserves within the Lok'nStore Group and the payment of interim and final dividends by Lok'nStore Group Plc to our shareholders during the period from 2013 to 2016 ('the Relevant Dividends').

Lok'nStore's Group structure is that almost all of the self-storage operations and assets and cash sit within the principal operating subsidiary Lok'nStore Limited. Lok'nStore Group Plc is of itself a non-trading holding company. Throughout this period at all relevant times, the Group had adequate distributable reserves in subsidiary companies to enable payment of the Relevant Dividends, and each year payment of the final dividends was approved by the Company's shareholders at its annual general meeting.

However, a review of historical intra-group transactions revealed that dividends were not paid up from Lok'nStore Limited to Lok'nStore Group Plc in the period from 2013 to 2016 and thereby did not create distributable reserves in Lok'nStore Group Plc in the manner that had been intended. As a consequence, the Relevant Dividends paid by Lok'nStore Group Plc were not paid out of distributable reserves and were therefore not paid in accordance with the Companies Act 2006.

We are undertaking a series of procedural steps in order to rectify this issue and put the Company and its subsidiaries, in the position that was originally intended with respect to the creation of distributable reserves in Lok'nStore Group Plc.

We will put a resolution to shareholders at the forthcoming Annual General meeting to be held on 11 December 2018 which, if passed, would put all potentially affected parties, in so far as possible, in the position they would be had the Relevant Dividends been paid in accordance with the requirements of the Companies Act 2006.

Full details will be included in the circular and notice of general meeting to be sent to shareholders.

26 Own shares

	EBT shares Number	EBT shares £	Treasury shares Number	Treasury shares £	Own shares total £
31 July 2017 and 31 July 2018	623,212	499,910	–	–	499,910

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 2018, the Trust held 623,212 (2017: 623,212) ordinary shares of 1 pence each with a market value of £2,508,428 (2017: £2,414,947). No shares were transferred out of the scheme during the year (2017: nil).

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

27 Cash flows

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

	Group 2018 £'000	Group 2017 £'000
Profit before tax	5,325	3,965
Depreciation	1,980	1,856
Amortisation of intangible assets	165	165
Equity settled share based payments	33	97
Warranty Claims	(230)	–
Carried interest – fees receivable	(361)	–
Property disposal costs	–	15
Store relocation costs	–	29
Director retirement costs	–	69
Finance income	(80)	(309)
Finance cost	463	606
Increase in inventories	(54)	(38)
Increase in receivables	(571)	(284)
Increase/decrease in payables	312	(648)
Cash generated from operations	6,982	5,523

Overview

Strategic Report

Governance

Financial Statements

27 Cash flows continued

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

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

	Group 2018 £'000	Group 2017 £'000
(Decrease) / increase in cash in the year	(6,396)	6,051
Change in net debt resulting from cash flows	(8,519)	–
Movement in net debt in year	(14,915)	6,051
Net debt brought forward	(17,430)	(23,481)
Net debt carried forward	(32,345)	(17,430)

28 Commitments under operating leases

At 31 July 2018 the total future minimum lease payments as a lessee under non-cancellable operating leases were as follows:

	Group 2018 £'000	Group 2017 £'000
Land and buildings		
Amounts due:		
Within one year	1,467	1,469
Between two and five years	5,868	5,868
After five years	7,036	6,600
Total	14,371	13,937

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.

29 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, and the other key management personnel of the Group, is set out below. Further information on the remuneration of individual Directors is found in note 6.

	Group 2018 £'000	Group 2017 £'000
Short term employee benefits – Directors	717	1,000
Short term employee benefits – Other key management	320	312
Post-employment benefits – Directors	33	33
Post-employment benefits – Other key management	6	6
Share-based payments	33	97
Total	1,109	1,448

As part of a review of its management personnel the Group recognised a number of management personnel that it felt were important to retain within the business in order for it to achieve its strategic plan. Accordingly these were recognised as key personnel and are participants in the new Long Term Performance Plan (see note 22(b)). They are included in the table above. For consistency the 2017 figures include their comparative figures.

Group Director shareholdings – dividends received

In respect of the total dividends paid during the year of £2,976,689, the Group directors received the amounts set out in the table below:

Director's Dividend Income	Holding No.	Final 2017 7.67 pence per share £	Interim 2017 3.33 pence per share
Executive:			
A Jacobs	5,204,600	364,392	171,752
RA Davies	62,934	4,325	2,064
N Newman-Shepherd	9,300	231	307
Non-Executive:			
SG Thomas	1,780,000	126,000	58,740
RJ Holmes	273,674	19,157	9,031
ETD Luker	28,800	966	455
CP Peal	513,561	35,949	16,948
Total	7,872,869	551,020	259,297

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 No of shares	Broadstairs No of shares	Exeter 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%

30a Capital commitments and guarantees

The Group has capital expenditure contracted but not provided for in the financial statements of £3.38 million (2017: £2.60 million) relating to building contracts on its Cardiff development site as well as building retentions outstanding on the completed Bristol, Southampton, Gillingham and Wellingborough stores.

30b 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 £37.3 million (2017: £28.8 million).

31 Events after the reporting date

a) Planning permission obtained on the Leicester site

On 17 August 2018, planning permission was granted for the construction of a self-storage centre.

b) Planning permission obtained on the Cardiff site

On 22 August 2018, planning permission was granted for the change of use of the trading site to B8 Self Storage use.

c) Planning permission obtained on the Gloucester site

On 5 September 2018, planning permission was granted for the construction of a self-storage centre.

d) Sale of surplus land at rear of Southampton store

Following the development and opening of the new Southampton store there remained surplus land to the rear of the building which could be sold or used for alternative use. On 25 October 2018, the surplus land was sold for £800,000. The Directors have placed a value at the year-end in the financial statements on this land of £0.5 million.

Glossary

Abbreviation	
Adjusted EBITDA	Earnings before all depreciation and amortisation charges, losses or profits on disposal, share-based payments, acquisition costs, and non-recurring professional costs, finance income, finance costs and taxation
Adjusted Store EBITDA	Adjusted EBITDA (see above) but before central and head office costs
AGM	Annual General Meeting
APD	Auditing Practices
Bps	Basis Points
CAC	Contributory asset charges
CAD	Cash available for Distribution
Capex	Capital Expenditure
CGU	Cash generating units
CO e	Carbon Dioxide Emissions
CSOP	Company Share Option Plan
EBT	Employee Benefit Trust
EMI	Enterprise Management Incentive Scheme
ESOP	Employee Share Option Plan
EU	European Union
GHG	Greenhouse gas
HMRC	Her Majesty's Revenue & Customs
IAS	International Accounting Standard
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
JLL	Jones Lang LaSalle Limited
LIBOR	London Interbank Offered Rate
LFL	Like for like
LTV	Loan to Value Ratio
MWh	Megawatt Hour
NAV	Net Asset Value
NBV	Net book value
Operating Profit	Earnings before interest and tax (EBIT)
PV	Photovoltaic
RICS	Royal Institution of Chartered Surveyors
sq. ft.	Square Feet
TVR	Total voting rights
VAT	Value Added Tax

Our Stores

Head Office
Lok'nStore Plc
112 Hawley Lane
Farnborough
Hampshire
GU14 8JE

Tel 01252 521010
www.loknstore.co.uk
www.loknstore.com

Central Enquiries
0800 587 3322
info@loknstore.co.uk
www.loknstore.co.uk

Owned Stores – Trading

Basingstoke
Crockford Lane
Chineham
Basingstoke
Hampshire
RG24 8NA

Tel 01256 474700
basingstoke@loknstore.co.uk

Bristol
Longwell Green Trade Park
Aldermoor Way
Bristol
BS30 7ET

Tel 01179 677055
Bristol@loknstore.co.uk

Crayford
Block B
Optima Park
Thames Road
Crayford
Kent
DA1 4QX

Tel 01322 525292
crayford@loknstore.co.uk

Eastbourne
Unit 4, Hawthorn Road
Eastbourne
East Sussex
BN23 6QA

Tel 01323 749222
eastbourne@loknstore.co.uk

Fareham
26 + 27 Standard Way
Fareham Industrial Park
Fareham
Hampshire
PO16 8XJ

Tel 01329 283300
fareham@loknstore.co.uk

Farnborough
112 Hawley Lane
Farnborough
Hampshire
GU14 8JE

Tel 01252 511112
farnborough@loknstore.co.uk

Gillingham
Courtney Road
Gillingham
Kent
ME8 0RT

Tel 01634 366044
gillingham@loknstore.co.uk

Harlow
Edinburgh Way
Temple Fields
Harlow
Essex
CM20 2GF

Tel 01279 882366
harlow@loknstore.co.uk

Horsham
Blatchford Road
Redkiln Estate
Horsham
West Sussex
RH13 5QR

Tel 01403 272001
horsham@loknstore.co.uk

Luton
27 Brunswick Street
Luton
Bedfordshire
LU2 0HG

Tel 01582 721177
luton@loknstore.co.uk

Maidenhead
Stafferton Way
Maidenhead
Berkshire
SL6 1AY

Tel 01628 878870
maidenhead@loknstore.co.uk

Milton Keynes
Etheridge Avenue
Brinklow
Milton Keynes
Buckinghamshire
MK10 0BB

Tel 01908 281900
miltonkeynes@loknstore.co.uk

Northampton Central
16 Quorn Way
Grafton Street Industrial Estate
Northampton
NN1 2PN

Tel 01604 629928
nncentral@loknstore.co.uk

Northampton Riverside
Units 1–4, Carousel Way
Northampton
Northamptonshire
NN3 9HG

Tel 01604 785522
northampton@loknstore.co.uk

Our Stores continued

Owned Stores – Trading
continued

ParknCruise
Manor House Avenue
Millbrook
Southampton
Hampshire
SO15 0LF

Tel 02380 789966
southampton@parkncruise.co.uk

Poole
50 Willis Way
Fleetsbridge
Poole
Dorset
BH15 3SY

Tel 01202 666160
poole@loknstore.co.uk

Portsmouth
Rudmore Square
Portsmouth
Hampshire
PO2 8RT

Tel 02392 876783
portsmouth@loknstore.co.uk

Reading
251 A33 Relief Road
Reading
Berkshire
RG2 0RR

Tel 01189 58999
reading@loknstore.co.uk

Southampton
Third Avenue
Southampton
Hampshire
SO15 0JX

Tel 02380 783388
southampton@loknstore.co.uk

Sunbury
Unit C, The Sunbury Centre
Hanworth Road
Sunbury on Thames
Middlesex
TW16 5DA

Tel 01932 808466
sunbury@loknstore.co.uk

Tonbridge
Unit 6 Deacon Trading Estate
Vale Road
Tonbridge
Kent
TN9 1SW

Tel 01732 771007
tonbridge@loknstore.co.uk

Wellingborough
19/21 Whitworth Way
Wellingborough
NN8 2EF

Tel: 01634 366044
gillingham@loknstore.co.uk

Owned Stores – Under Development

Bedford
69 Cardington Road
Bedford
NK42 0BQ

Bournemouth
Land at Wessex Field
Deansleigh Road
Bournemouth
BH7 7DU

Cardiff
234, Penarth Road
Cardiff
CF11 8LR

Cheshunt
Land lying on the South
Side of Halfhide Lane
Turnford
Hertfordshire

Leicester
Part of land forming part of
Freemens Common Road,
Leicester
LE2 7SL

Managed Stores – Trading

Aldershot
251, Ash Road
Aldershot
Hampshire
GU12 4DD

Tel 0845 4856415
aldershot@loknstore.co.uk

Ashford
Wotton Road
Ashford
Kent
TN23 6LL

Tel 01233 645500
ashford@loknstore.co.uk

Broadstairs
Unit 2, Pyramid Business Park
Poorhole Lane
Broadstairs
Kent
CT10 2PT

Tel 01843 863253
broadstairs@loknstore.co.uk

Chichester
17, Terminus Road
Chichester
West Sussex
PO19 8TX

Tel 01243 771840
chichester@loknstore.co.uk

Crawley
Sussex Manor Business Park
Gatwick Road
Crawley
RH10 9NH

Tel 01293 738530
crawley@loknstore.co.uk

Hemel Hempstead
Fortius Point
47, Maylands Avenue
Hemel Hempstead
Hertfordshire
HP2 7DE

Tel 01442 240768
hemelhempstead@loknstore.co.uk

Swindon

Kembrey Street
Elgin Industrial Estate
Swindon
Wiltshire
SN2 8UY
Tel 01793 421234
swindoneast@loknstore.co.uk

Woking

Marlborough Road
Woking
GU21 5JG

Tel 01483 378323
woking@loknstore.co.uk

Managed Stores – Under Development

Dover

Honeywood Parkway
Whitfield
Dover
Kent
CT16 3FJ

Exeter

Land on the West Side
of Matford Park Road
Marsh Barton
Exeter
Devon

Gloucester

Land at Triangle Park
Metz Way
Gloucester

Ipswich,

Part of Site 7
Futura Park
Ipswich
P3 9QH

Designed and produced by emperor
Visit us at emperor.works

LOK'n STORE

Self Storage

Head Office
Lok'nStore Plc
112 Hawley Lane
Farnborough
Hampshire
GU14 8JE

T. 01252 521010
www.loknstore.co.uk
www.loknstore.com