



**FOR IMMEDIATE RELEASE**

26 January 2012

**Safestore Holdings plc  
("Safestore" or "the Company")**

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

**Preliminary results announcement for the year ended 31 October 2011**

***'Market leader driving growth'***

**Operational Highlights**

- Closing occupancy at record level of 3.21 million sq ft, 64.1% of Maximum Lettable Area ("MLA")
- Average self storage rental rate up 2.2% to £26.11 per square foot ("sq ft") (FY2010: £25.55)
- Revenue per Available Foot<sup>4</sup> ("RevPAF") up 3.0% to £18.99 (FY2010: £18.44)
- Ancillary sales up 8.3% to £13.2 million (FY2010: £12.2 million)
- Two new stores opened in Paris, two replacement stores opened in the UK

**Financial Highlights**

- Revenue up 6.6% to £95.1 million (FY2010: £89.2 million)
- Underlying EBITDA<sup>1</sup> up 2.7% to £50.5 million (FY2010: £49.2 million)
- EPRA<sup>2</sup> Adjusted profit after tax<sup>3</sup> up 4.8% to £16.1 million
- EPRA Adjusted Earnings per share<sup>3</sup> ("EPS") up 4.8% to 8.58 pence (FY2010: 8.19 pence)
- Final dividend increased 9.2% to 3.55 pence per share (FY2010: 3.25 pence per share)
- Profit after tax of £13.0 million (FY2010: £26.3 million) reflecting the impact of non-cash movements in the (loss)/gain on investment properties, exceptional items and the associated tax
- Basic EPS of 6.95 pence per share (FY2010: 14.05 pence per share)

Peter Gowers, Chief Executive of Safestore, commented:

"Safestore has delivered another strong operational performance, our fifth successive year of growth in sales, profits and the total value of the property portfolio. Demand for self-storage has been increasing and as the market leader we have driven growth while making targeted investments in our future.

Since the year end we have continued to see further growth in personal and business new lets. While we continue to monitor the wider economic conditions, our recent performance has been encouraging and as the market leader, the board believes we are well positioned to capitalise on the opportunities ahead."

<sup>1</sup> EBITDA before exceptional items, contingent rent, (loss)/gain on investment properties and fair value movement of derivatives (underlying EBITDA)

<sup>2</sup> EPRA – European Public Real Estate Association

<sup>3</sup> See note 7

<sup>4</sup> RevPAF calculated as total revenue divided by total MLA

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Peter Gowers, Chief Executive Officer  
Richard Hodsdon, Chief Financial Officer

**Hudson Sandler**

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Nick Lyon / Wendy Baker

**A presentation for analysts 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 Anna Domin at [adomin@hudsonsandler.com](mailto:adomin@hudsonsandler.com) or telephone on 020 7796 4133.**

**Notes to Editors**

- Safestore is the UK's largest self storage group with 131 stores. These include 96 wholly owned stores in the UK and 23 wholly owned stores in the Paris region. A further 12 stores are under management in the UK.
- The Company provides storage to more than 43,700 personal and business customers.
- Safestore (excluding the 12 Spacemaker stores under management) has a maximum lettable area ("MLA") of 5.0 million sq ft (5.3 million sq ft including the expansion pipeline stores) of which 3.21 million sq ft is currently occupied.
- 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 developments and acquisitions where appropriate.
- Safestore employs around 550 people.

[www.safestore.com](http://www.safestore.com)

## **SAFE HARBOUR**

*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. 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.*

## **Chairman's Statement**

As Chairman of Safestore Holdings plc, the market leader and largest self storage retailer in the UK and Paris, I am pleased to announce another year of growth in the year ended 31 October 2011.

Demand for self-storage in the UK and France has been increasing, notwithstanding the challenging macro-economic conditions, and the power of our scale has enabled us to continue to deliver strong operational performance.

We believe there is significant further growth potential in the UK and Paris self-storage markets and we are selectively investing in our future. We have made strategic investments to enable us to exploit our scale, drive sales and strengthen yield management. These investments include enhancement of our sales and marketing team, the launch of a new website platform and the expansion of our London and Paris call centres.

The initial results of our strategic investments have been positive and we have delivered strong revenue growth this year. The Board believes our targeted investment programme will strengthen our position as market leader and drive further improved performance during the years to come.

During the year we also extended our network with the opening of four new stores – two new stores in the Paris region and two modern replacement stores in the UK.

Overall, we are pleased to have delivered another year of growth and we remain confident in the strength of our business model, the quality of our operational teams and our prospects for the future.

### ***Financial Results***

Revenue for the year was £95.1 million, 6.6% higher than last year (FY2010: £89.2 million). The key drivers for revenue growth continue to be movements in the self storage occupancy, rate per sq ft, and ancillary revenues:

- Closing occupancy increased by 268,000 sq ft or 9.1% to a record 3.21 million sq ft (FY2010: 2.94 million sq ft).
- Ancillary revenues were up 8.3% to £13.2 million (FY2010: £12.2 million).
- The average self storage rental rate increased by 2.2% to £26.11 per sq ft (FY2010: £25.55).

Underlying EBITDA increased by 2.7% to £50.5 million (FY2010: £49.2 million) as a direct result of the increased turnover which has been partially offset by the investments made to drive the business forward. These are covered in more detail in the Chief Executive's Report on pages 6 to 14. Further details on the results for the Financial Year 2011 ("FY2011") and Financial Year 2010 ("FY2010") are included in the Financial Review on pages 15 to 22.

### ***Property Valuation***

As at 31 October 2011, the total value of the Group's property portfolio was £714.4 million, up £27.2 million from £687.2 million at 31 October 2010 and up £20.8 million from the half year valuation of £693.6 million at 30 April 2011. Further details of the property valuation and the movements therein are provided in the Finance Report.

### ***Dividend***

The Board are pleased to recommend a final dividend of 3.55 pence per share bringing the total dividend to 5.30 pence per share for the year. This final dividend represents an increase of 9.2% versus FY2010.

The Board remains confident in the prospects for the group. This dividend reflects the appropriate balance between delivering short-term shareholder returns and building longer-term shareholder value by maintaining our investment in infrastructure and new store development.

The Board expects to continue to maintain a progressive dividend policy.

### ***People***

During the year we announced the appointment of Peter Gowers as Chief Executive with effect from 1 March 2011. Peter was previously Chief Executive for the Asia-Pacific region of InterContinental Hotels Group plc ("IHG"). Peter brings considerable strategic, marketing and operational experience to the group and his track record in driving operational performance that creates property value will stand the group in good stead.

Peter succeeded Steve Williams, who retired from the Group this year after just over nine years as Chief Executive. Steve provided a solid platform for the Company's continued success and the Board and I thank him for his leadership. We wish him a long and happy retirement.

During the year, our people continued to be the key drivers of the success of the business. I would like to take this opportunity to thank all my colleagues throughout the business for their hard work and dedication this year.

### ***Outlook***

Demand for self storage has been increasing and since the year end we have seen continued growth in personal and business new lets. While we continue to monitor the wider economic conditions, our recent performance has been encouraging and the Board believes Safestore, as market leader, is well positioned to capitalise on the opportunities ahead.

Richard Grainger  
Chairman  
26 January 2012

## Chief Executive's Review – Another Year of Growth

We are pleased to announce another year of growth for the Group, with considerable progress at Safestore and Une Pièce en Plus.

Our market leadership position enabled us to deliver further growth in revenue, profitability and the total value of our property portfolio notwithstanding the challenging wider economic environment.

In a period where self-storage demand has been increasing, supply growth has been limited and some competitors have been financially constrained, we have continued to invest for the future. We have made targeted investments to enhance our sales and marketing infrastructure and grown our store network in the UK and France.

In view of our growth, our confidence in the future and commitment to delivering sustainable returns to shareholders, we have increased the final dividend by 9.2% to 3.55 pence per share.

The table below summarises the impact of our operating performance on group financial performance.

	Year ended 31 October 2011 £'000	Year ended 31 October 2010 £'000	Movement
Revenue	95,060	89,214	+6.6%
Like-for-like* revenue	93,653	87,367	+7.2%
Ancillary revenue	13,207	12,199	+8.3%
Underlying EBITDA <sup>1</sup>	50,512	49,178	+2.7%
EPRA Profit after Tax (adjusted) <sup>2</sup>	16,092	15,349	+4.8%
Profit after Tax ("Earnings")	13,028	26,340	-50.5%
EPRA Earnings Per Share (adjusted) <sup>2</sup>	8.58p	8.19p	+4.8%
Basic EPS <sup>2</sup>	6.95p	14.05p	-50.5%
EPRA Net Asset Value ("NAV") per Share (adjusted) <sup>3</sup>	211.3p	212.6p	-0.1%
NAV per Share <sup>3</sup>	146.8p	144.1p	+1.9%
Dividend – Final per Share	3.55p	3.25p	+9.2%
Dividend – Total per Share	5.30p	4.95p	+7.1%

1 EBITDA before exceptional items, contingent rent, fair value movement of derivatives and (loss)/gain in investment properties ("underlying EBITDA")

2 See note 7

3 See note 9

\* Like for like stores are those that have been open for two full financial years or more

### *Safestore delivering sustained growth*

Safestore continues to be focused on delivering strong operational results, a high quality earnings stream and sustainable returns to shareholders. This year marked our fifth successive year of growth in revenues, EBITDA and the total value of our property portfolio and continues our track record of maintaining or growing dividend payments each year.

	Oct-07	Oct-08	Oct-09	Oct-10	Oct-11
	£'000	£'000	£'000	£'000	£'000
Revenue	74,303	82,875	84,433	89,214	95,060
EBITDA (underlying)	40,725	45,145	46,330	49,178	50,512
Total Portfolio Valuation	583,700	638,700	647,800	687,200	714,400
Dividend (pence per share)	4.50	4.65	4.65	4.95	5.30

These results reflect the strength of our market position and the great commitment of all our store and support centre teams in the UK and France. I would like to join the Chairman in thanking the team for all they have done to drive Safestore forward this year.

### **Highlights of FY2011 – Safestore driving performance through market leadership**

Safestore continued to build on its strengths during the year, using our scale to drive continued improvements in operational performance and maintaining our selective investment programme to drive future growth.

We have a straightforward business model. We identify attractive sites for personal and business storage, use our scale to market those sites to customers and create enquiries; use our customer insight and operating skill to convert enquiries into occupancy, and manage pricing and business mix to drive the self storage rate and ancillary revenues.

As at 31 October 2011 our portfolio comprised 119 stores, 96 in the UK and 23 in Paris, giving us a market leadership position in both markets. During the year we opened two new stores in Paris and two modern replacement stores in the UK at Bolton and Southend. Since the year end we have also opened a further two stores, one in London and one just outside central Paris bringing the total number of stores in the portfolio to 121.

We focused on maximising revenue per available foot (“RevPAF”) by striking the right balance between occupancy and rate growth. Occupancy grew by 268,000 sq ft or 9.1% to a record 3.21 million sq ft, or 64.1% of our Maximum Lettable Area (“MLA”). Average self storage rental rate was up 2.2% to £26.11 (FY2010: £25.55). As a result, we successfully grew total RevPAF by 3.0% to £18.99 for our overall portfolio (FY2010: £18.44).

Geographically Paris remained our strongest market during the year, reflecting the solid demand for self storage within central Paris, the limited supply growth and our relative market strength. London and the South East, where we are a market leader with scale, was the next strongest performing region with solid demand albeit in a more competitive environment than that experienced in Paris. In the UK beyond London and the South East, demand was solid during the year and our strategic focus on RevPAF enhanced performance.

In an economic environment with inflationary pressures, particularly on utilities and business rates, we maintained our focus on cost control. Underlying cost of sales (excluding the operating costs of new stores opened during the year) grew by 4.5%. Administrative costs were impacted by a number of one-off movements, the full-year impact of changes in headcount and by changes in the level of incentive rewards and national insurance. As a result, underlying administrative expenses grew by £1.3 million to £14.1 million representing a 10.7% increase overall.

During the second half of the year we made strategic investments of approximately £0.6m which are included in the underlying level of cost increases. At a time when many smaller competitors have limited resources to grow we believe selective strategic investment will strengthen our position as market leader. These targeted investments support our drive to strengthen sales and yield management, including enhancement of our team, the launch of a new website platform and the expansion of our London and Paris call centres. Further details of the overall movement in our cost base are detailed in the Finance Report.

As a result of our strong operational performance, discipline on costs and the targeted strategic investments, underlying EBITDA was up 2.7% to £50.5 million (FY2010: £49.2 million). Underlying profit after tax, measured using the EPRA adjusted measure increased by 4.8% to £16.1 million (FY2010: £15.3 million).

Statutory reported profit after tax was £13.0 million (2010: £26.3 million). This movement arose predominantly as a result of the requirement to record a non-cash reduction in property valuation of £18.4 million in the 'investment (loss)/gain on investment properties' line of the income statement. This compares to an investment gain of £18.5 million in FY 2010. The total property portfolio valuation increased by 4.0% to £714.4 million. However an adjustment to values in the like for like portfolio was required, including an exceptional impairment charge of £2.2 million relating to the La Défense property in France.

### **Strategy – More Space<sup>SM</sup> through market leadership and scale**

At Safestore, our aim is to deliver More Space<sup>SM</sup> for our customers to store the things that matter most, to generate growth for our shareholders and our team to develop their careers.

#### *Strategic opportunity to grow the self-storage market*

We believe there are significant strategic opportunities to grow the self-storage industry itself and strengthen our performance.

We estimate, based on data from the UK Office for National Statistics (“ONS”) and proprietary research, that more than 8 million individuals and businesses in the UK could potentially benefit from self-storage, either because changes in their lives create a need for more space (for example, major events like marriage, the birth of a child, divorce and bereavement), or in connection with a home move (either between rented properties or the owner-occupied sector) or because there are opportunities to expand their business or optimise property and logistics costs.

In contrast, the self-storage market in the UK presently consists of around just 400,000 customers and penetration of the product is at a fraction of the level already reached in the United States, even in the more developed London and Paris markets.

We believe that a greater emphasis on customer marketing, segment-specific product offers and a greater focus on yield management will enhance our ability to take advantage of this market opportunity.

#### *Strategy based on capitalising on our market leadership and scale*

Our strategy is straightforward. We develop the self-storage product, create specific offers for specific customer segments and use our scale to maximise the yield on our property portfolio.

The company has four strategic priorities which underpin our strategy. They drive the objectives of every team member, the measures we monitor internally in our balanced scorecard and form part of the criteria against which we assess our investment decisions. The four Safestore strategic priorities are:

1. Strengthen the brand
2. Build a powerful team
3. Drive operational excellence
4. Create value

Over the course of the years ahead we expect progress on our strategic priorities to help us drive occupancy in the mature store portfolio beyond 75% at increasing levels of RevPAF, thereby driving the benefits of operational gearing and enhanced profitability.

Progress against each priority during the year is set out in further detail in the operational review.

### **Our People – Enhancing Customer Service and Improving Productivity**

At Safestore, our people make the difference. In line with our mission to offer More Space<sup>SM</sup> for our customers and More Space<sup>SM</sup> for our team members to develop, we have maintained a strong focus on people development during the year.

Self-storage is a relatively new product in the UK and France and many customers look for guidance and support when working out how best to store their property, where to store it and how to safeguard it. Our teams provide that support and we look to recruit, develop and reward a high quality team.

During the year we made significant investments in strengthening our customer service proposition, by rolling out our 'Space Specialist' training programme which focused our store teams on identifying the needs of specific customers and finding the right solution for those needs. The 'Space Specialist' programme, which includes a residential training course and follow-up in store has now been successively deployed to all our UK stores and key elements are now being leveraged by the business in France.

Beyond Space Specialist, our in-house, award winning personal development programme, Careerstore continues and Safestore has now been 'Centre Recognised' by the Open College Network ("OCN"), which means we are authorised to run our own OCN accredited courses. This gives our staff the opportunity to gain a nationally recognised qualification by pursuing our internal programme, Careerstore. We have seen a continued commitment to personal development over the past twelve months with our on-line training modules being completed over 800 times during the year.

We are proud of our continued status as 'Investors in People', a designation which we have held since 2003.

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

### **Property and Asset Management – Strengthening the Portfolio**

#### *Store Network Continues to Expand*

As at 31 October 2011, Safestore had a portfolio of 119 stores of which 96 are branded as Safestore in the UK with a further branded 23 as Une Pièce en Plus in France. In addition we manage a further 12 stores, branded as Spacemaker in the UK, for a third party for which we receive a management fee.

The portfolio consists of 73 freehold/long-leasehold stores, 46 short leasehold and the 12 managed stores.

Our strategy is to develop either freehold or long leasehold stores wherever possible as this creates greatest long-term shareholder value. However, we selectively develop using short-term leases where this permits us to access attractive markets where freeholds are not available, or where greater returns to shareholders can be achieved through leasing.

During the year we opened four new freehold stores, two new stores at Torcy and Trappes in Paris and two modern replacement stores at Bolton and Southend in the UK.

The two new Parisian stores extend our network along main arterial routes around the city of Paris. These openings extend the business into new areas, which offer the economic and demographic criteria needed for successful self-storage operations. They also enable us to further increase our market share into the wider Ile de France region around Paris, while strengthening our regional scale and synergies.

The new Southend and Bolton stores are both freehold, purpose built facilities. Both offer modern facilities replacing older stores, enhancing the brand and improving operational efficiency. We successfully transferred the majority of existing customers to the new stores and the larger footprint added approximately 51,000 sq ft of net additional MLA.

In June we also acquired the freehold interest in our store at London Pentonville Road. This acquisition has secured the long term future of this central London location, enhances the value of our property portfolio and demonstrates our ability to enter into a location with a lease, and where returns are attractive, convert the store to a freehold and thereby enhance shareholder value.

As already announced, one store at La Défense in Paris was closed during the year, resulting in the loss of 24,000 sq ft of occupancy and approximately €0.5 million of operating profit. This store was damaged by fire and is insured for both the loss of the building and loss of profits. A review is currently underway on the optimal future for this site.

Since the year end we have opened further stores in London at New Southgate and at Gonesse in Paris. London New Southgate develops our Safestore brand proposition and introduces some new features for our business customers. These include:

- a business lounge providing informal meeting and refreshment facilities
- an office suite of six offices available on flexible letting terms
- a separate unloading area for business customers
- secure charging points for mobile phones and laptops
- archiving units with racking for those businesses that need to store documents

Paris Gonesse similarly enhances the Une Pièce en Plus brand with a modern facility located within a retail park development.

#### *Attractive Development Pipeline Supports Future Growth*

We have five stores in our pipeline, principally in London and Paris. Even in a challenging wider economic environment, the right self-storage locations continue to be attractive investments. As an example, our London Chingford store, which opened in 2008 at the onset of the recent economic downturn, is now delivering an annualised EBITDA of more than £600,000 and an EBITDA operating return of more than 10 per cent on its original development cost.

Within the current pipeline, four sites are freehold with the remaining store being long leasehold. We intend to develop the additional sites in the pipeline in line with market conditions and the opportunities to maximise value.

The pipeline is set out below:

<b>Location</b>	<b>Tenure</b>	<b>Planning</b>	<b>MLA in sq ft</b>	<b>Estimated Opening</b>
New Southgate	Freehold	Yes	48,000	Opened Nov 11
Gonesse (Paris)	Freehold	Yes	46,000	Opened Dec 11
Staines	Freehold	Yes	43,100	H1 FY2012
Velizy (Paris)	Freehold	Yes	49,500	H2 FY2012
Chiswick	Freehold	Yes	43,500	FY2013
Wandsworth *	Freehold	Yes	23,300	FY2013
Birmingham *	Long Leasehold	Yes	15,100	FY2014
<b>Total sq ft in pipeline</b>			<b>268,500</b>	

\* relocation store, MLA shown is the net additional MLA

In the UK, the Staines store is presently under construction. This store is prominently located on the A30 and is expected to open during the first half of FY2012. We have also had success on the planning front in the last year having obtained planning permission on two London sites at Wandsworth and Chiswick and for a flagship store in Birmingham.

In France, the Velizy site, which is adjacent to the main regional shopping centre known locally as 'Velizy 2' is expected to open during the second half of FY2012

#### *Asset Management Driving Returns*

We actively manage our portfolio to maximise income, minimise costs and enhance asset value.

We have reviewed our portfolio and we believe that self-storage remains the highest and best use of the overwhelming majority of our sites. In a small number of locations there are opportunities to explore alternative use schemes and these are now being evaluated. There are also a number of city centre locations outside London where consolidation of our existing stores may be value creating and we will continue to explore the optimal solution in these locations. One such example is our satellite store at Stevenage which we will close in January 2012 with the majority of existing customers moving to our main store.

## **Operational Review– Continued Growth and Targeted Investment**

### ***Self-Storage Demand and Enquiries Continue To Grow***

Self-storage demand has been increasing during the year and enquiries grew by 16% compared to the prior year. Enquiries are categorised as either 'personal' or 'business' with the strongest growth coming from personal customers during the year.

The principal trend in enquiries is the continuing shift to customers using a multi-channel route to acquire the self-storage product. The majority of customers now start their enquiry process online and 63% of all enquiries were sourced from the internet during the year, compared to 47% in the prior year. However, many customers subsequently choose to engage with national account sales team members, call centre colleagues or our store teams to make their final decision and ultimately contract their business. Our focus has therefore been in maximising our performance at each stage of the multi-channel journey.

Safestore continues to lead in the online space and development of our web offer is an ongoing process. We actively manage the display of our websites in the main internet search engines, place advertising online and develop our web offer. Customers can now find pricing for our stores on our website and begin the reservation process.

The design of the UK website was updated in June improving the user journey and fuelling enquiry growth. This led to further improvements in the volume and quality of our enquiries. Shortly a new website technical platform and further re-design will be launched. This new website offers simplified navigation, a separate information section for different customer segments, a quick price guide, simplified quote process, the ability to quote three different store prices, order fulfilment and an updated size estimator. This is being initially rolled out in the UK before being deployed in France.

#### *Personal Customer Enquiries Growing*

Enquiries for personal customers grew by 17% during the year with personal customers accounting for approximately 91% of enquiries.

Storage needs for this segment are principally driven by two factors: lifestyle events and the housing market. Demand created by lifestyle events, such as people moving in together, having children, becoming divorced or addressing the issues presented by bereavement are needs related and we believe remain largely unaffected by the economic environment.

Demand created by home moves is created by sales and purchases within the owner-occupied and rental sector as well as refurbishments in both. As an example, in the UK, while the number of owner-occupied housing market transactions fell in the aftermath of the 2008 financial crisis, demand has been relatively resilient since. This principally results from the large size of the rental market and the increasing level of home refurbishments, such as loft conversions. According to the UK Office for National Statistics, approximately 1.4 million rental moves took place in the UK during 2010

compared to 360,000 owner-occupied housing market transactions. Our proprietary UK research, the 2011 "Safestore Moving Trends Survey", also suggested that 73% of home-owners are considering renovating or extending their property as an alternative to a home move.

#### *Business Customer Enquiries Growing*

Enquiries for business customers grew by 7% during the year with business customers accounting for approximately 9% of enquiries.

Storage needs for this segment are principally driven by the need to store stock and manage logistics, the former being principally a small and medium size business ("SME") need and the latter being more driven by larger businesses.

Demand for business storage is fuelled by rising awareness of the benefits of self-storage and economic conditions. Even with low GDP growth during 2010-2011, demand grew overall during the year, although fluctuating on a month-to-month basis somewhat in line with business confidence.

#### **Occupancy Growth Significantly Strengthened with Focus on RevPAF**

During the year, we grew occupancy in our store network by 268,000 sq ft to a record 3.21 million sq ft or approximately 64.1% of the total MLA (FY2010: closing occupancy of 2.94 million sq ft or 60.8% of MLA).

This significant occupancy growth, which including a fourth quarter where occupancy grew at all-time record levels, was driven by an increased focus on maximising RevPAF. RevPAF is a similar measure to 'Sales per Square Foot' or 'Revenue per Available Room' measures used in retail and hospitality respectively. This focus creates actions in the business to strike the right balance between occupancy and rate and optimise the capture of demand from different segments.

During the second half of the year in the UK we experimented with price tests in a range of different locations and they indicated promising results with overall RevPAF increases in markets we attractively priced by segment. Against a background of a tough economic environment we therefore focused on offering pricing and promotions to deliver great value for our customers. During the course of the year we conducted a detailed store by store review of pricing and promotions in the UK and introduced a number of new pricing strategies. This enables us to offer excellent value and services for our customers, appropriate for each market place we operate in. This resulted in a strong second half performance in occupancy growth which has continued into the new financial year.

Our ability to optimise demand has been enhanced with the continued expansion of our Customer Support Centre ("CSC"). In the UK, we have invested in additional team members and information technology infrastructure as well as extending the trading hours until 9pm. This ensures we have Space Specialists available to talk to customers when they want to speak to us. On the back of this expansion and our 17% year on year UK enquiry growth, our CSC was equipped to handle an additional 7,500 enquiries compared with the prior year.

In the second half of FY2011 we experimented with a further test which saw our UK call centre handle the majority of enquiries from a range of high performing, moderate and low performing stores across our network. The results were encouraging with call centre conversion rates running significantly higher than the equivalent had been in the stores and we believe there are further opportunities to extend this trial.

During the second half of the year we opened a centralised call centre in our Paris head office, designed to leverage the best practices from the UK and expected to drive further performance improvements.

#### *Personal Customers Fill Approximately Half Our Occupied Space*

1.61 million sq ft or approximately 50% of total occupied space is filled by personal customers. The average length of stay for these customers is now 87 weeks, slightly down from 89 weeks at 31 October 2010.

During the year, Safestore and Une Pièce en Plus continued to develop their service and value for money proposition to customers. We offer a range of storage pricing options depending on size of space, length of stay and location and also provide value-added service such as packing materials, free pick-up of goods and free van hire.

#### *Business Customers Fill Approximately Half Our Occupied Space*

1.60 million sq ft or approximately 50% of total occupied space is filled by business customers. The average length of stay for these customers is now 121 weeks, up from 119 as at 31 October 2010.

During the year we successfully continued our focus on serving small and medium enterprises (SME's) who account for the majority of business occupied space. In the UK, Safestore is an attractive solution for many small businesses. In addition to storage and office space, our store teams offer a range of value-added services that free up small businesses to focus on their core activities, including signing for deliveries, help with unloading, serviced fork-lift trucks and arranging for dispatch of stock. This has been particularly helpful in driving growth from online retailers, where businesses that would previously have had a traditional high street presence, now choose a self-service solution which gives them a single bill for space, rates and utilities, greater flexibility over lease term and value added services.

We also continued to grow our national accounts base in the UK. Safestore, as the UK market leader, has a unique scale position with a network of stores across the length and breadth of the UK, from Portsmouth to Edinburgh and from Cardiff to Ipswich. Unlike most other self-storage providers, who tend to be concentrated in one geographic region, we are ideally positioned to serve major UK brands and companies who need storage for archiving, stock or as a solution to complex logistics. During the year we grew total space occupied by national accounts by 16% to approximately 135,000 sq ft as at 31 October 2011, with 179 national accounts now storing right across our UK portfolio. The opportunity for national accounts is demonstrated by the fact that 65% of the space occupied by our national accounts is outside London and the South-East.

#### ***Rental Rate Growth Balanced with Occupancy to Drive RevPAF Growth***

Our successful strategy of maximising the yield from our portfolio by optimising the balance between occupancy and rate resulted in a moderate improvement in the average storage rental rate, which was £26.11, up 2.2% on £25.55 for FY 2010. Our key measure of RevPAF increased by 3.0% across the network of stores despite some experimental discounting in the second half of FY2011.

Ancillary revenues, principally generated by sales of insurance and merchandise grew by 8.3% to £13.2 million (FY2010: £12.2 million).

#### ***Cost of Sales Being Managed In Inflationary Environment***

Self storage is a relatively fixed cost business and the largest cost items are store teams, utilities, rents and facilities charges. The main discretionary cost items are marketing and corporate levels of support.

During the year relatively high levels of cost inflation did create pressures for the business in the UK while in France inflation was somewhat lower. Underlying cost of sales (excluding the costs associated with stores fully opened during the year) were managed carefully, to grow broadly in line with UK inflation at 4.5% with the total cost of sales increasing by 7.8% overall. More details of the movement in costs of sales are included within the Finance Review.

We increased our underlying administration costs (excluding the impact of exceptional items, derivative movements, and one off credits last year) by approximately £1.3 million. More detail is set out in the Finance Review.

#### **Review of Spacemaker Operations – Safestore Management Creating Value**

Safestore manages 12 Spacemaker stores in the UK on behalf of a third party owner, giving us stable management fee income, additional UK operational scale and further store presence to offer to our national accounts customers.

We are now in the second year of our management contract at Spacemaker and successfully grew occupancy, rate, revenues and profitability on behalf of the owners during the year.

We have a strong and dedicated team of people in the Spacemaker stores who have handled the change process superbly well and delivered a great performance in what have been challenging economic conditions. We thank them for their commitment and hard work.

### **Summary – Another Year of Growth**

Safestore has delivered another strong set of results, our fifth successive year of growth in revenues, profits and property valuation.

Thanks to our customer focus, scale and the efforts of our dedicated teams we continue to build on our market leadership position and remain confident in the future.

Peter Gowers  
Chief Executive Officer  
26 January 2012

## 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 2011 and the year ended 31 October 2010, as well as the year on year change.

	Year ended 31 October		
	2011	2010	% Change
	£'000	£'000	
<b>Revenue</b>	<b>95,060</b>	<b>89,214</b>	<b>+6.6%</b>
Cost of sales	(31,222)	(28,951)	
<b>Gross profit</b>	<b>63,838</b>	<b>60,263</b>	<b>+5.9%</b>
Administrative expenses	(15,476)	(11,819)	
<b>Operating profit before loss on investment properties</b>	<b>48,362</b>	<b>48,444</b>	<b>-0.2%</b>
(Loss)/gain on investment properties (including exceptional impairment charge)	(18,417)	18,472	
<b>Operating profit</b>	<b>29,945</b>	<b>66,916</b>	<b>-55.2%</b>
Net finance costs	(21,398)	(37,695)	
<b>Profit before income tax</b>	<b>8,547</b>	<b>29,221</b>	<b>-70.8%</b>
Income tax credit/(expense)	4,481	(2,881)	
<b>Profit for the year</b>	<b>13,028</b>	<b>26,340</b>	<b>-50.5%</b>

### 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 FY2011 and FY2010.

	Year ended 31 October				
	2011	% of Total	2010	% of Total	% Change
	£'000		£'000		
United Kingdom	71,014	74.7%	67,116	75.2%	+5.8%
France	24,046	25.3%	22,098	24.8%	+8.8%
Total revenue	95,060	100.0%	89,214	100.0%	+6.6%

The Group’s revenue increased by £5.8 million (an increase of 6.6%) from £89.2 million in FY2010 to £95.1 million in FY2011. As covered in the Chief Executive’s Report, the key drivers for revenue growth have been the increase in occupancy (268,000 sq ft year on year), the growth in average rate per sq ft (+2.2% year on year) and ancillary revenues (+8.2% year on year). There has been minimal

currency impact during the year with an average exchange rate of €1.152:£1 for FY2011 against an average rate of €1.155:£1 for FY2010.

### Cost of sales

Cost of sales consists primarily of our store costs, staff salaries, business rates, utilities, insurance and maintenance. The Group's cost of sales increased by £2.3 million or 7.8% from £28.9 million in FY2010 to £31.2 million in FY2011.

	£'000	£'000
Cost of Sales FY2010		(28,951)
Underlying costs increased by 4.5% (including strategic investments)	(1,299)	
New store operating costs	(972)	
		(2,271)
Cost of Sales FY2011		(31,222)

There are three key elements to the cost increase:

- Strategic investment in expanding the UK call centre of approximately £0.3 million in the year.
- Underlying cost of sales (excluding the strategic investments in the call centre) has increased by £1.0 million.
- Therefore underlying costs of sales, including the strategic investments and general costs increases are up 4.5% to £30.2 million.
- Over and above this, the operating costs of new stores, including the full year costs of those stores opened last year, accounted for the remaining £1.0 million of the overall increase.

### Administrative expense

During the year our underlying administrative expense increased by approximately £1.3 million to £14.1 million in FY2011 from £12.8 million in FY2010 as set out in the table below:

	FY 2011 £'000	FY 2010 £'000
Reported Administrative expenses	(15,476)	(11,819)
Adjusted for:		
Exceptional items*	1,332	280
Changes in fair value of derivatives	8	(461)
VAT rebate and one-off provision releases	-	(775)
Underlying Administration expenses	(14,136)	(12,775)

\*Exceptional items include costs relating to the retirement of Chief Executive and the impairment of value and the subsequent relocation of the Paris head office as a result of the fire at the La Défense store.

Of the £1.3 million increase in underlying administrative expenses:

- Approximately £0.3 million of the increase is directly attributable to strategic investments made in the marketing, yield management and national accounts functions during the year.
- Around £0.6 million of the increase relates to increased payroll costs and is split equally between the UK and France. In the UK, the increase is driven by increased headcount and National Insurance, in France it is mainly attributable to higher bonus payments and the introduction of a statutory profit participation scheme.
- The balance of £0.4 million includes just over £0.3 million of costs relating to projects in FY2011 which are one-off in nature with the remainder being general inflationary increases.

**EBITDA before exceptional items, contingent rent, change in fair value of derivatives and (loss)/gain on investment properties**

Underlying EBITDA is calculated as follows for FY2011 and FY2010:

	Financial Year	
	2011	2010
	£'000	£'000
Operating profit	29,945	66,916
Adjusted for		
Loss/(profit) on investment properties	16,187	(18,472)
Impairment of investment property	2,230	-
Depreciation and contingent rent	810	915
Change in fair value of derivatives	8	(461)
Exceptional Items:		
Impairment of non-current assets	382	-
Loss on sale of non-current assets	-	280
Costs relating to retirement of CEO	702	-
Costs relating to relocating French head office	248	-
Underlying EBITDA	50,512	49,178

The Group's Underlying EBITDA increased by £1.3 million or 2.7% from £49.2 million in FY2010 to £50.5 million in FY2011. This increase principally reflects the increase in revenues discussed above partly offset by the higher cost base in FY2011.

**(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, impairments in the value of investment properties and finance lease depreciation for the interests in leaseholds. The Group's loss on investment properties was £18.4 million in FY2011 comprising a loss of £10.6 million for revaluations, a one-off exceptional impairment charge of £2.2 million and finance lease depreciation of £5.6 million, compared to a gain of £18.5 million in FY2010 comprising a gain of £24.1 million for revaluations and £5.6 million of 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 £37.0 million or 55.2% to £29.9 million for FY2011 from £66.9 million in FY2010. This movement predominantly reflects the £34.7 million swing in the investment properties from a gain of £18.5 million last year to a loss of £16.2 million this year and the one-off exceptional impairment charge of £2.2 million. Over and above this item, the £1.3 million increase in underlying EBITDA generated from the trading movements throughout the year is offset by the increased exceptional expenses this year. It should also be noted that the La Défense store which was closed in the year owing to fire contributed approximately €0.5 million of operating profit last year which has been mostly lost to the group this year. As a result of the fire, £0.2 million of costs relating to relocating the French head office and £0.4 million relating to the impairment of non-current assets have been included as exceptional items, along with £2.2 million relating to the impairment of the investment property. Also within exceptional items is £0.7 million of costs relating to the retirement of the former CEO.

## 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	
	2011	2010
	£'000	£'000
Bank interest receivable	212	290
Bank and other interest payable	(18,552)	(17,922)
Net bank interest	(18,340)	(17,632)
Exceptional recycled foreign exchange translation gain	-	431
Exceptional recycling of cash flow hedge reserve	-	(8,749)
Fair value movement of derivatives	1,825	(4,829)
Exceptional finance expense	-	(2,004)
Interest on obligations under finance leases	(4,883)	(4,912)
Net finance costs	(21,398)	(37,695)

The reduced bank interest receivable reflects the lower interest environment prevailing throughout FY2011.

Bank and other interest payable increased by 3.5% to £18.6 million in FY2011 from £17.9 million in FY2010 although this is after capitalising interest of £0.3 million (FY2010: £0.4 million). The interest costs reflect the increase in bank loans together with the full year effect of the amortisation of debt issuance costs of the new bank facility agreement from March 2010.

The Group has interest hedge agreements in place to August 2013 swapping LIBOR on £233 million at an effective rate of 2.325% and EURIBOR on €24 million at an effective rate of 1.67%. The hedge agreements provide cover for 75% of the drawn debt leaving a 25% floating element. Included with bank and other interest payable is £4.0 million (2010: £4.7 million) paid in relation to derivative financial instruments.

In March 2010, the Group entered into a new increased bank facilities agreement of £350 million and €40 million to replace its existing facilities of £302 million for the UK and €60 million for France which were due to expire in July 2011. The bank syndicate comprises seven members. A principal repayment of £5.0 million is due in March 2012 with six monthly repayments thereafter of £7.5 million until expiry in August 2013.

In FY2010, the exceptional recycling of foreign exchange gains arose in respect of recycled foreign currency translation gains from the translation reserve which are now released.

In FY2010, due to the bank re-financing, cumulative brought forward interest swap movements of £8.7 million were recycled from reserves and included as a charge in the income statement. The Group decided to cease hedge accounting for all financial derivative instruments and hence valuation movements are included in the income statement as a result of the restructuring of existing interest swap agreements and the inception of new swap agreements. The income statement for FY2011 includes a credit of £1.8 million in respect of the fair value movement of derivatives (FY2010: a charge of £4.8 million).

In FY2010 exceptional finance expenses related to unamortised debt issuance costs (non-cash) of £2.0 million that were written off in respect of the previous bank facilities.

Interest on finance leases remained flat at £4.9 million (FY2010: £4.9 million) and reflects part of the rental payment under UK GAAP (the balance being charged through the investment (loss)/gain line and contingent rent in the IFRS income statement).

### **Gearing**

Net debt at 31 October 2011 stood at £384.9 million up from £363.2 million at 31 October 2010. During the year, total capital increased by £26.7 million to £660.0 million at 31 October 2011 from £633.3 million at 31 October 2010. The net impact is that the gearing ratio was 58% at 31 October 2011 compared to 57% at 31 October 2010.

### **Refinancing**

Our existing banking facilities run to 31 August 2013 and we have commenced discussion with our key lead banks and other potential partners about refinancing these facilities. Whilst only in their early stages initial responses have been encouraging.

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

In 2011 the UK Government announced proposed changes to legislation regarding REITs with the potential impact of removing a number of barriers to REIT status. REIT status provides exemption from certain aspects of UK taxation while placing a number of restrictions on the types of activities that can be undertaken by the business.

The company currently benefits from carried forward tax losses and capital allowances which mitigate our tax position and have resulted in very limited cash tax payments to date. At present, the immediate tax advantages of conversion to REIT status are therefore limited and we believe our present status continues to remain appropriate.

We will continue to review the position and the optimal structure to generate value for shareholders.

### **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 3.55 pence per share bringing the total dividend to 5.30 pence per share for the year. The Board remains confident in the prospects for the group. This dividend reflects the appropriate balance between delivering short-term shareholder returns and building longer-term shareholder value by maintaining our investment in infrastructure and new store development.

### **Income tax**

Income tax for FY2011 was a credit of £4.5 million against an expense of £2.9 million for FY2010. The actual tax payable for FY2011 was £365,000 (FY2010: £17,000) due to the availability of capital allowances in both the UK and France and the offset of French tax losses. The utilisation of losses in France is now annually restricted to €1 million and 60% of the remaining profits following the introduction of recent legislative changes. In respect of deferred tax, an exceptional credit of £6.6 million (FY2010: £3.5 million) arose following re-measurement due to changes in UK Corporation Tax rates which is explained further in note 20.

## Profit for the year (“Earnings”)

Earnings were £13.0 million compared to £26.3 million for FY2010.

EPRA adjusted earnings, which is the earnings figure after adding back the gain/loss on investment properties, exceptional items, changes in fair value of derivatives and the tax thereon, increased by £0.7 million or 4.8% to £16.1 million for FY2011 from £15.4 million for FY2010. Further details of this are given in note 9.

## Property valuation

Cushman & Wakefield has again valued the Group’s property portfolio. As at 31 October 2011, the total value of the Group’s portfolio (including £0.8 million of owner occupied properties) was £714.4 million. This represents an increase of £27.2 million or 4% over the £687.2 million valuation as at 31 October 2010. A reconciliation of the movement is set out below:

	£m	£m
<b>Portfolio Valuation at 31 October 2010</b>		<b>687.2</b>
Adjusted for:		
New stores opened in FY2011	25.2	
UK life for like store valuation (see below)	(7.9)	
French like for like store valuation (see below)	8.4	
Exchange gain	1.5	
		<u>27.2</u>
<b>Portfolio valuation at 31 October 2011</b>		<b><u>714.4</u></b>

At the year-end, the Group’s property portfolio consisted of 119 trading stores. The freehold/long leasehold stores were valued at £576.5 million and the short leasehold properties, including the French commercial leases, were valued at £137.9 million. Freehold/long leasehold stores which make up 61% of the stores by number account for 81% of the valuation. The remaining 19% measured by value is attributable to the short leasehold portfolio.

The valuation at 31 October 2011 is £20.8 million up on 30 April 2011 which includes a £2.1 million exchange loss on the translation of the French assets at the relevant balance sheet dates. New stores have delivered around £6.2 million of additional value in the second half of the year with the like for like portfolio therefore delivering a valuation increase of £16.7 million. The existing UK store portfolio has delivered an increase of £2.8 million in the second half of the year enhanced by a £13.9 million increase in France.

The net impact of the valuation is for adjusted EPRA NAV per share to decrease marginally to 212.3 pence per share (31 October 2010: 212.6 pence per share).

The Group freehold exit yield for the valuation at 31 October 2011 was 7.82% reflecting a 5 bps inward movement from 7.87% at 31 October 2010. The weighted average annual discount rate for the whole portfolio has followed a similar trend to exit yield.

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 10 for further details.

## Cash flows

The following table summarises the Group's cash flow activity during the FY2011 and FY2010 in accordance with IFRS:

	Financial Year	
	2011	2010
	£'000	£'000
Net cash inflow from operating activities	25,649	27,761
Net cash outflow from investing activities	(36,649)	(22,981)
Net cash provided by financing activities	10,107	(15,354)
Net (decrease) in cash and cash equivalents	(893)	(10,574)

### Net cash inflow from operational activities

There are two main factors influencing the £2.1 million decrease in cash from operating activities in FY2011 compared to FY2010. This is made up of a combination of increased cash generated from operations offset by movements in working capital and increased interest payments.

### Net cash outflow from investing activities

Cash outflow from investing activities has increased by £13.7 million to £36.6 million for FY2011 from £23.0 million for FY2010. Whilst there are several contributing factors affecting this movement it is mainly due to the increase in expenditure on investment and development assets. Expenditure on investment and development properties in FY2011 was £35.0 million, an increase of £11.7 million from £23.3 million in FY2010. The underlying level of expenditure on investment and development assets is running at very similar levels to last year, the main difference being the acquisition of the freehold interest in our Pentonville Road store for £11.5 million in the current financial year. In addition, we disposed of one non-core site in UK for £0.6 million in FY2010 with no similar disposals in FY2011.

### Net cash inflow from financing activities

The cash flows from financing activities increased by £25.5 million in FY2011 to an inflow of £10.1 million from an outflow of £15.4 million in FY2010. This has several key factors which are set out on the face of the cash flow statement but mainly reflects the costs associated with the refinancing and realignment of the hedging arrangements concluded in FY2010.

### 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 2011, and based on forecast projections, for a period in excess of 12 months thereafter. The debt facilities do not mature until August 2013.

**Annual General Meeting**

The meeting will be held on 21 March 2012 at the Group's registered office, Brittanica House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT.

Richard Hodsdon  
Chief Financial Officer  
26 January 2012

# Consolidated income statement

for the year ended 31 October 2011

	Notes	Group	
		2011 £'000	2010 £'000
<b>Revenue</b>	2	<b>95,060</b>	<b>89,214</b>
Cost of sales		<b>(31,222)</b>	<b>(28,951)</b>
<b>Gross profit</b>		<b>63,838</b>	<b>60,263</b>
Administrative expenses		<b>(15,476)</b>	<b>(11,819)</b>
EBITDA before exceptional items, change in fair value of derivatives, loss/(gain) on investment properties and contingent rent		<b>50,512</b>	<b>49,178</b>
Exceptional items	4	<b>(1,332)</b>	<b>(280)</b>
Change in fair value of derivatives		<b>(8)</b>	<b>461</b>
Depreciation and contingent rent		<b>(810)</b>	<b>(915)</b>
<b>Operating profit before (loss)/gain on investment properties</b>		<b>48,362</b>	<b>48,444</b>
(Loss)/gain on investment property before exceptional item		<b>(16,187)</b>	<b>18,472</b>
Impairment of investment property - exceptional		<b>(2,230)</b>	<b>-</b>
Total (loss)/gain on investment properties	8	<b>(18,417)</b>	<b>18,472</b>
<b>Operating profit</b>	2	<b>29,945</b>	<b>66,916</b>
Finance income before exceptional item		<b>212</b>	<b>290</b>
Recycling of foreign exchange gains		<b>-</b>	<b>431</b>
Change in fair value of derivatives		<b>1,825</b>	<b>-</b>
Total finance income	3	<b>2,037</b>	<b>721</b>
Finance expense before exceptional items and change in fair value of derivatives		<b>(23,435)</b>	<b>(22,834)</b>
Recycling of cash flow hedge – exceptional item		<b>-</b>	<b>(8,749)</b>
Exceptional finance expenses		<b>-</b>	<b>(2,004)</b>
Change in fair value of derivatives		<b>-</b>	<b>(4,829)</b>
Total finance expense	3	<b>(23,435)</b>	<b>(38,416)</b>
<b>Profit before income tax</b>		<b>8,547</b>	<b>29,221</b>
Income tax credit/(expense) <sup>[1]</sup>	5	<b>4,481</b>	<b>(2,881)</b>
<b>Profit for the year</b>		<b>13,028</b>	<b>26,340</b>
<b>Earnings per share for profit attributable to the equity holders</b>			
– basic (pence)	7	<b>6.95</b>	<b>14.05</b>
– diluted (pence)	7	<b>6.92</b>	<b>13.81</b>

1 Includes an exceptional credit of £6,597,000 (FY2010: £3,478,000) (see note 5).

The financial results for both years relate to continuing activities.

## Consolidated statement of comprehensive income

for the year ended 31 October 2011

	Group	
	2011	2010
	£'000	£'000
<b>Profit for the year</b>	<b>13,028</b>	<b>26,340</b>
<b>Other comprehensive income:</b>		
Cash flow hedges	-	1,172
Currency translation differences	1,100	(2,767)
Recycled cumulative exchange gain	-	(431)
Recycled cumulative cash flow hedges	-	8,749
Tax charge in respect of items taken directly to equity	-	(2,846)
<b>Total other comprehensive income, net of tax</b>	<b>1,100</b>	<b>3,877</b>
<b>Total comprehensive income for the year</b>	<b>14,128</b>	<b>30,217</b>

# Consolidated balance sheet

as at 31 October 2011

	Notes	Group	
		2011 £'000	2010 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment properties	8	713,564	686,178
Interests in leasehold properties	8	62,534	69,130
Investment properties under construction	8	15,059	18,360
Property, plant and equipment		2,856	1,794
Deferred income tax assets		7,031	8,498
Derivative financial instruments	11	78	227
		<b>801,122</b>	<b>784,187</b>
<b>Current assets</b>			
Inventories		242	253
Trade and other receivables		17,018	16,244
Derivative financial instruments	11	6	72
Cash and cash equivalents	14	14,674	15,481
		<b>31,940</b>	<b>32,050</b>
<b>Total assets</b>		<b>833,062</b>	<b>816,237</b>
<b>Current liabilities</b>			
Financial liabilities			
– Bank borrowings	10	(10,143)	-
– Derivative financial instruments	11	(92)	(3,332)
Trade and other payables		(35,048)	(35,817)
Obligations under finance leases	12	(10,040)	(10,005)
		<b>(55,323)</b>	<b>(49,154)</b>
<b>Non-current liabilities</b>			
Financial liabilities			
– Bank borrowings	10	(326,883)	(309,511)
– Derivative financial instruments	11	(6,164)	(4,956)
Trade and other payables		(529)	(745)
Deferred income tax liabilities		(116,510)	(122,557)
Obligations under finance leases	12	(52,494)	(59,125)
		<b>(502,580)</b>	<b>(496,894)</b>
<b>Total liabilities</b>		<b>(557,903)</b>	<b>(546,048)</b>
<b>Net assets</b>		<b>275,159</b>	<b>270,189</b>
<b>Equity</b>			
Ordinary shares		1,881	1,881
Share premium		28,349	28,349
Other reserves		11,815	10,715
Retained earnings		233,114	229,244
<b>Total equity</b>		<b>275,159</b>	<b>270,189</b>

## Consolidated statement of changes in shareholders' equity

for the year ended 31 October 2011

	Group					
	Share capital	Share premium	Translation reserve	Hedge reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 November 2009</b>	<b>1,881</b>	<b>28,349</b>	<b>13,913</b>	<b>(7,128)</b>	<b>211,580</b>	<b>248,595</b>
<b>Comprehensive income</b>						
Profit for the year	-	-	-	-	26,340	26,340
<b>Other comprehensive income</b>						
Exchange differences on translation of foreign operations	-	-	(2,767)	-	-	(2,767)
Recycling of balances in the translation reserve to finance income in the income statement (note 3)	-	-	(431)	-	-	(431)
Change in value of interest rate swaps	-	-	-	1,172	-	1,172
Recycling of balances in hedge reserve to finance expenses in the income statement	-	-	-	8,749	-	8,749
Tax relating to hedge reserve recycled to income statement	-	-	-	(2,793)	(53)	(2,846)
Total other comprehensive income	-	-	(3,198)	7,128	(53)	3,877
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(3,198)</b>	<b>7,128</b>	<b>26,287</b>	<b>30,217</b>
<b>Transactions with owners</b>						
Dividends (note 6)	-	-	-	-	(8,812)	(8,812)
Employee share options	-	-	-	-	189	189
<b>Transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,623)</b>	<b>(8,623)</b>
<b>Balance at 1 November 2010</b>	<b>1,881</b>	<b>28,349</b>	<b>10,715</b>	<b>-</b>	<b>229,244</b>	<b>270,189</b>
<b>Comprehensive income</b>						
Profit for the year	-	-	-	-	13,028	13,028
<b>Other comprehensive income</b>						
Exchange differences on translation of foreign operations	-	-	1,100	-	-	1,100
Total other comprehensive income	-	-	1,100	-	-	1,100
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>1,100</b>	<b>-</b>	<b>13,028</b>	<b>14,128</b>
<b>Transactions with owners</b>						
Dividends (note 6)	-	-	-	-	(9,375)	(9,375)
Employee share options	-	-	-	-	217	217
<b>Transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,158)</b>	<b>(9,158)</b>
<b>Balance at 31 October 2011</b>	<b>1,881</b>	<b>28,349</b>	<b>11,815</b>	<b>-</b>	<b>233,114</b>	<b>275,159</b>

## Consolidated cash flow statement

for the year ended 31 October 2011

	Notes	Group	
		2011 £'000	2010 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	13	46,789	46,205
Interest paid		(21,528)	(18,564)
Interest received		404	139
Tax paid		(16)	(19)
Net cash inflow from operating activities		25,649	27,761
<b>Cash flows from investing activities</b>			
Expenditure on investment properties and development properties		(35,037)	(23,313)
Net proceeds from disposal of development properties		-	559
Purchase of property, plant and equipment		(1,612)	(227)
Net cash outflow from investing activities		(36,649)	(22,981)
<b>Cash flows from financing activities</b>			
Equity dividends paid	6	(9,375)	(8,812)
Net proceeds from issue of new borrowings		25,000	326,026
Debt issue costs		-	(8,161)
Financial instruments		-	(8,746)
Finance lease principal payments		(5,518)	(5,635)
Repayment of borrowings		-	(310,026)
Net cash inflow/(outflow) from financing activities		10,107	(15,354)
<b>Net decrease in cash and cash equivalents</b>		<b>(893)</b>	<b>(10,574)</b>
Exchange gains/(losses) on cash and cash equivalents		86	(297)
Cash and cash equivalents at 1 November		15,481	26,352
<b>Cash and cash equivalents at 31 October</b>	14	<b>14,674</b>	<b>15,481</b>

## 1. Basis of preparation

The preliminary results for the year ended 31 October 2011, which are an abridged statement of the full Annual Report, have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The following accounting standards, amendments and interpretations issued by IASB and IFRIC are effective for the Group's accounting period beginning on or after 1 November 2010 but had no material effect on the results or financial position of the Group disclosed in these financial statements:

Amendment to IFRS 1 – 'First time adoption on financial instrument disclosures'

Amendments to IFRS 1 for additional exemptions

Amendment to IFRS 2 - 'Share based payments – Group cash-settled share-based payment transactions'

Improvements to IFRSs (2009)

Amendments IAS 32 – 'Presentation on classification of rights issues'

IFRIC 19 - 'Extinguishing financial liabilities with equity instruments'

The preliminary results have been prepared on a going concern basis. The Directors of Safestore are confident that, on the basis of current financial projections and facilities available and after considering sensitivities, the Group has sufficient resources for its operational needs and to enable the Group to remain in compliance with the financial covenants in its bank facilities for at least the next 12 months.

The preliminary results do not constitute the statutory accounts of the Group within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for the year ended 31 October 2010 have been filed with the Registrar of Companies. The auditors have reported on those accounts and on the statutory accounts for the year ended 31 October 2011, which will be filed with the Registrar of Companies following the Annual General Meeting. Both the audit reports were unqualified and did not contain any statement under section 498 of the Companies Act 2006.

## 2. Segmental analysis

The segmental information presented has been prepared in accordance with the requirements of IFRS 8. 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.

Safestore is organised and managed in two operating segments, based on geographical areas, supported by its central Group functions:

- UK; and
- France.

The chief operating decision-maker, being the Executive Directors, identified in accordance with the requirements of IFRS 8, assess the performance of the operating segments on the basis of adjusted EBITDA.

As the above two operating segments comprise 100% of the Group's results and net assets and are both individually greater than 10%, there is no additional segment to be disclosed as the "All other segments" category required under IFRS 8.

The operating profits and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items principally comprise cash, interest-bearing loans, derivatives and current and deferred taxation, and these are designated as Central below.

<b>Year ended 31 October 2011</b>	<b>UK £'000</b>	<b>France £'000</b>	<b>Central £'000</b>	<b>Group £'000</b>
<b>Continuing operations</b>				
Revenue	71,014	24,046	-	95,060
EBITDA before exceptional items, change in fair values of derivatives, gain on investment properties, depreciation and contingent rent	38,405	12,107	-	50,512
Exceptional items	(702)	(630)	-	(1,332)
Contingent rent and depreciation	(578)	(232)	-	(810)
Change in fair value of derivative	-	-	(8)	(8)
Operating profit before gain on investment properties	37,125	11,245	(8)	48,362
(Loss)/gain on investment properties	(25,511)	7,094	-	(18,417)
Operating profit	11,614	18,339	(8)	29,945
Finance expense	-	-	(23,435)	(23,435)
Finance income	-	-	2,037	2,037
<b>Profit/(loss) before tax</b>	<b>11,614</b>	<b>18,339</b>	<b>(21,406)</b>	<b>8,547</b>
Income tax credit	-	-	4,481	4,481
<b>Profit/(loss) for the year</b>	<b>11,614</b>	<b>18,339</b>	<b>(16,925)</b>	<b>13,028</b>
<b>Total assets</b>	<b>620,582</b>	<b>190,691</b>	<b>21,789</b>	<b>833,062</b>

<b>Year ended 31 October 2010</b>	<b>UK £'000</b>	<b>France £'000</b>	<b>Central £'000</b>	<b>Group £'000</b>
<b>Continuing operations</b>				
Revenue	67,116	22,098	—	89,214
EBITDA before exceptional items, change in fair values of derivatives, gain on investment properties, depreciation and contingent rent	35,344	13,834	—	49,178
Exceptional items	(45)	(235)	—	(280)
Contingent rent and depreciation	(588)	(327)	—	(915)
Change in fair value of derivative	—	—	461	461
Operating profit before gain on investment properties	34,711	13,272	461	48,444
Gain on investment properties	2,151	16,321	—	18,472
Operating profit	36,862	29,593	461	66,916
Finance expense	—	—	(38,416)	(38,416)
Finance income	—	—	721	721
<b>Profit/(loss) before tax</b>	<b>36,862</b>	<b>29,593</b>	<b>(37,234)</b>	<b>29,221</b>
Income tax expense	—	—	(2,881)	(2,881)
<b>Profit/(loss) for the year</b>	<b>36,862</b>	<b>29,593</b>	<b>(40,115)</b>	<b>26,340</b>
<b>Total assets</b>	<b>619,961</b>	<b>171,998</b>	<b>24,278</b>	<b>816,237</b>

Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. There is no material impact from inter-segment transactions on the Group's results.

The entity is domiciled in the UK. The result of its revenue from external customers in the UK is £71,014,000 (FY2010: £67,116,000) and the total revenue from external customers in other countries is £24,046,000 (FY2010: £22,098,000). All revenues are generated from the entities provision of self-storage and related services.

### 3. Finance income and costs

	2011 £'000	2010 £'000
<b>Finance costs</b>		
Interest payable on bank loans and overdraft	(16,642)	(16,227)
Amortisation of debt issue costs on bank loan	(2,248)	(2,093)
Interest on obligations under finance leases	(4,883)	(4,912)
Capitalised interest	338	398
Recycle of cash flow hedge reserve	-	(8,749)
Fair value movement of derivatives	-	(4,829)
Exceptional finance expense	-	(2,004)
<b>Total finance cost</b>	<b>(23,435)</b>	<b>(38,416)</b>
<b>Finance income</b>		
Interest receivable from bank deposits	212	290
Exceptional item recycled foreign currency translation gains from the translation reserve	-	431
Fair value movement of derivatives	1,825	-
<b>Net finance costs</b>	<b>(21,398)</b>	<b>(37,695)</b>

Interest has been capitalised at an average rate of 3.5% for the year (FY2010: 3.5%).

The recycling of the cash flow hedge reserve of £8.7m in the prior year represented the transfer of cumulative movements on cash flow hedges that were previously charged directly to reserves. The exceptional finance expense of £2.0 million in the prior year represented the debt issue costs relating to the previous banking facility written off in that year.

The exceptional item of £0.4 million in the prior year within finance income arose in respect of recycled foreign currency translation gains from the translation reserve which are now realised.

Included within interest payable of £16.6 million (2010: £16.2 million) is £4.0 million (2010: £4.7 million) of interest relating to derivative financial instruments that are economically hedging the Group's borrowings. The total change in fair value of derivatives for the year is a debit of £2.2 million (2010: £9.5 million).

### 4. Exceptional items

	2011 £'000	2010 £'000
Impairment of non-current assets	(382)	-
Loss on sale of non-current assets	-	(280)
Costs relating to retirement of CEO	(702)	-
Costs relating to re-locating French head office	(248)	-
<b>Total exceptional items</b>	<b>(1,332)</b>	<b>(280)</b>

The impairment of £382,000 (October 2010: £nil) has been recognised as a result of a fire at the La Défense store in Paris on 30 December 2010 which resulted in the total loss of the store. This trades under the name 'Une Pièce en Plus'. The French head office was also based at this store.

The costs relating to the retirement of CEO £702,000 (October 2010: £Nil) relate to contractual payments due to the retiring of Mr Steven Williams and the costs relating to the recruitment of his replacement Mr Peter Gowers.

Separately disclosed in note 5 are details of an exceptional taxation credit which has arisen as a result of the forecast change in UK corporation tax.

## 5. Income tax credit/(expense)

Analysis of tax credit/ (expense) in the year:

	2011	2010
	£'000	£'000
Current tax:		
– UK corporation tax	-	(17)
– Tax in respect of overseas subsidiaries	(365)	-
Deferred tax:		
– Current year, including exceptional credit of £6,597,000 (FY2010: £3,478,000)	4,784	(4,155)
– Adjustment in respect of prior year	62	1,291
<b>Tax credit/(expense)</b>	<b>4,481</b>	<b>(2,881)</b>

### Reconciliation of income tax (credit)/expense

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

	2011	2010
	£'000	£'000
Profit/(loss) before tax	8,547	29,221
Tax calculated at domestic tax rates applicable in the UK: 26.83% (FY2010: 28%)	2,293	8,182
Effect of:		
– income and expenses not taxable or deductible	(5)	(1,174)
– indexation on revaluation of investment properties	(1,325)	(770)
– difference from overseas tax rates	1,215	1,412
– adjustments in respect of prior years	(62)	(1,291)
– re-measurement of deferred tax liability from change in UK rate	(6,597)	(3,478)
<b>Tax (credit)/expense</b>	<b>(4,481)</b>	<b>2,881</b>

The March 2011 Budget included a reduction in the main rate of corporation tax for UK companies from 28% to 26% from 1 April 2011. Legislation to further reduce the main rate of corporation tax to 25% from 1 April 2012 was included in the Finance Act 2011 and subsequently enacted in July 2011. UK deferred tax has therefore been provided at 25% (2010; 27%)

The exceptional tax credit of £6,597,000 (2010; £3,478,000) arises as a result of the impact on deferred tax of the UK rate change from 27% to 25% (2010; 28% to 27%)

In addition to the changes in rates of corporation tax disclosed above a number of further changes to the UK corporation tax system were announced in the March 2011 UK Budget Statement. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 2014. These further changes had not been substantively enacted at the balance sheet date.

The proposed reductions in the main rate of corporation tax by 1% per year to 23% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 25% to 23%, if these applied to the deferred tax balance at the balance sheet date, would be to further reduce the deferred tax liability by an additional £6.4m (being £3.2m recognised in 2013 and £3.2m recognised in 2014)

## 6. Dividends per share

The dividend paid in 2011 was £9,375,000 (5.0 pence per share) (FY2010: £8,812,000 (4.70 pence per share)). A dividend in respect of the year ended 31 October 2011 of 3.55 pence (FY2010: 3.25 pence) per share, amounting to a final dividend of £6,656,000 (FY2010: £6,092,000), is to be proposed at the AGM on 21 March 2012. The ex-dividend date will be 14 March 2012 and the record date 16 March 2012 with an intended payment date of 11 April 2012. The final dividend has not been included as a liability at 31 October 2011.

## 7. Earnings per share

Basic earnings per share is calculated by dividing the profit/(loss) 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 2011			Year ended 31 October 2010		
	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic	13.03	187.50	6.95	26.34	187.50	14.05
Dilutive securities		0.64			3.28	
Diluted	13.03	188.14	6.92	26.34	190.78	13.81

### Adjusted earnings per share

Adjusted earnings per share represents profit after tax adjusted for the (loss)/gain on investment properties, exceptional items, change in fair value of derivatives and the associated tax thereon. The Directors consider that these alternative measures provide useful information on the performance of the Group.

	Year ended 31 October 2011			Year ended 31 October 2010		
	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic	13.03	187.50	6.95	26.34	187.50	14.05
Adjustments:						
Loss/(gain) on investment properties	18.42	-	9.82	(18.47)	—	(9.85)
Exceptional operating items	1.33	-	0.71	0.28	—	0.15
Exceptional recycling of foreign exchange gains	-	-	-	(0.43)	—	(0.23)
Exceptional recycling of cash flow hedge reserve to the income statement	-	-	-	8.75	—	4.67
Exceptional finance costs	-	-	-	2.00	—	1.07
Change in fair value of derivatives	(1.83)	-	(0.98)	4.37	—	2.33
Tax in relation to adjustments	(4.41)	-	(2.35)	(0.11)	—	(0.06)
Exceptional tax credit	(6.60)	-	(3.52)	(3.48)	—	(1.86)
Adjusted	19.94	187.50	10.63	19.25	187.50	10.27

Loss/(gain) on investment properties includes depreciation on leasehold properties of £5.5 million (FY2010: £5.6 million) and the related tax thereon of £1.7 million (FY2010: £1.7 million). As an industry standard measure, EPRA earnings are presented. EPRA earnings of £16.1 million (FY2010: £15.3 million) and EPRA earnings per share of 8.58 pence (FY2010: 8.19 pence) are calculated after further adjusting for these items.

## EPRA Adjusted Income Statement (Non-Statutory)

	Group		
	2011 £'m	2010 £'m	Movement %
<b>Revenue</b>	<b>95.1</b>	<b>89.2</b>	<b>+6.6%</b>
Operating expenses (excluding depreciation and contingent rent)	(44.6)	(40.0)	
<b>EBITDA before contingent rent</b>	<b>50.5</b>	<b>49.2</b>	<b>+2.7%</b>
Depreciation and contingent rent	(0.8)	(0.9)	
<b>Operating profit before depreciation on leasehold properties</b>	<b>49.7</b>	<b>48.3</b>	<b>+3.0%</b>
Depreciation on leasehold properties	(5.5)	(5.6)	
<b>Operating profit</b>	<b>44.2</b>	<b>42.7</b>	<b>+3.7%</b>
Net financing costs	(23.2)	(22.5)	
<b>Profit before income tax</b>	<b>21.0</b>	<b>20.2</b>	<b>+4.4%</b>
Income tax	(4.9)	(4.9)	
<b>Profit for the year ("EPRA Earnings")</b>	<b>16.1</b>	<b>15.3</b>	<b>+4.8%</b>
<b>Adjusted EPRA earnings per share</b>	<b>8.58p</b>	<b>8.19p</b>	<b>+4.8%</b>
<b>Final dividend per share</b>	<b>3.55p</b>	<b>3.25p</b>	<b>+9.2%</b>

## 8 Investment properties, investment properties under construction and interests in leasehold properties

	Investment property £'000	Interests in leasehold properties £'000	Investment property under construction £'000	Total investment properties £'000
As at 1 November 2010	686,178	69,130	18,360	773,668
Additions	16,847	-	18,654	35,501
Reclassifications	19,994	(1,220)	(19,994)	(1,220)
Impairments	(2,230)	-	-	(2,230)
Revaluations	(8,708)	-	(1,961)	(10,669)
Depreciation	-	(5,518)	-	(5,518)
Exchange movements	1,483	142	-	1,625
<b>As at 31 October 2011</b>	<b>713,564</b>	<b>62,534</b>	<b>15,059</b>	<b>791,157</b>

The reclassification of £1,220,000 from interests in leasehold properties relates to the acquisition of the freehold of a leasehold property.

	Investment property £'000	Interests in leasehold properties £'000	Investment property under construction £'000	Total investment properties £'000
As at 1 November 2009	646,778	71,954	12,641	731,373
Additions	8,668	9,433	16,948	35,049
Reclassifications	10,480	(3,492)	(10,480)	(3,492)
Revaluations	24,816	-	(709)	24,107
Depreciation	-	(5,635)	-	(5,635)
Disposals	(795)	(2,700)	(40)	(3,535)
Exchange movements	(3,769)	(430)	-	(4,199)
<b>As at 31 October 2010</b>	<b>686,178</b>	<b>69,130</b>	<b>18,360</b>	<b>773,668</b>

The interest in leasehold properties at 1 November 2009 was adjusted by £2.9 million to reflect the present value of minimum lease payments of contractual rents. A corresponding reduction was recorded in the finance lease obligations with no impact on net assets. The remaining £0.6 million of the reclassification related to the acquisition of the freehold of a leasehold property.

(Losses)/gains on investment properties comprise:

	2011 £'000	2010 £'000
Revaluations	(10,669)	24,107
Impairments	(2,230)	-
Depreciation	(5,518)	(5,635)
	<b>(18,417)</b>	<b>18,472</b>

	Deemed cost £'000	Valuation £'000	Revaluation on deemed cost £'000
<b>Freehold stores</b>			
As at 1 November 2010	297,034	541,181	244,147
Movement in year	35,861	34,538	(1,323)
<b>As at 31 October 2011</b>	<b>332,895</b>	<b>575,719</b>	<b>242,824</b>
<b>Leasehold stores</b>			
As at 1 November 2010	72,760	144,997	72,237
Movement in year	2,194	(7,152)	(9,346)
<b>As at 31 October 2011</b>	<b>74,954</b>	<b>137,845</b>	<b>62,891</b>
<b>All stores</b>			
As at 1 November 2010	369,794	686,178	316,384
Movement in year	38,055	27,386	(10,669)
<b>As at 31 October 2011</b>	<b>407,849</b>	<b>713,564</b>	<b>305,715</b>

The valuation of £713.6 million excluded £0.8 million in respect of owner occupied property. Rental income earned from investment properties for the years ended 31 October 2011 and 31 October 2010 was £77.73 million and £76.72 million, respectively.

The freehold and leasehold investment properties have been valued as at 31 October 2011 by external valuers, Cushman & Wakefield LLP ("C&W"). The valuation has been carried out in accordance with the RICS Valuation Standards- Global and UK, 7<sup>th</sup> Edition 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. Two non trading properties were valued on the basis of Market Value. 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 does 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%; and
- C&W has continually 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 the recent global banking crisis coupled with the economic downturn and, more recently, sovereign debt concerns in Europe. The factors have resulted in a low number of transactions in the market for self storage property.

C&W note that although there were a number of self storage transactions in 2007, the only significant transactions since 2007 are:

- The sale of a 51% share in Shurgard Europe which was announced in January 2008 and completed on 31 March 2008,
- The sale of the former Keepsafe portfolio by Macquarie to Alligator Self Storage which was completed in January 2010 and,
- The purchase by Shurgard Europe of the 80% interests held by its joint venture partner (Arcapita) in its two European joint venture vehicles, First Shurgard and Second Shurgard . The price paid was 172 million Euros and the transaction was announced in March 2011. The two joint ventures owned 72 self storage properties.

Two further smaller transactions have taken place in 2011 at West Molesey in Surrey and Cambridge.

Due to the lack of comparable market information in the self storage sector, C&W have had to exercise more than the usual degree of judgment in arriving at their opinion of value.

It has been held that valuers may properly conclude within a range of values. This range is likely to be greater in an illiquid market where inherent uncertainty exists and a greater degree of judgement must therefore be applied.

### **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 by C&W to arrive at their opinion of market value for these properties.

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

#### *Freehold & Long Leasehold (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.

#### **Assumptions**

- Net operating income is based on projected revenue received less projected operating costs together with a central administration charge of 6% of the estimated annual revenue subject to a cap and collar. The initial net operating income is calculated by estimating the net operating income in the first 12 months following the valuation date
- The net operating income in future years is calculated assuming straight-line absorption from day one actual occupancy to an estimated stabilised/mature occupancy level. In the valuation the assumed stabilised occupancy level for the trading stores ( both freeholds and all leaseholds) open at 31 October 2011 averages 78.72% (31 October 2010: 79.46 %). The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth. The average time assumed for stores to trade at their maturity levels is 31.61 months (31 October 2010: 37.61 months)

- The capitalisation rates applied to existing and future net cash flows have been estimated by reference to underlying yields for industrial and retail warehouse property, yields for other trading property types such as student housing and hotels, bank base rates, ten year money rates, inflation and the available evidence of transactions in the sector. The valuation included in the accounts assumes rental growth in future periods. If an assumption of no rental growth is applied to the external valuation, the net initial yield pre administration expenses for the 106 mature stores is 7.48% (31 October 2010: 7.27%) rising to a stabilised net yield pre administration expenses of 9.81% (31 October 2010:10.08%).
- The future net cash flow projections (including revenue growth and cost inflation) have been discounted at a rate that reflects the risk associated with each asset. The weighted average annual discount rate adopted (for both freeholds and leaseholds) is 12.14% (31 October 2010: 12.21%)
- Purchasers costs of 5.8% (UK) and 6.2% (France) (see below) have been assumed initially and sales plus purchasers costs totalling 7.8% (UK) and 8.2% (France) are assumed on the notional sales in the 10th year in relation to freehold and long leasehold stores

#### *Short Leaseholds (UK)*

The same methodology has been used as for freeholds, except that no sale of the assets in the 10th year is assumed but the discounted cash flow is extended to the expiry of the lease. The average unexpired term of the Group's UK short term leasehold properties is 12.50 years (31 October 2010: 12.62 years). The average unexpired term excludes the French commercial leases.

#### *Short Leaseholds (France)*

In relation to the French commercial leases, C&W has 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. The capitalisation rates on these stores reflect the risk of the landlord terminating the lease arrangements.

#### *Investment properties under construction (UK and France)*

C&W has valued the stores in development adopting the same methodology as set out above but on the basis of the cash flow projection expected for the store at opening and allowing for the outstanding costs to take each store from its current state to completion and full fit out. C&W has allowed for carry costs and construction contingency, as appropriate.

#### *Prudent lotting*

C&W has assessed the value of each property individually. However, with regard to the stores which have low or negative short-term cash flow, C&W has prepared its 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 has 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 on the previous page.

#### *Valuation assumption for purchaser's costs*

The Group's investment property assets have been valued for the purposes of the financial statements after deducting notional purchasers costs of 5.8% (UK) and 6.2% (France) of gross value, as if they were sold directly as property assets. The valuation is an asset valuation which is entirely linked to the operating performance of the business. They would have to be sold with the benefit of operational contracts, employment contracts and customer contracts, which would be very difficult to achieve except in a corporate structure.

This approach follows the logic of the valuation methodology in that the valuation is based in a capitalisation of the net operating income after allowing a deduction for operational cost and an allowance for central administration costs. Sale in a corporate structure would result in a reduction in the assumed Stamp Duty Land Tax but an increase in other transaction costs reflecting additional due diligence resulting in a reduced notional purchasers cost of 2.75% of gross value. All the significant sized transactions that have been concluded in the UK in recent years were completed in a corporate structure. The Group therefore instructed C&W to carry out a Red Book valuation on the above basis.

## 9. Adjusted net assets per share

	2011	2010
	£'000	£'000
Analysis of net asset value:		
Basic and diluted net asset value	275,159	270,189
Adjustments: deferred tax liabilities	116,510	122,557
Adjusted net asset value	391,669	392,746
Basic net assets per share (pence)	146.8	144.1
Diluted net assets per share (pence)	146.3	141.6
Adjusted net assets per share (pence)	208.9	209.5

	Number	Number
Shares in issue	187,495,348	187,495,348

Basic net assets per share is shareholders' funds divided by the number of shares at the year end. Diluted net assets per share is 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 liabilities. The EPRA NAV, which further excludes fair value adjustments for debt and related derivatives net of tax, was £396.2 million (FY2010: £398.6 million) giving EPRA net assets per share of 211.3 pence (FY2010: 212.6 pence). The Directors consider that these alternative measures provide useful information on the performance of the Group.

### EPRA Adjusted Balance Sheet (Non-Statutory)

	Group		Movement %
	2011 £'m	2010 £'m	
<b>Assets</b>			
Non-current assets	799.4	782.0	
Current assets	31.9	32.0	
<b>Total assets</b>	<b>831.3</b>	<b>814.0</b>	<b>+2.1%</b>
<b>Liabilities</b>			
Current liabilities	(55.3)	(45.8)	
Non-current liabilities	(379.8)	(369.6)	
<b>Total liabilities</b>	<b>(435.1)</b>	<b>(415.4)</b>	<b>+4.7%</b>
<b>EPRA net asset value</b>	<b>396.2</b>	<b>398.6</b>	<b>-0.1%</b>
<b>EPRA net asset value per share</b>	<b>211.3p</b>	<b>212.6p</b>	<b>-0.1%</b>

## 10. Financial liabilities – bank borrowings

	2011	2010
	£'000	£'000
<b>Current</b>		
<b>Bank loans and overdrafts due within one year or on demand:</b>		
Secured – bank loan	12,500	-
Debt issue costs	(2,357)	-
	<b>10,143</b>	<b>-</b>

	2011	2010
	£'000	£'000
<b>Non-current</b>		
<b>Bank loans:</b>		
Secured	328,838	316,071
Debt issue costs	(1,955)	(6,560)
	<b>326,883</b>	<b>309,511</b>

In March 2010, the Group renegotiated its existing bank loan facilities. The total available amount under the new facility was £31.0 million higher than under the old facilities. The current drawn down amounts are now repayable £5.0 million in March 2012, £7.5 million in September 2012, £7.5 million in March 2013 and £321.4 million in August 2013.

The loan has a floating rate of interest, with £350.0 million of the facility being denominated in Sterling and £35.0 million being denominated in Euros. The loan is carried at amortised cost.

The bank loans and overdrafts are secured by a fixed charge over the Group's investment property portfolio. Following the bank re-financing in March 2010, as part of the interest rate management strategy, the Group entered into several interest rate swap contracts, details of which are shown in note 11.

The maturity profile of the carrying amount of the Group's non-current liabilities at 31 October 2011 and 31 October 2010 was as follows:

	Less than one year £'000	One to two years £'000	Two to five years £'000	More than five years £'000
<b>2011</b>				
Borrowings	25,620	341,960	-	-
Derivative financial instruments	3,384	3,384	-	-
Contractual interest payments and finance lease charges	10,637	10,597	25,133	51,267
Trade and other payables	35,048	529	-	-
	<b>74,689</b>	<b>356,470</b>	<b>25,133</b>	<b>51,267</b>
<b>2010</b>				
Borrowings	11,905	25,617	316,690	-
Derivative financial instruments	4,647	4,581	4,581	-
Contractual interest payments and finance lease charges	10,488	10,595	27,624	59,213
Trade and other payables	35,817	745	-	-
	<b>62,857</b>	<b>41,538</b>	<b>348,895</b>	<b>59,213</b>

Bank loans are stated before unamortised issue costs of £4,312,000 (FY2010: £6,560,000). Bank loans are repayable as follows:

	Group	
	2011 £'000	2010 £'000
In one year or less	12,500	-
Between one and two years	328,838	12,500
Between two and five years	-	303,571
Bank loans	341,338	316,071
Unamortised issue costs due within one year	(2,357)	-
Unamortised issue costs due after one year	(1,955)	(6,560)
	<b>337,026</b>	<b>309,511</b>

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

	2011	2010
Bank loans	Quarterly LIBOR plus 2.75%	Quarterly LIBOR plus 2.5%
	Quarterly EURIBOR plus 2.75%	quarterly EURIBOR plus 2.5%

### **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	
	2011	2010
	£'000	£'000
Expiring beyond one year	<b>43,778</b>	68,690

## **11. Financial instruments**

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

	Liability	
	2011	2010
	£'000	£'000
Interest rate swaps	<b>6,256</b>	<b>8,061</b>
Interest rate caps	-	-
Foreign exchange contracts	<b>(84)</b>	<b>(72)</b>

In accordance with IAS 39 '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. The fair value hierarchy of all financial instruments is level 2.

### **Interest rate swap**

The notional principal amount of the outstanding interest rate swap contracts at 31 October 2011 was £233,100,000 and €24,000,000 (FY2010: £212,438,000 and €24,000,000). At 31 October 2011 the fixed interest rates were Sterling at 2.325% and Euro at 1.67% (FY2010: Sterling at 2.865% and Euro at 1.670%) and floating rates are at quarterly LIBOR and quarterly EURIBOR. The LIBOR swaps and the EURIBOR swaps expire in August 2013.

### **Foreign exchange swap**

At 31 October 2011, the Group had foreign currency swap contracts outstanding for a notional principal amount of €5,500,000 every six months commencing November 2011. The Group will receive the Sterling equivalent of €5,500,000 at an exchange rate of 1.1550 Euros to the pound and pay the Sterling equivalent of the average monthly spot rates for the six months. A further notional amount of €6,000,000 has been swapped at an exchange rate of 1.1392 Euros to the pound for the six months from November 2012 to April 2013.

### **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:

	2011		2010	
	Book value	Fair value	Book value	Fair value
	£'000	£'000	£'000	£'000
Bank loans	<b>337,026</b>	<b>350,874</b>	<b>309,511</b>	<b>339,929</b>
Finance lease obligations	<b>62,534</b>	<b>83,684</b>	<b>69,130</b>	<b>97,910</b>

The fair values of other financial assets and liabilities equal their book values.

**Financial instruments by category**

<b>Group</b>	Loans and receivables £'000	Assets at fair value through profit and loss £'000	Total £'000
<b>Assets as per balance sheet</b>			
Trade receivables and other receivables excluding prepayments	9,483	-	9,483
Derivative financial instruments	-	84	84
Cash and cash equivalents	14,674	-	14,674
<b>As at 31 October 2011</b>	<b>24,157</b>	<b>84</b>	<b>24,241</b>

<b>Group</b>	Liabilities at fair value through profit and loss £'000	Other financial liabilities at amortised cost £'000	Total £'000
<b>Liabilities as per balance sheet</b>			
Borrowings (excluding finance lease liabilities)	-	337,026	337,026
Finance lease liabilities	-	62,534	62,534
Derivative financial instruments	6,256	-	6,256
Trade payable and other payables	-	35,577	35,577
<b>As at 31 October 2011</b>	<b>6,256</b>	<b>435,137</b>	<b>441,393</b>

<b>Group</b>	Loans and receivables £'000	Assets at fair value through profit and loss £'000	Total £'000
<b>Assets as per balance sheet</b>			
Trade receivables and other receivables excluding prepayments	9,490	-	9,490
Derivative financial instruments	-	299	299
Cash and cash equivalents	15,481	-	15,481
<b>As at 31 October 2010</b>	<b>24,971</b>	<b>299</b>	<b>25,270</b>

<b>Group</b>	Liabilities at fair value through profit and loss £'000	Other financial liabilities at amortised cost £'000	Total £'000
<b>Liabilities as per balance sheet</b>			
Borrowings (excluding finance lease liabilities)	-	309,511	309,511
Finance lease liabilities	-	69,130	69,130
Derivative financial instruments	8,288	-	8,288
Trade payable and other payables	-	36,562	36,562
<b>As at 31 October 2010</b>	<b>8,288</b>	<b>415,203</b>	<b>423,491</b>

## 12. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Within one year	10,637	10,488	10,040	10,005
Within two to five years	35,730	38,219	26,747	29,472
Greater than five years	51,266	59,213	25,747	29,653
	97,633	107,920	62,534	69,130
Less: future finance charges on finance leases	(35,099)	(38,790)	-	—
<b>Present value of finance lease obligations</b>	<b>62,534</b>	<b>69,130</b>	<b>62,534</b>	<b>69,130</b>
			2011 £'000	2010 £'000
Current			10,040	10,005
Non-current			52,494	59,125
			62,534	69,130

## 13. Cash flow from operating activities

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

	2011 £'000	2010 £'000
<b>Cash generated from continuing operations</b>	<b>8,547</b>	<b>29,221</b>
Profit before income tax	8,547	29,221
Loss/(gain) on investment properties	18,417	(18,472)
Depreciation	168	168
Change in fair value of derivatives	8	(461)
Loss on non-current assets	-	280
Impairment of non-current assets	382	-
Finance income	(2,037)	(721)
Finance expense	23,435	38,416
Employee share options	217	189
Changes in working capital:		
Increase/(decrease) in inventories	12	(28)
Increase in trade and other receivables	(950)	(2,886)
(Decrease)/increase in trade and other payables	(1,410)	608
Decrease in provisions	-	(109)
<b>Cash generated from continuing operations</b>	<b>46,789</b>	<b>46,205</b>

## 14. Analysis of movement in net debt

	2010	Cash flows	Non-cash	2011
	£'000	£'000	movements	£'000
			£'000	
<b>Cash in hand</b>	<b>15,481</b>	(893)	86	<b>14,674</b>
	<b>15,481</b>	(893)	86	<b>14,674</b>
Debt due within one year	-	-	(10,143)	<b>(10,143)</b>
Debt due after one year	<b>(309,511)</b>	(25,000)	7,628	<b>(326,883)</b>
<b>Total net debt excluding finance leases</b>	<b>(294,030)</b>	(25,893)	(2,429)	<b>(322,352)</b>
Finance leases due within one year	<b>(10,005)</b>	5,518	(5,553)	<b>(10,040)</b>
Finance leases due after one year	<b>(59,125)</b>	-	6,631	<b>(52,494)</b>
<b>Total finance leases</b>	<b>(69,130)</b>	5,518	1,078	<b>(62,534)</b>
<b>Total net debt</b>	<b>(363,160)</b>	(20,375)	(1,351)	<b>(384,886)</b>

Non-cash movements relate to reclassification of non-current debt to current debt, amortisation of debt issue costs, foreign exchange movements, the acquisition of the freehold of a leasehold property and unwinding of discount.

## 15. Capital commitments

The Group had £17.1 million capital commitments as at 31 October 2011 (FY2010: £12.3 million).

## 16. Events after the reporting period

On 30 December 2010 there was a fire at the La Défense store in Paris which traded under the name "Une Pièce en Plus".

The French head office was also based at this store and was damaged by the fire.

The building, all fixtures and fittings, and customer property stored within the building were fully insured and the Group was also insured for loss of trade and business interruption whilst the store is inoperable.

The store contributed less than 1% of revenue and therefore had no material impact on the business or its performance.

At the Balance Sheet date there was no certainty as to the value of the insurance receipts for either the building or for loss of profits and therefore no receivable was recorded.

Subsequently on 9 January 2012 the Group received €6.4 million from the insurers in relation to the building.

Discussions with the insurance company regarding the insurance receipts for the loss of profits are ongoing.