



FOR IMMEDIATE RELEASE

20 January 2009

**Safestore Holdings plc**  
**(“Safestore” or the “Company”)**

**Preliminary Results for the year ended 31 October 2008**

Safestore Holdings plc, the largest self storage retailer in the UK and Paris, is pleased to report a strong set of results with revenue up 11.5%, like for like revenue up 9.3% and an EBITDA\*\* increase of 10.9%.

**Highlights**

	Year ended 31 October 08	Year ended 31 October 07	Increase %
Revenue	£82.9m	£74.3m	+11.5%
Like-for-like revenue*	£79.3m	£72.6m	+9.3%
Ancillary revenue	£10.9m	£10.4m	+5.2%
<b>EBITDA** before exceptional items and gains on investment properties</b>	<b>£45.1m</b>	<b>£40.7m</b>	<b>+10.9%</b>
Profit after Tax (adjusted) (1)	£18.4m	£14.7m	+25.5%
Profit after Tax (2)	£12.5m	£78.2m	-84.0%
Earnings Per Share (adjusted) (1)	9.84p	8.08p	+21.8%
Basic Earnings Per Share (2)	6.68p	43.02p	-84.5%
Net Asset Value per Share (adjusted) (3)	202.1p	198.8p	+1.6%
Net Asset Value per Share	136.5p	132.5p	+3.0%
Dividend – Final per Share	3.0p	3.0p	
<b>Total per Share</b>	<b>4.65p</b>	<b>4.5p</b>	

1 See note 6.

2 The decrease in Profit after Tax and Basic Earnings Per Share is explained by the year on year movement in the investment (loss)/gain and the associated taxation.

3 See note 8.

- As at 31 October 2008, Safestore's property portfolio was valued at £638.7 million, an increase of 9.4%, or £54.9 million, since 31 October 2007.
- Average rate per square foot ("sq ft") increased by 11.6% to £24.06 (like-for-like increase of 12.3% to £24.42).
- Closing occupancy was 2.72 million sq ft, a decrease of 6.7% from October 2007.
- During the financial year, Safestore opened nine new stores, five of which are freehold and four leasehold with six being new purpose built facilities. The initial performance of these stores has been encouraging.
- We currently have a pipeline of 11 expansion stores, 10 of which will be purpose built. Of these stores 10 are freehold and one is long leasehold, eight of which have planning permission. The expansion pipeline will increase the total number of stores from 112 to 121 when open as the pipeline includes two relocation stores.
- Total Maximum Lettable Area ("MLA"), combined with the expansion stores will increase to approximately 5.4 million sq ft.
- Safestore has raised an additional €60 million term bank facility with a consortium of existing lenders. This facility will be used to finance the French business, Une Pièce en Plus ("UPP") and is due to expire in July 2011 alongside the Company's existing facilities. The introduction of this Euro debt provides a natural hedge for Safestore's Euro denominated assets thereby mitigating some of the Company's exposure to foreign exchange risk.

**Steve Williams, Safestore's Chief Executive, said:**

"I am pleased to report a robust performance against the background of a difficult economic climate. While Safestore is not immune to the broader economic downturn, the resilience of the Company's performance demonstrate its wide cross section of both domestic and business customers and that Safestore is not wholly reliant on the housing market. It further reflects the strong retail and operational expertise of our executive team.

"Despite the difficult trading conditions the business has again produced strong cash flow and quality earnings underpinned by a large and diverse customer base where average length of stay for current customers has increased from 80 weeks to 91 weeks year on year.

"We have seen an improvement in trading year on year since the year end which is traditionally our weakest quarter. We are particularly encouraged by the performance over the past eight weeks.

"The Board are pleased to recommend a final dividend of 3 pence per share bringing the total dividend to 4.65 pence per share for the year. We consider the level of dividend recommended represents the right balance between dividend growth and new store organic growth and it further demonstrates the Board's confidence in the Safestore business model.

"The Board believes that Safestore is well positioned to withstand the downturn in the economy and, leveraging upon the advantages of its flexible business model, market leading position and operating expertise, is ideally placed to make best use of potential opportunities within the market to emerge in an even stronger position."

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***A presentation for analysts will be held today at 9.30am at Merrill Lynch Financial Centre, 2 King Edward Street, EC1A 1HQ***

***Dial-in details for the presentation are as follows:***

***UK Access Number: +44 (0)20 8609 1228***

***Participant PIN Code: 848641#***

***The analyst presentation document will be available for download from 11am on Safestore's investor relations website: [www.safestore.com](http://www.safestore.com)***

- \* Like for like stores are those stores which have two full financial years trading
- \*\* EBITDA – Earnings before interest, taxation, depreciation and amortisation
- \*\*\* EBITDA margins – Earnings before interest, taxation, depreciation and amortisation, exceptional items and investment property gains

*Certain statements in this announcement are forward looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties or assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this announcement regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this announcement. Information in this announcement relating to the price at which investments have been bought or sold in the past or the yield on investments cannot be relied upon as a guide to future performance. Except as required by law, the Company is under no obligation to update or keep current the forward-looking statements contained in this announcement or to correct any inaccuracies which may become apparent in such forward-looking statements.*

## **Chief Executive's Review**

### ***Introduction***

I am pleased to report another year of excellent progress for the Company since its flotation two years ago. The strong combination of a retail-led business with a significant property asset base has consistently delivered high quality cash flow and earnings.

Against a backdrop of deteriorating consumer confidence in the wider economy, revenues for the year ended 31 October 2008 rose by 11.5% to £82.9 million (2007: £74.3 million) with like-for-like store revenue increasing by 9.3% to £79.3 million (2007: £72.6 million).

The key drivers for revenue growth continue to be movements in rate per sq ft, occupancy and ancillary revenues. During the period:

- Average rate per sq ft increased by 11.6% to £24.06
- Occupancy decreased by 195,000 sq ft (6.7%) to 2.72 million sq ft
- Ancillary revenues were up 5.2% to £10.9 million.

These movements combined with tight cost controls, resulted in a 10.9% increase in EBITDA (before exceptional items and investment property movements) to £45.1 million (2007: £40.7 million). EBITDA margins have remained broadly flat at 54.5% (2007: 54.8%).

### ***Operating Review***

Safestore's strong operational and retail expertise continued to see the business deliver good returns during the period in this most unprecedented of years. Building upon its successful operational track record, within the UK Safestore focused on successfully improving rental rates per sq ft and expanding its ancillary sales revenue to mitigate against the relative effects of the softening in domestic occupancy, especially from house moving customers. In France, the Company achieved consistently strong results across all the key metrics.

### ***Rates***

The Company continued its trend of successfully improving rental rates per sq ft while offering customers excellent value for money. Through its mixture of micro managing pricing and space utilisation, coupled with operational efficiency within each store, Safestore successfully drove revenue increases by improving its average rate per sq ft by 10.3% to £29.68 in London (2007: £26.92) and 8.0% to £19.22 in the rest of the UK (2007: £17.80). In Paris, this increased by 25.1% (8.5% in constant currency) to £26.20 (2007: £20.94).

### ***Occupancy***

At the year end occupied space was 2,716,000 sq ft, down 6.7% from 2,911,000 sq ft at the same time last year.

During the period under review we have seen an uncertain economic environment and an almost total freeze on borrowing resulting in a moribund housing market and a difficult trading climate for small businesses. This environment has led to some changes in both the mix of new customers and unit sizes.

We continue to see good levels of enquiries and new lets from business customers who require the flexible solutions that self storage provides. We believe that this is due to a combination of factors

including the relative low entry costs, the ability to upsize and downsize the unit in line with their business demand, not having to commit to long lease terms and our ability to offer a truly national service. Our business customers, who at the year end represented 29% of our total customer base and 52% of our occupied space, typically occupy larger rooms, and have remained relatively resilient, benefiting from the flexibility and convenience of self storage in the current climate.

There is a wide cross section of drivers for domestic customers to use storage and while we have seen a downturn in demand from customers within the owner occupied sector, we have seen an increase in customers within the rental sector. The level of enquiries from event driven customers has also remained relatively strong. In addition we have also seen a significant shift in customers who simply need more space. These customers are a mix of those deciding not to move or cannot move in the current environment but who require extra space, customers downsizing or moving into rented accommodation as well as those looking to create an extra room in the home. We are also starting to witness an increase in customers where the home has been repossessed and they require space for their furniture and household items.

The change in customer mix has resulted in customers staying longer and a reduction in the average unit size rented which generates a higher yield per sq.ft. The average length of stay for current customers in the UK has increased to 91 weeks at the year end from 85 weeks in April 2008 and 80 weeks in October 2007. The average occupancy in UPP is even longer being 110 weeks at 31 October 2008.

### ***Ancillary Revenues***

Ancillary sales, which primarily consists of insurance and merchandise sales increased by 5.2% to £10.9 million (2007: £10.4 million).

### ***Retail Store Portfolio***

Safestore has retained its No.1 position in the UK and Central Paris in terms of number of stores. At the year end the Company had 112 stores of which 91 (including three business centres) were in the UK and 21 in Paris:

- 15 of these stores were classified as new (open for less than two full financial years)
- 62 established (open for more than two years, but not prior to 1998)
- 35 mature (pre-1998)

The geographical breakdown includes 36 stores in London, 55 in the rest of the UK and 21 in Paris. The right balance between the various categories provides good solid cash flows in the mature stores with earnings similar to annuities, while the established and new stores deliver real growth upside.

We have continued to invest in the existing store portfolio adding new storage space, further improving security and making general improvements to the ambience of the storage and reception areas. This investment will enable the business to reduce capital expenditure in 2009. We will invest where we consider that it will improve revenues and EBITDA at the appropriate level of return.

### ***New Store Openings***

During the year, we opened nine new stores: three in London (Crayford, Chingford and Hanworth), two in Glasgow (Dobbies Loan and Rutherglen) and one each in Paris, Cheltenham, Bristol and Sunderland. Six of the nine newly opened properties are purpose built facilities and the remaining three have been highly specified conversions. The new stores have made a promising start and are trading ahead of expectations.

We currently have a pipeline of 11 stores (including two relocations) four of which are in Greater London and one in the Greater Paris area. Five of these stores are planned to open in 2009 providing new stores in London, Cardiff, Ipswich, Leicester and Paris.

Ten of the 11 expansion stores will be new purpose built facilities and 10 of them are freehold while the remaining store is a long leasehold. We currently have planning permission for eight of the 11 stores.

These expansion stores will deliver approximately 0.6 million sq ft of additional net lettable space, representing 11% of the overall portfolio of approximately 5.4 million sq ft when fully fitted out.

We aim to maintain our market leadership by a measured approach to organic growth maintaining an opening programme of new stores in priority locations with strong projected returns. Furthermore, we have aligned our growth programme to our objective of preserving cash in the challenging economic climate by moving from up to ten store openings per annum to between four and six. We believe this strikes the right balance between growing the business and prudently managing our capital expenditure. This is underpinned by our policy of remaining flexible in terms of size of store and tenure; which we believe gives us an advantage over some of our competitors. This further has the benefit of reducing the level of capital expenditure required. While organic new store openings remain our priority, the Company will continue to consider and review any acquisition opportunities as they arise provided they meet our strategic objectives and represent the appropriate return on investment.

### **Geographic Spread**

The geographical spread of stores in London and across the UK in the major towns and cities, together with our strong presence in Central Paris provides Safestore with a clear competitive advantage and a good defensive quality to the portfolio, given that the Company's exposure to any one particular market is limited particularly in the current environment.

The recent store openings have further improved the quality of the store portfolio both in terms of geographical spread and the balance between new, established and mature stores.

Our French business, UPP, which now trades from 21 stores in the Paris region, the second most developed self storage market in Europe after London, has continued to deliver strong growth during the year. The strategy is similar to that of the UK in that we look to cluster our stores. The addition of another store in the second half of 2009 at Longpont, will further consolidate our market-leading position in this important and growing market.

### **Maximum Lettable Area ("MLA") and Occupancy**

Our 112 stores provide 4.89 million sq ft of MLA of which 4.03 million sq ft is in the UK and 0.86 million sq ft in France. At 31 October 2008, 2.72 million sq ft was let, of which 2.08 million was in the UK and 0.64 million in France. Average occupancy compared to MLA was 56.9% for the Company with London at 62.8%, Paris at 72.7% and the rest of the UK at 48.1%. The average occupancy percentage is affected by the increased number of new stores (year on year), the number of large stores which have a built out area in excess of 60,000 sq ft and the prevailing economic conditions.

### **Tenure**

As demonstrated by the table below, the Company has historically adopted a flexible approach to tenure of new stores with location, visibility and accessibility taking higher priority on site appraisals. We are aware of the perceived risk that leaseholds bring and therefore keep the development in balance with a preference to trade at around 2/3rd freeholds to 1/3rd leaseholds in the medium term. The Company's approach provides the twin advantages of Safestore being able to extend its offering in areas where freeholds are not available while providing flexibility in terms of competing for new sites. Within leaseholds, Safestore focuses on enhancing operating cash flow and has found that these stores trade as profitably as freeholds.

<b>Existing Portfolio</b>	<b>UK*</b>	<b>% of Portfolio</b>	<b>France</b>	<b>% of Portfolio</b>	<b>Total</b>	<b>% of Portfolio</b>
Freehold/Long Leasehold	56	62%	7	33%	63	56%
Short Leasehold	35	38%	14	67%	49	44%
<b>Total</b>	<b>91</b>		<b>21</b>		<b>112</b>	

  

<b>Expansion Stores Pipeline as at 31 October 2008</b>	<b>UK</b>	<b>% of Portfolio</b>	<b>France</b>	<b>% of Portfolio</b>	<b>Total</b>	<b>% of Portfolio</b>
Freehold/Long Leasehold	10	100%	1	100%	11	100%
Short Leasehold	-	-	-	-	-	-
<b>Total</b>	<b>10</b>		<b>1</b>		<b>11</b>	

\* Short leaseholds in the UK are stores with leases of 25 years or less. The average remaining tenure is 14.75 years and we have three leases due for renewal in the next five years, two of which are earmarked for relocation.

### **Estate and Asset Management**

We manage the estate in-house supported by external property expertise when required. We actively manage the portfolio with a view to enhancing value through more intense use of land and looking to create value through development potential. During the period we have extended the lease on Convention in Paris and have bought the freehold of Arcueil, one of our trading stores in Paris, which has enhanced the value of these stores. We continue to review opportunities to buy the freehold of leasehold stores or to extend leases where appropriate and prudent.

### **Property - Net Asset Value**

At 31 October 2008 Cushman & Wakefield ("C&W") has valued the portfolio at £638.7 million, a year on year increase of £54.9 million (+9.4%) although £6.1 million (-0.9%) down from the half year valuation dated 30 April 2008.

The properties are valued on the basis of market value as fully equipped operational entities having regard to trading potential. The valuation is carried out on a discounted cash flow basis. Freeholds are assessed on the basis of 10 years' trading and then disposal, the disposal price based on projected net operating income at Year 10 capitalised at the projected exit yield. Leasehold properties are valued on the basis of the value of the net operating income for the remaining life of the lease.

Increasing yields in the wider property market are reflected in the valuation with average freehold exit yields increasing from 7.12% to 7.88% (76 bps) over the year, though the majority of this yield-shift, 74bps, has occurred in the second half of the financial year.

A more detailed analysis of the valuation movements is provided in the Financial Review.

## ***Retail and Operational Focus***

Safestore was the first self storage retailer to recognise that the self storage industry was a customer led, retail service proposition and, as such, has first mover status in a number of customer facing service initiatives. We believe that this, combined with the micro management of pricing and our space management techniques, has been instrumental in delivering continual revenue and EBITDA growth.

Retail practices that are implemented within our business model include the micro management of the individual stores whilst retaining a strong element of central control. Within Safestore there are 15 people within the operations team all dedicated to the store and store teams performance who are supported by specialists within retail operations, marketing, HR and IT as well as the finance and property functions.

Echoing retail best practice, customer service remains another area of key focus and a significant differentiator in why people chose one self storage company over another. We have continued to make a significant investment in this area and have devoted considerable time to improving the quality of the customer experience through our customer service reports (led via mystery shoppers) in our stores across the UK and France.

We have further enhanced our retail credentials in the second half of the year by setting up local and national strategic alliances and joint promotional affiliations. These include associations with the UK's largest retailer Tesco, home improvement company Wickes as well as Europcar, eBay and DHL. We will look to work with other businesses that can jointly benefit from strategic alliances and promotional offers.

The focus during 2009 will be to increase the level of enquiries and to improve call capture and conversion rates. This will be delivered by a commitment to further improve our comprehensive training programme and the level of customer service while continuing to offer a value for money proposition supported by our 'Lowest Price Guarantee'. Safestore has consistently led the industry in applying innovative customer offers and services and this, along with a clear but flexible and responsive approach will be central to our operational strategy in 2009. The aim will be to continue to be competitive whilst maintaining margins at the appropriate level.

## ***Marketing***

The Company is committed to ensuring that it maintains its leading market position. During the period under review, the Company has concentrated on targeted marketing activities specifically in relation to the internet, which is the largest contributor to new enquiries.

We consider the growth in web traffic as a significant competitor advantage for the larger well branded and well funded self storage operators. As a result, we have continued to focus on the web particularly in relation to search engine optimisation and the navigation of the web site. Conversion of enquiries via this method is more challenging than the traditional method of the telephone and walk in enquiries but we have seen significant improvements in our ability to convert these customers during the year.

During the period we have also improved our French web site and search engine optimisation which has resulted in a significant increase in web traffic.

The exercise on improving signage and exterior illumination is now largely completed and has resulted in signage still being a major contributor to new enquiries.

We have continued to reduce our commitment to directories as the number of enquiries from this medium continues to diminish. It is however still an important source of enquires, particularly in some parts of the UK and will therefore still command a significant, if lessening percentage of our marketing spend.

We will be adapting our marketing campaigns during 2009 in line with trading and any specific trends that start to emerge. The overall investment in resource and expenditure will be continued during 2009 with approximately 4% of group revenue budgeted for the marketing activities in the financial year.

### ***Real Estate Investment Trusts (“REITS”)***

We continue to examine the possibility of converting our business into a REIT, but as we have previously highlighted, we currently benefit from carried forward tax losses, and, whilst we can utilise these tax losses there is no real benefit from conversion at this time. We will continue to monitor the position and consider conversion to a REIT at such time as it would be financially advantageous to our shareholders to do so.

### ***People***

During the year, John von Spreckelsen retired from the Board as Chairman. We would like to extend our gratitude to John for his leadership and contribution over the last four years. Richard Grainger, who was a Non-Executive Director (“NED”) of the Board, was appointed Chairman on 27 March 2008. We are pleased to announce that the Board has been further strengthened by the appointment of Adrian Martin as a Non Executive Director. The appointment has given the Board additional experience in a number of key areas including corporate governance and has further added to the existing strong backgrounds the Board has in retailing, property, corporate finance and the service industry.

The senior management team has a wealth of experience in a number of sectors and a proven record of accomplishment within the self storage industry for improving existing operations as well as turning around acquired underperforming businesses. It is the only management team in the UK self storage sector with the proven expertise to successfully acquire and integrate a number of other self storage businesses both in the UK and Europe, whilst realising their growth potential. This gives the Company confidence to continue to build its market leading position as a first class self storage provider in addition to having the knowledge and expertise with which to best take advantage of any opportunities that may arise in the current market.

The Company is pleased to announce that during the year Safestore won a national training award which reflects the hard work and commitment of our employees. Safestore is recognised as an ‘Investor in People’ employer.

On behalf of the Board I would like to thank all our people throughout the UK and France for their continued commitment and support.

### ***Outlook***

Despite the difficult trading conditions the business has again produced strong cash flow and quality earnings underpinned by a large and diverse customer base where average length of stay for current customers has increased from 80 weeks to 91 weeks year on year.

We have seen an improvement in trading year on year since the year end which is traditionally our weakest quarter. We are particularly encouraged by the performance over the past eight weeks.

The Board believes that Safestore is well positioned to withstand the downturn in the economy and, leveraging upon the advantages of its flexible business model, market leading position and operating expertise, is ideally placed to make best use of potential opportunities within the market to emerge in a stronger position.

S W Williams  
Chief Executive Officer  
20 January 2009

## Financial Review

### *International Financial Reporting Standards (“IFRS”)*

This report is prepared in accordance with IFRS together with further details on the key performance measures.

### *Results of Operations*

The table below sets out the Group’s results of operations for the year ended 31 October 2008 (Financial Year 2008) and the year ended 31 October 2007 (Financial Year 2007), as well as the year on year change.

	Year ended 31 October		
	2008	2007	
	£'000	£'000	% Change
<b>Revenue</b>	<b>82,875</b>	<b>74,303</b>	<b>11.5%</b>
Cost of sales	(25,640)	(23,469)	(9.3%)
<b>Gross profit</b>	<b>57,235</b>	<b>50,834</b>	<b>12.6%</b>
Administrative expenses	(12,233)	(9,474)	(29.1%)
<b>Operating profit before movements on investment properties</b>	<b>45,002</b>	<b>41,360</b>	<b>8.8%</b>
(Loss)/gain on investment properties	(8,313)	81,264	
<b>Operating profit</b>	<b>36,689</b>	<b>122,624</b>	<b>(70.1%)</b>
Net finance costs	(21,762)	(19,006)	
<b>Profit before income tax</b>	<b>14,927</b>	<b>103,618</b>	<b>(85.6%)</b>
Income tax expense	(2,414)	(25,433)	
<b>Profit for the year</b>	<b>12,513</b>	<b>78,185</b>	<b>(84.0%)</b>

## Revenue

Revenue for the Group consists primarily of revenue derived from the rental of self storage space, ancillary products such as insurance and merchandise (such a packing and storage products) in both the UK and France.

The table below sets out the Group's revenues by geographic segment for the Financial Year 2008 ("FY08") and Financial Year 2007 ("FY07").

	Year ended 31 October				
	2008		2007		% Change
	£'000	% of Total	£'000	% of Total	
United Kingdom	65,723	79.3%	61,440	82.7%	7.0%
France	17,152	20.7%	12,863	17.3%	33.3%
<b>Total revenue</b>	<b>82,875</b>	<b>100.0%</b>	<b>74,303</b>	<b>100.0%</b>	<b>11.5%</b>

The Group's revenue increased by approximately £8.6 million (an increase of 11.5%) from £74.3 million in FY07 to £82.9 million in FY08. As covered in the Chief Executive's Report, the key drivers for revenue growth have been the decreases in occupancy (loss of 195,000 sq ft year on year) offset by the growth in average rate per sq ft (growth of 11.6%) and ancillary revenues (growth of 5.2%). It is pleasing to report that both the UK and France have contributed significantly to the overall increase in revenue in the year. It should be noted that we have benefited from foreign exchange gains during the year with an average rate of €1.30:£1 for FY08 against an average rate of €1.48:£1 for FY07. £2.1 million or 25.0% of the year on year revenue increase in the year is directly attributable to the foreign exchange gain.

## Cost of sales

Cost of sales principally consists of staff salaries, business rates, utilities, insurance and repairs and renewals. The Group's cost of sales increased by £2.2 million or 9.3% from £23.5 million in FY07 to £25.6 million in FY08. The main reasons for the increase in the year are additional costs relating to the new stores opened in the year and the full year impact of stores opened in the second half of last year (especially in the area of business rates) together with the higher levels of business this year on last, the impact of the exchange movement in the Euro, and general inflationary pressure.

## Administrative expenses

Administrative expenses consist principally of directors' salaries, head office salaries, professional fees, public company costs, marketing and advertising expenses. The Group's administrative expenses were affected by exceptional items last year. Administrative expenses increased by £2.8 million or 29.1% from £9.5 million in FY07 to £12.2 million in FY08. The increase is partly driven by the non-recurrence of the £0.8m exceptional benefit included in administration costs in the FY07 together with the increased marketing spend and the higher professional fees and public company costs for being a plc for the full financial year.

### ***EBITDA before exceptional items and movements on investment properties***

EBITDA before exceptional items and movements on investment properties is calculated as follows for Financial Year 2008 and Financial Year 2007:

	Financial Year	
	2008	2007
	£'000	£'000
Operating profit	36,689	122,624
Add back loss/(gain) on investment properties	8,313	(81,264)
Plus depreciation	143	123
Less exceptional items	-	(758)
<b>EBITDA before exceptional items</b>	<b>45,145</b>	<b>40,725</b>

The Group's EBITDA before exceptional items and movement on investment properties increased by £4.4 million or 10.9% from £40.7 million in FY07 to £45.1 million in FY08. This increase principally reflects the increase in revenues discussed above partly offset by the higher cost base in FY08.

### **Exceptional Items**

	Financial Year	
	2008	2007
	£'000	£'000
IPO related costs	-	(2,157)
Release of IFRS 2 cost of shares provision	-	3,222
Other exceptional items	-	(307)
<b>Exceptional income</b>	<b>-</b>	<b>758</b>

As noted above there are no exceptional items in the current financial year. The exceptional items in FY07, which net out to a credit of £0.8 million reflect the costs of the IPO taken to the income statement (£2.2 million), a credit of £3.2 million being the release of an overprovision from IFRS 2 costs in Financial Year 2006, and the other exceptional charges of circa £0.3 million which mostly relate to costs associated with the residual pension scheme.

### ***(Loss)/gain on Investment Properties***

The (loss)/gain on investment properties consists of the fair value revaluation gains and losses with respect to the investment properties under IAS40. The Group's loss on investment properties was £8.3 million in FY08 compared to a gain of £81.3 million in FY07. The movement reflects the combination of yield movements within the valuations together with the impact of changes in the cash flow metrics of each store. The key variables in the valuations are rate per sq ft, stabilised occupancy, number of months to reach stabilised occupancy and the yields applied. This is explained further in the property section below.

### ***Operating Profit***

Operating profit decreased by £85.9 million or 70.1% to £36.7 million for FY08 from £122.6 million in FY07. This movement reflects the 10.9% increase in the EBITDA before exceptional items and movement in investment properties generated through the trading movements throughout the year which is offset by the £89.6 million negative movement in the (loss)/gain in investment properties.

### ***Net Finance Costs***

Net finance costs consist of interest receivable from bank deposits as well as bank interest payable and interest on obligations under finance leases as summarised in the table below.

	Financial Year		
	2008	2007	
	£'000	£'000	% Change
Bank interest receivable	827	1,381	(40.1%)
Bank interest payable	(15,898)	(17,071)	6.9%
Interest on obligations under finance leases	(6,691)	(3,316)	(101.7%)
<b>Net finance costs</b>	<b>(21,762)</b>	<b>(19,006)</b>	<b>(14.5%)</b>

The bank interest receivable reflects the lower cash balances held throughout this financial year due to the increased capital expenditure programme.

Bank interest payable is stated after capitalising interest of £1.7 million (FY07: £nil) following the early adoption of IFRS 21. It is pleasing to note that, despite the quantum of debt increasing year on year, the underlying debt charge has only increased very moderately. Since the year end we have seen a considerable decrease in the rates of LIBOR which will benefit the Group through next year as approximately 35% of the net debt at 31 October 2008 is floating.

At the year end the all in cost of capital for the Group was around 6.1% although this is estimated to have fallen to around 5.3% at today's date.

The interest on obligations under finance leases reflects part of the costs of the property rental payments traditionally charged to cost of sales under UK GAAP. The total charge for rent under UK GAAP in Financial Year 2008 was £10,682,000. The balance of £3,991,000 has been offset against the gain on investment properties.

The Company has a £237 million senior debt facility provided by a syndicate of six banks: a £60 million capex facility which is provided jointly by Royal Bank of Scotland and HSBC and a £5 million working capital facility provided by National Westminster Bank. At 31 October 2008, the Company had drawn the senior facility in full, £41.0 million of the capex facility and £4.0 million of the working capital facility. The Company has sufficient operating cash flow and available facilities to meet its development pipeline commitments.

Under the terms of the facility documents, Safestore pays interest at LIBOR plus a margin. The Company has taken out an interest rate hedge swapping LIBOR on £178 million of the debt at 5.24% which runs until June 2011. The Company pays a margin ratchet between 90 basis points and 125 basis points dependent upon the Interest Cover Ratio.

We are pleased to announce that the Group has raised a new €60m facility in France with security taken against the freehold French stores as well as a business and share pledge. The facility carries a margin of 175 basis points over EURIBOR, with a downwards margin ratchet introduced from year 2, and runs co-terminus with the existing UK facilities to July 2011.

All of the above gives significant comfort on the expected financing costs over the remaining 2½ years of the existing facilities.

### ***Gearing***

Net borrowings, excluding finance lease obligations, at 31 October 2008 stood at £270.9 million up from £227.6 million at 31 October 2007 which reflects the investment in the store roll-out programme throughout the financial year. During this time Net Assets increased by £7.9 million or 3.2% to £255.8 million at 31 October 2008 from £247.9 million at 31 October 2007. The net impact is that gearing levels increased to 105.9% at 31 October 2008 from 91.8% at 31 October 2007.

### ***Dividend***

Given the strong cash flow characteristics of the business model, the robustness of our funding and future commitments, the Board is pleased to recommend a final dividend of 3 pence per share bringing the total dividend to 4.65 pence per share for the year. We consider the level of dividend recommended represents the right balance between dividend growth and new store organic growth and it further demonstrates the Board's confidence in the Safestore business model.

### ***Income tax***

Income tax expense decreased by £23.0 million or 90.5% to £2.4 million for FY08 from £25.4 million for FY07. Income tax expense recognised principally reflects deferred tax on investment property movements on the balance sheet. Actual tax paid in each period was insignificant due to the availability of carried forward tax losses in both the United Kingdom and France. It should be noted that the charge this year is after crediting £1.2 million which is non-recurring and arises primarily from a re-assessment of deferred tax applicable in the UK and France.

### ***Profit for the year ("Earnings")***

Profit for the year decreased by £65.7 million or 84.0% for FY08 to £12.5 million from £78.2 million for FY07.

Adjusted earnings, which is the earnings figure above with investment losses/gains, exceptional items and the tax thereon added back has however increased by £3.7 million or 25.5% to £18.4 million for FY08 from £14.7 million for FY07. Further details of this are given in note 6.

## ***Property valuation***

C&W has again valued the Company's property portfolio. As at 31 October 2008, the total value of the Company's portfolio (including £1 million of owner occupied properties) was £638.7 million.

This represents an increase of £54.9 million (9.4%) over the £583.7 million valuation as at 31 October 2007. Of this overall increase in value £44.4 million derives from the addition of nine new stores in the year with the balance of £10.5 million being derived from the existing store portfolio.

There are several factors influencing the year on year valuation movement of the existing store portfolio and, as such, we should consider the UK and France separately:

- Taking the UK first, the existing store valuation shows a £17.2 million valuation reduction compared to October 2007. We estimate that capital movements account for a £45.6 million reduction in the valuation but this is partially offset by a £28.4 million uplift generated from operational/cash flow movements in the valuations.
- Around £8.7 million is directly attributable to foreign exchange movements translating the UPP valuations at the respective year ends.
- The French existing store valuation shows a same currency, year on year increase of €24.0 million, or £19.0 million. Of this increase £6.0 million is derived from the acquisition of the freehold interest of one of the trading stores while the balance of £13 million has been driven by operational/cash flow movements which have, in France, more that offset the negative impact of the capital movements.

The valuation at 31 October 2008 is £6.1 million down on 30 April 2008. New stores have delivered around £13.7m of additional value in the second half of the year with the like for like portfolio therefore delivering a valuation decrease of around £19.7 million (-3.1%). The existing UK store portfolio has delivered a reduction of £31.0 million (-5.5%) in the second half of the year which is partly offset by a £10.9 million gain in France (with very little exchange gain in the second half this has been almost exclusively delivered through operational/cash flow movements outweighing the capital movements in the valuations).

The Group freehold exit yield for the valuation at 31 October 2008 was 7.88% reflecting a 76 bps outward shift from 7.12% at 31 October 2007. For the UK, the exit yield reflects a 62.5 bps increase in prime yields compared to a 50 bps increase in France, the balance being made up of local conditions accounted for store by store. This reflects the marginally better economic conditions assessed for the French market compared to the UK at the valuation date.

The weighted average annual discount rate for the whole portfolio has followed a similar trend to exit yield.

At the year-end, the Company's property portfolio consisted of 112 trading stores. The freehold/long leasehold stores were valued at £489.1 million and the short leasehold properties were valued at £149.6 million. Freehold/long leasehold stores which make up 56% of the stores by number account for 77% of the valuation. The remaining 23% being attributable to the short leasehold portfolio.

The Company's pipeline of 11 expansion stores is held at cost amounting to £30.7 million.

The net impact of the valuation is for adjusted NAV per share to increase by 3.1% year on year to 202.1 pence per share (31 October 2007: 198.8 pence per share). The reduction in property valuations in the second half of the year has resulted in a reduction of 12.5 pence per share (-5.8%) in the adjusted NAV since the half year.

In their report to us, our valuer has drawn attention to valuation uncertainty resulting from exceptional volatility in the financial markets and a lack of transactions in the property investment market. Please see note 7 for further details.

### **Cash Flows**

The following table summarises the Group's cash flow activity during the Financial Years 2008 and 2007 in accordance with IFRS:

	Financial Year	
	2008	2007
	£'000	£'000
Net cash inflow from operating activities	28,286	25,877
Net cash outflow from investing activities	(52,181)	(37,290)
Net cash provided by financing activities	16,455	20,987
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(7,440)</b>	<b>9,574</b>

### **Net cash inflow from operational activities**

There are two main factors influencing the £2.4 million increase in cash from operating activities in FY08 compared to FY07. Firstly, the profitability of the Company has risen as described in the income statement notes above. This, mixed with continued good working capital control, has resulted in cash generated from operations increasing by £5.8 million or 14.6% to £45.6 million for FY08 from £39.8 million for FY07. Secondly, the net interest paid has increased by £2.9 million in the year due to the increase in overall levels of borrowing, increases in base rates reigning through the majority of the year and a change in the payment profile to shorter interest periods to reduce the overall interest charge.

### ***Net cash outflow from investing activities***

Cash outflow from investing activities has increased by £14.9 million or 39.9% to £52.2 million for FY08 from £37.3 million for FY07. Whilst there are several contributing factors affecting this movement it is mostly due to the increase in expenditure on investment and development assets and the absence of the £8.4 million credit delivered from the 'available for sale financial assets' last year. Expenditure on investment and development properties in FY08 was £50.3 million, an increase of £4.8 million or 10.5% from £45.5 million in FY07 to finance the growth in the store opening programme.

### ***Net cash inflow from financing activities***

The cash flows from financing activities decreased by £4.5 million or 21.6% in FY08 to £16.5 million from £21.0 million in FY07. This has several key factors which are set out on the face of the cash flow statement.

### ***Future Liquidity and Capital Resources***

The Group anticipates funding any future small to medium acquisitions or new store developments from available cash and borrowings. Borrowings under the existing bank facilities are subject to certain financial covenants and the Group is comfortably in compliance with its covenants at 31 October 2008.

### ***Annual General Meeting***

The meeting will be held on 26 March 2009 at the Company's registered office, Brittanica House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT.

R D Hodsdon  
Chief Financial Officer  
20 January 2009

## ***Risk Management***

The Company regularly reviews the risks within the Company. It is a fundamental aspect of the business and is subject to regular and ongoing reviews.

### ***Self Storage market risk***

While the self storage model appears resilient to an economic and housing market downturn, we are not completely immune to macro economic factors which could impact financial performance.

We believe that our market leading position in the UK and Paris, our strong brand, depth of management as well as retail expertise and infrastructure helps mitigate the effects of any downturn.

Furthermore, the UK self storage market is still very immature, therefore, although awareness is now starting to grow rapidly there is very little risk of supply outstripping demand in the medium term. The fundamentals for people requiring self storage are also unlikely to change in spite of the threat of an economic downturn. The number of new customers using self storage tends to be lower during a housing downturn, however the average length of stay tends to increase when compared to a strong housing market, as the nature of demand changes. Our current customers have an average length of stay of 91 weeks and are spread between domestic customers and business customers. Whilst a large proportion of domestic customers' storage requirements are related to a house move it is evident by the length of stay and the large number of long term customers that there are other drivers for people to seek a self storage solution.

Our rental rates to customers are not directly correlated to property values and with more than 38,000 customers we have a relatively solid and consistent cash flow with no reliance on any one company or tenant.

### ***Property risk***

We regularly review all our properties to ensure they are legally compliant in all aspects and that each store has regular risk assessments carried out. All our properties are insured against a number of perils, events and eventualities. The cover and risk is reviewed on a regular basis.

We have a prudent approach to acquisitions and regularly review the hurdle rates in line with current and forecast market trends, therefore our exposure is limited to any corrections in commercial property values.

Our approach in acquiring four to six new stores per annum reduces our dependence on the number of non trading investment properties in relation to the established and mature stores that provide relatively stable and growing cash flow. It also ensures we have a good balance between investment pipeline, new stores, established stores and mature stores.

All new store acquisitions are in high visibility locations and the majority are new purpose built self storage centres. Within the existing estate, we continually review the store portfolio and invest where necessary and plan the relocation of those sites which no longer fit with the brand positioning. Three such recent examples are Eastbourne, Bolton and Southend where we have relocated or plan to relocate from first generation buildings to modern purpose built self storage centres.

The Board sets internal limits on the individual and aggregate amounts that can be invested at any one time in any proposed investment without planning permission.

### ***Treasury risk***

The Company borrows in Sterling and has an interest hedge swap which effectively fixes LIBOR on £178m of borrowings at 5.24% running until June 2011. The interest hedge swap covers approximately 65% of our net debt. The balance is currently being rolled on a monthly basis to take advantage of the rapidly falling interest rates. We will continue to keep the risk and reward on the floating element of the debt of the Group.

The Company considers the current and forecast projections of interest cover, covenant head room and cash flow as part of its monthly financial review.

There is exposure to exchange rates as we have a business in France that trades in Euros. This exposure is increasing annually as the size of the French business grows. We have looked to mitigate part of the exchange rate risk through the income statement by effectively swapping the first €4 million of profit in each of the next two financial years at a rate of around €1.25:£1. In addition to this, the introduction of Euro denominated debt provides a natural balance sheet hedge against movements in the Euro.

### ***Taxation risk***

The Company is exposed to any changes in legislation in connection with the tax regimes affecting the cost of corporation tax, VAT and stamp duty as well as a number of less material impositions such as empty property relief.

We work closely with our advisors and trade bodies to fully understand the risks and look at how we can mitigate these as well as working with the relevant bodies to challenge specific proposals or current legislation that could impact the business and industry.

### ***Liquidity risk***

The Board regularly reviews the cash requirements of the Company, including the covenant position although given the nature of the product, customer base and lack of working capital requirements; liquidity is not considered as a significant risk to the business.

## Consolidated income statement for the year ended 31 October 2008

	Notes	Group	
		2008	2007
		£'000	£'000
<b>Revenue</b>	2	<b>82,875</b>	74,303
Cost of sales		<b>(25,640)</b>	(23,469)
<b>Gross profit</b>		<b>57,235</b>	50,834
Administrative expenses		<b>(12,233)</b>	(9,474)
EBITDA before exceptional items and movement on investment properties		<b>45,145</b>	40,725
Exceptional items (net)		-	758
Depreciation		<b>(143)</b>	(123)
<b>Operating profit before movement on investment properties</b>		<b>45,002</b>	41,360
(Loss)/gain on investment properties	7	<b>(8,313)</b>	81,264
<b>Operating profit</b>	2	<b>36,689</b>	122,624
Finance income	3	<b>827</b>	1,381
Finance expense	3	<b>(22,589)</b>	(20,387)
<b>Profit before income tax</b>		<b>14,927</b>	103,618
Income tax charge	4	<b>(2,414)</b>	(25,433)
<b>Profit for the year</b>		<b>12,513</b>	78,185
<b>Earnings per share for profit attributable to the equity holders</b>			
- basic and diluted (pence)	6	<b>6.68p</b>	43.02p

The financial results for both years relate to continuing activities.

## Consolidated statement of recognised income and expense for the year ended 31 October 2008

	Notes	2008 £'000	2007 £'000
Profit for the financial year		<b>12,513</b>	78,185
Net exchange adjustment offset in reserves net of tax	9	<b>8,240</b>	1,120
Impact of change in UK tax rate on deferred tax		-	3,157
Cash flow hedge: net fair value (losses)/ gains net of tax	9	<b>(4,661)</b>	1,916
Movement of deferred tax on pension deficit		-	(74)
Net gain recognised directly in equity		<b>3,579</b>	6,119
<b>Total recognised income for the year</b>		<b>16,092</b>	84,304

All gains/(losses) are attributable to equity shareholders.

## Consolidated balance sheet as at 31 October 2008

	Note	Group	
		2008 £'000	2007 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment properties	7	712,874	647,131
Development properties	7	31,483	31,867
Property, plant & equipment		1,692	1,477
Deferred tax asset		5,495	8,407
<b>Non current assets</b>		<b>751,544</b>	<b>688,882</b>
<b>Current assets</b>			
Inventories		258	252
Trade and other receivables		12,800	12,730
Other financial assets		1,561	-
Derivative financial instruments		190	3,009
Cash and cash equivalents		11,143	18,583
		<b>25,952</b>	<b>34,574</b>
<b>Total assets</b>		<b>777,496</b>	<b>723,456</b>
<b>Current liabilities</b>			
Financial liabilities			
- Borrowings	10	(3,040)	(3,340)
- Derivative financial instruments		(3,647)	-
Trade and other payables		(38,726)	(41,610)
Obligations under finance leases	10	(10,610)	(8,940)
		<b>(56,023)</b>	<b>(53,890)</b>
<b>Non-current liabilities</b>			
Bank borrowings	10	(276,527)	(240,386)
Trade and other payables		(1,333)	(1,605)
Deferred tax liabilities		(123,070)	(124,049)
Obligations under finance leases	10	(64,608)	(55,453)
Provisions		(109)	(130)
		<b>(465,647)</b>	<b>(421,623)</b>
<b>Total liabilities</b>		<b>(521,670)</b>	<b>(475,513)</b>
<b>Net assets</b>		<b>255,826</b>	<b>247,943</b>
<b>Shareholders' equity</b>			
Ordinary shares	9	1,881	1,871
Share premium	9	28,349	28,410
Other reserves	9	5,647	2,068
Retained earnings	9	219,949	215,594
<b>Total shareholders' equity</b>	9	<b>255,826</b>	<b>247,943</b>

## Consolidated cash flow statement for the year ended 31 October 2008

	Note	Group	
		2008	2007
		£'000	£'000
<b>Cash flows from operating activities</b>			
Cash generated from operations		45,597	39,774
Interest received		477	1,158
Interest paid		(17,760)	(15,551)
Tax (paid)/received		(28)	496
Net cash inflow from operating activities		28,286	25,877
<b>Cash flows from investing activities</b>			
Expenditure on investment properties and development properties		(50,280)	(45,495)
Net proceeds from disposal of investment properties		17	-
Purchase of property, plant and equipment		(357)	(198)
Proceeds from sale of property, plant and equipment		-	6
(Purchase)/sale of available for sale financial assets		(1,561)	8,397
Net cash outflow from investing activities		(52,181)	(37,290)
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary share capital		-	29,243
Equity dividends paid	5	(8,717)	(2,806)
Net proceeds from issue of new borrowings		43,854	9,146
Finance lease principal payments		(10,682)	(9,118)
Repayment of borrowings		(8,000)	(5,478)
Cash inflows from financing activities		16,455	20,987
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(7,440)</b>	<b>9,574</b>
Cash and cash equivalents at 1 November		18,583	9,009
<b>Cash and cash equivalents at 31 October</b>	10	<b>11,143</b>	<b>18,583</b>

The movements above include foreign exchange gains of £298,000 (2007:£101,000).

## 1 Basis of preparation

The financial information set out above (which was approved by the Board on the 20 January 2009) has been compiled in accordance with IFRS, but does not contain sufficient information to comply with IFRS. The financial information does not constitute the Group's statutory accounts for the year ended 31 October 2008 for the purpose of Section 240 of the Companies Act 1985 which comply with IFRS, but is extracted from those accounts. The Company's statutory accounts for the year ended 31 October 2008 will be filed with the Registrar of Companies following the Annual General Meeting. The independent auditors' report on those accounts was unqualified and did not contain any statement under Section 237(2) or (3) of the Companies Act 1985.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation and with those parts of the Companies Act 1985 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 Interpretations Committee relevant to its operations and effective for accounting periods beginning 1 November 2007.

The financial statements have been prepared using accounting policies which have been applied consistently throughout the year and preceding year, with the exception of the following standards and interpretations which the Group adopted during the year to 31 October 2008;

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The Group has early adopted this standard in the current year. Interest payable on borrowings which have been used specifically to develop new properties have been capitalised from the date of drawdown to the point that the stores open. The impact of adopting this standard early is to reduce financial expense costs by £1.7m.

IFRS 7 'Financial Instruments: Disclosures' and the amendment to IAS 1 'Presentation of Financial Statements' regarding capital disclosures.

IFRS 8 Operating Segments, IFRIC 11 'IFRS 2—Group and treasury share transactions', IFRIC 12 'Service concession arrangements', IFRIC 13 'Customer loyalty programmes', IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', IFRIC 15 'Agreements for the construction of real estate' and IFRIC 16 'Hedges of a net investment in a foreign operation' were in issue at the date of authorisation of the financial statements but not yet effective. IFRS 8 will affect only disclosures and therefore is not expected to have a material impact on the financial statements of the Group. IFRICs 11 -16 are not relevant or are not expected to have a material impact on the financial statements of the Group

# Safestore Holdings Plc

## Notes to the financial statements for the year ended 31 October 2008 (continued)

### 2 Segmental analysis

The Group's revenue, profit before income tax and net assets are attributable to one activity; the provision of self storage accommodation and related services. Segmental information is presented in respect of the Group's geographical segment. This is based on the Group's management and internal reporting structure.

The operating profits, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of corporate and head office liabilities.

#### Year ended 31 October 2008

	UK £'000	France £'000	Group £'000
<b>Continuing operations</b>			
<b>Revenue</b>	65,723	17,152	82,875
Operating profit	18,425	18,264	36,689
Financial costs	(20,809)	(1,780)	(22,589)
Financial income	783	44	827
<b>Profit before tax</b>	(1,601)	16,528	14,927
Income tax charge			(2,414)
<b>Profit for the year</b>			12,513
Segment assets	645,420	126,391	771,811
Unallocated assets			
- derivatives			190
- tax asset			5,495
<b>Total assets</b>			777,496
Segment liabilities	(96,678)	(22,355)	(119,033)
Unallocated liabilities:			
- group borrowings			(279,567)
- tax liabilities			(123,070)
<b>Total liabilities</b>			(521,670)
<b>Net assets</b>			255,826
Other segment items:			
Capital expenditure			
- development properties (note 7)	(17,984)	(3,464)	(21,448)
- property, plant and equipment	(358)	-	(358)
Depreciation	(125)	(18)	(143)
Impairment of trade receivables	(230)	(494)	(724)

There were no Inter-segment transfers or transactions entered into during the years ended 31 October 2008 and 31 October 2007.

# Safestore Holdings Plc

## Notes to the financial statements for the year ended 31 October 2008 (continued)

### 2 Segmental analysis (continued)

Year ended 31 October 2007

	UK £'000	France £'000	Group £'000
<b>Continuing operations</b>			
Revenue	61,440	12,863	74,303
Operating profit	108,430	14,194	122,624
Financial costs	(20,240)	(147)	(20,387)
Financial income	1,318	63	1,381
<b>Profit before tax</b>	<b>89,508</b>	<b>14,110</b>	<b>103,618</b>
Income tax charge			(25,433)
<b>Profit for the year</b>			<b>78,185</b>
Segment assets	622,158	89,882	712,040
Unallocated assets			
- derivatives			3,009
- tax asset			8,407
<b>Total assets</b>			<b>723,456</b>
Segment liabilities	(86,637)	(21,101)	(107,738)
Unallocated liabilities:			
- group borrowings			(243,726)
- tax liabilities			(124,049)
<b>Total liabilities</b>			<b>(475,513)</b>
<b>Net assets</b>			<b>247,943</b>
Other segment items:			
Capital expenditure			
- development properties (note 7)	(20,380)	(4,611)	(24,991)
- property, plant and equipment	(198)	-	(198)
Depreciation	(112)	(11)	(123)
Impairment of trade receivables	(224)	(406)	(630)

# Safestore Holdings Plc

## Notes to the financial statements for the year ended 31 October 2008 (continued)

### 3 Finance expenses – net

	2008	2007
	£'000	£'000
<b>Finance costs:</b>		
Interest payable on bank loans and overdraft	<b>(16,685)</b>	(16,235)
Amortisation of debt issue costs on bank loan	<b>(830)</b>	(660)
Interest payable on other loans	<b>(53)</b>	(176)
Interest on obligations under finance leases	<b>(6,691)</b>	(3,316)
Total finance cost – pre capitalised interest	<b>(24,259)</b>	(20,387)
Capitalised interest	<b>1,670</b>	-
<b>Total finance cost</b>	<b>(22,589)</b>	(20,387)
<b>Finance income:</b>		
Interest receivable from bank deposits	<b>827</b>	1,381
<b>Finance expenses – net</b>	<b>(21,762)</b>	(19,006)

# Safestore Holdings Plc

## Notes to the financial statements for the year ended 31 October 2008 (continued)

### 4 Income tax charge

#### Analysis of charge in year

	2008	2007
	£'000	£'000
<b>Current tax</b>		
Overseas Corporation tax charge	(24)	(76)
Adjustment in respect of prior year	-	568
<b>Deferred tax</b>		
- Current year	(3,609)	(26,073)
- Adjustment in respect of prior year	1,219	148
<b>Tax expense</b>	<b>(2,414)</b>	<b>(25,433)</b>

#### Reconciliation of income tax charge

The tax on the group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2008	2007
	£'000	£'000
Profit before tax	14,927	103,618
Tax calculated at domestic tax rates applicable in the UK: 28.83% (2007: 30%)	4,303	31,085
Effect of:		
Expenses not deductible for tax purposes	82	442
Release of provisions not subject to tax	-	(1,407)
Indexation on property revaluation	(475)	(475)
French tax losses not previously recognised	(1,025)	(71)
Difference from overseas tax rates	748	-
Prior year adjustments	(1,219)	(716)
Remeasurement of deferred tax change in UK tax rate	-	(3,425)
<b>Tax expense</b>	<b>2,414</b>	<b>25,433</b>

# Safestore Holdings Plc

## Notes to the financial statements for the year ended 31 October 2008 (continued)

### 5 Dividends per share

The dividend paid in 2008 was £8,717,000 (4.65p per share) (2007: £2,806,000 (1.5p per share)). A dividend in respect of the year ended 31 October 2008 of 3.0p (2007: 3.0p) per share, amounting to a dividend payment of £5,624,000 (2007: £5,612,000), is to be proposed at the Annual General Meeting on 26 March 2009. The ex-dividend date will be 25 February 2009 and the record date 27 February 2009, with an intended payment date of 6 April 2009. The final dividend has not been included as a liability at 31 October 2008.

### 6 Earnings per share

Earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 October 2008			Year ended 31 October 2007		
	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
<b>Basic and diluted</b>	<b>12.51</b>	<b>187.38</b>	<b>6.68</b>	78.19	181.77	43.02
Adjustments:						
Gain on investment properties	<b>8.31</b>	-	<b>4.44</b>	(81.26)	-	(44.71)
Exceptional items	-	-	-	(0.76)	-	(0.41)
Tax on adjustments	<b>(2.40)</b>	-	<b>(1.28)</b>	18.52	-	10.18
<b>Adjusted</b>	<b>18.42</b>	<b>187.38</b>	<b>9.84</b>	14.69	181.77	8.08

#### Adjusted earnings per share

Adjusted earnings per share represents profit after tax adjusted for the gain on investment properties, exceptional items and the associated tax on these adjustments. Gain on investment properties is shown net of revaluations on leasehold properties of £4.0m (2007: £5.8m) and the related tax thereon of £1.1 million (2007: £1.7 million). EPRA earnings, of £15.6 million (2007: £10.6 million) and EPRA earnings per share of 8.32 pence (2007: 5.85 pence) are calculated after further adjusting for these items.

## Safestore Holdings Plc

### Notes to the financial statements for the year ended 31 October 2008 (continued)

#### 7 Investment properties, development properties and interests in leasehold properties

	Investment properties £'000	Interests in leasehold properties £'000	Total investment properties £'000	Develop- ment properties £'000
As at 1 November 2007	582,738	64,393	647,131	31,867
Additions	28,103	13,335	41,438	21,448
Reclassifications	22,448	(1,029)	21,419	(22,448)
Revaluations	(4,322)	(3,991)	(8,313)	-
Disposals	(17)	-	(17)	-
Exchange movements	8,706	2,510	11,216	616
<b>As at 31 October 2008</b>	<b>637,656</b>	<b>75,218</b>	<b>712,874</b>	<b>31,483</b>

	Investment properties £'000	Interests in leasehold properties £'000	Total investment properties £'000	Develop- ment properties £'000
As at 1 November 2006	469,690	49,601	519,291	7,921
Additions	23,033	20,594	43,627	24,991
Reclassifications	1,743	-	1,743	(1,743)
Revaluations	87,066	(5,802)	81,264	-
Transfer of asset held for resale	-	-	-	698
Exchange movements	1,206	-	1,206	-
<b>As at 31 October 2007</b>	<b>582,738</b>	<b>64,393</b>	<b>647,131</b>	<b>31,867</b>

# Safestore Holdings Plc

## Notes to the financial statements for the year ended 31 October 2008 (continued)

### 7 Investment properties, development properties and interests in leasehold properties (continued)

Gains/(losses) on investment properties comprise:

	2008 £'000	2007 £'000
Revaluations	(8,313)	81,494
Loss on disposal	-	(230)
	<b>(8,313)</b>	<b>81,264</b>

	Deemed cost £'000	Valuation £'000	Revaluation on deemed cost £'000
Freehold stores			
As at 1 November 2007	212,160	449,557	237,397
Movement in year	42,102	39,324	(2,778)
<b>As at 31 October 2008</b>	<b>254,262</b>	<b>488,881</b>	<b>234,619</b>
Leasehold stores			
As at 1 November 2007	56,776	133,181	76,405
Movement in year	8,449	15,594	7,145
<b>As at 31 October 2008</b>	<b>65,225</b>	<b>148,775</b>	<b>83,550</b>
All stores			
As at 1 November 2007	268,936	582,738	313,802
Movement in year	50,551	54,918	4,367
<b>As at 31 October 2008</b>	<b>319,487</b>	<b>637,656</b>	<b>318,169</b>

The valuation of £637.7m excludes £1 million in respect of owner occupied property which is valued at cost. Rental income earned from Investment properties for the years ended 31 October 2008 and 31 October 2007 were £71.9m and £63.9m respectively.

# Safestore Holdings Plc

## Notes to the financial statements for the year ended 31 October 2008 (continued)

### 7 Investment properties, development properties and interests in leasehold properties (continued)

The freehold and leasehold investment properties have been valued as at 31 October 2008 by external valuers, Cushman and Wakefield, Real Estate Consultants ("C&W"). The valuation has been carried out in accordance with the RICS Approval and Valuation Standards Published by The Royal Institution of Chartered Surveyors ("the red book"). The valuation of each of the investment properties has been prepared on the basis of market value as a fully equipped operational entity, having regard to trading potential. The valuation has been 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 Red Book, C&W have confirmed that:

- The members of the RICS who have been the signatories to the valuations provided to the company for the same purposes as this valuation have been so since October 2004.
- C&W do not provide other significant professional or agency services to the Group.
- In relation to the preceding financial year of C&W, the proportion of total fees payable by the Group to the total fee income of the firm is less than 5%.
- C&W have continuously been carrying out bi-annual valuations for accounts purposes on behalf of the Group since October 2004.

#### Market Uncertainty

C&W's valuation report comments on valuation uncertainty resulting from exceptional volatility in the financial markets and a lack of transactions in the property investment market. C&W note that although there were a number of self storage transactions in 2007, the only significant transaction in 2008 was the sale of 51% in Shurgard Europe which was announced in January and completed on 31 March 2008. C&W observe that in order to provide a rational opinion of value at the present time it is necessary to assume that the property market will continue to trade in an orderly fashion. They have assumed that the self storage sector will continue to perform in a way not greatly different from that being anticipated prior to the 'credit crunch', however they have reflected negative sentiment in their capitalisation rates and they have reflected the current trading conditions in their cash flow projections for each property. C&W state that there is therefore greater uncertainty attached to their opinion of value than would be anticipated during normal market conditions.

#### Valuation method and assumptions

The valuation of the operational self storage facilities has been prepared having regard to trading potential. Cash flow projections have been prepared for all of the properties reflecting estimated absorption, revenue growth and expense inflation. A discounted cash flow method of valuation based on these cash flow projections has been used to arrive at market value for these properties.

C&W have adopted different approaches for the valuation of the leasehold and freehold assets as follows:

#### Freehold (UK and France)

The valuation is based on a discounted cash flow of the net operating income over a ten year period and notional sale of the asset at the end of the tenth year.

# **Safestore Holdings Plc**

## **Notes to the financial statements for the year ended 31 October 2008 (continued)**

### **7 Investment properties, development properties and interests in leasehold properties (continued)**

#### **Leasehold (UK)**

The same methodology has been used as for freeholds, except that no sale of the assets in the tenth year is assumed but the discounted cash flow is extended to the expiry of the lease.

#### **Leasehold (France)**

In relation to the French commercial leases, C&W have valued the cash flow projections in perpetuity due to the security of tenure arrangements in that market and the potential compensation arrangements in the event of the landlord wishing to take possession. The valuation treatment is therefore the same as for the freehold properties. Our capitalisation rates on these stores reflect the risk of the landlord terminating the lease arrangements.

# Safestore Holdings Plc

## Notes to the financial statements for the year ended 31 October 2008 (continued)

### 8 Adjusted net assets per share

	2008	2007
	£'000	£'000
Analysis of net asset value		
Basic and diluted net asset value	<b>255,826</b>	247,943
Adjustments:		
Deferred tax liability	<b>123,070</b>	124,049
Adjusted net asset value	<b>378,896</b>	371,992
Basic net assets per share (pence)	<b>136.5</b>	132.5
Diluted net assets per share (pence)	<b>136.5</b>	132.5
Adjusted net assets per share (pence)	<b>202.1</b>	198.8
	<b>Number</b>	Number
Shares in issue	<b>187,471,348</b>	187,083,333

Net assets per share are shareholders' funds divided by the number of shares at the year end.

Adjusted net assets per share excludes deferred tax on the revaluation uplift on freehold and leasehold properties. The EPRA net asset value, which further excludes fair value adjustments for debt and related derivatives, was £382.0 million (2007: £369.0 million) giving EPRA net assets per share of 204.0 pence (2007: 197.2 pence).

## Safestore Holdings Plc

### Notes to the financial statements for the year ended 31 October 2008 (continued)

#### 9 Statement of changes in shareholders' equity

Group	Share capital	Share premium	Translation reserve	Hedge reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 November 2007	1,871	28,410	152	1,916	215,594	247,943
Profit for the year	-	-	-	-	12,513	12,513
Dividends (note 5)	-	-	-	-	(8,717)	(8,717)
Exchange differences on translation of foreign operations	-	-	8,240	-	-	8,240
Long term incentive plan share awards	10	-	-	-	1,533	1,543
Own shares	-	-	-	-	(974)	(974)
Adjustment in respect of share issue	-	(61)	-	-	-	(61)
Cash flow hedge	-	-	-	(4,661)	-	(4,661)
<b>Balance at 31 October 2008</b>	<b>1,881</b>	<b>28,349</b>	<b>8,392</b>	<b>(2,745)</b>	<b>219,949</b>	<b>255,826</b>

The translation reserve of £8,392,000 (2007: £152,000) comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The Translation reserve and the Hedge reserve are shown net of tax.

# Safestore Holdings Plc

## Notes to the financial statements for the year ended 31 October 2008 (continued)

### 10 Analysis of movement in net debt

	2007	Cash flows	Non cash movements	2008
	£'000	£'000	£'000	£'000
Cash in hand	18,583	(7,440)	-	<b>11,143</b>
Overdrafts	-	-	-	-
	18,583	(7,440)	-	<b>11,143</b>
Debt due within 1 year	(3,340)	4,000	(3,700)	<b>(3,040)</b>
Debt due after 1 year	(240,386)	(39,854)	3,713	<b>(276,527)</b>
Total net debt excluding finance leases	(225,143)	(43,294)	13	<b>(268,424)</b>
Finance leases due within 1 year	(8,940)	10,682	(12,352)	<b>(10,610)</b>
Finance leases due after 1 year	(55,453)	-	(9,155)	<b>(64,608)</b>
<b>Total finance leases</b>	<b>(64,393)</b>	<b>10,682</b>	<b>(21,507)</b>	<b>(75,218)</b>
<b>Total net debt</b>	<b>(289,536)</b>	<b>(32,612)</b>	<b>(21,494)</b>	<b>(343,642)</b>

Non-cash changes relate to reclassification of non-current debt to current debt, amortisation of debt issue costs, and movement on finance leases. A currency translation loss of £2,702,000 is included within the non-cash movements for finance leases.