



FOR IMMEDIATE RELEASE

29 January 2010

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

Safestore Holdings plc is the largest self storage company in the UK and Paris.

Preliminary results for the year ended 31 October 2009

‘Continued resilience in challenging markets’

Highlights

	Year ended 31 October 2009	Year ended 31 October 2008
Revenue	£84.4 million	£82.9 million
Underlying EBITDA ⁽¹⁾	£45.7 million	£45.1 million
Adjusted Earnings per share ⁽²⁾	9.53 pence	9.84 pence
Basic (loss)/earnings per share ⁽²⁾	(0.14) pence	6.68 pence
Adjusted Net Asset Value per share	196.1 pence	202.1 pence
Net Asset Value per share	132.6 pence	136.5 pence
Dividend		
Final per share	3.0 pence	3.0 pence
Total per share	4.65 pence	4.65 pence

(1) EBITDA before exceptional items, change in fair value of derivatives and loss on investment properties (underlying EBITDA)

(2) See note 7

- As at 31 October 2009, Safestore’s property portfolio was valued at £647.8 million, an increase of £9.1 million or 1.4% since October 2008
- Occupancy in Financial Year 2009 (“FY2009”) grew by 57,000 sq ft versus a loss of 195,000 sq ft in Financial Year 2008 (“FY2008”)
- Average rental rate increased by 4.9% to £25.24 per square foot (“sq ft”) (FY2008: £24.06 per sq ft)
- Ancillary sales increased 4.8% to £11.5 million (FY2008: £10.9 million)
- Five new stores opened bring the total number of stores to 117 in UK and Paris

Steve Williams, Safestore’s Chief Executive, commented

“FY2009 was another year of progress despite a challenging market. This was achieved by a strong management team with a flexible business model and market leading position. In particular, we are encouraged by the occupancy growth performance for the year ending 31 October 2009.

Since the year end, we have seen a continuation of these trends. Traditionally the first quarter of the financial year is the quietest trading period for the self storage sector, however we are encouraged by the improved occupancy performance in FY2010 versus FY2009 and, whilst we have seen a fall in occupancy in the quarter, this is in line with historical trading patterns and better than expectations. The rental rate per sq ft has continued to increase, helped by customer demand for smaller but higher yielding units.

Although it is difficult to predict trading patterns in this uncertain market, our strong balance sheet, the generation of strong cashflows from our operations and organic growth opportunities give us confidence of making further progress in FY2010.”

For further information, please contact:

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Nick Lyon / Wendy Baker

A presentation for analysts and investors will be held at 9.30am today at Hudson Sandler, 29 Cloth Fair, London EC1A 7NN.

For dial-in details of the presentation please contact Alix Haysom at ahaysom@hudsonsandler.com or telephone on 020 7796 4133.

Notes to Editors*

- Safestore Holdings is the UK's largest self storage group with 95 stores throughout the UK, including 39 within the M25. In addition, it is the largest operator in central Paris with 22 stores.
- The Company provides storage facilities to around 39,000 domestic and business customers.
- Safestore has a maximum lettable area ("MLA") of 5.4 million sq ft (including six expansion pipeline stores) of which 2.7 million sq ft is currently occupied.
- As the UK's only national self storage provider, Safestore is uniquely positioned to meet the needs of companies requiring a national service.
- A strong balance sheet and operational cash flow allow Safestore to invest in continual improvements in the operational performance of its stores, in new store development and acquisitions where appropriate.
- Safestore employs around 500 people.

* as at 31 October 2009

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 progress for the Group. Safestore, which is an operationally led business with a significant property asset base, has delivered high quality cash flow and earnings against a backdrop of difficult trading within the wider economy.

Revenues for the year ended 31 October 2009 rose by 1.9% to £84.4 million (FY2008: £82.9 million) although like-for-like store revenue decreased marginally by £0.3 million or 0.4% to £79.0 million (FY2008: £79.3 million). During the year we benefited from foreign exchange gains the details of which are outlined in the Finance Review.

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

- Average rate per sq ft increased by 4.9% to £25.24 (FY2008: £24.06)
- Closing occupancy increased by 57,000 sq ft (+2.1%) to 2.77 million sq ft (FY 2008: 2.72 million sq ft)
- Ancillary revenues were up 4.8% to £11.5 million (FY2008: £10.9 million)

Underlying EBITDA increased by £0.6 million or 1.3% to £45.7 million (FY2008: £45.1 million). Underlying EBITDA margins have remained broadly flat at 54.2% (FY2008: 54.5%).

Operating review

The business has delivered a good set of results during a difficult period for the wider economy despite the impact of new stores together with the low opening occupancy at the start of the year. The results reflect the operational expertise of the management team of Safestore. We have been especially pleased to see a much improved occupancy performance during the year along with a stabilised rental rate and increased ancillary sales. During the latter part of the year we have seen increased levels of enquiries from both the domestic and business sector. In Paris, the Group again achieved consistently strong results across all the key metrics.

Rate per sq ft

The Group continued its trend of successfully improving rental rates per sq ft albeit at more modest levels than in prior years. We have seen greater pressure on prices this year, particularly in the UK, although we have seen this ease in the last quarter of 2009. As always, Safestore aim to offer excellent value for money to our customers through a combination of a competitive price together with value added services. We believe this philosophy, along with the micro management of the business and a balanced view of rate and occupancy has enabled the business to sustain a robust rental rate.

Occupancy

At 31 October 2009 occupied space was 2,773,000 sq ft, up 2.1% from 2,716,000 sq ft at 31 October 2008. The 57,000 sq ft growth in FY2009 represents a considerable turnaround from the loss of 195,000 sq ft in FY2008.

During the period under review we have seen continuing uncertainty in the economic environment. This was particularly prevalent during the first half of our financial year when we experienced a moribund housing market and a difficult trading climate for small businesses. Continued low interest rates and the partial return

Chief Executive's review (continued)

of bank lending during the second half of our financial year has resulted in some positive movement in the housing market albeit, off a very low base.

In the first half of the financial year the business experienced a low level of enquiries and new lets which was offset by very low levels of vacates. During the second half of the financial year we have seen increasing levels of enquiries and new lets and a resultant increase in vacates. It is pleasing to note that occupancy performance in each month of the year was, in general, considerably better than the previous year.

We have continued to see good levels of enquiries and new lets from business customers and have seen this customer category remain stable accounting for 31.4% of our total customer base and 56.8% of our occupied space. We believe that this stability is due to a combination of factors including the flexible solution that self storage provides along with the relatively 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 Safestore's ability to offer a truly national service.

We have a diverse set of domestic customers with a wide cross section of uses for self storage. We continue to receive high levels of enquiries from event driven customers such as those getting married, divorced, travelling, renovating, moving abroad or inheriting possessions. There are also those that rent an extra room in self storage in order to release space for the longer term, for an addition to the family, or want to create an office space or free up a room to let.

We have seen a significant change in trends during the last year with customers who cannot or will not move house but want an additional space at home and therefore rent the extra room from self storage rather than move to a larger house. In recent months we have also seen an increased number of customers who are willing to move but sell before they buy. This is creating a natural break in the house moving process with a requirement for a storage solution during the interim period between selling and buying.

The length of stay has not significantly changed in the last 12 months with the average length of stay remaining stable at 91 weeks.

Ancillary revenues

Ancillary sales, which primarily consist of insurance and merchandise sales, increased by 4.8% to £11.5 million (FY2008: £10.9 million). The increase in ancillary sales is particularly pleasing and reflects the results of our improved insurance offering and our review of packaging materials with a number of new initiatives.

Retail store portfolio

Safestore has retained its Number 1 position in the UK and Paris in terms of number of stores. At the year end the Group had 117 stores trading of which 95 (including three business centres) were in the UK and 22 in Paris:

- 20 of these stores were classified as new (open for less than two full financial years)
- 97 established (open for more than two full financial years)

The geographical breakdown includes 39 stores inside the M25, 56 in the rest of the UK and 22 in Paris. We believe we have a good balance between the various categories of stores which provide high quality cash flows with earnings similar to annuities with the potential to deliver real growth upside.

Chief Executive's review (continued)

Whilst we curtailed capital expenditure during 2009 we continued to invest in the existing store portfolio adding new storage space and further improving security. During 2010 we plan to invest in further upgrading and closing down two older stores and replacing them with state of the art purpose built new facilities within the existing catchment areas.

New store openings

We opened five new stores during the year: Clapham, Cardiff, Ipswich and Leicester in the UK and Longpont in Paris. All four of the newly opened UK properties are state of the art purpose built facilities with the store in Paris being a highly specified conversion. The new stores have made a promising start and are trading ahead of expectations. All five of the new stores are freehold assets.

We currently have a pipeline of six stores (including two relocations), three of which are in Greater London. Four of these stores are planned to open in the second half of 2010.

All of the expansion stores are freehold/long leasehold, have planning permission and all will be new purpose built facilities. These expansion stores will deliver approximately 0.3 million sq ft of additional net lettable space, representing over 5% 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. Our aim is to acquire and open between four and seven new stores annually over the next two years, however the pipeline can be tailored to the Group's performance and the wider macro economic climate. 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 competitive advantage. This further has the benefit of reducing the level of capital expenditure required. While organic new store openings remain our priority, the Group 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

Our strategy since 2004 has been to have a national footprint with stores across the UK and in all major cities. This strategy not only gives competitive advantage particularly in relation to national accounts but also gives the business excellent defensive qualities, given that the Group's exposure to any one specific market is limited particularly in the current environment. This, we believe, is further strengthened with our strong presence in Central Paris. 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 aim is to continue to build and consolidate our position in the UK with both additional new sites and relocations.

Our Parisian business, Une Pièce en Plus ("UPP"), which now trades from 22 stores in the Paris region, the second most developed self storage market in Europe after London, has again delivered strong growth during the year. The strategy is similar to that of the UK in that we look to cluster our stores. Our intention is to continue to build our position in Central Paris, although new planning regulations will restrict the number of opportunities for us and our competitors, we will also continue to actively pursue our strategy of expanding in the Paris region where there has been no new restrictions. This should have the benefit of consolidating our position in Central Paris whilst allowing significant opportunity to expand within the wider Paris region.

Chief Executive's review (continued)

Maximum lettable area ("MLA") and occupancy

As at 31 October 2009	Group Sq Ft	UK Sq Ft	France Sq Ft
MLA	5.17 million	4.26 million	0.91 million
Occupied	2.76 million	2.12 million	0.64 million
Occupancy %	53.4%	49.8%	70.3%

Average occupancy compared to MLA for the established/like for like stores was 60%. Whilst overall occupancy has increased the average occupancy percentage is affected by the increased number of new stores and a marginal decline in like-for-like occupancy.

Currently 63.2% of the Group's built out space and 53.4% of the Group's maximum lettable area is occupied, demonstrating the significant opportunity to increase occupancy within the existing estate, only requiring minimal further investment.

Tenure

Safestore operates a mix of freehold and leasehold stores. The Group'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. As an operational cash flow business the model works equally well for both freehold and leasehold tenure although at a corporate level we seek to maintain an approximate two third freehold to one third leasehold balance in the UK.

Existing Portfolio	UK	% of Portfolio	France	% of Portfolio	Total	% of Portfolio
Freehold/Long Leasehold	60	63%	8	36%	68	58%
Short Leasehold	35*	37%	14	64%	49	42%
Total	95		22		117	

* Short leaseholds in the UK are stores with leases of 25 years or less. The average remaining tenure is 13.6 years and we have three leases due for renewal in the next five years, two of which are targeted 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 the property and also look at ways to create value through development potential. 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 2009 Cushman & Wakefield LLP ("C&W") has valued the portfolio at £647.8 million, a year on year increase of £9.1 million (+1.4%) and £7.4 million (+1.2%) up from the half year valuation dated 30 April 2009.

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, long leaseholds and the French commercial leasehold stores 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

Chief Executive's review (continued)

exit yield. Short leasehold stores in the UK and France are valued on the basis of the value of the net operating income for the remaining life of the lease.

Yield changes in the wider property market are reflected in the valuation with freehold exit yields increasing from 7.88% to 8.14% (26 bps) over the year, reflecting an adverse yield shift of 29bps in the first half of FY2009 and a small positive movement of 3bps in the second half of FY2009.

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

Retail and operational focus

Safestore is an operationally led business with a customer and retail focus and approach. We continue to look at ways to improve the customer experience through additional services and Unique Selling Propositions ("USPs") for both the domestic and business customer. This has continued throughout 2009 with a number of new initiatives targeted at specific customer groups. We believe our first mover status in a number of these initiatives along with our space management techniques and our micro management of pricing and offers has enabled the business to improve overall occupancy whilst also increasing rental rate during the year under review.

Safestore has a dedicated field management team that focuses on all elements of sales and service and is supported by field auditors who monitor all aspects of administration and compliance. The operations team is fully supported in all areas of the business including marketing, HR and IT as well as the property and finance functions. Pricing and promotional offers are centrally managed but with the regular input of the field operations team.

Customer service remains a key focus area of the business and is a significant differentiator in why people chose one self storage Group over another. We have continued to make a significant investment in this area and have further improved our customer journey programme, mystery shop reports and our extensive in-house training and development programme.

We have further built on our market leading position and brand credentials with the strengthening of our promotional and strategic alliances. We are now in the second year of our association with companies such as Tesco, Wickes, Europcar, eBay and DHL. These national strategic and promotional alliances raise brand awareness, standing and credibility amongst potential customers as well as having a positive effect on search engine optimisation. We have also set up strategic alliances with a number of regional and store specific businesses in the year that add additional service and benefits to our customers as well as driving business and revenue for Safestore. We will continue to build on these business partnerships.

During 2010 we will be looking to further increase the level of enquiries as well as improve conversion rates from all categories of customer. We are committed to further differentiating Safestore from the competition with our biggest drive yet to develop the sales and service offered to our customers by our front line people backed up by a major support programme for our central and field management teams. This will be delivered by a commitment to further improve our comprehensive training programme. Our Lowest Price Guarantee ("LPG") will remain the central aspect of our value for money proposition supported by our innovative and industry leading service offering. This, along with a clear but flexible and responsive approach, will be central to our operational strategy in 2010. Safestore will again aim to be competitive whilst maintaining margins at the appropriate level.

Chief Executive's review (continued)

Marketing

The marketing strategy for Safestore has remained targeted and focused on web rather than mass media. We are therefore pleased to note that we have maintained our market leading position and market share for web traffic. During the year we launched our new web site with the result that our percentage of enquiries via the web took a further significant step forward. Web is now the largest contributor to new lets.

We consider the growth in web traffic as a significant competitor advantage for a larger, well funded, well resourced self storage operator such as Safestore. As a result, we will continue to focus on the web particularly in relation to search engine optimisation and the navigation of the web site. While conversion of enquiries from the web is more challenging than the traditional method of the telephone and walk in enquiries, we have seen further significant improvements in our ability to convert these customers during the year.

We continue to concentrate on reviewing and improving signage and exterior illumination wherever possible as signage remains a major contributor to new enquiries.

We plan to further reduce our commitment to directories as the number of enquiries from this medium continues to diminish as internet usage continues to expand throughout the UK and Europe.

The self storage market is still very immature and recognition is still very low. During the year we have seen recognition of the Safestore brand name growing by a significant margin but realise we still have some way to go to achieve brand leadership alongside our market leadership. Our overall investment in resource and expenditure will be increased during 2010 with approximately 4.5% of Group revenue budgeted for 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 the tax losses and claim capital allowances with the business still growing and expanding there is no benefit from conversion at this time. We will continue to monitor and review the position.

People

During the year, Vince Gwilliam retired from the Board and Roger Carey has informed the Board of his intention to retire as a non-executive director from the Board at the end of the Annual General Meeting. We would like to extend our gratitude to Vince and Roger for their contribution over the last six years and three years respectively. We are pleased to welcome Alan Lewis, who has replaced Vince, and Keith Edelman as Non Executive Directors of Safestore. These appointments have given the Board additional experience in a number of key areas and have further added to the existing strong backgrounds the Board has in retailing, property, corporate finance and the service industry.

The senior management team of Safestore has a strength in depth unsurpassed in the UK self storage industry, with a wealth of experience in a number of businesses and a proven record of accomplishment within the self storage sector for improving existing operations as well as turning around acquired underperforming businesses. We recognise however that as the Safestore group continues to grow and evolve that it is important to further build on and widen the skill base of the executive team, therefore, we intend to further strengthen the senior management team during 2010. This gives the Group confidence to continue to expand its market leading position as a first class self storage provider in addition to having the

Chief Executive's review (continued)

knowledge and expertise with which to best take advantage of any opportunities that may arise in the current market as well as building on the potential within the existing business.

The Group is pleased to announce that during the year Safestore won a number of nationally recognised training awards 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.

Going forward

FY2009 was another year of progress despite a challenging market. This was achieved by a strong management team with a flexible business model and market leading position. In particular, we are encouraged by the occupancy growth performance for the year ending 31 October 2009.

Since the year end, we have seen a continuation of these trends. Traditionally the first quarter of the financial year is the quietest trading period for the self storage sector, however we are encouraged by the improved occupancy performance in FY2010 versus FY2009 and, whilst we have seen a fall in occupancy in the quarter, this is in line with historical trading patterns and better than expectations. The rental rate per sq ft has continued to increase, helped by customer demand for smaller but higher yielding units.

Although it is difficult to predict trading patterns in this uncertain market, our strong balance sheet, the generation of strong cash flows from our operations and organic growth opportunities give us confidence of making further progress in FY2010.

S W Williams
Chief Executive Officer
29 January 2010

Financial Review

International Financial Reporting Standards (“IFRS”)

This report is prepared in accordance with IFRS and details the key performance measures during the year.

Results of operations

The table below sets out the Group’s results of operations for the year ended 31 October 2009 and the year ended 31 October 2008, as well as the year on year change.

	Year ended 31 October		% Change
	2009 £'000	2008 £'000	
Revenue	84,433	82,875	1.9%
Cost of sales	(26,606)	(25,640)	(3.8%)
Gross profit	57,827	57,235	1.0%
Administrative expenses	(10,608)	(12,233)	13.3%
Operating profit before loss on investment properties	47,219	45,002	4.9%
Loss on investment properties	(41,610)	(8,313)	
Operating profit	5,609	36,689	(84.7%)
Net finance costs	(15,027)	(21,762)	
(Loss)/profit before income tax	(9,418)	14,927	
Income tax credit/(expense)	9,153	(2,414)	
(Loss)/profit for the year	(265)	12,513	

Revenue

Revenue for the Group is primarily derived from the rental of self storage space, the sale of ancillary products such as insurance and merchandise such as packing and storage products in both the UK and France.

The table below sets out the Group’s revenues by geographic segment for FY2009 and FY2008.

	Year ended 31 October				
	2009 £'000	% of Total	2008 £'000	% of Total	% Change
United Kingdom	63,017	74.6%	65,723	79.3%	(4.1%)
France	21,416	25.4%	17,152	20.7%	24.9%
Total revenue	84,433	100.0%	82,875	100.0%	1.9%

The Group’s revenue increased by approximately £1.6 million (an increase of 1.9%) from £82.9 million in FY2008 to £84.4 million in FY2009. As covered in the Chief Executive’s Report, the key drivers for revenue growth have been the increase in occupancy (57,000 sq ft year on year), the growth in average rate per sq ft (+4.9% year on year) and ancillary revenues (+4.8% year on year). It should be noted that we have benefited from foreign exchange gains during the year with an average rate of €1.13:£1 for FY2009 against an average rate of €1.30:£1 for FY2008. £2.8 million of the year on year revenue increase in the year is directly attributable to the foreign exchange gain.

Financial Review (continued)

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 £1.0 million or 3.8% from £25.6 million in FY2008 to £26.6 million in FY2009. 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 together with the impact of the exchange movement in the Euro and general inflationary pressure. £0.7 million of the increase in cost of sales in the year is directly attributable to the impact of foreign exchange movements.

Administrative expenses

Administrative expenses consist principally of directors' salaries, head office salaries, professional fees, public company costs, marketing and advertising expenses and depreciation. The Group's administrative expenses were affected by exceptional items in the year. Administrative expenses decreased by £1.6 million or 13.3% from £12.2 million in FY2008 to £10.6 million in FY2009. The decrease is principally attributable to the impact of the insurance receipt and the gain on the sale of non-current assets which have benefitted the income statement this year but have no equivalent in FY2008. Adjusting for the exceptional items and the change in fair value of derivatives, results in underlying administrative expenses of £12.2 million, flat with last year (FY2008: £12.2 million). £0.4 million of the increase in administrative expenses in the year is directly attributable to the impact of foreign exchange movements.

EBITDA before exceptional items, change in fair value of derivatives and loss on investment properties

Underlying EBITDA is calculated as follows for FY2009 and FY2008:

	Financial Year	
	2009	2008
	£'000	£'000
Operating profit	5,609	36,689
Add back: loss on investment properties	41,610	8,313
depreciation	168	143
change in fair value of derivatives	395	-
Less: gain on sale of non-current assets	(292)	-
insurance receipt	(1,754)	-
Underlying EBITDA	45,736	45,145

The Group's Underlying EBITDA increased by £0.6 million or 1.3% from £45.1 million in FY2008 to £45.7 million in FY2009. This increase principally reflects the increase in revenues discussed above partly offset by the higher cost base in FY2009. £1.7 million of the increase in Underlying EBITDA in the year is directly attributable to the impact of foreign exchange movements.

Exceptional items

The exceptional items in the current year relate to an insurance receipt in respect of a fire at one of the UPP stores which occurred prior to our ownership of the asset and the gain on the sale of a development property in France. There were no exceptional items last year.

Loss on investment properties

The loss on investment properties consists of the fair value revaluation gains and losses with respect to the investment properties under IAS40 and finance lease depreciation for the interests in leaseholds. The Group's loss on investment properties was £41.6 million in FY2009 comprising a loss of £36.3 million for

Financial Review (continued)

revaluations and finance lease depreciation of £5.3 million, compared to a loss of £8.3 million in FY2008 comprising a loss of £4.3 million for revaluations and £4.0 million for finance lease depreciation. 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. The valuation of investment properties is covered in more detail in the property section below.

Operating profit

Operating profit decreased by £31.1 million or 84.7% to £5.6 million for FY2009 from £36.7 million in FY2008. This movement reflects the 1.3% increase in the Underlying EBITDA generated from the trading movements throughout the year and the positive impact of exceptional items in the year which are more than offset by the £41.6 million loss on investment properties.

Net Finance Costs

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

	Financial Year		% Change
	2009 £'000	2008 £'000	
Bank interest receivable	344	827	(58.4%)
Bank and other interest payable	(15,664)	(15,898)	(1.5%)
Net bank interest	(15,320)	(15,071)	(1.7%)
Exceptional recycled foreign exchange translation gain	6,607	-	-
Interest on obligations under finance leases	(6,314)	(6,691)	(5.6%)
Net finance costs	(15,027)	(21,762)	(31.0%)

The bank interest receivable reflects the lower interest environment prevailing throughout FY2009.

Bank and other interest payable primarily reflects bank interest in both Financial Years although this is after capitalising interest of £0.7 million (FY2008 £1.7 million). It is pleasing to note that, despite the quantum of debt increasing year on year, the underlying debt charge has marginally reduced driven by the lower interest rates on the floating element of our debt (approximately 35% of the overall net debt).

The exceptional recycling of foreign exchange gains within finance income arises in respect of recycled foreign currency translation gains from the translation reserve which are now realised.

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 re-classed under IFRS in FY2009 was £11,640,000 (FY2008: £10,682,000). The balance of £5,326,000 (FY2008: 3,991,000) is included in the loss on investment properties.

The Group 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 2009, the Group had drawn the senior facility in full, £45.0 million of the capex facility and none of the working capital facility. The Group 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 Group has taken out an interest rate hedge swapping LIBOR on £178 million of the debt at 5.24% which runs until June

Financial Review (continued)

2011. The Group pays a margin ratchet between 90 basis points and 125 basis points dependent upon the Interest Cover Ratio.

In addition to the sterling facility above the Group also has a €60m facility in France with security taken against the freehold French stores as well as a business and share pledge. As at 31 October 2009, €30 million of the facility had been drawn. The facility carries a margin of 175bps over EURIBOR, with a downwards margin ratchet introduced from year 2, and runs co-terminus with the existing UK facilities to July 2011. The Group has taken out an interest rate hedge swapping EURIBOR on €24 million of this debt at 2.25% which runs until June 2011.

We have commenced discussions regarding our banking facilities that expire in July 2011. When these discussions are completed we will update investors and provide further information.

Gearing

Net borrowings at 31 October 2009 stood at £272.0 million up from £268.4 million at 31 October 2008. During the year net assets decreased by £7.2 million or 2.8% to £248.6 million at 31 October 2009 from £255.8 million at 31 October 2008. The net impact is that the gearing level was 109.4% at 31 October 2009 compared to 104.9% at 31 October 2008.

Dividend

Given the strong cash flow characteristics of the business model, our robust funding and future commitments, the Board is pleased to recommend a final dividend of 3.00 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 prospects of the Group.

Income tax

Income tax for FY2009 was a credit of £9.2 million against an expense of £2.4 million for FY2008. The income tax credit for FY2009 includes an exceptional tax credit of £5.5m arising on the recognition of tax losses in France at 31 October 2009 based on an improved outlook on projected utilisation together with a further tax credit arising in respect of the net reduction in the market value of investment properties at 31 October 2009. Actual tax paid in each period was insignificant due to the availability of carried forward tax losses and capital allowances in both the United Kingdom and France. Further details are given in note 5.

Profit for the year ("Earnings")

Earnings decreased by £12.8 million for FY2009 to a loss of £0.3 million from a profit of £12.5 million for FY2008.

Adjusted earnings, which is the earnings figure above with loss on investment properties, exceptional items, the recycling of foreign exchange gains and the tax thereon added back decreased by £0.5 million or 2.7% to £17.9 million for FY2009 from £18.4 million for FY2008. Further details of this are given in note 7.

Property valuation

C&W has again valued the Group's property portfolio. As at 31 October 2009, the total value of the Group's portfolio (including £1 million of owner occupied properties) was £647.8 million.

This represents an increase of £9.1 million (1.4%) over the £638.7 million valuation as at 31 October 2008. Of this overall increase in value, £32.9 million derives from the addition of five new stores in the year which is reduced by £23.8 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 £46.3 million valuation reduction compared to October 2008. We estimate that capital movements account for around £18.3 million of this reduction with operational/cash flow movements accounting for the remaining £28.0 million.
- Around £13.1 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 €10.5 million, or £9.4 million. We estimate that capital movements account for around £2.0m of this increase with operational/cash flow movements accounting for the remaining £7.4 million.
- The valuation at 31 October 2009 is £7.4 million up on 30 April 2009. New stores have delivered around £14.2 million of additional value in the second half of the year with the like for like portfolio therefore delivering a valuation decrease of around £6.8 million (-3.1%). The existing UK store portfolio has delivered a reduction of £18.4 million (-3.5%) in the second half of the year which is partly offset by an £7.7 million gain in France. There has been very little exchange impact in the second half of the financial year

The Group freehold exit yield for the valuation at 31 October 2009 was 8.14% reflecting a 26 bps outward shift from 7.88% at 31 October 2008. The weighted average annual discount rate for the whole portfolio has followed a similar trend to exit yield.

At the year-end, the Group's property portfolio consisted of 117 trading stores. The freehold/long leasehold stores were valued at £499.7 million and the short leasehold properties, including the French commercial leases, were valued at £148.1 million. Freehold/long leasehold stores which make up 58% of the stores by number account for 77% of the valuation. The remaining 23%, by value, being attributable to the short leasehold portfolio.

Additionally, the Group's pipeline of six expansion stores is carried at cost of £12.6 million.

The net impact of the valuation is for adjusted NAV per share to fall slightly to 196.1 pence per share (31 October 2008: 202.1 pence per share).

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 8 for further details.

Cash flows

The following table summarises the Group's cash flow activity during the FY2009 and FY2008 in accordance with IFRS:

	Financial Year	
	2009	2008
	£'000	£'000
Net cash inflow from operating activities	24,997	21,595
Net cash outflow from investing activities	(13,685)	(52,181)
Net cash provided by financing activities	3,421	23,146
Net increase/(decrease) in cash and cash equivalents	14,733	(7,440)

Financial Review (continued)

Net cash inflow from operational activities

There are two main factors influencing the £3.4 million increase in cash from operating activities in FY2009 compared to FY2008. The net interest paid has decreased by £3.7 million in the year due to the base rates reigning through the majority of the year, changes in the payment profile, and the marginal decrease in 'interest on obligations under finance leases' in the FY2009, which has been offset by the cash generated from operations decreasing by £0.3 million or 0.6% to £45.3 million for FY2009 from £45.6 million for FY2008.

Net cash outflow from investing activities

Cash outflow from investing activities has decreased by £38.5 million or 73.8% to £13.7 million for FY2009 from £52.2 million for FY2008. Whilst there are several contributing factors affecting this movement it is mostly down to the decrease in expenditure on investment and development assets and the net proceeds from the disposal of a development property. Expenditure on investment and development properties in FY2009 was £16.2 million, a decrease of £34.1 million or 67.8% from £50.3 million in FY2008 as we controlled the discretionary expenditure of the business in the face of the unprecedented economic uncertainty. In addition, we disposed of one non-core site in France in FY2009 which realised net proceeds of £1.2 million. There was no comparative transaction in FY2008.

Net cash inflow from financing activities

The cash flows from financing activities decreased by £19.7 million or 85.2% in FY2009 to £3.4 million from £23.1 million in FY2008. This has several key factors which are set out on the face of the cash flow statement but mainly reflects lower drawings under our bank facilities to fund the reduced capital expenditure programme noted above.

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 2009, and based on forecast projections, for a period in excess of 12 months thereafter.

Annual General Meeting

The meeting will be held on 24 March 2010 at the Group's registered office, Brittanica House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT.

R D Hodsdon
Chief Financial Officer
29 January 2010

Risk management

The Group regularly reviews the risk within the Group. 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 would not be 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 would help 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 as does the number of vacates leading to less churn and volatility. 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 39,000 customers we have a relatively solid and consistent cash flow with no reliance on any one group 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. Insurance cover and property 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 seven 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 in 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 Group borrows in Sterling and Euros and has an interest hedge swap which effectively, until June 2011, fixes LIBOR on £178m of borrowings at 5.24% and EURIBOR on €24m of borrowings at 2.25%. The interest hedge swaps cover approximately 65% of our net debt. The balance is currently being rolled on a monthly

Risk management (continued)

basis to take advantage of the historically low interest rates. We will continue to keep the risk and reward on the floating element of the debt of the Group.

The Group 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 Group 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 review the covenant position of the Group although, given the nature of the product, customer base and lack of working capital requirements, liquidity is not seen as a major risk to the business.

Consolidated income statement for the year ended 31 October 2009

	Notes	Group	
		2009 £'000	2008 £'000
Revenue	2	84,433	82,875
Cost of sales		(26,606)	(25,640)
Gross profit		57,827	57,235
Administrative expenses		(10,608)	(12,233)
EBITDA before exceptional items, change in fair value of derivatives and loss on investment properties		45,736	45,145
Exceptional items	4	2,046	-
Change in fair value of derivatives		(395)	-
Depreciation		(168)	(143)
Operating profit before loss on investment properties		47,219	45,002
Loss on investment properties	8	(41,610)	(8,313)
Operating profit	2	5,609	36,689
Finance income excluding exceptional item		344	827
Recycling of foreign exchange gains		6,607	-
Total finance income	3	6,951	827
Finance expense	3	(21,978)	(22,589)
(Loss)/profit before income tax		(9,418)	14,927
Income tax credit/(expense)*	5	9,153	(2,414)
(Loss)/profit for the year		(265)	12,513
(Loss)/earnings per share for (loss)/profit attributable to the equity holders			
- basic and diluted (pence)	7	(0.14p)	6.68p

The financial results for both years relate to continuing activities.

*includes an exceptional credit of £5,524,000 (2008: nil) (see note 5)

Consolidated statement of recognised income and expense for the year ended 31 October 2009

	Notes	Group	
		2009 £'000	2008 £'000
Currency translation difference net of tax	12	12,128	8,240
Cash flow hedges net of tax	12	(4,383)	(4,661)
Net gain recognised directly in equity		7,745	3,579
Transferred to the income statement from translation reserve	3	(6,607)	-
		1,138	3,579
(Loss)/profit for the financial year		(265)	12,513
Total recognised income for the year		873	16,092

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

Consolidated balance sheet as at 31 October 2009

	Notes	Group	
		2009 £'000	2008 £'000
Assets			
Non-current assets			
Investment properties	8	646,778	637,656
Interests in leasehold properties	8	71,954	75,218
Development properties	8	12,641	31,483
Property, plant & equipment		1,739	1,692
Deferred income tax assets		11,449	5,495
		744,561	751,544
Current assets			
Inventories		228	258
Trade and other receivables		13,739	12,800
Other financial assets		-	1,561
Derivative financial instruments		-	190
Cash and cash equivalents		26,352	11,143
		40,319	25,952
Total assets		784,880	777,496
Current liabilities			
Financial liabilities			
- Bank borrowings	10	(2,485)	(3,040)
- Derivative financial instruments	11	(13,578)	(3,647)
Trade and other payables		(31,106)	(38,726)
Obligations under finance leases		(10,301)	(10,610)
		(57,470)	(56,023)
Non-current liabilities			
Bank borrowings	10	(295,900)	(276,527)
Trade and other payables		(896)	(1,333)
Deferred income tax liabilities		(120,257)	(123,070)
Obligations under finance leases		(61,653)	(64,608)
Provisions		(109)	(109)
		(478,815)	(465,647)
Total liabilities		(536,285)	(521,670)
Net assets		248,595	255,826
Equity			
Ordinary shares	12	1,881	1,881
Share premium	12	28,349	28,349
Other reserves	12	6,785	5,647
Retained earnings	12	211,580	219,949
Total equity	12	248,595	255,826

Consolidated cash flow statement for the year ended 31 October 2009

	Notes	Group	
		2009 £'000	2008 £'000
Cash flows from operating activities			
Cash generated from operations	13	45,348	45,597
Interest paid		(21,206)	(24,451)
Interest received		913	477
Tax paid		(58)	(28)
Net cash inflow from operating activities		24,997	21,595
Cash flows from investing activities			
Expenditure on investment properties and development properties		(16,219)	(50,280)
Net proceeds from disposal of investment properties		-	17
Net proceeds from disposal of development properties		1,188	-
Purchase of property, plant and equipment		(215)	(357)
Sale/(purchase) of available for sale financial assets		1,561	(1,561)
Net cash outflow from investing activities		(13,685)	(52,181)
Cash flows from financing activities			
Equity dividends paid	6	(8,717)	(8,717)
Net proceeds from issue of new borrowings		25,464	43,854
Finance lease principal payments		(5,326)	(3,991)
Repayment of borrowings		(8,000)	(8,000)
Net cash inflow from financing activities		3,421	23,146
Net increase/(decrease) in cash and cash equivalents		14,733	(7,440)
Exchange gains on cash and cash equivalents		476	-
Cash and cash equivalents at 1 November		11,143	18,583
Cash and cash equivalents at 31 October	14	26,352	11,143

Notes to the financial statements for the year ended 31 October 2009

1 Basis of preparation

The financial information set out above (which was approved by the Board on 29 January 2010) 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 2009 for the purpose of Section 434 of the Companies Act 2006 which comply with IFRS, but is extracted from those accounts. The Company's statutory accounts for the year ended 31 October 2009 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 498 of the Companies Act 2006.

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 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 Interpretations Committee relevant to its operations and effective for accounting periods beginning 1 November 2008.

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 2009;

Amendment to IAS 39, 'Financial instruments: Recognition and measurement', and IFRS 7, 'Financial instruments: Disclosures', on the 'Reclassification of financial assets

Amendment to IFRIC 9 and IAS 39 regarding embedded derivatives

IFRIC 11 'IFRS 2 - Group and treasury share transactions'.

IFRIC 13 'Customer loyalty programmes'.

The adoption of these amendments has not had a significant impact on the Group's financial position or results of operations.

The interest cost of finance leases of £6,691,000 for the year ended 31 October 2008 has been reclassified in the cash flow statement from financing activities to operating activities based on industry best practice.

Notes to the financial statements for the year ended 31 October 2009 (continued)

2 Segmental analysis

The Group's revenue, (loss)/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 principally comprise interest bearing loans and deferred taxation.

Year ended 31 October 2009	UK £'000	France £'000	Group £'000
Continuing operations			
Revenue	63,017	21,416	84,433
Operating profit before loss on investment properties	32,325	14,894	47,219
(Loss)/profit on investment properties	(46,505)	4,895	(41,610)
Operating (loss)/profit	(14,180)	19,789	5,609
Finance expense	(18,650)	(3,328)	(21,978)
Finance income	173	171	344
Recycling of foreign exchange gains	6,607	-	6,607
(Loss)/profit before tax	(26,050)	16,632	(9,418)
Income tax credit			9,153
Loss for the year			(265)
Segment assets	615,337	158,094	773,431
Unallocated assets			
- tax asset			11,449
Total assets			784,880
Segment liabilities	(95,290)	(22,353)	(117,643)
Unallocated liabilities:			
- group borrowings			(298,385)
- tax liabilities			(120,257)
Total liabilities			(536,285)
Net assets			248,595
Other segment items:			
Capital expenditure			
- development properties (note 8)	(9,706)	(1,568)	(11,274)
- property, plant and equipment	(180)	(35)	(215)
Depreciation	(150)	(18)	(168)
Impairment of trade receivables	(308)	(55)	(363)

There were no inter-segment transfers or transactions entered into during the years ended 31 October 2009 and 31 October 2008.

Notes to the financial statements for the year ended 31 October 2009 (continued)

2 Segmental analysis (continued)

Year ended 31 October 2008	UK £'000	France £'000	Group £'000
Continuing operations			
Revenue	65,723	17,152	82,875
Operating profit before loss on investment properties	35,486	9,516	45,002
(Loss)/profit on investment properties	(17,061)	8,748	(8,313)
Operating profit	18,425	18,264	36,689
Finance expense	(20,809)	(1,780)	(22,589)
Finance income	783	44	827
(Loss)/profit before tax	(1,601)	16,528	14,927
Income tax expense			(2,414)
Profit for the year			12,513
Segment assets	645,420	126,391	771,811
Unallocated assets			
- derivatives			190
- tax asset			5,495
Total assets			777,496
Segment liabilities	(96,678)	(22,355)	(119,033)
Unallocated liabilities:			
- group borrowings			(279,567)
- tax liabilities			(123,070)
Total liabilities			(521,670)
Net assets			255,826
Other segment items:			
Capital expenditure			
- development properties (note 8)	(17,984)	(3,464)	(21,448)
- property, plant and equipment	(358)	-	(358)
Depreciation	(125)	(18)	(143)
Impairment of trade receivables	(230)	(494)	(724)

Notes to the financial statements for the year ended 31 October 2009 (continued)

3 Finance income and costs

	2009 £'000	2008 £'000
Finance costs:		
Interest payable on bank loans and overdraft	(14,896)	(16,685)
Amortisation of debt issue costs on bank loan	(1,468)	(830)
Interest payable on other loans	(17)	(53)
Interest on obligations under finance leases	(6,314)	(6,691)
Capitalised interest	717	1,670
Total finance cost	(21,978)	(22,589)
Finance income:		
Interest receivable from bank deposits	344	827
Exceptional item recycled foreign currency translation gains from the translation reserve (note 12)	6,607	-
Net finance costs	(15,027)	(21,762)

Interest has been capitalised at an average rate of 3.5% (2008: 6.5%) for the year.

The exceptional item of £6.6m within finance income arises in respect of recycled foreign currency translation gains from the translation reserve which are now realised (see note 12).

4 Exceptional items

The exceptional items comprise £1,754,000 income arising from the commutation of an insurance policy related to the 2005 Access France acquisition and a gain of £292,000 on the sale of a development property in France.

5 Income tax (credit)/expense

Analysis of tax credit/(expense) in the year

	2009 £'000	2008 £'000
Current tax:		
UK Corporation tax charge	(15)	(24)
Deferred tax		
- Current year, including exceptional credit of £5,524,000 (2008: £nil)	11,050	(3,609)
-Adjustment in respect of prior year	(1,882)	1,219
Tax credit/(expense)	9,153	(2,414)

Reconciliation of income tax credit/(expense)

Notes to the financial statements for the year ended 31 October 2009 (continued)

5 Income tax (credit)/expense (continued)

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

	2009 £'000	2008 £'000
(Loss)/profit before tax	(9,418)	14,927
Tax calculated at domestic tax rates applicable in the UK: 28% (2008: 28.83%)	(2,637)	4,303
Effect of:		
Expenses not deductible for tax purposes	83	82
Income not assessable for tax purposes	(1,850)	-
Indexation on property revaluation	(280)	(475)
Utilisation of French tax losses not previously recognised	(1,703)	(1,025)
Recognition of French tax losses previously unprovided	(5,524)	-
Difference from overseas tax rates	876	748
Adjustments in respect of prior years	1,882	(1,219)
Tax (credit)/expense	(9,153)	2,414

The exceptional tax credit of £5,524,000 arises on the recognition of previously unprovided French tax losses of €18.5m.

6 Dividends per share

The dividend paid in 2009 was £8,717,000 (4.65p per share) (2008: £8,717,000 (4.65p per share)). A dividend in respect of the year ended 31 October 2009 of 3.0p (2008: 3.0p) per share, amounting to a dividend payment of £5,624,000 (2008: £5,624,000), is to be proposed at the Annual General Meeting on 24 March 2010. The ex-dividend date will be 3 March 2010 and the record date 5 March 2010, with an intended payment date of 2 April 2010. The final dividend has not been included as a liability at 31 October 2009.

7 (Loss)/earnings per share

Basic earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares held as treasury shares. Diluted earnings per share is calculated by adjusting the weighted average numbers of ordinary shares to assume conversion of all dilutive potential shares. The company has one category of dilutive potential ordinary shares; share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Year ended 31 October 2009			Year ended 31 October 2008		
	Loss £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic	(0.26)	187.48	(0.14)	12.51	187.38	6.68
Dilutive securities		1.76			-	
Diluted	(0.26)	189.24	(0.14)	12.51	187.38	6.68

Notes to the financial statements for the year ended 31 October 2009 (continued)

7 (Loss)/earnings per share (continued)

Adjusted earnings per share

Adjusted earnings per share represents profit after tax adjusted for the loss on investment properties, exceptional items and the associated tax thereon. The directors consider that these alternative measures provide useful information on the performance of the Group.

	(Loss)/ earnings £m	Year ended 31 October 2009		Earnings/ (loss) £m	Year ended 31 October 2008	
		Shares million	Pence per share		Shares million	Pence per share
Basic	(0.26)	187.48	(0.14)	12.51	187.38	6.68
Adjustments:						
Loss on investment properties	41.61	-	22.19	8.31	-	4.44
Exceptional items	(2.05)	-	(1.10)	-	-	-
Recycling of foreign exchange gains	(6.61)	-	(3.52)	-	-	-
Tax on adjustments	(9.30)	-	(4.95)	(2.40)	-	(1.28)
Exceptional tax credit	(5.52)	-	(2.95)	-	-	-
Adjusted	17.87	187.48	9.53	18.42	187.38	9.84

Loss on investment properties includes depreciation on leasehold properties of £5.3 million (2008: £4.0 million) and the related tax thereon of £1.5 million (2008: £1.1 million). As an industry standard measure, EPRA earnings are presented. EPRA earnings, of £14.1 million (2008: £15.6 million) and EPRA earnings per share of 7.52 pence (2008: 8.32 pence) are calculated after further adjusting for these items.

8 Investment properties, development properties and interests in leasehold properties

	Investment property £'000	Interests in leasehold properties £'000	Total investment properties £'000	Development properties £'000
As at 1 November 2008	637,656	75,218	712,874	31,483
Additions	2,873	371	3,244	11,274
Reclassifications	29,404	-	29,404	(29,404)
Revaluations	(36,284)	-	(36,284)	-
Depreciation	-	(5,326)	(5,326)	-
Disposals	-	-	-	(1,273)
Exchange movements	13,129	1,691	14,820	561
As at 31 October 2009	646,778	71,954	718,732	12,641

Notes to the financial statements for the year ended 31 October 2009 (continued)

8 Investment properties, development properties and interests in leasehold properties (continued)

	Investment property	Interests in leasehold properties	Total investment properties	Development properties
	£'000	£'000	£'000	£'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)	-	(4,322)	-
Depreciation	-	(3,991)	(3,991)	-
Disposals	(17)	-	(17)	-
Exchange movements	8,706	2,510	11,216	616
As at 31 October 2008	637,656	75,218	712,874	31,483

The reclassification in the prior year represented the acquisition of the freehold of a leasehold property. Losses on investment properties comprise:

	2009 £'000	2008 £'000
Revaluations	(36,284)	(4,322)
Depreciation	(5,326)	(3,991)
	(41,610)	(8,313)

	Deemed cost £'000	Valuation £'000	Revaluation on deemed cost £'000
Freehold stores			
As at 1 November 2008	254,262	488,881	234,619
Movement in year	38,507	10,566	(27,941)
As at 31 October 2009	292,769	499,447	206,678
Leasehold stores			
As at 1 November 2008	65,225	148,775	83,550
Movement in year	6,900	(1,444)	(8,344)
As at 31 October 2009	72,125	147,331	75,206
All stores			
As at 1 November 2008	319,487	637,656	318,169
Movement in year	45,407	9,122	(36,285)
As at 31 October 2009	364,894	646,778	281,884

The valuation of £646.8 million excluded £1 million in respect of owner occupied property. Rental income earned from Investment properties for the years ended 31 October 2009 and 31 October 2008 were £73.0m and £71.9m respectively.

Notes to the financial statements for the year ended 31 October 2009 (continued)

8 Investment properties, development properties and interests in leasehold properties (continued)

The freehold and leasehold investment properties have been valued as at 31 October 2009 by external valuers, Cushman & Wakefield LLP ("C&W"). The valuation has been carried out in accordance with the RICS 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 Group for the same purposes as this valuation have been so since October 2006.
- 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 2006.

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 2008 and completed on 31 March 2008. There have been no transactions in the current year. 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.

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.

Notes to the financial statements for the year ended 31 October 2009 (continued)

8 Investment properties, development properties and interests in leasehold properties (continued)

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.

Prudent lotting

C&W have assessed the value of each property individually. However, with regard to recently opened stores with negative or low short term cash flow, C&W have prepared their valuation on the assumption that were these properties to be brought to the market then they would be lotted or grouped for sale with other more mature assets of a similar type owned by the Group in such a manner as would most likely be adopted in the case of an actual sale of the interests valued. This lotting assumption has been made in order to alleviate the issue of low or negative short term cash flow. C&W have not assumed that the entire portfolio of properties owned by the Group would be sold as a single lot and the value for the whole portfolio in the context of a sale as a single lot may differ significantly from the aggregate of the individual values for each property in the portfolio, reflecting prudent lotting as described above.

9 Adjusted net assets per share

	2009	2008
	£'000	£'000
Analysis of net asset value:		
Basic and diluted net asset value	248,595	255,826
Adjustments: Deferred tax on revaluation	119,070	123,070
Adjusted net asset value	367,665	378,896
Basic net assets per share (pence)	132.6	136.5
Diluted net assets per share (pence)	131.3	136.5
Adjusted net assets per share (pence)	196.1	202.1
	Number	Number
Shares in issue	187,495,348	187,471,348

Basic net assets per share are shareholders' funds divided by the number of shares at the year end. Diluted net assets per share are shareholders' funds divided by the number of shares at the year end, adjusted for dilutive share options. 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 net of tax, was £378.4 million (2008: £382.0 million) giving EPRA net assets per share of 201.8 pence (2008: 204.0 pence). The directors consider that these alternative measures provide useful information on the performance of the Group.

Notes to the financial statements for the year ended 31 October 2009 (continued)

10 Financial liabilities – bank borrowings

Finance costs of £2,489,000 (2008: £2,433,000) have been capitalised against bank loans and other borrowings and are being amortised over the life of the banking and loan facilities during the year.

1. The bank loans and overdrafts are secured by a fixed charge over the Group's investment property portfolio. In July 2006, as part of the interest rate management strategy, the Group entered into one interest rate swap for a notional principal amount of £177,750,000 commencing in December 2006 and maturing in July 2011. Under this swap, the Group receives interest on a variable basis and pays interest at a rate of 5.21525%. In January 2009 as part of the interest rate management strategy the Group entered into an interest rate swap for a notional principal amount of €24,000,000 commencing January 2009 and maturing in July 2011. Under this swap, the Group receives interest on a variable basis and pays interest at a rate of 2.25%.

The maturity profile of the carrying amount of the Group's non current liabilities at 31 October 2009 and 31 October 2008 was as follows:

	Bank loan £'000	Finance leases £'000	Total 2009 £'000	Bank loan £'000	Finance leases £'000	Total 2008 £'000
Expiring between 1-2 years	296,874	80	296,954	4,000	858	4,858
Expiring between 2-5 years	-	3,706	3,706	274,000	1,692	275,692
Expiring after 5 years	-	57,867	57,867	-	62,058	62,058
	296,874	61,653	358,527	278,000	64,608	342,608

Bank loans are stated before unamortised issue costs of £2,489,000 (2008: £2,433,000). Bank loans are repayable as follows:

	2009 £'000	2008 £'000
In one year or less	4,000	4,000
Between one and two years	296,874	4,000
Between two and five years	-	274,000
Bank loans	300,874	282,000
Unamortised issue costs due within one year	(1,515)	(960)
Unamortised issue costs due after one year	(974)	(1,473)
	298,385	279,567

Notes to the financial statements for the year ended 31 October 2009 (continued)

10 Financial liabilities – bank borrowings (continued)

The effective interest rates at the balance sheet date were as follows:

	2009	2008
Bank loans	monthly LIBOR plus 0.90% / monthly EURIBOR plus 1.75%	monthly LIBOR plus 0.90%
Bank overdrafts	n/a	n/a

Borrowing facilities

The Group has the following undrawn committed borrowing facilities available at 31 October in respect of which all conditions precedent had been met at that date:

	Floating rate	
	2009	2008
	£'000	£'000
Expiring beyond 1 year	46,875	19,700

11 Financial instruments

Numerical financial instruments disclosures are set out below. Additional disclosures are set out in the Financial Review.

	2009	2008
	Liability	Liability
	£'000	£'000
Interest rate swaps - cash flow hedge	13,189	3,457
Currency swap	389	-

All financial instruments are current.

In accordance with IAS39 'Financial Instruments: recognition and measurement', the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. No adjustments have been identified following this review.

Net fair values of derivative financial instruments

The fair values, net of related deferred tax, of derivative financial instruments designated for cash flow hedges at the balance sheet date were:

	2009	2008
	Liability	Liability
	£'000	£'000
Interest rate and currency swaps	10,784	2,390

Interest rate swap

The notional principal amount of the outstanding interest rate swap contracts at 31 October 2009 was £170,250,000 and €24,000,000 (2008: £177,750,000 and €Nil). At 31 October 2009 the fixed interest rates were Sterling at 5.21525% and Euro at 2.25% (2008: Sterling at 5.21525%) and floating rates are at monthly LIBOR and monthly EURIBOR plus a margin. The loss in the year has been recognised in the SORIE as appropriate hedging documentation existed. Both swaps expire in July 2011.

Notes to the financial statements for the year ended 31 October 2009 (continued)

11 Financial instruments (continued)

Basis swap

At 31 October 2009, the Group had interest rate swap contracts outstanding for a notional principal amount of £177,750,000 commencing 31 December 2008. The Group will receive one month LIBOR plus 32 basis points every month and pay six month LIBOR bi-annually. The Swap contracts expire on 31 December 2009.

Foreign exchange swap

At 31 October 2009, the Group had a foreign currency swap contract outstanding for a notional principal amount of €2,000,000 every six months commencing 1 November 2008. The Group will receive the sterling equivalent of €2,000,000 at an exchange rate of 1.2575 and pay the sterling equivalent of the average monthly spot rates for the six months. The swap contract expires on 27 October 2010.

Fair values of non-derivative financial assets and financial liabilities

Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at prevailing interest rates and by applying year end exchange rates. The fair values of bank loans and finance leases are calculated as:

	2008 Book value £'000	2008 Fair value £'000	2009 Book value £'000	2009 Fair value £'000
Bank loans	279,567	279,567	298,385	308,809
Finance lease obligations	75,218	75,218	71,954	105,600

The fair values of non-derivative financial assets and liabilities equal their book values.

Financial instruments by category

	Loans and receivables £'000	Derivatives used for hedging £'000	Total £'000
Assets as per balance sheet			
Trade receivables and other receivables excluding prepayments	7,980	-	7,980
Cash and cash equivalents	26,352	-	26,352
As at 31 October 2009	34,332	-	34,332

	Derivatives used for hedging £'000	Other financial liabilities at amortised cost £'000	Total £'000
Liabilities as per balance sheet			
Borrowings (excluding finance lease liabilities)	-	298,385	298,385
Finance lease liabilities	-	71,954	71,954
Derivative financial instruments	13,578	-	13,578
Trade payable and other payables	-	32,002	32,002
As at 31 October 2009	13,578	402,341	415,919

Notes to the financial statements for the year ended 31 October 2009 (continued)

11 Financial instruments (continued)

	Loans and receivables £'000	Derivatives used for hedging £'000	Total £'000
Assets as per balance sheet			
Other financial assets	1,561	-	1,561
Derivative financial instruments	-	190	190
Trade receivables and other receivables excluding prepayments	6,144	-	6,144
Cash and cash equivalents	11,143	-	11,143
As at 31 October 2008	18,848	190	19,038

	Derivatives used for hedging £'000	Other financial liabilities at amortised cost £'000	Total £'000
Liabilities as per balance sheet			
Borrowings (excluding finance lease liabilities)	-	279,567	279,567
Finance lease liabilities	-	75,218	75,218
Derivative financial instruments	3,647	-	3,647
Trade payable and other payables	-	40,059	40,059
As at 31 October 2008	3,647	394,844	398,491

12 Statement of changes in shareholders' equity

	Share capital £'000	Share premium £'000	Translation reserve £'000	Hedge reserve £'000	Retained earnings £'000	Total £'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 6)	-	-	-	-	(8,717)	(8,717)
Exchange differences on translation of foreign operations	-	-	8,240	-	-	8,240
Long term incentive plan share awards	10	-	-	-	566	576
Own shares	-	-	-	-	(7)	(7)
Adjustment in respect of share issue	-	(61)	-	-	-	(61)
Cash flow hedge	-	-	-	(4,661)	-	(4,661)
Balance at 1 November 2008	1,881	28,349	8,392	(2,745)	219,949	255,826
Loss for the year	-	-	-	-	(265)	(265)
Dividends (note 6)	-	-	-	-	(8,717)	(8,717)
Exchange differences on translation of foreign operations	-	-	12,128	-	-	12,128
Employee share options	-	-	-	-	613	613
Recycling of balances in the translation reserve to finance	-	-	(6,607)	-	-	(6,607)

income in the income statement

(note 3)

Cash flow hedge	-	-	-	(4,383)	-	(4,383)
Balance at 31 October 2009	1,881	28,349	13,913	(7,128)	211,580	248,595

The translation reserve of £13,913,000 (2008: £8,392,000) comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The hedge reserve of £(7,128,000) comprises the unrealised elements of derivative financial statements recognised in equity.

Notes to the financial statements for the year ended 31 October 2009 (continued)

13 Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:

	2009	2008
	£'000	£'000
Cash generated from continuing operations		
(Loss)/profit before income tax	(9,418)	14,927
Loss on investment properties	41,610	8,313
Depreciation	168	143
Gain on non-current assets	(292)	-
Finance income	(6,951)	(827)
Finance expense	21,978	22,589
Employee share options	613	-
Changes in working capital:		
Decrease/(increase) in inventories	30	(6)
(Increase)/decrease in trade and other receivables	(1,132)	279
(Decrease)/increase in trade and other payables	(1,258)	200
Decrease in provisions	-	(21)
Cash generated from continuing operations	45,348	45,597

14 Analysis of movement in net debt

	2008	Cash flows	Non cash	2009
	£'000	£'000	movements	£'000
			£'000	
Cash in hand	11,143	14,733	476	26,352
	11,143	14,733	476	26,352
Debt due within 1 year	(3,040)	4,000	(3,445)	(2,485)
Debt due after 1 year	(276,527)	(21,465)	2,092	(295,900)
Total net debt excluding finance leases	(268,424)	(2,732)	(877)	(272,033)
Finance leases due within 1 year	(10,610)	5,326	(5,017)	(10,301)
Finance leases due after 1 year	(64,608)	-	2,955	(61,653)
Total finance leases	(75,218)	5,326	(2,062)	(71,954)
Total net debt	(343,642)	2,594	(2,939)	(343,987)

Non-cash movements relate to reclassification of non-current debt to current debt, amortisation of debt issue costs, foreign exchange movements, new finance leases and unwinding of discount.

15 Capital commitments

The Group had £4.0m capital commitments as at 31 October 2009 (2008: £13.0m).