

safestore™ self storage

Safestore Holdings plc

Annual Report & Financial Statements

For the year ended 31 October 2007





Contents

Financial highlights

- 4 **Directors and advisors for the year ended 31 October 2007**
- 6 **Chairman's statement**
- 8 **Chief Executive's operating review**
- 18 **Financial review**
- 28 **Remuneration report**
- 34 **Audit Committee report**
- 35 **Nomination Committee report**
- 36 **Corporate Governance**
- 39 **Directors' report**
- 43 **Statement of Directors' responsibilities**
- 44 **Independent auditors' report to the members of Safestore Holdings plc**
- 46 **Consolidated income statement**
- 47 **Consolidated statement of recognised income and expense**
- 48 **Consolidated balance sheet**
- 49 **Group consolidated cash flow statement**
- 50 **Notes to the financial statements**
- 91 **Company balance sheet**
- 92 **Notes to the Company financial statements**
- 98 **Directors' biographies**
- 101 **Notice of Annual General Meeting**

Group revenue

+15.5%

Group turnover has increased by 15.5% to £74.3 million (2006: £64.3 million).

EBITDA*

+21.7%

Group EBITDA increased by £7.3 million – 21.7% increase from Financial year 2006 – 2007.

UK revenue

+16.1%

Revenue of the UK stores increased from £52.9 million to £61.4 million – 16.1% increase from Financial year 2006 – 2007.

French revenue

+13%

Revenue of the French stores increased from £11.4 million to £12.8 million – 13% increase from Financial year 2006 – 2007.

Stores & sites

121

103 stores open with a further 18 committed providing around 5.3 million sq ft when complete.

Ancillary sales

+23%

Ancillary Sales (Packaging Materials, Insurance and Other sales) increased from £8.3 million to £10.4 million from Financial year 2006 – 2007.

* EBITDA is before exceptional items and gains on investment properties.



Directors and advisors

for the year ended 31 October 2007

Directors

J A von Spreckelsen	Chairman and Non Executive Director
S W Williams	Chief Executive Officer
R D Hodsden	Chief Financial Officer
V M L Gwilliam	Non Executive Director
R S Grainger	Non Executive Director
R W Carey	Non Executive Director

Company Secretary

R D Hodsden

Registered office

Brittanic House
Stirling Way
Borehamwood
Hertfordshire
WD6 2BT

Registered company number:

4726380

Principal bankers

National Westminster Bank plc
280 Bishopsgate
London
EC2M 4RB

HSBC Bank plc
Midlands Corporate Banking Centre
8th Floor
Exchange Buildings
8 Stephenson Place
Birmingham
B2 4NH

Legal advisers

Clifford Chance LLP
10 Upper Bank Street
London
E14 5JJ

Eversheds LLP
115 Colmore Row
Birmingham
B3 3AL

Independent auditors

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Shareholder Information

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Telephone (in UK)
0871 664 0300
(Calls cost 10p per minute
plus network extras)
Telephone (from overseas)
+44 20 8639 3399
Fax: +44 (0) 20 8639 2342
E-mail: ssd@capitaregistrars.com
Web: www.capitashareportal.com

Share Portal (www.capitashareportal.com)

Through the website of our Registrar, Capita Registrars, shareholders are able to manage their shareholding online by registering for the Share Portal, a free, secure, online access to their shareholding. Facilities include:

Account Enquiry

Allows shareholders to access their personal shareholding, including share transaction history, dividend payment history and to obtain an up-to-date shareholding valuation.

Amendment of Standing Data

This allows shareholders to change their registered postal address and add, change or delete dividend mandate instructions.

Shareholders can also download from this site forms such as change of address, stock transfer and dividend mandate forms as well as buy and sell shares in the Company.

To make use of any of these facilities, please log on to the Capita Registrars website at www.capitashareportal.com.

Should you have any queries in respect of the above facilities, please do not hesitate to contact the Capita Share Portal helpline on 0871 664 0391 (calls cost 10p plus network extras), overseas +44 20 8639 3367, or by e-mail at shareportal@capita.co.uk.



Chairman's statement

I am pleased to report another year of significant progress in the Group in terms of financial performance and the consolidation of the business in the UK and Paris. This year has been both busy and exciting with the continued growth of the business and our listing on the London Stock Exchange on 9 March 2007.

The Group is now firmly established as the market leader in the UK and Paris and No. 2 in Europe with 103 facilities. The Company's property portfolio has been valued by Cushman & Wakefield. As at 31 October 2007, the total value of the Company's portfolio was £583.7 million, up £113.1 million (24.0%) from £470.7 million at 31 October 2006.

In June 2007, Safestore reached a significant milestone in its development with the opening of its 100th store. In line with our strategy, we have continued to increase our development pipeline and remain confident in delivering our expansion programme within the next two years.

Financial results

Consistent with prior years the business has delivered a strong financial performance with sales and profits above budget. Reported turnover for the year was £74.3 million (2006: £64.3 million), an increase of 15.5% compared to the prior year. Further details on the financial results for the 2007 year end are included in the Financial review on pages 18 to 26.

All our key performance indicators have shown good growth during the year which, combined with tight cost controls, has resulted in a 21.7% increase in EBITDA (before exceptional items and investment property gains) to £40.7 million (2006: £33.5 million). EBITDA margins have increased to 54.8% (2006: 52.0%).

People

The Group recognises the significant role our people play in the success of the business and we strongly believe that it is our strength in this area that sets Safestore apart from the competition. We are committed to training and developing our staff. I should like to take this opportunity to thank all my colleagues throughout the business for their hard work and dedication this year.

We will continue to invest in our people to ensure that we remain at the forefront of customer service within the industry. During the year we have once again retained our 'Investors in People' accreditation.

Dividend

As set out at the time of the IPO, it is the Board's intention to adopt a progressive dividend policy. The Company expects to pay interim and full year dividends based on a ratio of approximately one third and two thirds respectively, of the total annual dividend.

The Board is therefore pleased to recommend a final dividend of 3.0 pence per share, bringing the total dividend for the year to 4.5 pence per share. Subject to shareholder approval, the final dividend will be paid on 7 April 2008 to shareholders who are on the Company's register at the close of business on 29 February 2008.

Outlook

Current trading in the first quarter is consistent with historic seasonal trading patterns. Revenues remain in line with our expectations and we look forward to the traditionally stronger second and third quarters of the financial year.

We believe that the fundamentals of our business remain robust and this, along with the increasing awareness of self storage, will enable the Company as the market leader in both the UK and Paris, to take advantage of a growing sector. While the broader economic environment is uncertain, Safestore has a resilient business model, strong operating skills and a high quality asset base which will underpin our performance.

J A von Spreckelsen
Chairman
22 January 2008



“This year has been both busy and exciting with the continued growth of the business.”

Chief Executive's review

I am pleased to report another year of good progress. Revenue for the year rose 15.5% to £74.3 million (2006: £64.3 million) with like-for-like store revenue increasing by 14.1% to £72.6 million (2006: £63.7 million).

The key drivers for revenue growth have been the increases in occupancy, rates and ancillary revenues. During the year, we have achieved positive results across all three key metrics in both the UK and France. Using the same key performance indicators, both established and mature stores have performed strongly across all regions, with the occupancy growth in new stores being particularly encouraging having exceeded our own expectations. Occupancy rose by 200,000 sq ft (7.4%) to 2.91 million sq ft, the average rate per sq ft increased by 8.3% to £21.56, and ancillary revenues were up 23.0% to £10.4 million.

Operating review

During the year, we opened six new stores at: Slough, Guildford, Hayes, Newcastle, Eastbourne and Kremlin Bicêtre (Paris), as well as two satellite stores at Burnley and Stevenage. The new purpose built facility in Eastbourne allowed us to relocate from our previous site which has now closed. Six of the eight newly opened properties are purpose built facilities and the remaining two are highly specified conversions. Each of the new stores has had a promising start and are trading in line with our expectations.

Following the successful acquisition of new development sites and properties, our pipeline of expansion stores has increased to 18 (including 2 relocations), all of which are planned to open within the next two

years. Of these expansion stores, 14 are freehold/long leasehold, 4 are short leasehold and 10 have planning permission already granted. We are confident in our ability to obtain planning consent for the remaining 8 stores.

Of the 18 expansion stores 14 will be new purpose built facilities and 4 highly specified conversions of existing buildings. I am pleased to report that since the financial year end we have opened one of these stores in Glasgow bringing the total number (excluding satellite stores) to 104.

These expansion stores will deliver approximately 0.9 million sq ft of additional net lettable space, resulting in approximately 5.3 million sq ft of self storage space when fully fitted out. We believe that our development pipeline has clear visibility and we are confident in delivering our stated objective of expanding by 7 to 10 stores per annum.

The number of enquiries has continued to rise during the year. The Web and store signage are increasingly becoming the main drivers behind enquiries compared to other channels. Both have shown good growth, leading to a high level of new lets during the period with the traditionally busiest period of spring and early summer being particularly strong.

Neil Riding, Chief Operating Officer, and his team have focused on call capture and web enquiries during 2007 to ensure that Safestore gets the maximum conversion rate from the generated enquiries. While

significant progress is being achieved, there is still plenty to aim for in this area.

At 31 October 2007 we had in excess of 39,000 customers, an increase of 9.2% over the previous year. The average length of stay for current customers has increased to 80 weeks from 73 weeks in October 2006 and 77 weeks in April 2007.

Our focus has also been to further improve our customer service. We have made a significant investment in this area and have devoted a lot of time to improving the quality of the customer experience through our customer service reports (led via mystery shoppers) in our stores across the UK and France.

We continually seek ways to improve the experience of our customers whilst visiting Safestore, with the aim of offering excellent value for money, and maintaining a healthy increase in rates per sq ft. We aim to achieve these objectives through the micro management of pricing and space utilisation within each of the stores and sustained investment in the portfolio. So far, this approach has resulted in continued improvements in the rate per sq ft. The average rate per sq ft has grown by 11.2% to £26.92 in London (2006: £24.20), 4.8% (6.3% in constant currency) to £20.94 in Paris (2006: £19.98) and 7.2% to £17.80 in the rest of the UK (2006: £16.61).



“During the year, we opened six new stores at: Slough, Guildford, Hayes, Newcastle, Eastbourne and Kremlin Bicêtre (Paris)”

Chief Executive's review

continued

Property

The strong combination of a retail led business with a significant property asset base has consistently delivered high quality cash flow and earnings. Our UK business now has significant footholds in major cities including London, Glasgow, Edinburgh, Manchester, Birmingham and Bristol as well as the South East and North West. This is in line with our strategy of clustering stores, giving us a competitive advantage in key markets and maximising convenience for our customers.

The majority of the expansion stores are in existing markets, further strengthening our position, and two stores are situated in areas where we are not currently represented. I am pleased with the balance we have been able to achieve in terms of the geographic spread of new and expansion stores across the UK. The development plan consolidates our position as the only self storage Company with a national footprint and we remain fully committed to our strategy of furthering our presence across the UK.

During the year we have invested a further £8.4 million in the existing store portfolio. Of this, £1.5 million has been invested towards building out further self storage space, £0.6 million has been spent on signage with the balance of £6.3 million being spent on improvements and maintenance to the general fabric of the portfolio. This has resulted in improved facilities for customers such as additional lighting, increased levels of security, more 24-hour access and general improvements to the ambience of the storage and reception areas. This investment is crucial in maintaining Safestore as one of the recognised European leaders in self storage.

We have continued to build out additional self storage units and stand-alone drive up units in a number of the stores, thereby increasing storage space and options. We have also improved the level of signage and external illumination in our stores which has contributed to the significant increase in enquiries.

Our aim is to grow our business by adding 7 to 10 new stores per annum. This will not only add between 320,000 sq ft and 500,000 sq ft of new space on an annual basis, but will also continue to improve the quality of the store portfolio. Two of the new purpose built expansion stores will replace two of our smaller first generation stores. The balance between mature, established and new stores should ensure there is minimal risk in the business along with a good quality cash flow.

Our French subsidiary "Une Pièce en Plus", managed by Frédéric Vecchioli, is focused on the Paris region, the most developed self storage market in France. It has a strong foothold in Central Paris and has continued to demonstrate solid growth during the year following the opening of a new store at Kremlin-Bicêtre and the significant increase in MLA at our existing store in Clichy. The business now operates 20 stores, all branded under the "Une Pièce en Plus" name. The strategy is similar to that of the UK in that we look to cluster our stores. The addition of Kremlin Bicêtre, plus a new store due to open in Central Paris in 2008, and a further store planned to open in 2009, will further consolidate our market leading position in this important and growing market.

Safestore has retained its No.1 position in the UK and Paris in terms of number of stores. Our aim is to maintain this market leadership without jeopardising our prudent but flexible approach to the terms we are willing to agree to for new stores. Our new store model is flexible in terms of size and tenure; which we believe gives us an advantage over some of our competitors.

With the current uncertainty in the real estate market we will constantly review our financial evaluation model and the required rate of return. We believe that the current market conditions will be in favour of well branded self storage companies that have good covenants and solid earnings growth enabling Safestore to purchase land and property at a level which provides good returns while further increasing the barriers to entry. At this stage we have seen no evidence of the market softening for prime quality self storage assets.

The estate is managed in-house with regular reviews of the portfolio on an individual and collective basis, with particular attention paid to the value of each property, as well as opportunities for additional revenue streams and cost savings. During the period we have extended the leases on three stores which has enhanced the value of these businesses. We continue to review opportunities to buy the freehold of leasehold stores or to extend leases where appropriate and prudent.

All stores are regularly reviewed in terms of development potential. During 2007 we added two satellite stores and increased self storage space in a number of our current stores. We are currently reviewing stores for extensions or additional self storage in 2008/09.

Retail store portfolio

At the year end the Company had 103 stores (including three business centres) of which 83 were in the UK and 20 in France. 14 of these stores were classified as new (open for less than two full financial years), 54 established (open for more than two years, but not prior to 1998) and 35 mature (pre-1998). The geographical breakdown includes 36 stores in London, 47 in the rest of the UK and 20 in Paris. The right balance between the various categories provides good solid cash flows in the mature stores with earnings similar to annuities, while the established stores and new stores deliver real growth upside.

The 103 stores provide 4.47 million sq ft of MLA of which 3.63 million sq ft is in the UK and 0.84 million sq ft in France. At 31 October 2007, 2.91 million sq ft was let, of which 2.31 million was in the UK and 0.6 million in France. Average occupancy compared to MLA was 67.3% for the Company with London at 77.9%, Paris at 73.0% and the rest of the UK at 59.1%. Occupancy in the rest of the UK continues to grow well. The average occupancy percentage is affected by the increasing number of new stores which have exceeded our expectations in early trading,



“During the year we have invested a further £8.4 million in the existing store portfolio”

Chief Executive's review

continued

The breakdown of freehold/long leasehold and short leasehold across the whole portfolio is as follows:

Existing Portfolio	UK	% of Portfolio	France	% of Portfolio	Total	% of Portfolio
Freehold/Long Leasehold	52	63%	5	25%	57	55%
Short Leasehold	31	37%	15	75%	46	45%
Total	83		20		103	

Expansion Stores Pipeline as at 31 October 2007	UK	% of Portfolio	France	% of Portfolio	Total	% of Portfolio
Freehold/Long Leasehold	12	75%	2	100%	14	78%
Short Leasehold	4	25%	-	-	4	22%
Total	16		2		18	

In France, the short leasehold properties have commercial protection rights and have similar characteristics to UK freehold sites.

Of the expansion stores above, 14 will be purpose built state of the art self storage centres and 4 highly specified conversions.

and the number of large stores which have a built out area in excess of 60,000 sq ft.

The average store size for the Company is 42,000 sq ft, although we have stores smaller than 20,000 sq ft and greater than 100,000 sq ft, all of which trade profitably.

Retail and operational focus

The Company has a dedicated operations team which consists of eight regional managers and two divisional Directors in the UK and two regional managers in France. The UK Operations team is headed by Neil Riding, Chief Operating Officer, and the French Operations team is headed by Laurent Judas. In both the UK and France we also have a dedicated Retail Services team based in Head Office.

We have clear processes and procedures in place to deal effectively and professionally with each new enquiry. Comprehensive training, coaching and monitoring is in place to ensure we obtain the maximum conversion rate while giving excellent customer service and value for money.

All customers are encouraged to visit the store and undertake a store tour so they can fully understand the proposition and the full range of services as well as see the secure environment in which their possessions are stored.

Each customer is offered the option of a risk free reservation in order to reserve the room of their choice for an agreed period.

The emphasis is on a welcoming atmosphere and a professional and friendly service. The reception areas are designed to make the customer feel comfortable and wherever possible provide an area for a discrete discussion of their needs.

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

The focus during 2008 will be to further improve call capture and conversion rates from the increasing number of enquiries that are being delivered through our marketing strategy.

Security

Security of our premises, customer contents, customers and employees remain a top priority of the Company. Safestore has a Risk Manager who is focused on all aspects of security and health and safety. We constantly review all our processes and procedures to ensure that we provide the highest levels of security and safety within our stores for both our customers and employees. This is a crucial element of the service we provide to our customers, who leave their valuables within our care. Many customers continue to see this as their highest priority and an important factor in determining which self storage Company they choose. It also ensures that we are focused on protecting the assets of the business.



“The emphasis is on a welcoming atmosphere and a professional and friendly service”

Chief Executive's review

continued

We continue to invest heavily in security technology within our new stores and the existing estate. The elements of security include automated swipe card entry, mechanised gates and doors, additional digital cameras and monitors and increased lighting. We work closely with the appropriate authorities in the UK and France and the Self Storage Association.

Safestore has a strict policy in monitoring all new customers and has clear signage on goods that cannot be stored within the buildings.

Systems

Safestore continues to place high importance in its administrative and IT systems and believes that leading IT technology will give the Company a competitive edge. Having upgraded our capacity and hardware in 2006 we have concentrated on improving the effectiveness and efficiency of our systems during 2007.

A great deal of emphasis has been placed on ensuring that we extract the best value from our data and systems. All stores in the UK and France now share the same trading system and platform ensuring simplified and standardised reporting across the group.

By working closely with operations and as an integral part of the business, our IT team has enhanced reporting both in terms of quality and speed. By using the in-house knowledge of our systems and business they have also automated many previously manual business processes saving time and resource across the estate.

Our IT team consists of the Head of IT and a support team of three people in the UK, plus one other person in France. We also have a Business Analyst who works closely with the IT and operations teams.

Marketing

The Company is committed to ensuring that it maintains its leading market position. During the period under review, the

Company has concentrated on targeted marketing activities specifically in relation to the internet and signage. Whilst we are pleased with the increase in awareness of the Safestore brand and the heightened awareness of self storage in general we are particularly pleased with the increased level of enquiries generated from the Web and store signage. This will again be a key part of our marketing efforts during 2008.

The Web has now become our highest driver of enquiries; just ahead of signage although the latter still gives us the greatest volume of business due to the higher conversion rate. During the period we recruited an experienced web professional to specifically manage our website and all aspects of search engine optimisation, strategic alliances and web sponsorship and are already seeing the benefits of this investment.

We believe that the targeted marketing strategy deployed during the year has enabled Safestore to take increased market share in the growing medium of the internet and will continue this strategy in 2008. The marketing team will fully concentrate on all aspects of 'push & pull' targeted marketing supported by a range of mass and specialist media activity.

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

In France, we have continued with our strategy to integrate all stores in the portfolio and re-brand them under the "Une Pièce en Plus" name. The four main drivers for enquiries mirror those in the UK, namely signage, web, Directories and referrals. Our two main areas of investment are the internet, which yields the largest number of enquiries and Le Metro, where "Une Pièce en Plus" advertises all year round. This investment strategy will continue in 2008.

The overall investment in resource and expenditure will be continued during 2008 with approximately 4% of group revenue budgeted for the advertising spend in the financial year.

Real Estate Investment Trusts ("REITS")

We continue to examine the possibility of converting our businesses into a REIT, but as we have previously highlighted, we currently benefit from carried forward tax losses, and, whilst we can utilise the tax losses there is no need to convert. Having reviewed our tax position at the year end we consider it unlikely that the Company will pay tax in the current financial year. We will continue to monitor the position and to consider conversion to a REIT at such time as it would be financially advantageous to do so.

Corporate and social responsibility

Safestore has a responsibility to all its stakeholders including customers, shareholders, its employees and the communities in which we operate.

All our stores meet the legislation requirements and in the majority of instances exceed the laid down guidelines. In new stores we are very aware of any impact to the community and the environment and as such seek to ensure we work with the relevant bodies to build high specification stores that are a support to the local community in which we operate.

All our stores are able to give space to charities either on an ongoing planned basis or in the event of a local, national or global emergency. Our stores can also request sponsorship for local community projects.



“The Web has now become our highest driver of enquiries”

Chief Executive's review

continued

We provide a service to the local community with the majority of our customers living within five miles of their local store. The service we provide can be for a short term emergency or event or for a much longer term where the customer seeks an extra room. All our stores have both local and national business customers. Self storage is an ideal solution for local entrepreneurs just starting in business as well as an ideal solution for large corporate business customers operating across the UK. We seek the views of customers on a regular basis both formally and informally and consistently review the services we offer.

Our investors and bankers provide capital for the business and we aim to keep them informed on a regular basis through a variety of media including the investor website and quarterly updates. Our aim is to build on our market leading position and continue to successfully grow the business and provide an attractive total return for our investors.

We are currently reviewing how we can further our support of local communities and the environment and to this end we have set up a working party reporting regularly to the Executive Directors.

People

We strongly believe that our people are our greatest asset and that they are a key differentiating factor between Safestore and its competitors.

During the year the Board has been strengthened by the appointments of Roger Carey and Richard Grainger as Non-Executive Directors. Both appointments have given the Board

additional support in the key areas of real estate, corporate finance and Corporate Governance, adding to the existing strong background the Board has in retailing and the service industry.

We are pleased to announce that David Penniston has agreed to join Safestore as Property Director with effect from 3 March 2008 following the resignation of Neil Moulder from Safestore's Operational Board. David joins us from Whitbread where he was Development Director for five years, including a period at David Lloyd Leisure Ltd. He has extensive experience within the real estate and retail sector having previously worked for Sainsbury's and Waitrose. The Board would like to thank Neil for his significant contribution and commitment over the past five years and wish him the very best for the future.

The senior management team has a wealth of experience in a number of sectors and a proven record of accomplishment within the self storage industry for improving existing operations as well as turning around acquired underperforming businesses. It is the only management team in the UK self storage sector with the expertise to successfully acquire and integrate other self storage businesses both in the UK and Europe, whilst realising their growth potential. The team has expanded over the past 18 months and has a depth of expertise and experience which we consider is unsurpassed in the industry. This gives the Company confidence that we can continue to build on our market leading position as a first class self storage provider.

We continue with our comprehensive training programme for all store employees

and Head Office personnel. Since the year end we have further supplemented our HR team and recruited an additional trainer who is bilingual to facilitate common training in both the UK and France.

All our people, at every level, have annual appraisals and six monthly reviews which are linked to pre-set competencies that highlight personal development needs, as well as department and corporate training requirements.

All part-time and full-time employees participate in an annual bonus scheme which is aligned to their financial performance and personal objectives. In addition, our store teams and field management participate in a monthly incentive scheme related to specific key performance indicators. This scheme is designed to recognise and reward personal achievements and stores' performances, as well as the Company's performance with the aim of ensuring we have highly motivated teams in each of our stores.

Since listing on the London Stock Exchange, the Company has implemented a Share Save Scheme for all employees who have been employed for a qualifying period of 12 months. All members of the team have been invited and encouraged to join the scheme which has very flexible savings plans within the HMRC guidelines.

On behalf of the Board I would like to thank all our people throughout the UK and France for their continued commitment and support and to congratulate them once again for achieving such excellent results.

S W Williams
Chief Executive Officer
22 January 2008



“We strongly believe that our people are our greatest asset and that they are a key differentiating factor between Safestore and its competitors ”

Financial review

International Financial Reporting Standards (“IFRS”)

This report is prepared in accordance with IFRS and includes the Group's IFRS accounting policies together with further details on the key performance measures.

Results of operations

The table below sets out the Group's results of operations for the year ended 31 October 2007 (Financial Year 2007) and the year ended 31 October 2006 (Financial Year 2006), as well as the year on year change.

	Year ended 31 October		
	2007 £'000	2006 £'000	% Change
Revenue	74,303	64,313	15.5%
Costs of sales	(23,469)	(21,853)	(7.4%)
Gross profit	50,834	42,460	19.7%
Administrative expenses	(9,474)	(16,112)	41.2%
Operating profit before gain on investment properties	41,360	26,348	57.0%
Gain on investment properties	81,264	63,631	27.7%
Operating profit	122,624	89,979	36.3%
Net finance costs	(19,006)	(28,993)	34.4%
Profit before income tax	103,618	60,986	69.9%
Income tax expense	(25,433)	(15,849)	(60.5%)
Profit for the year	78,185	45,137	73.2%

Revenue

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

The table below set out the Group's revenues by geographic segment for each of the Financial Years 2007 and 2006.

	Year ended 31 October				
	2007 £'000	% of Total	2006 £'000	% of Total	% Change
United Kingdom	61,440	82.7%	52,932	82.3%	16.1%
France	12,863	17.3%	11,381	17.7%	13.0%
Total revenue	74,303	100.0%	64,313	100.0%	15.5%

The Group's revenue increased by approximately £10.0 million (an increase of 15.5%) from £64.3 million in Financial Year 2006 to £74.3 million in Financial Year 2007. As covered in the Chief Executive's review, the key drivers for revenue growth have been the increases in occupancy (growth of over 200,000 sq ft year on year), average rate per sq ft (growth of 8.3%) and ancillary revenues (growth of 23%). It is pleasing to note that both the UK and France have contributed significantly to the overall increase in revenue in the year.

Cost of sales

Cost of sales consists, principally of staff salaries, business rates, utilities, insurance and repairs and renewals. The Group's cost of sales increased by £1.6 million or 7.4% from £21.9 million to £23.5 million in the year to 31 October 2007. The main reasons for the increase in the year are additional costs relating to the new stores opened in the year, the higher levels of business this year on last and general inflationary pressure.

Administrative expenses

Administrative expenses consist principally of Directors' salaries, head office salaries, marketing and advertising expenses and depreciation and amortisation expenses. The Group's administrative expenses in both years were significantly affected by exceptional items. Administrative expenses decreased by £6.6 million or 41.2% from £16.1 million to £9.5 million in Financial Year 2007. The main reason for this is the movement in exceptional items between the two years. In Financial Year 2007 the exceptional items net out to a credit of £0.8 million compared to a charge of £6.2 million in the prior year. This is set out in more detail on page 20.



Financial review

continued

EBITDA Before exceptional items and gain on investment properties

EBITDA before exceptional items is calculated as follows for Financial Year 2007 and Financial Year 2006:

	Financial Year	
	2007 £'000	2006 £'000
Operating profit	122,624	89,979
Less: gain on investment properties	(81,264)	(63,631)
Plus: depreciation	123	103
Plus: goodwill impairment	-	756
(Less)/plus: exceptional items	(758)	6,245
EBITDA before exceptional items	40,725	33,452

The Group's EBITDA before exceptional items increased by £7.3 million or 21.7% from £33.4 million in Financial Year 2006 to £40.7 million in Financial Year 2007. This increase principally reflects the increase in revenues discussed above and the movement in exceptional items analysed below.

Exceptional items

	Financial Year	
	2007 £'000	2006 £'000
IPO related costs	(2,157)	-
Release/(creation) of IFRS 2 cost of shares provision	3,222	(6,245)
Other exceptional items	(307)	-
Exceptional income/(expense)	758	(6,245)

As noted in the administrative expenses section above, the exceptional items net out to a credit of £0.8 million in Financial Year 2007 compared to a charge of £6.2 million in the prior year. The only exceptional item in Financial Year 2006 was the creation of an IFRS 2 share related provision of £6.2 million, £3.2 million of

which was released in the current Financial Year. The release of the over provision from the prior year more than offsets the costs for the IPO taken to the income statement (£2.2 million) and the other exceptional charge of circa £0.3 million which mostly relates to costs associated with the residual pension scheme.

Gains on investment properties

Gain on investment properties consists of the fair value revaluation gains and losses with respect to the investment properties under IAS40. The Group's gain on investment properties was £81.3 million in Financial Year 2007 and £63.6 million in Financial Year 2006. These increases reflect the combination of yield compression within the valuations together with improved revenue and cash flow performance from the investment property estates and are discussed in more detail in the property valuation section on page 24.

Operating profit

Operating profit increased by £32.6 million or 36.3% to £122.6 million for Financial Year 2007 from £90.0 million in Financial Year 2006. This increase reflects a combination of factors including the increase in EBITDA before exceptional items generated through the trading movements throughout the year, the significantly reduced exceptional costs in the year and the significant increase in the gain on investment properties covered above and in more detail in the property valuation section on page 24.



Financial review

continued

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		
	2007 £'000	2006 £'000	% Change
Bank interest receivable	1,381	572	141.6%
Bank and other interest payable	(17,071)	(21,120)	19.2%
Interest on obligations under finance leases	(3,316)	(3,947)	(16.0%)
Exceptional write off of debt issue costs on refinancing	-	(4,498)	-
Finance costs	(19,006)	(28,993)	34.4%

The bank interest receivable has benefited from the higher cash balances throughout the second half of Financial Year 2007 reflecting the £35 million primary raised at the time of the IPO.

Bank and other interest payable reflect purely bank interest in Financial Year 2007 whereas it included loan note interest in Financial Year 2006 up to the refinancing in June 2006. It is pleasing to note that, despite the quantum of debt increasing over the period under review, the debt charge has decreased.

The interest on obligations under finance leases reflects part of the costs of the property rental payments traditionally charged to cost of sales under UK GAAP. The total charge for rent under UK GAAP in Financial Year 2007 was £9,118,000 and the remaining £5,802,000 has been offset against the gain on investment properties.

The exceptional write off of the debt issuance costs arose in Financial Year 2006 and did not recur.

The Company has a £237 million senior debt facility provided by a syndicate of six banks, a £60 million capex facility which is provided jointly by Royal Bank of Scotland and HSBC, and a £5 million working capital facility provided by National Westminster Bank. At 31 October 2007 the Company had drawn the senior facility in full, £9.1 million of the capex facility and £0.1 million of the working capital facility.

Under the terms of the facility documents Safestore pay interest at LIBOR plus a margin. The Company has taken out an interest rate hedge swapping LIBOR on £178 million of the debt for 5.22% which runs until June 2011. The Company has recently renegotiated the terms of the senior and capex facilities and introduced a common margin ratchet across both facilities. The margin will ratchet between 90 basis points and 125 basis points dependent upon the Interest Cover Ratio. Under the terms of the previous facility the margin was 125 basis point on the senior facility and 125 basis points to 175 basis points on the capex facility.

All of the above gives significant comfort on the expected financing costs over the remaining 3½ years of the existing facilities.

Gearing

Net borrowings at 31 October 2007 stood at £225.1 million, broadly in line with the balance of £225.5 million at 31 October 2006. During this time, net assets increased by £111.4 million or 81.6% to £247.9 million at 31 October 2007 from £136.5 million at 31 October 2006. The net impact is that gearing levels have reduced to 90.8% at 31 October 2007 from 166.7% at 31 October 2006.

Income tax

Income tax expense increased by £9.6 million or 60.5% to £25.4 million for Financial Year 2007 from £15.9 million for Financial Year 2006. Income tax expense recognised principally reflects deferred tax on investment property movements on the balance sheet. Actual tax paid in each period was insignificant due to the availability of carried forward tax losses in both the United Kingdom and France.

Profit for the year

Profit for the year increased by £33.0 million or 73.2% for Financial Year 2007 to £78.2 million from £45.1 million for Financial Year 2006.



Financial review

continued

Property valuation

The Company's property portfolio has been valued by Cushman & Wakefield. As at 31 October 2007, the total value of the Company's portfolio (including £1.0m of owner occupied properties) was £583.7 million, up £113.1 million (24.0%) from £470.7 million at 31 October 2006. Of the overall uplift of £113.1 million, £92.2 million is derived from the existing store portfolio, from which we estimate that £64.5 million (57.0% of the overall uplift) stems from operational performance, such as higher achievable rents, lease renegotiations and increased occupancy, and £27.7 million (24.5% of the overall uplift) is attributable to yield shift. The remaining £20.9 million (18.5% of the overall uplift) is attributable to new stores opened in the year.

The valuation at 31 October 2007 is £85.8 million up from £497.9 million as at 30 April 2007. Of the overall uplift £67.9 million is derived from the existing store portfolio and we estimate that substantially all of this uplift (79.2% of the overall uplift) stems from operational performance with no gain attributable to yield shift. The remaining £17.9 million (20.8% of the overall uplift) is attributable to new stores opened in the year.

The freehold exit yield for the valuation as at 31 October 2007 was 7.12%, reflecting a 40 bps compression compared to the 31 October 2006 when it was 7.52%. The yield as at 31 October 2007 was approximately 9 bps higher than the yield at 30 April 2007 of 7.03%. The higher yield in the second half was due to a minor realignment of a number of specific stores within the Safestore portfolio.

The most important factor in calculating yield movements within self storage is the underlying prime self storage yield. This moved in 50 bps in the first half of the financial year and has remained constant in the second half of the year with rates as at October 2007 and April 2007 being 5.625% in the UK and 6.50% in France respectively. We believe that the yield on self storage assets remains relatively undemanding in comparison to other property asset classes.

The weighted average annual discount rate for the whole portfolio has followed a similar trend to the exit cap rate above. At 31 October 2006 it was 11.48% and moved in to 11.25% at 30 April 2007. We have seen a marginal softening of this in the second half of the year with it being 11.58% at 31 October 2007. This is consistent with the slight movement in yields during the second half of the year and the general reduction in the life of the leasehold assets.

At the year-end the Company's property portfolio consisted of 103 trading stores; the freehold/long leasehold properties were valued at £449.7 million and the short leasehold properties were valued at £134.0 million. Freehold/Long leasehold stores account for 77.0% of the valuation, against only 55% of the portfolio when measured in store numbers, with the remaining 23.0% being attributable to the short leasehold portfolio.

The Company's pipeline of 18 expansion stores (one has opened since the year end valuation) is currently held at cost, amounting to around £31.6 million.

The effect of the valuation has led to an adjusted NAV per share of 198.8 pence representing an increase of 60.4 pence or 43.6% from 138.4 pence as at 31 October 2006, and an increase of 41.4 pence or 26.3% from 157.4 pence as at 30 April 2007.

The valuations have consistently been based on the assumption that purchaser's costs would amount to 5.75% in the UK and 6.2% in France.

Self storage is still a relatively new and specialised asset class in the UK and Europe and this is reflected in the level of our property valuations and the yield applied. We believe that over time familiarity with the assets and their performance will increase and result in a further re-rating of the yields being applied to self storage businesses closer to those prevailing in more mature markets or alternative uses. This, together with our proven ability to drive occupancy levels and rental growth, provides investors in the self storage sector with a combination of growth dynamics which offers good defensive qualities in the current market and deliver long term attractive returns.



Financial review

continued

Cash flows

The following table summarises the Group's cash flow activity during the Financial Years 2007 and 2006 in accordance with IFRS:

	Financial year	
	2007 £'000	2006 £'000
Net cash inflow/(outflow) from operating activities	22,561	(35)
Net cash outflow from investing activities	(37,290)	(20,661)
Net cash provided by financing activities	24,303	18,464
Net increase/(decrease) in cash and cash equivalents	9,574	(2,232)

Net cash inflow/(outflow) from operational activities

There are two main factors influencing the £22.6 million improvement in cash from operating activities in Financial Year 2007 compared to Financial Year 2006. Firstly, the profitability of the Company has risen as described in the income statement notes above. This, mixed with continued good working capital control, has resulted in cash generated from operations increasing by £6.7 million or 20.2% to £39.8 million for Financial Year 2007 from £33.1 million for Financial Year 2006. Second, the net interest paid has fallen by £15.4 million in the year due, in the main, to the one-off nature of the loan note payments to Bridgepoint upon refinancing the debt during Financial Year 2006.

Net cash outflow from investing activities

Cash outflow from investing activities has increased by £16.6 million or 80.5% to £37.3 million for Financial Year 2007 from £20.7 million for Financial Year 2006. Whilst there are several contributing factors affecting this movement it is almost entirely down to the increase in expenditure on investment and development assets. Expenditure in Financial Year 2007 in this area was £45.5 million an increase of £18.2 million or 66.8% from £27.3 million in Financial Year 2006 to finance the growth in the development store pipeline.

Net cash inflow from financing activities

The cash flows from financing activities increased by £5.8 million or 31.6% in Financial Year 2007 to £24.3 million from £18.4 million in Financial Year 2006. This is primarily due to money raised by the issuance of new shares at the time of the IPO in Financial Year 2007 being incrementally higher than the new debt drawn as a result of the refinancing in Financial Year 2006.

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. The Board is of the opinion that, taking into account the bank facilities available to it, the Company has sufficient working capital for its present requirements.

R D Hodsdon
Chief Financial Officer
22 January 2008

safestore.co.uk

self storage



020 8573 7850



Remuneration report

The Remuneration report sets out the Company's policy on the remuneration of Executive and Non-Executive Directors together with details of the Directors' remuneration packages and service contracts.

This report has been prepared in accordance with Schedule 7A to the Companies Act 1985 and the requirements of the Listing Rules of the Financial Services Authority. Part 3 of Schedule 7A requires designated parts of the Directors' Remuneration Report to be audited, whilst other parts are not. Accordingly, this report has been divided into separate sections for audited and unaudited information.

A resolution to approve this report will be proposed at the Annual General Meeting to be held on 27 March 2008.

Unaudited Information Remuneration Committee

The Company established a Remuneration Committee on 9 March 2007 which is constituted in accordance with the recommendations of the Combined Code (2006). The Remuneration Committee comprises two Non-Executive Directors, namely Roger Carey and Richard Grainger. The Chairman of the Remuneration Committee is Roger Carey. Prior to the IPO of the Company, no Remuneration Committee was in place as the Combined Code did not then apply to the Company.

None of the Remuneration Committee has any personal financial interest (other than as shareholders), conflicts of interest arising from cross Directorships or day to day involvement in running the business. No Director plays a part in any discussion about his own remuneration. The remit of the Remuneration Committee is limited to consideration of the remuneration of the Executive Directors and certain members of the Senior Management Team, and to approve the grant of share options

and awards under the employee share schemes operated by the Company.

The Remuneration Committee appointed and received advice from New Bridge Street Consultants LLP ("New Bridge Street"), an external consultancy with experience of Executive remuneration in UK listed companies, in respect of remuneration policy and in particular performance related pay and benchmarking the remuneration of Senior Executives against an appropriate comparator group of companies including companies which operate within a similar business space to the Company.

The Remuneration Committee's terms of reference are available from the Company Secretary.

Remuneration policy

The Board recognises that the Directors' remuneration is of legitimate concern to shareholders and is mindful of current best practice. The Company operates within a competitive environment; performance depends on the individual contributions of the Directors and

employees and the Company believes in rewarding vision and innovation.

When setting Directors' remuneration, the Remuneration Committee endeavours to ensure that all Directors are provided with appropriate performance related and non-performance related incentives to encourage enhanced performance and that they are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.

Executive Directors

The policy of the Remuneration Committee for Executive Directors is to provide Executive remuneration packages designed to attract, motivate and retain Directors of the calibre necessary to maintain and improve the Group's profitability and effectiveness and to reward them for enhancing shareholder value and return. To do this, it aims to provide a market competitive (but not excessive) package of pay and benefits. In line with advice received from New Bridge Street, the Group's general policy is to pay base salaries within the lower

quartile to median of market rates and make share awards within the upper quartile of market practice which accords with the Group's general policy of seeking to make bonuses self-financing wherever possible. Remuneration will also reflect the Director's responsibilities and contain incentives to deliver the Group's objectives.

There are five main elements of the remuneration package for Executive Directors as follows:

- Basic annual salary;
- Benefits-in-kind;
- Annual bonus payments;
- Long term incentive plan; and
- Pension arrangements.

Details of individual Directors' remuneration and share awards are set out on pages 32 and 33.

Basic annual salary

Executive Directors' basic salaries are reviewed by the Remuneration Committee annually and when an individual changes position or responsibility. Basic salary is determined with reference to an appropriate comparator group of companies and to the Director's experience, performance and responsibility.

Benefits-in-kind

All Executive Directors receive certain normal benefits-in-kind including a car allowance, life insurance and private medical and dental insurance.

Annual bonus payments

The Remuneration Committee believes firmly in the effectiveness of performance linked bonuses. From the date of the IPO, the Long Term Incentive Plan ('LTIP') replaced all existing Executive Director bonus plans, provided that a threshold

performance level is met (as described in the description of the LTIP below).

S W Williams and R D Hodsdon were awarded a discretionary bonus of £40,600 and £45,800 reflecting the difference in the increase in basic salary from 1 November 2007, pro rated from the date of the IPO. The Committee noted that performance targets and objectives set at the beginning of the year had been exceeded.

S W Williams and R D Hodsdon received bonuses for the year ended 31 October 2006 of £191,560 and £104,440 respectively.

Long Term Incentive Plan ('LTIP')

A new long term incentive plan ("LTIP"), the Safestore Bonus Share Plan, was adopted by the Company in February 2007.

The LTIP comprises two parts. First, subject to the satisfaction of a threshold performance target set by the Remuneration Committee, part of each Executive Director's annual bonus is provided in the form of shares of the Company ("Bonus Shares") under the LTIP, which belong to the participant from the time of award. Secondly, an award of shares of the Company ("Matching Share Award") is made at the time that Bonus Shares are awarded to LTIP participants. The shares subject to the Matching Share Award will only vest if certain service and performance requirements are met, as set out below. It is proposed that awards will be made under the LTIP following the announcement of audited results for the previous financial year and that the first award will therefore be made following the audited results for the financial year ended 31 October 2007.

The award of Bonus Shares under the LTIP depends on the extent to which the Company's earnings per share (calculated in accordance with UK GAAP, rather than IFRS, in order to avoid property valuations distorting performance, and on the basis of profit before tax) ("PBT-EPS") has increased over the financial year (the

"Base Year") before the financial year in which awards are made under the LTIP.

The Remuneration Committee may also, at its discretion, exclude one off exceptional items from the calculation of PBT-EPS. For awards of Bonus Shares made following the announcement of results for the financial year ending 31 October 2007, the Base Year would therefore be the financial year ending 31 October 2007. The Remuneration Committee has selected a PBT-EPS performance condition because it considers it is appropriate to the Company's business. The Company's auditors audit the PBT-EPS calculation prepared by the Company.

PBT-EPS growth performance over the Base Year must achieve a minimum of 10% growth (level 1) in order for an Executive Director to participate in the LTIP. The level of award under the LTIP will depend on five trigger points based on PBT-EPS growth (as set out in the table below). The level achieved will govern the percentage combination of cash, Bonus Shares and shares placed under Matching Share Awards which are awarded as a percentage of the participant's salary (which will be his base salary as at the date of the grant of the Matching Share Award or such earlier date as the Remuneration Committee may determine). The number of Bonus Shares and shares placed under Matching Awards will be calculated by reference to the market value of the shares at the date of award.

Remuneration report

continued

The maximum awards under the LTIP as a percentage of salary are as follows:

Levels	1	2	3	4	5
PBT-EPS annual performance	10%	12.5%	15%	17.5%	20%
Cash Bonus	30%	35%	40%	45%	50%
Bonus shares (value as a percentage of salary)	30%	40%	50%	60%	70%
Matching Share Awards (value as a percentage of salary)	40%	60%	80%	100%	120%
Total award expressed as a percentage of salary	100%	135%	170%	205%	240%

Shares subject to Matching Share Awards will normally only vest if the participant has remained an employee of the Group for three years following the grant of the Matching Share Award and has retained his Bonus Shares throughout that period. Furthermore, Matching Share Awards will only vest if the average PBT-EPS for the three financial years following the Base Year is not less than the PBT-EPS for the Base Year. The Remuneration Committee considers that it is appropriate to use a PBT-EPS condition for the reasons set out above in relation to the Bonus Shares and PBT-EPS will be calculated using the same method as for the Bonus Shares.

Matching Share Awards may be made in several forms, as determined by the Remuneration Committee at the date of grant in the light of tax and accounting consequences, including a deferred right to acquire shares in the future at no cost to the participant or an option with a nil exercise price. Whatever the form of the award, the Remuneration Committee may determine that the participant should receive either a cash sum equal to the dividends that would have been received on the shares that vest over the vesting period or an additional number of shares equivalent to those that would have been received had the dividends on the shares subject to the award which vest been reinvested in shares.

Awards under the LTIP may be made during the period of six weeks from the announcement by the Company of its results for any period and at any other time when the Board considers that there are exceptional circumstances justifying the grant. No awards may be made more than ten years after 20 February 2017, being ten years after the date on which the LTIP was adopted.

Sharesave scheme

The Sharesave scheme is open to all UK employees (including Directors) with a minimum of one year's service.

It has been approved by HM Revenue and Customs thus enabling eligible employees the opportunity to acquire shares in the Company in a tax efficient manner. The Sharesave Scheme has also been extended to eligible employees in France. No performance conditions apply to options granted under the Sharesave Scheme as it is an all employee scheme.

Pension arrangements

The Remuneration Committee reviews the pension arrangements for the Executive Directors to ensure that the benefits provided are consistent with those provided by other similar companies. The Company does not offer a defined benefit pension scheme and instead it makes contributions to an approved personal pension scheme of the Executive Director's choice. The Company contributes 15% of base salary to the personal pension schemes of S W Williams and R D Hodsden.

Service contracts

In accordance with the Remuneration Committee's policy, each of the Executive Directors has a service contract with the Company, dated 9 March 2007, with a notice period of one year, and there are no contractual termination payments. The unexpired term of each of the Executive Directors' service contracts is 12 months.

Outside appointments

The Board allows Executive Directors to accept appropriate outside commercial Non-Executive appointments provided the aggregate commitment is compatible with their duties as Executive Directors. The Executive Directors concerned may retain fees paid for these services, which will be subject to approval by the Board.

S W Williams is a Non-Executive Director in Self Storage Association Limited, R D Hodsden was a Non-Executive Director in Flex Asia (UK) Limited in the prior year, and this post was resigned during the year. S W Williams and R D Hodsden did not receive any fees for their services in either the current or previous year.

Non-Executive Directors

The Company's policy is to appoint Non-Executive Directors to the Board with a breadth of skills and experience that is relevant to the Group's business. Appointments are made by the Board upon the recommendations and advice from the Nominations Committee.

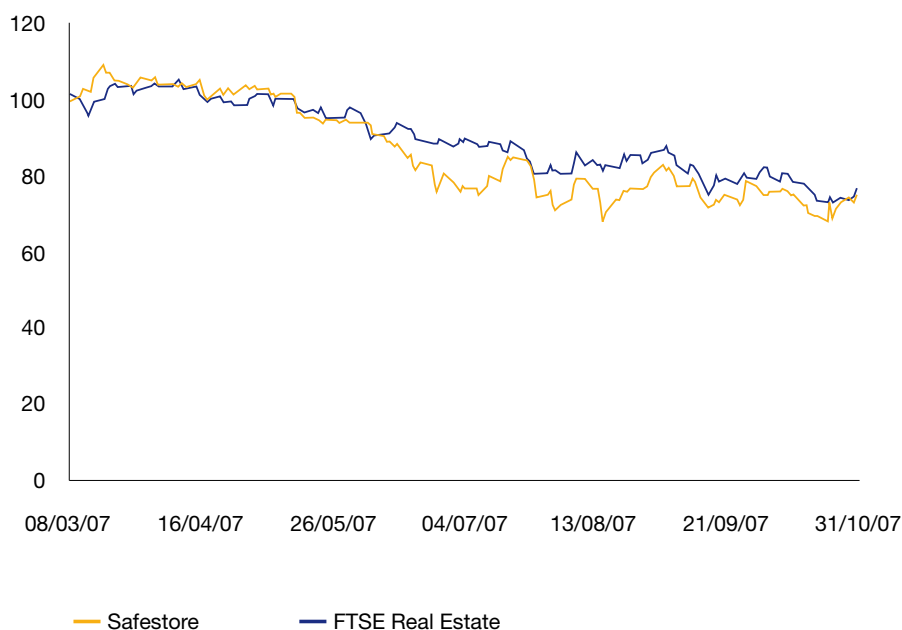
Non-Executive Directors receive fixed fees agreed by the Executive Directors by reference to similar roles in an appropriate comparator group of companies and reimbursement of expenses incurred in attending Board and other meetings. It is the Board's policy for Non-Executive Directors to be paid a level of fees that reflects the time commitment and responsibilities of the role and is sufficient to attract individuals with appropriate knowledge and experience. Non-Executive Directors do not receive an annual bonus, but may receive additional remuneration where the time commitment required due to unusual circumstances exceeds the normal commitments and responsibilities. A bonus was paid in 2007 to Non-Executives for their assistance with the IPO process. The Non-Executive Directors received no other benefits in the year ending 31 October 2007.

The Non-Executive Directors do not have service contracts but their appointments are subject to review every three years under the rotation provisions of the Company's Articles of Association. They all have notice periods of three months and letters of appointment dated 21 February 2007.

This index was selected as being the most appropriate for comparison purposes given that the majority of listed investment property groups are included within this index.

Performance graph

The graph shows the relative performance of the Company's share price since flotation (9 March 2007) measured against the FTSE Real Estate Sector Index.



Remuneration report

continued

Audited Information - Directors' remuneration

	Notes	Salary and fees £'000	Annual bonus £'000	Benefits £'000	LTIP ^a £'000	Total 2007 £'000	Total 2006 £'000
Executive Directors							
S W Williams		210	41	18	288	557	360
R D Hodsdon		110	46	13	151	320	216
Non-Executive Directors							
J A von Spreckelsen		56	-	-	-	56	50
V M L Gwilliam	1,3	239	-	-	-	239	26
R S Grainger		33	-	-	-	33	-
R W Carey		33	-	-	-	33	-
Former Directors							
A D Payne	1,2,3	222	-	-	-	222	26
N Riding	4	-	-	-	-	-	89
Total emoluments						1,460	767

(a) The LTIP was accrued for during the year ended 31 October 2007, though was paid out post year end.

Company contributions to the money purchase pension plans of individual Executive Directors were as follows:

	Pensions 2007 £'000	Pensions 2006 £'000
S W Williams	32	22
R D Hodsdon	15	10
	47	32

Notes:

- V M L Gwilliam and A D Payne's fees are paid to Bridgepoint Capital Limited for both 2006 and 2007.
- A D Payne resigned as a Director on 21 February 2007.
- A D Payne and V M L Gwilliam received additional Directors' fees from the Company on IPO of £212,500 which were paid to Bridgepoint Capital Limited.
- N Riding resigned as a Director on 21 February 2007, but remains COO and Director of the operating Company. His emoluments from 1 November 2006 to 21 February 2007 were £46,000.

Long Term Incentive Plan ('LTIP')

The Executive Directors will receive the following value of shares under Matching Share Awards (calculated as at grant) under the Long Term Incentive Plan if the average performance criteria is achieved over the 3 year vesting period.

	2007 £'000
S W Williams	288
R D Hodsdon	151
	439

The LTIP was introduced during the year ended 31 October 2007 and there have been no variations in the terms and conditions of the scheme during the year. The amount charged against profit in the year is £89,000 in respect of the Matching Share Awards to be granted to the Executive Directors.

Interests in shares

The interests of the Directors in the shares of the Company as at 31 October 2007 were:

	The Company – ordinary shares 1p	
	31 October 2007 Number	31 October 2006 Number
Executive Directors:		
S W Williams	8,227,375	153,250
R D Hodsdon	3,292,500	61,250
Non-Executive Directors:		
J A von Spreckelsen	1,152,645	28,000
R S Grainger	20,833	-
R W Carey	20,833	-

Details in respect of bonus issues, in February and March 2007, are shown in note 24 of these accounts.

All Directors' interests are beneficially held. There has been no change in the interests set out above between 31 October 2007 and 22 January 2008.

Share options

	Shares under option at 31 October 2006	Number of shares over which Sharesave Scheme options granted during the year	Exercise price per share	Exercise period	Share options held at 31 October 2007
S W Williams	-	11,139	147p	1.9.2012 - 28.2.2013	11,139
R D Hodsdon	-	11,139	147p	1.9.2012 - 28.2.2013	11,139

1. The mid-market price of a share in the Company on the date of grant of options under the Sharesave Scheme (9 August 2007) was 175p. The mid-market price of the shares at 31 October 2007 was 176.25p and the range during the year was 160.00p to 259.00p.

2. No consideration was payable in respect of the grant of options under the Sharesave Scheme.

3. Options expire at the end of the exercise period shown in the table above.

4. No options held by the Executive Directors were exercised or expired during the financial year ending 31 October 2007.

This report was approved by the Remuneration Committee and signed on its behalf by:

Roger Carey
Chairman of the Remuneration Committee
22 January 2008

Audit Committee report

The Audit Committee comprises Roger Carey and Richard Grainger. Meetings of the Audit Committee are also attended when appropriate by the Chief Executive and the Group Chief Financial Officer as well as the Company's external auditors.

Richard Grainger is the Chairman of the Audit Committee and is considered by the Board to have recent and relevant financial experience.

The Audit Committee's principal responsibilities are:

- to monitor the integrity of the Group's financial statements and any other formal announcements relating to its financial performance;
- keep under review the effectiveness of the Group's internal controls and risk management systems;
- make recommendations to the Board in relation to the appointment of the external auditor and oversee the relationship with the external auditor.

The full terms of reference of the Audit Committee, which comply with the Combined Code on Corporate Governance (2006), are available from the Company Secretary.

During the year the Audit Committee met twice, meetings being attended, where appropriate, by the Group Chief Financial Officer as well as the Company's external auditors.

The Audit Committee has:

- assessed the qualifications, expertise and resources of the external auditor and their objectivity and independence and the relationship with the external auditor as a whole, including the provision of any non-audit services;
- assessed the effectiveness of the external audit process;
- considered whether it was appropriate to establish an internal audit function;
- reviewed announcements relating to the Company's financial performance during the financial year;

The Audit Committee assesses and reviews on a regular basis the independence of the external auditors. In forming their opinion of the independence and objectivity of the external auditors, the Audit Committee takes into account the safeguards operating within PricewaterhouseCoopers LLP in respect of any non-audit services provided.

The Audit Committee considers on a case by case basis whether or not the external audit firm should be permitted to carry out other services for the Company. The two key principles applied are: firstly, whether the provision by the auditors of that service would compromise their independence in any material way; and secondly whether it would otherwise be inappropriate for them to be engaged, for example in relation to any material accounting irregularities or significant fraud that had previously not been detected during an audit carried out by that firm. Where non-audit services are provided, the fees are based on the work undertaken and are not success related.

Regard is paid to the nature of, and remuneration received, for other services provided by PricewaterhouseCoopers LLP to the Group and, inter alia, confirmation is sought from them that the fee payable for the annual audit is adequate to enable them to perform their obligations in accordance with the scope of the audit.

In respect of the year ended 31 October 2007, the auditors' remuneration comprised £138,000 for audit work and £1,287,000 for other work, principally relating to reporting accounts work in respect of the IPO.

This report was approved by the Audit Committee and signed on its behalf by

Richard Grainger
Chairman of the Audit Committee
22 January 2008

Nomination Committee report

The Nomination Committee was established by the Company on 21 February 2007 prior to its admission to the Official List of the London Stock Exchange.

The Nomination Committee comprises John von Spreckelsen (who chairs the Nomination Committee), Roger Carey and Richard Grainger.

The Nomination Committee's principal responsibilities are, amongst other things, to:

- review the structure, size and composition of the Board and membership of the Board's Committees;
- consider succession planning for Executive and Non-Executive Directors and other Senior Executives;
- make recommendations to the Board on the appointment of Executive and Non-Executive Directors; and
- evaluate the balance of skills, knowledge and experience of the Board.

The full terms of reference of the Nomination Committee are available from the Company Secretary.

The Nomination Committee has not met during the course of the year. In the future and in accordance with its terms of reference, the Nomination Committee will meet at least twice a year and will continue to consider the possible appointment of additional Non-Executive and Executive Directors.

This report was approved by the Nomination Committee and signed on its behalf by:

John von Spreckelsen
Chairman of the Nomination
Committee
22 January 2008

Corporate Governance

Combined Code – Statement of Compliance

The Group recognises the importance of, and is committed to, high standards of Corporate Governance. It is a requirement of the Listing Rules of the UK Listing Authority that listed companies disclose in their annual report and accounts how they have applied the principles set out in Section 1 of the Combined Code on Corporate Governance published in July 2006 (the “Combined Code”) and whether or not they have complied with its detailed provisions throughout the financial year.

The Company was admitted to the Official List of the UK Listing Authority (“Official List”) on 9 March 2007.

Throughout the period from 9 March 2007 the Company has complied with the provisions set out in Section 1 of the Combined Code except in respect of the composition of the Board as commented upon in the Compliance statement on page 38.

The Board

In the period under review the Board comprised two Executive Directors, a Chairman and three Non-Executive Directors, two of whom are independent.

J A von Spreckelsen and V M L Gwilliam are deemed by the Board not to be independent under the Combined Code. Mr von Spreckelsen is not deemed by the Board to be independent as he has formed part of the Board since 1 October 2004. Mr Gwilliam is deemed not to be independent by virtue of his position at Bridgepoint, with whom the Bridgepoint shareholders are affiliated. Roger Carey is the Senior Independent Director.

A clear division of responsibility at the head of the Company is established, agreed in writing and approved by the Board. The Chairman is responsible for the management of the Board, and for aspects of external relations, while the Chief Executive has overall responsibility

for the management of the Company’s businesses and implementation of the strategy approved by the Board.

The statement of the division of responsibilities between the Chairman and the Chief Executive is available from the Company Secretary on request.

Appropriate Directors and Officers insurance cover is arranged by the Company through its insurance brokers and is reviewed annually.

Board process

The Board normally schedules at least 12 meetings throughout the year, including an extended strategy review.

It has a formal schedule of matters specifically reserved for its decision, which includes the approval of strategic plans, annual budgets, interim and full year preliminary results announcements and internal control and risk analysis. This schedule is available from the Company Secretary on request.

Implementation of agreed plans, budgets and projects in pursuit of the Group’s strategy and the actual operation of the Group’s system of internal control and risk management are delegated to management.

The Services of the Company Secretary, are available to all members of the Board. If required, the Directors are entitled to take independent legal advice and if the Board is informed in advance, the cost of the advice will be reimbursed by the Company. In the event that a Non-Executive Director, on resignation, provides a written statement to the Chairman, this would be circulated to the Board.

To ensure the material for Board meetings is timely, papers are normally issued one week in advance and quality of content is reviewed continuously to ensure it is at an appropriate level. Board minutes are circulated to all Board members and divergent views are recorded as required. There is

also regular informal contact between Executive and Non-Executive Directors to deal with important matters that arise between scheduled Board meetings.

Board Committees

The Board has three standing Committees, each of whose terms of reference are available from the Company Secretary on request.

All Committees and all Directors have the authority to seek information from any Group Director or employee and to obtain professional advice.

Audit Committee

The Audit Committee comprises Roger Carey and Richard Grainger. The Committee is chaired by Richard Grainger. The Audit Committee’s report is set out on page 34.

Remuneration Committee

The Remuneration Committee comprises Roger Carey and Richard Grainger. The Committee is chaired by Roger Carey. The responsibilities of the Remuneration Committee are set out in the Remuneration report on pages 28 to 33.

Nomination Committee

The Nomination Committee comprises Richard Grainger, Roger Carey and John von Spreckelsen. The Committee is chaired by John von Spreckelsen. The Nomination Committee’s report is set out on page 35.

Attendance at Board/ Committee Meetings

The following table shows the number of Board and Committee meetings held during the year ended 31 October 2007 and details of attendance at those meetings.

	Board (11 meetings)	Audit Committee (2 meetings)	Nomination Committee (no meetings)	Remuneration Committee (2 meetings)
Number of meetings attended/(held)				
S W Williams	11	1	-	-
R D Hodsdon	11	1	-	-
J A von Spreckelsen	11	1	-	2
R S Grainger*	8	2	-	1
R W Carey*	7	1	-	1
V M L Gwilliam	11	-	-	-

* Maximum number of board meetings from appointment date was 8.

Performance evaluation

The Board will be adopting a formal process to evaluate its own performance and the continued effectiveness of its Committees and individual Directors. It is intended that each Director will complete a Board evaluation on the role and effectiveness of the Board and its Committees. These evaluations will then be discussed between the Executive and Non-Executive Directors and agreements made to implement changes for the future.

In addition, there will be an appraisal of each Director's performance by the Chairman. The Senior Independent Director will appraise the performance of the Chairman.

Board appointments

Every decision to appoint further Directors to the Board is taken by the entire Board in formal meeting based on a recommendation from the Nomination Committee. New members of the Board are provided with initial

and ongoing training appropriate to individual needs in respect of their role and duties as public Company Directors.

The terms and conditions of appointment of the Directors are available for inspection at the registered office of the Company during normal business hours including the Annual General Meeting. The letters of appointment for Non-Executive Directors are in line with the provisions of A.4.4 of the Combined Code relating to expected time commitment.

Re-election of Directors

All Directors are subject to election by shareholders at the first Annual General Meeting after their appointment and thereafter to stand for re-election at intervals of no more than every three years.

Relations with shareholders

The Company places a great deal of importance on communication with its shareholders and maintains a dialogue

with them through investor relations programmes which include formal presentations of the full year and interim results and meetings with institutional investors and analysts as required. To ensure all Board members share a good understanding of the views of major shareholders about the Company, there is a formal process whereby the Board previews announcements and reports, prior to public distribution and are sent summaries of institutional investor comment following meetings on the full year and interim results. The Non-Executive Directors are available to meet major shareholders when requested.

The Board considers the Annual Report and Financial Statements and the AGM to be the primary vehicles for communication with private investors. Resolutions are proposed on each substantially separate issue and the Company indicates the level of proxy voting lodged in respect of each. All shareholders have the opportunity to ask questions of the Directors at the Annual General Meeting and it is normal policy for all Directors to attend the meeting and be available to answer them.

Risk management

The Directors are responsible for the Group's system of operational control and risk management. During the year the Company commenced a review of the formal risk management assessment. Risk management remains an ongoing programme within the Group and will be formally considered at regular operational meetings as well as meetings of the Board.

Corporate Governance

continued

Internal control

The Combined Code requires that at least annually Directors review the effectiveness of the Group's system of material internal controls including financial, operational and compliance controls and risk management systems. The Board places considerable importance on maintaining a strong control environment but recognises that such systems are designed to manage rather than eliminate risk, providing reasonable but not absolute assurance against material misstatement or loss.

Key features of the Group's systems of internal control include:

- an annual strategy review process to ensure that the Group's resources are prioritised to deliver optimum shareholder returns;
- a comprehensive system of reporting monthly, half yearly and annual financial results to the Directors and key groups of senior management, focusing on key initiatives reviewing performance and implementing remedial action where necessary;

- a robust and detailed process to develop the Group's annual budget and regular revised forecasts;
- monthly Group management accounts to report performance as compared to budget and/or forecast as appropriate;
- a management structure with clearly defined authority limits; and
- development and frequent reporting of relevant Key Performance Indicators to monitor operational progress.

The Directors believe that the system of internal control is appropriate for the Group. The Group does not have a separate internal audit function although the Board periodically reviews the need for one. The Group employs a Risk Manager supported by two store auditors who are responsible for reviewing operational and financial control at store level. The Risk Manager reports to the Chief Operating Officer and also has direct access to the Chief Executive and Chief Financial Officer.

A summary of the principal risks and uncertainties within the business are set out in the Directors' report on pages 39 to 42.

Going concern

After making enquiries, taking into account current borrowings facilities and trading prospects, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the financial statements.

Compliance statement

The Company is committed to high standards of Corporate Governance, and throughout the period from 9 March 2007 the Company has complied with the provisions set out in Section 1 of the Combined Code except in the following areas or as otherwise identified below.

Provision of the Combined Code	Company's Position	Explanation
A3.2 Half the Board, excluding the Chairman, should comprise of independent Non-Executive Directors.	The Board has appointed two Non-Executive Directors during the year. The appointments meet the requirements for provision A3.2 for a listed plc outside of the FTSE 350.	–
C3.5 The audit Committee should monitor and review the effectiveness of the internal audit activities.	The Company does not have an internal audit function at present.	The store assurance controls are sufficient for the Group at this time, however the need for a formal internal audit function will be reviewed on an ongoing basis.

Directors' report

for the year ended 31 October 2007

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 October 2007.

Principal activities

The Group provides individual, secure self storage space and related services for business and residential customers in the UK and France. The majority of revenue is generated from the provision of self storage. However, ancillary products, including insurance and storage accessories, e.g. bubble wrap, boxes and padlocks, provide a rapidly growing, high margin secondary revenue stream. The Group also generates a small amount of other income from business centres and other sources. This revenue consists of tenancy income from standard leasehold tenants, including offices, telecoms masts and car parks, as well as income from non-core operations.

Business review

A review of the Group's business is set out in the Chairman's statement on page 6, Chief Executive's review on pages 8 to 16 and the financial review on pages 18 to 26 attached to these financial statements, each of which is incorporated into this Directors' Report by reference. The Company operated as a holding company throughout the year. The directors consider that the results of the Group and Company were satisfactory.

Key performance indicators

The Directors are required to comment upon the Group's key performance indicators. These are reported within the Financial review on pages 18 to 26.

Results and dividends

The results for the year are set out on page 46. The Directors recommend a final dividend of 3.0p per ordinary share (2006: £nil) to be paid on 7 April 2008 to shareholders whose names appear on

the register at the close of business on 29 February 2008. An interim dividend of 1.5p was paid in the year (2006: £nil).

Directors

Details of the Directors who served during the year and subsequently are set out below:

Directors	
J A von Spreckelsen	Chairman and Non-Executive Director
S W Williams	Chief Executive Officer
R D Hodsden	Chief Financial Officer
V M L Gwilliam	Non Executive Director
R S Grainger	Non Executive Director
R W Carey	Non Executive Director

R S Grainger and R W Carey were appointed as Directors on 1 February 2007. A D Payne and N A Riding resigned as Directors on 21 February 2007.

Details of the interests of the Directors in the shares of the Company are set out in the remuneration report on pages 28 to 33.

The Company's Articles of Association provide that a Director may be appointed by an ordinary resolution of the shareholders or by the existing Directors, either to fill a vacancy or as an additional Director. Further information on the Company's internal procedures for the appointment of Directors is given in the Corporate Governance section on pages 36 to 38.

The Company's Articles of Association require that one-third of Directors retire by rotation each year and that each Director must retire at intervals of not more than three years. Non-executive Directors must retire annually once they have been in office for a period of more

than eight years. In accordance with these provisions, Stephen Williams and John von Spreckelsen will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Board, which is responsible for the management of the business, may exercise all the powers of the Company subject to the provisions of relevant legislation and the Company's Memorandum and Articles of Association. The powers of the Directors set out in the Articles of Association include those in relation to the issue and buyback of shares.

The Directors have (and during the year ended 31 October 2007 had) the benefit of the qualifying third party indemnity provision contained in the Company's Articles of Association which provides a limited indemnity in respect of liabilities incurred as a Director or other officer of the Company.

Directors' report

continued

Substantial shareholdings

The following substantial shareholdings have been notified to the Company:

	31 October 2007		22 January 2008	
	No.	%	No.	%
Bridgepoint Capital Limited	65,684,247	35	65,684,247	35
Cohen & Steers Capital Management	11,239,983	6	11,453,408	6
ING Clarion	10,840,571	6	12,131,170	6
Schroder Investment Management	8,011,641	4	8,107,883	4
S W Williams	8,227,375	4	8,227,375	4
Henderson Global Investors	7,952,444	4	7,455,000	4
Legal & General Investment Management	5,946,036	3	5,946,036	3

Risk management

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

Self storage market risk

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

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

Furthermore, the UK self storage market is still very immature, therefore, although awareness is now starting to grow rapidly there is very little risk of supply outstripping demand in the medium term. The fundamentals for people requiring self storage are also unlikely to change in spite of the threat of an economic downturn. The number of new customers using self storage tends to be lower during a housing downturn, however the average length of stay tends to increase when compared to a strong housing market, as the nature of

demand changes. Our current customers have an average length of stay of 80 weeks and are spread between domestic customers and business customers. Whilst a large proportion of domestic customers' storage requirements are related to a house move it is evident by the length of stay and the large number of long term customers that there are other drivers for people to seek a self storage solution.

Our rental rates to customers are not directly correlated to property values and with more than 39,000 customers we have a relatively solid and consistent cash flow with no reliance on any one company or tenant.

Property risk

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

We have a prudent approach to acquisitions and regularly review the hurdle rates in line with current and forecast market trends, therefore our

exposure is limited to any corrections in commercial property values.

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

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

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

Treasury risk

The Company borrows in Sterling and has an interest hedge swap which effectively fixes LIBOR on £178m of borrowings at 5.24% running until June 2011. The interest hedge swap covers approximately 78% of our net debt. The Company has also renegotiated the terms of the senior and capex facilities and introduced a common margin ratchet across both facilities. The margin will ratchet between 90 bps and 125 bps dependent upon the ICR cover compared to fixed margins of 125 bps across both facilities previously.

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

There is some risk to exchange rates as we have a business in France that trades in Euros. This exposure is relatively limited and we constantly review the structure of the Company to mitigate risk and improve returns. We are currently reviewing the structure in France to enable the business to borrow in Europe and in Euros at prevailing EU interest rates.

Taxation risk

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

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

Employees

The Group places great value in its employees, and their involvement in the business. The Group recognises the importance of good communication with its staff and internal communications are designed to ensure that all employees are well informed about the business of the Group. These include training and staff briefing. It is the policy of the Group to give equal opportunity of employment to disabled and able persons according to their suitability to perform the work required.

The services of existing employees who are or who become disabled are retained wherever practicable and the Group is committed to applying the provisions of the Disability Discrimination Act 1995.

Political and charitable contributions

The Group made no political or charitable donations during the year (2006: £nil).

Creditor payment policy

The Group aims to pay all their suppliers within the payment terms negotiated with each individual supplier. The Group had 39 days purchases (2006: 67 days purchases) outstanding at 31 October 2007 based on the average daily amount invoiced by suppliers during the year ended 31 October 2007.

Share capital

The authorised share capital of the Company as at 31 October 2007 was £3 million divided into 300 million ordinary shares of 1 pence of which 187.1 million were in issue.

The rights and obligations attaching to the Company's shares, as well as the powers of the Company's Directors, are set out in the Company's Articles of Association, a copy of which can be viewed on the Company's website at www.safestore.com or obtained by writing to the Company Secretary. The Company's Articles of Association can only be amended by special resolution of the shareholders. Details of the amendments to the Company's Articles of Association which will be proposed at the forthcoming annual general meeting are set out in the notice of annual general meeting.

There are no restrictions on the transfer or limitations on the holding of the Company's shares and there is no requirement for prior approval of a transfer. Under the Company's Articles of Association, the Directors have the power to suspend voting rights and the right to receive dividends in respect of shares where the holder of the shares fails to comply with a notice issued under section 793 of the Companies Act 2006.

At an EGM held on 8 March 2007 the Company was authorised to purchase up to 18,708,333 of its own shares. This authority was not exercised during the year ended 31 October 2007 and will expire at the conclusion of the forthcoming annual general meeting. A resolution will be proposed at the annual general meeting to renew this authority along with the Directors' authority to allot relevant securities pursuant to section 80 of the Companies Act 1985 and the power to disapply pre-emption rights pursuant to section 95 of the Companies Act 1985. For further details on these resolutions please refer to the notice of annual general meeting.

Directors' report

continued

Change of control

The Company is not party to any significant agreement that takes effect, alters or terminates upon a change of control of the Company following a takeover bid. The Company's employee share schemes contain provisions relating to a change of control. Outstanding options and awards normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

Annual General Meeting

The Company's Annual General Meeting will be held at 12:00pm on 27 March 2008 at the Company's registered office at Brittanica House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT. Notice of the annual general meeting is enclosed with this annual report and includes an explanatory note to the resolutions to be considered at the meeting. A copy can also be viewed on the Company's website at www.safestore.com.

Domicile and legal form

Safestore Holdings plc is registered and incorporated in the United Kingdom. Details regarding its principal subsidiary undertakings are given in note 6 to the Parent Company accounts on pages 94 to 95.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Statement of disclosure of information to auditors

In the case of each of the persons who are Directors at the time when the report is approved under section 234A of the Companies Act 1985 the following applies:

- (a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting.

By order of the board:

R D Hodsdon
Company Secretary
22 January 2008

Statement of Directors' responsibilities in respect of the Annual report, the Directors' Remuneration report and the financial statements

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report, the group and the Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Parent Company financial statements and the Directors' Remuneration Report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). In preparing the group financial statements, the Directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). The Group and Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Company and the group and of the profit or loss of the group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the group financial statements comply with IFRSs as adopted by the

European Union and IFRSs issued by the IASB, and with regard to the Parent Company financial statements that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

- prepare the group and Parent Company financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the group and to enable them to ensure that the group financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation and the Parent Company financial statements and the Directors' Remuneration Report comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board:

R D Hodsdon
22 January 2008

Independent auditors' report to the members of Safestore Holdings plc

We have audited the Group and Parent Company financial statements (the "financial statements") of Safestore Holdings plc for the year ended 31 October 2007 which comprise the Group income statement, the Group and Parent Company balance sheets, the Group cash flow statement, the Group statement of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the Parent Company financial statements and the Directors' Remuneration Report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and whether, in addition, the group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements. The information given in the Directors' report includes that specific information presented in the Chief Executive's review and the Financial review that is cross referred from the Business review section of the Directors' report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance statement reflects the Company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's Corporate Governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' report, the unaudited part of the Remuneration report, the Chairman's statement, the Chief Executive's review, the Financial review, the Audit Committee report, the Nomination Committee report and the Corporate Governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 October 2007 and of its profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 31 October 2007;
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants and
Registered Auditors
Birmingham
22 January 2008

Consolidated income statement

for the year ended 31 October 2007

	Note	Group 2007 £'000	Group 2006 £'000
Revenue	2	74,303	64,313
Cost of sales		(23,469)	(21,853)
Gross profit		50,834	42,460
Administrative expenses		(9,474)	(16,112)
EBITDA before exceptional items and gains on investment properties.		40,725	33,452
Exceptional items (net)	4	758	(6,245)
Depreciation	5	(123)	(103)
Goodwill impairments		-	(756)
Operating profit before gain on investment properties		41,360	26,348
Gain on investment properties	10	81,264	63,631
Operating profit	2,5	122,624	89,979
Finance income	3	1,381	572
Finance expense	3	(20,387)	(29,565)
Profit before income tax		103,618	60,986
Income tax expense	7	(25,433)	(15,849)
Profit for the year		78,185	45,137
Earnings per share for profit attributable to the equity holders			
- basic and diluted (pence)	9	43.02p	26.31p

All of the above relates to continuing activities.

Consolidated statement of recognised income and expense

for the year ended 31 October 2007

	Note	2007 £'000	2006 £'000
Profit for the financial year		78,185	45,137
Net exchange adjustment offset in reserves net of tax	26	1,120	(368)
Impact of change in UK tax rate on deferred tax	23	3,157	-
Cash flow hedge: net fair value gains net of tax		1,916	-
Actuarial gain recognised in the pension scheme	30	-	3
Movement of deferred tax on pension deficit		(74)	(8)
Net gain/(loss) recognised directly in equity		6,119	(373)
Total recognised income for the year		84,304	44,764

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

Consolidated balance sheet

as at 31 October 2007

	Note	2007 £'000	2006 £'000
ASSETS			
Non current assets			
Investment properties	10	647,131	519,291
Development properties	10	31,867	7,921
Property, plant and equipment	11	1,477	1,408
Deferred tax asset	23	8,407	9,633
Non current assets		688,882	538,253
Non current assets held for resale	12	-	670
Current assets			
Inventories	14	252	172
Trade and other receivables	15	12,730	10,421
Other financial assets	16b	-	8,397
Derivative financial asset	20	3,009	-
Cash and cash equivalents	16a	18,583	9,478
		34,574	28,468
Total assets		723,456	567,391
Current liabilities			
Financial liabilities			
- Borrowings	19	(3,340)	(5,947)
- Derivative financial instruments	20	-	(203)
Trade and other payables	17	(41,610)	(36,673)
Obligations under finance leases	21	(8,940)	(7,719)
Provisions	22	-	(5)
		(53,890)	(50,547)
Non current liabilities			
Bank borrowings	19	(240,386)	(234,586)
Trade and other payables	17	(1,605)	(1,822)
Deferred tax liabilities	23	(124,049)	(101,614)
Obligations under finance leases	21	(55,453)	(41,882)
Provisions	22	(130)	(175)
Pension liability	30	-	(247)
		(421,623)	(380,326)
Total liabilities		(475,513)	(430,873)
Net assets		247,943	136,518
Shareholders' equity			
Ordinary shares	24	1,871	4
Share premium	26	28,410	368
Other reserves	26	2,068	(968)
Retained earnings	25,26	215,594	137,114
Total shareholders' equity	26	247,943	136,518

These financial statements on pages 46 to 90 were authorised for issue by the Board of Directors on 22 January 2008 and signed on its behalf by:
R D Hodsdon, Director S W Williams, Director

Group consolidated cash flow statement

for the year ended 31 October 2007

	Note	2007 £'000	2006 £'000
Cash flows from operating activities			
Cash generated from operations	27	39,774	33,092
Interest received		1,158	399
Interest paid		(18,867)	(33,509)
Tax received/(paid)		496	(17)
Net cash inflow/(outflow) from operating activities		22,561	(35)
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash acquired)		-	(4,111)
Expenditure on investment properties and development properties		(45,495)	(27,278)
Net proceeds from disposal of investment properties		-	6,492
Net proceeds from disposal of assets held for resale		-	5,070
Purchase of property, plant and equipment		(198)	(17)
Proceeds from sale of property, plant and equipment		6	40
Purchase of available for sale financial assets		8,397	(857)
Net cash outflow from investing activities		(37,290)	(20,661)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital	26	29,243	75
Equity dividends paid	8	(2,806)	-
Net proceeds from issue of new borrowings		9,146	237,000
Finance lease principal payments		(5,802)	(4,873)
Repayment of borrowings		(5,478)	(213,738)
Cash inflows from financing activities		24,303	18,464
Net increase/(decrease) in cash and cash equivalents		9,574	(2,232)
Cash and cash equivalents at 1 November		9,009	11,241
Cash and cash equivalents at 31 October	16,28	18,583	9,009

Notes to the financial statements

for the year ended 31 October 2007

1 Accounting policies

The principal accounting policies of the Group are set out below. These policies have been consistently applied to each of the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Report Interpretations Committee ("IFRIC") interpretations as adopted by the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and fair value of derivative financial instruments.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual amounts may differ from those estimates.

Key judgements include the estimation of fair values of investment properties, development properties and interests in leasehold properties, the assessment of onerous leases, environmental and legal provisions.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary undertakings made up to 31 October each year. Subsidiaries are entities where the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-company transactions, balances, and unrealised gains on transactions are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair

values, at the date of exchange, of the assets given, liabilities incurred or assumed, equity instruments issued by the Group, in exchange for control of the acquiree. The assets, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, except for non current assets (or disposal groups) that are classified as held for sale in accordance with IFRS5 'Non Current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

Segmental reporting

The Group's operations are located in the United Kingdom and France. The Group's net assets, revenue and profit before tax are attributable to one principal activity, the provision of self storage. The primary segment is based on geographical location.

Segment results, assets and liabilities include items directly attributable to segments as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest bearing loans, corporate assets and expenses.

Revenue recognition

Revenue represents amounts derived from the provision of services (rental space, customer goods insurance and consumables) which fall within the Group's activities provided in the normal course of business, net of discounts, VAT (where applicable) and other sales related taxes.

Rental income is recognised over the period for which the space is occupied by the customer and on a time apportionment basis. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due. Insurance income is recognised over the period for which the space is occupied by the customer and on a time apportionment basis. The portion of insurance premiums on occupied space that relates to unexpired risks at the balance sheet date is reported as unearned premium liability in other payables. Income earned on the sales of consumable items is recognised at the point of sale.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Income for the sale of assets is recognised when the significant risks and returns have been transferred to the buyer. For property sales this is at the point of completion. Where any aspect of consideration is conditional then the revenue associated with that conditional item is deferred.

Exceptional items

Where it is considered that items of income or expense are material, their nature and amount is disclosed separately on the face of the income statement where this enhances the understanding of the Group's financial performance.

Foreign currency translation

- Functional and presentation currency

The individual financial statements for each Company are measured using the currency of the primary economic environment in which it operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of the Group are expressed in pounds sterling, which is the functional and presentational currency of the Group.

- Transactions and balances

Foreign currency transactions in currencies other than pounds sterling are translated into the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the income statement for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and are recognised as a separate component of equity (cumulative translation adjustment). Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are included within the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Investment properties and interests in leasehold properties

Investment properties are those properties owned by the Group that are held to earn rentals. Investment properties are initially measured at cost, including related transaction costs. After initial recognition investment properties are held at fair value based on a valuation by professionally qualified external valuers at each balance sheet date.

For investment properties held under leases that are classified as finance leases, the properties are recognised at the lower of fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognised as a finance lease liability. Depreciation is provided on the minimum lease payment valuation over the lease term.

Gains or losses arising on changes in the fair value of investment properties at the balance sheet date are recognised in the income statement in the period in which they arise.

Gains on sale of investment properties are calculated as the difference between consideration and fair value estimated at previous balance sheet date.

If an investment property or part of an investment property becomes owner occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

Development properties

Properties under development for future use as investment properties are classified as a separate category within non current assets. These properties are initially recognised at cost until development is complete when they are reclassified as investment properties at fair value.

Interests in leasehold properties

Interests in leasehold properties are properties held under finance leases, recognised on the balance sheet at the net present value of future lease payments. These assets are depreciated over the shorter of their useful economic life and the remaining lease period. Interest on finance leased assets is recognised in the profit and loss account at a constant rate over the life of the leased assets.

Notes to the financial statements continued

for the year ended 31 October 2007

Property, plant and equipment

Property, plant and equipment not classified as investment properties or development properties, is stated at historical cost less accumulated depreciation and any accumulated impairment loss. Historical cost comprises the purchase price and costs directly incurred in bringing the asset into use.

The assets residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. If the carrying amount of an asset is greater than the recoverable amount then the carrying amount is written down immediately to the recoverable amount.

Depreciation is charged so as to write off the cost of an asset less estimated residual value of each asset over its expected useful life using the straight-line method. The principal rates are as follows:

Leasehold improvements	Period of lease
Plant, equipment, computers and office equipment	25% per annum
Motor vehicles	25% per annum
Fixtures, fittings, signs and partitioning	6.66 – 10% per annum
Mezzanine floors	7% per annum

The gain or loss arising on the retirement or disposal of an asset is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in the income statement on disposal.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognised as an intangible asset and reviewed for impairment annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Negative goodwill arising on acquisitions is taken immediately to the income statement.

Intangible assets

Intangible assets that are acquired as a result of a business combination are recorded at fair value at the date of acquisition, provided they can be separately and reliably measured. The assets are amortised on a straight-line basis over their expected useful lives.

Computer software

Acquired computer software licenses are capitalised at the costs incurred to acquire and amortised over the life of the specific software.

Impairment of tangible and intangible assets (excluding property)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Non current assets held for sale

Non current assets (and disposal groups) classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell.

Non current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. For this to be the case the asset (or disposal group) must be available for immediate sale in its present condition. The Group must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Inventories

Inventories are stated at the lower of cost less provisions for any slow moving or obsolete stock provisions and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method and does not include any overhead allocation as it is not appropriate. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Provisions for the slow moving or obsolete stock are calculated on the basis of sales made over the last year.

Trade and other receivables

Trade and other receivables are stated at fair value, being cost less provision for impairment where there is evidence that not all amounts will be collectable under the original terms of the receivable.

Cash and cash equivalents

Cash and cash equivalents represent only liquid assets with original maturity of 90 days or less. Bank overdrafts that cannot be offset against other cash balances are shown within borrowings in current liabilities on the balance sheet.

Trade and other payables

Trade and other payables are initially recognised as fair value.

Leases

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and the reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are spread on a straight-line basis over the full lease term.

Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are included within the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Financial instruments

The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rates fluctuations. Such derivatives are initially recognised and measured at fair value on the date a derivative contract is entered into and subsequently re-measured at fair value. The gain or loss on remeasurement is taken to the income statement except where the derivative is a designated cash flow hedging instrument. The accounting treatment of derivatives classified as hedges depends on their designation, which occurs on the date that the derivative contract is committed to.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability;
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction; or
- Hedges of a net investment in a foreign operation.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in profit or loss. Gains or losses from re-measuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, are recognised in profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

Notes to the financial statements continued

for the year ended 31 October 2007

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions for dilapidations, vacant properties and insurance claims are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is considered material.

Taxation including deferred tax

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Employee benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date.

Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the income statement and presented in the statement of recognised income and expense.

Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Share capital

Ordinary shares are classified as equity. Preferred ordinary shares that were entitled to a preferred dividend from 1 November 2006 were classified as debt.

Costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

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

a) Estimate of fair value of investment properties

The Group values its self storage centres using a discounted cash flow methodology which is based on projections of net operating income. Principal assumptions and management's underlying estimation of the fair value of those relate to: stabilised occupancy levels; expected future growth in storage rents and operating costs; maintenance requirements; capitalisation rates and discount rates. A more detailed explanation of the background and methodology adopted in the valuation of the investment properties is set out in note 10 to the financial statements.

b) Development property

The Group's development properties are held in the balance sheet at historic cost and are not valued externally. In acquiring sites for development into self storage facilities, the Group estimates and makes judgements on the potential net lettable storage space that it can achieve in its planning negotiations, together with the time it will take to achieve maturity occupancy level. In addition, assumptions are made on the storage rent that can be achieved at the store by comparing with other stores within the portfolio and within the local area. These judgements taken together with estimates of operating costs and the projected construction cost, allow the Group to calculate the potential net operating profit at maturity, project returns on capital invested and hence to support the purchase price of the site at acquisition. Following the acquisition, regular reviews are carried out taking into account the status of planning negotiations, revised construction costs or capacity of the new facility, for example to make an assessment of the carrying value of the development property at historic cost. Once a store is opened, then it is valued as an investment property in the Group's balance sheet and transferred from development properties.

c) Onerous leases

The Group provides for all onerous lease arrangements where the lease cannot be readily reassigned.

In the process of applying the Group's accounting policies, which are described above, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Financial risk management

Financial risk management is an integral part of the way the Group is managed. In the course of its business, the Group is exposed primarily to foreign exchange risk, interest rate risk, liquidity risk and credit risk. The overall aim of the Group's financial risk management policies is to minimise potential adverse effects on financial performance and net assets. The Group manages the financial risks within policies and operating parameters approved by the Board of Directors and does not enter into speculative transactions.

Treasury activities are managed centrally under a framework of policies and procedures approved by and monitored by the Board. These objectives are to protect the assets of the Group and to identify and then manage financial risk. In applying these policies, the Group will utilise derivative instruments, but only for risk management purposes.

The principal risk facing the Group is exposure to interest rate fluctuations. The Group is not exposed to significant foreign exchange risk as purchases are invoiced in either Sterling or Euros. These risks are described further below:

Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group borrows in sterling at variable rates and, where necessary, uses interest rate swaps into fixed rates (see note 19) to generate the preferred interest rate profile and to manage its exposure to interest rate fluctuations.

Liquidity risk

The Group's policy on liquidity risk is to ensure that sufficient cash is available to fund on-going operations without the need to carry significant net debt over the medium term. The Group's principal borrowing facilities are provided by a group of core relationship banks in the form of term loans and overdrafts. The quantum of committed borrowing facilities available to the Group is received regularly and is designed to exceed forecast peak gross debt levels.

Credit risk

Credit risk arises on financial instruments such as trade receivables and short-term bank deposits. Policies and procedures exist to ensure that customers have an appropriate credit history and account customers are given credit limits that are monitored. Short-term bank deposits are executed only with A-rated authorised counter parties based on ratings issued by the major rating agencies. Counter party exposure positions are monitored regularly so that credit exposures to any one counter party are within predetermined limits. Overall, the Group considers that it is not exposed to a significant amount of credit risk.

Price risk

The Group is not exposed to significant price risk.

Notes to the financial statements continued

for the year ended 31 October 2007

Hedge risk

In order to qualify as a hedge, at inception, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the income statement.

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is re-measured at fair value and gains and losses from both are taken to the income statement.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through profit or loss over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to the income statement.

Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged items ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedge instrument are also recognised in the income statement.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

Cash flow hedges

Cash flow hedges are a hedge of the exposure to the variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the income statement.

Standards, amendments and interpretations effective in 2007

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2007 but they have not been early adopted by the group:

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures'.

IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2.

IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.

Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the group operations:

- IFRS 4, 'Insurance contracts';
- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies'; and
- IFRIC 9, 'Re-assessment of embedded derivatives'.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the accounting periods beginning on or after 1 January 2008 or later periods, but the group has not early adopted them:

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the European Union. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed.

IFRS 8 'Operating segments' (effective from 1 January 2009). The standard is still subject to endorsement by the European Union. IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The group will apply IFRS 8 from 1 January 2009, subject to endorsement by the EU. The expected impact is still being assessed in detail by management.

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The group will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on the group accounts.

Notes to the financial statements continued

for the year ended 31 October 2007

2 Segmental analysis

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

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

Year ended 31 October 2007

	UK £'000	France £'000	Group £'000
Continuing operations			
Revenue	61,440	12,863	74,303
Operating profit	108,430	14,194	122,624
Financial costs	(20,240)	(147)	(20,387)
Financial income	1,318	63	1,381
Profit before tax	89,508	14,110	103,618
Income tax charge			(25,433)
Profit for the year			78,185
Segment assets	622,158	89,882	712,040
Unallocated assets			
- derivatives			3,009
- tax asset			8,407
Total assets			723,456
Segment liabilities	(86,637)	(21,101)	(107,738)
Unallocated liabilities:			
- group borrowings			(243,726)
- tax liabilities			(124,049)
Total liabilities			(475,513)
Net assets			247,943
Other segment items			
Capital expenditure			
- development properties (note 10)	(20,380)	(4,611)	(24,991)
- property, plant and equipment (note 11)	(198)	-	(198)
Depreciation (note 5)	(112)	(11)	(123)
Impairment of trade receivables	(224)	(406)	(630)

There were no Inter-segment transfers or transactions entered into during the years ended 31 October 2007 and 31 October 2006.

2 Segmental analysis continued

Year ended 31 October 2006

	UK £'000 Restated	France £'000 Restated	Group £'000 Restated
Continuing operations			
Revenue	52,932	11,381	64,313
Operating profit	73,756	16,223	89,979
Finance costs	(28,318)	(1,247)	(29,565)
Finance income	572	-	572
Profit before tax	46,010	14,976	60,986
Income tax expense			(15,849)
Profit for the year			45,137
Segment assets	487,448	70,310	557,758
Unallocated assets			
- tax assets			9,633
Total assets			567,391
Segment liabilities	(73,703)	(20,767)	(94,470)
Unallocated liabilities:			
- group borrowings			(234,586)
- derivatives			(203)
- tax liabilities			(101,614)
Total liabilities			(430,873)
Net assets			136,518
Other segment items:			
Capital expenditure			
- development properties (note 10)	(7,921)	-	(7,921)
- property, plant and equipment (note 11)	(20)	-	(20)
Depreciation (note 5)	(92)	(11)	(103)
Impairment of trade receivables	(88)	(519)	(607)

Deferred tax assets of £9.63m have been reclassified as unallocated in the year.

Administrative costs of £1,685,000 and finance costs of £940,000 have been reclassified between the UK and France for the year ended 31 October 2006.

Notes to the financial statements continued

for the year ended 31 October 2007

3 Finance expenses – net

	2007 £'000	2006 £'000
Finance costs:		
Interest payable on bank loans and overdraft	(16,235)	(10,852)
Amortisation of debt issue costs on bank loan (note 19)	(660)	(1,105)
Interest payable on other loans	(176)	(8,951)
Interest payable on pension scheme (note 30)	-	(9)
Interest on obligations under finance leases	(3,316)	(3,947)
Change in value of interest rate swap (note 20)	-	(203)
Finance cost before exceptional items	(20,387)	(25,067)
Exceptional write-off of debt issue costs on refinancing	-	(4,498)
Total finance cost	(20,387)	(29,565)
Finance income:		
Interest receivable from bank deposits	1,381	572
Finance expenses – net	(19,006)	(28,993)

The write-off of issue costs relates to refinancing, which occurred in the year ended 31 October 2006, are considered exceptional in nature.

4 Exceptional items

Exceptional items (included within administrative expenses) that have been credited/(charged) during the year are set out below:

	2007 £'000	2006 £'000
Professional fees (IPO process)	(2,157)	-
Pension restructuring costs	(307)	-
Cost of share issues (IFRS 2)	3,222	(6,245)
Exceptional income/(expense)	758	(6,245)

The costs of share issues in 2005 and 2006 relate to an exceptional IFRS 2 charge of £6.2m on the issue of shares to employees at below market value and related tax costs, and in 2006 also include the bonus costs to certain employees in lieu of share awards but not yet issued. £3.2m of this charge has been released in the second half of the year following agreement of the share valuations.

5 Operating profit

The following items have been charged/(credited) in arriving at operating profit:

	2007 £'000	2006 £'000
Operating profit is after charging/(crediting):		
Staff costs (see note 29)	13,992	13,336
Inventories		
- cost of inventories recognised as an expense (included in cost of sales)	1,091	928
Depreciation on property, plant and equipment:		
- Owned assets (note 11)	123	103
Goodwill impairment	-	756
Gain on investment properties (see note 10)	(81,264)	(63,631)
Rentals under operating leases - Plant and machinery	98	20
Repairs and maintenance expenditure on investment properties	1,608	933
Trade receivables impairment	630	607
Exceptional items (see note 4)	(758)	6,245

6 Fees paid to auditors

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor at costs detailed below:

	2007 £'000	2006 £'000
Audit services		
Fees payable to Company's auditor for the audit of the Parent Company and consolidated financial statements	40	35
Fees for other services		
Fees payable to Company's auditor for the audit of the Company's subsidiaries pursuant to legislation	98	92
Statutory audit for overseas entities	25	21
Tax compliance	67	63
IFRS transitional project	14	41
Pension project	6	-
Covenant reporting	-	1
Resturcturing	51	-
Corporate finance transactions (a)	1,124	238
Total	1,425	491

(a) Corporate finance transactions comprised the provision of advisory and reporting accountant services in relation to the IPO in 2007 and the refinancing of the Group during 2006.

Notes to the financial statements continued

for the year ended 31 October 2007

7 Income tax charge

Analysis of charge in year

	2007 £'000	2006 £'000
Current tax:		
UK Corporation tax charge	(76)	(13)
- Adjustment in respect of prior year	568	
Deferred tax (note 23)		
- Current year	(26,073)	(15,770)
- Adjustment in respect of prior year	148	(66)
Tax expense	(25,433)	(15,849)

Reconciliation of income tax charge

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

	2007 £'000	2006 £'000
Profit before tax	103,618	60,986
Tax calculated at domestic tax rates applicable in the UK: 30% (2006: 30%)	31,085	18,296
Effect of:		
Expenses not deductible for tax purposes	442	1,354
Release of provisions not subject to tax	(1,407)	-
Indexation on property revaluation	(475)	(441)
French tax losses not previously recognised	(71)	(1,127)
Prior year adjustment on change in use of property	-	(1,387)
Prior year adjustments	(716)	66
Income not taxable for tax purposes	-	(912)
Remeasurement of deferred tax change in UK tax rate	(3,425)	-
Tax expense	25,433	15,849

8 Dividends per share

The dividend paid in 2007 was £2.8m (1.5p per share). A dividend in respect of the year ended 31 October 2007 of 3.0p per share, amounting to a dividend payment of £5.6m, is to be proposed at the Annual General Meeting on 27 March 2008. The ex-dividend date will be 27 February 2008 and the record date 29 February 2008, with an intended payment date of 7 April 2008. The final dividend has not been included as a liability at 31 October 2007.

9 Earnings per share

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

The number of shares for the year ended 31 October 2006 have been adjusted for the bonus share issue prior to the IPO.

	Year ended 31 October 2007			Year ended 31 October 2006		
	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic and Diluted	78.19	181.77	43.02	45.14	171.55	26.31
Adjustments:						
Gain on investment properties	(81.26)		(44.71)	(63.63)		(37.09)
Exceptional items	(0.76)		(0.41)	6.25		3.64
Goodwill	-		-	0.76		0.44
Exceptional finance costs	-		-	4.50		2.62
Tax on adjustments	18.52		10.18	13.75		8.02
Adjusted	14.69	181.77	8.08	6.77	171.55	3.94

Adjusted earnings per share

Adjusted earnings per share represents profit after tax adjusted for the gain on investment properties, exceptional items and the associated tax on these adjustments. Gain on investment properties is shown net of revaluations on leasehold properties of £5.8m (2006: £4.9m) and the related tax thereon of £1.7 million (2006: £1.4 million). EPRA earnings, of £10.6 million (2006: £3.3 million) and EPRA earnings per share of 5.85 pence (2006: 1.95 pence) are calculated after further adjusting for these items.

Notes to the financial statements continued

for the year ended 31 October 2007

10 Investment properties, development properties and interests in leasehold properties

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

	Investment property £'000	Interests in leasehold properties £'000	Total investment properties £'000	Development properties £'000
As at 31 October 2005	380,879	51,362	432,241	5,200
Additions	19,365	3,112	22,477	7,921
Arising on acquisition	2,520	-	2,520	-
Revaluations	66,637	(4,873)	61,764	-
Reclassifications	5,200	-	5,200	(5,200)
Disposals	(4,625)	-	(4,625)	-
Exchange movements	(286)	-	(286)	-
As at 31 October 2006	469,690	49,601	519,291	7,921

Gains on investment properties comprise:

	2007 £'000	2006 £'000
Revaluations	81,494	61,764
(Loss)/profit on disposal	(230)	1,867
	81,264	63,631

	Deemed cost £'000	Valuation £'000	Revaluation on deemed cost £'000
Freehold stores			
As at 1 November 2006	195,252	356,690	161,438
Movement in year	16,908	92,867	75,959
As at 31 October 2007	212,160	449,557	237,397
Leasehold stores			
As at 1 November 2006	47,702	113,000	65,298
Movement in year	9,074	20,181	11,107
As at 31 October 2007	56,776	133,181	76,405
All stores			
As at 1 November 2006	242,954	469,690	226,736
Movement in year	25,982	113,048	87,066
As at 31 October 2007	268,936	582,738	313,802

The valuation of £583.7m excluded £1 million in respect of owner occupied property. Rental income earned from Investment properties for the years ended 31 October 2007 and 31 October 2006 were £63.9m and £55.8m respectively.

Notes to the financial statements continued

for the year ended 31 October 2007

10 Investment properties, development properties and interests in leasehold properties continued

The freehold and leasehold investment properties have been valued as at 31 October 2007 by external valuers, Cushman and Wakefield, Real Estate Consultants ("C&W"). The valuation has been carried out in accordance with the RICS Approval and Valuation Standards Published by The Royal Institution of Chartered Surveyors ("the red book"). The valuation of each of the investment properties has been prepared at fair value, comprising of market value as a fully equipped operational entity, having regard to trading potential. The valuation has been provided for accounts purposes and as such is a regulated purpose valuation as defined in the Red Book. In compliance with the disclosure requirements of the Red Book, C&W have confirmed that:

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

Valuation method and assumptions

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

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

Freehold (UK and France)

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

Leasehold (UK)

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

Leasehold (France)

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

11 Owner occupied property, plant and equipment

	Owner occupied buildings £'000	Motor vehicles £'000	Fixtures, fittings, signs and partitioning £'000	Total £'000
Cost				
At 1 November 2006	1,000	218	419	1,637
Additions	-	55	143	198
Disposals	-	(29)	-	(29)
At 31 October 2007	1,000	244	562	1,806
Accumulated depreciation				
At 1 November 2006	26	128	75	229
Charge for the year	13	51	59	123
Disposals	-	(23)	-	(23)
At 31 October 2007	39	156	134	329
Net book value				
At 31 October 2007	961	88	428	1,477
At 31 October 2006	974	90	344	1,408

	Owner occupied buildings £'000	Motor vehicles £'000	Fixtures, fittings, signs and partitioning £'000	Total £'000
Cost				
At 1 November 2005	1,000	316	419	1,735
Additions	-	20	-	20
Disposals	-	(118)	-	(118)
At 31 October 2006	1,000	218	419	1,637
Accumulated depreciation				
At 1 November 2005	13	150	41	204
Charge for the year	13	56	34	103
Disposals	-	(78)	-	(78)
At 31 October 2006	26	128	75	229
Net book value				
At 31 October 2006	974	90	344	1,408
At 31 October 2005	987	166	378	1,531

Notes to the financial statements continued

for the year ended 31 October 2007

12 Assets held for resale

The balances at 31 October 2006 related to one property acquired as part of the Access group acquisition which was held for disposal. During the year, the property has been reclassified as a development property as the property is not actively being marketed.

13 Adjusted net assets per share

Analysis of net asset value	2007 £'000	2006 £'000
Net asset value	247,943	136,518
Redesignation of preferred share capital	-	666
Basic and diluted net asset value	247,943	137,184
Adjustments:		
Deferred tax on revaluation	124,049	101,614
Adjusted net asset value	371,992	238,798
Basic net assets per share (pence)	132.5	79.5
Diluted net assets per share (pence)	132.5	79.5
Adjusted net assets per share (pence)	198.8	138.4
	Number	Number
Shares in issue	187,083,333	25,875,000
Redesignation of preferred share capital	-	146,625,000
Basic and diluted shares used for calculation	187,083,333	172,500,000

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

Adjusted net assets per share excludes deferred tax on the revaluation uplift on freehold and leasehold properties. The EPRA net asset value, which further excludes fair value adjustments for debt and related derivatives, was £369.0 million (2006: £239.0 million) giving EPRA net assets per share of 197.2 pence (2006: 138.5 pence).

14 Inventories

	2007 £'000	2006 £'000
Finished goods and goods for resale	330	226
Less: provisions for impairment of inventories	(78)	(54)
	252	172

The Group consumed £1,091,000 (2006: £928,000) of inventories during the year. Inventory write downs were £24,000 for the year ended 31 October 2007 and £nil for the year ended 31 October 2006.

Inventories of £252,000 (2006: £172,000) are carried at fair value less costs to sell. Provisions are made against slow moving and obsolete stock lines where considered appropriate.

15 Trade and other receivables

	2007 £'000	2006 £'000
Amounts falling due within one year:		
Trade receivables	5,490	4,674
Less: provision for impairment of receivables	(865)	(884)
Trade receivables - net	4,625	3,790
Other receivables	2,474	1,968
Prepayments and accrued income	5,631	4,663
	12,730	10,421

The above balances are short-term and therefore the difference between the book value and the fair value of the above receivables is not significant.

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

Notes to the financial statements continued

for the year ended 31 October 2007

16 (a) Cash and cash equivalents

	2007 £'000	2006 £'000
Cash at bank and in hand	18,583	6,123
Short term bank deposits	-	3,355
	18,583	9,478

The effective interest rate on short-term bank deposits for 2006 was ¼% below LIBOR and these deposits had an average maturity of 1 day.

16 (b) Other financial assets

The prior year balance of £8,397,000 relates to £5,348,000 deposits with restricted use in relation to loan notes issued on acquisition by Mentmore plc. These loan notes were redeemed during the year (see note 19). £3,049,000 also related to short term deposits which were not readily convertible into cash.

17 Trade and other payables – current and non current

	2007 £'000	2006 £'000
Current		
Trade payables	9,112	6,390
Other taxes and social security payable	695	3,809
Other payables	8,084	8,360
Accruals and deferred income	23,719	18,114
	41,610	36,673
Non current		
Other payables	1,605	1,822

18 Current income tax liabilities

	2007 £'000	2006 £'000
Current income tax liability	47	13

19 Financial liabilities – borrowings

Current

	2007 £'000	2006 £'000
Bank loans and overdrafts due within one year or on demand:		
Secured – bank loan ¹	4,000	-
Debt issue costs	(660)	-
Secured – bank overdraft	-	469
Other borrowings	3,340	469
Loan notes - deferred consideration for acquisition ²	-	5,478
	3,340	5,947

Non current

	2007 £'000	2006 £'000
Bank loans:		
Secured ¹	242,146	237,000
Debt issue costs	(1,760)	(3,080)
	240,386	233,920
Other borrowings:		
Convertible preferred ordinary shares	-	666
	240,386	234,586

Finance costs of £2,420,000 (2006: £3,080,000) have been capitalised against bank loans and other borrowings and are being amortised over the life of the banking and loan facilities during the year

- The bank loans and overdrafts are secured by a fixed charge over the group's investments property portfolio. In July 2006, as part of the interest rate management strategy the group entered into one interest rate swap for a notional principal amount of £177,750,000 commencing in December 2006 and maturing in July 2011. Under this swap, the group receives interest on a variable basis and pays interest at a rate of 5.21525%.
- Deferred consideration for acquisitions related to deferred loan notes payable of £5,348,000 for the acquisition of a subsidiary by Mentmore plc and £130,000 loans notes outstanding in respect of the Storage World acquisition. The loan notes were redeemed during the year.

Notes to the financial statements continued

for the year ended 31 October 2007

19 Financial liabilities – borrowings continued

The maturity profile of the carrying amount of the Group's non current liabilities at 31 October 2007 was as follows:

	Bank Loans £'000	Finance leases £'000	Total 2007 £'000	Bank Loans £'000	Finance leases £'000	Total 2006 £'000
Expiring between 1-2 years	4,000	-	4,000	4,000	610	4,610
Expiring between 2-5 years	238,146	4,508	242,654	233,000	4,460	237,460
Expiring after 5 years	-	50,945	50,945	-	36,812	36,812
	242,146	55,453	297,599	237,000	41,882	278,882

Bank loans are stated before unamortised issue costs of £2,420,000 (2006: £3,080,000).

Bank loans are repayable as follows:

	2007 £'000	2006 £'000
In one year or less	4,000	-
Between one and two years	4,000	4,000
Between two and five years	238,146	233,000
Bank Loans	246,146	237,000
Unamortised issue costs due within one year	(660)	(660)
Unamortised issue costs due after one year	(1,760)	(2,420)
	243,726	233,920

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

	2007	2006
Bank loans	LIBOR plus 1.25%	LIBOR plus 1.25%
Bank overdrafts	0.5% above EURIBOR	0.5% above EURIBOR

The fair value of the Group lease obligation approximates to their carrying value.

20 Financial instruments

Numerical financial instruments disclosures are set out below. Additional disclosures are set out in the Financial review on pages 18 to 26.

	2007 Asset £'000	2006 Liability £'000
At 31 October		
Interest rate swaps – cash flow hedge	(3,009)	203
	(3,009)	203

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

Net fair values of derivative financial instruments

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

	2007 Asset £'000	2006 Liability £'000
Interest rate swaps (net of deferred tax)	(2,264)	203

Interest rate swap

The notional principal amount of the outstanding interest rate swap contract at 31 October 2007 was £177,750,000 (2006: £177,750,000). At 31 October 2007 the fixed interest rate was 5.22% (2006: 5.22%) and floating rates are at LIBOR plus a margin. The gain in the year has been recognised in the SORIE as appropriate hedging documentation existed.

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 carrying amounts of both short-term borrowings and bank loans approximate to book value.

Notes to the financial statements continued

for the year ended 31 October 2007

20 Financial instruments continued

	2006 Book value £'000	2006 Fair value Restated £'000	2007 Book value £'000	2007 Fair value £'000
Bank loans	(233,920)	(233,920)	240,386	240,386
Finance lease obligations	(49,601)	(49,601)	64,393	64,393
Loan notes	(130)	(130)	-	-
Convertible preferred ordinary shares	(666)	(666)	-	-
Non current assets held for sale	670	670	-	-

The fair values of non-derivative financial assets and liabilities equal their book values. The prior year comparatives for bank loans have been amended to show the correct fair value.

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	
	2007 £'000	2006 £'000
Expiring beyond 1 year	55,584	43,000

21 Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Within one year	9,331	8,129	8,940	7,719
Within two to five years	33,049	27,667	25,767	20,660
Greater than five years	67,140	55,650	29,686	21,222
	109,520	91,446	64,393	49,601
Less: future finance charges on finance leases	(45,127)	(41,845)	-	-
Present value of finance lease obligations	64,393	49,601	64,393	49,601

The lease obligations are denominated in sterling and euros.

The fair value of the Group's lease obligations approximates to their carrying value.

	2007 £'000	2006 £'000
Current	8,940	7,719
Non current	55,453	41,882
	64,393	49,601

Notes to the financial statements continued

for the year ended 31 October 2007

22 Provisions

	Provision for legal costs £'000	Vacant property provision £'000	Dilapidations provision £'000	Total £'000
At 1 November 2006	75	5	100	180
Used during the year	-	(5)	-	(5)
Charged/(credited) to the income statement				
Unused amounts reversed	(75)	-	(70)	(145)
Additional provisions	-	-	100	100
At 31 October 2007	-	-	130	130

Provision have been analysed between current and non current as follows:

	2007 £'000	2006 £'000
Current	-	5
Non current	130	175
	130	180

Provision for legal costs

The provision in the prior year was for ongoing legal and other costs in relation to an insurance claim of £75,000.

The provision has been released at the year end as management deem the likelihood of a claim remote.

Vacant property provision

The provision in the prior year related to future rental commitments on vacant and sublet properties. The provision was fully utilised in the year.

Dilapidations provision

The provision relates to future committed costs at two stores that are expected to be incurred between 1-3 years (2006: 1-4 years).

23 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2006: 30%). The movement on the deferred tax account is as shown below:

The gross movement on the deferred income tax account is as follows:

	2007 £'000	2006 £'000
At 1 November	91,981	75,418
Profit and loss charge (note 7)	25,925	15,849
Charged to equity	819	37
Tax rate change – charged to equity	(3,157)	-
Exchange differences	74	(79)
Acquisitions	-	756
At 31 October	115,642	91,981

At 31 October 2007, the Group had capital losses of £2.6 million (2006: £2.6 million) in respect of its UK operations.

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS12) during the period are shown on page 78.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Notes to the financial statements continued

for the year ended 31 October 2007

23 Deferred tax continued

Deferred tax liability

	Accelerated tax depreciation on provisions £'000	Interest Swap £'000	Other timing differences £'000	Total £'000
At 1 November 2005	82,435	-	-	82,435
Charged to profit and loss account	18,502	-	-	18,502
Exchange differences	(79)	-	-	(79)
Acquisitions	756	-	-	756
At 31 October 2006	101,614	-	-	101,614
At 1 November 2006	101,614	-	-	101,614
Reclassifications	(847)	-	847	-
Charged to profit and loss account	23,673	-	1,100	24,773
Charged to equity	-	745	-	745
Tax rate change – release to equity	(3,157)	-	-	(3,157)
Exchange differences	74	-	-	74
At 31 October 2007	121,357	745	1,947	124,049

Deferred tax asset

	Tax losses £'000	Other £'000	Total £'000
At 1 November 2005	6,906	111	7,017
Credit to profit and loss account	2,653	-	2,653
Charged to equity	-	(37)	(37)
At 31 October 2006	9,559	74	9,633
At 1 November 2006	9,559	74	9,633
Charged to profit and loss account	(1,152)	-	(1,152)
Charged to equity	-	(74)	(74)
At 31 October 2007	8,407	-	8,407

The deferred tax liability due after more than one year is £124.0 million (2006: £101.6 million).

24 Called up share capital

	2007 £'000	2006 £'000
Authorised		
300,000,000 (2006: 375,000) ordinary shares of 1p each	3,000	4
Called up, allotted and fully paid		
187,083,333 (2006: 375,000) ordinary shares of 1p each	1,871	4
At 31 October	1,871	4

Ordinary shares

The holders of the ordinary shares shall be entitled to one vote for each ordinary share. On a return of capital on liquidation, capital reduction or otherwise the surplus assets of the Group remaining after the payment of its liabilities shall be applied, subject to the payment of all amounts payable to the holders of the preferred ordinary shares.

Preferred ordinary shares

The value of preferred ordinary shares including share premium of £666,000 have been transferred to other debt at 31 October 2006 as they have a right to a dividend of 15% of net profits cumulative from 1 November 2006.

On 21 February 2007 the Company carried out a bonus issue of two Ordinary Shares for each Ordinary Share and two Preferred Ordinary Shares for each Preferred Ordinary Share the Company had in issue. By a resolution passed on 8 March 2007, the Company resolved, conditional upon Admission, to (i) redesignate the Preferred Ordinary Shares as Ordinary Shares, and (ii) to make a further bonus issue of twenty two Ordinary Shares for each Ordinary Share the Company had in issue. This restructuring increased the Company's issued share capital by 165,000,000 Ordinary Shares to 172,500,000 Ordinary Shares. On 14 March 2007 the Company issued 14,583,333 Ordinary Shares through an Initial Public Offering on the London Stock Exchange at a share price of £2.40, generating share premium of £29,097,000 after deducting issue costs of £5,757,000 which have been offset against the share premium created on issue.

Notes to the financial statements continued

for the year ended 31 October 2007

24 Called up share capital continued

Safestore Holdings plc Sharesave Scheme

Options were granted under the schemes on 9 August 2007 to employees in the UK and France. Employees save a fixed monthly amount for a fixed term. At the end of the period employees have up to six months to exercise their right to buy shares at a defined exercise price set at grant date. Options have been granted with terms of 3, 4 and 5 years.

For options granted to employees based in France, savings are made in Euros. The risk of exchange rate movements is retained by the employees.

The fair value of the options was assessed by an independent actuary using a Black-Scholes model based on the assumptions set out in the table below:

Grant date	9 August 2007 (UK 3 years)	9 August 2007 (UK 5 years)	9 August 2007 (France 4 years)
Number of options granted	211,079	150,369	27,217
Share price at grant date	186p	186p	186p
Exercise price	147p	147p	176.5p
Risk free rate of interest	5.50%pa	5.40%pa	5.44%pa
Expected volatility	35%pa	35%pa	35%pa
Expected dividend yield	2.40%pa	2.40%pa	2.40%pa
Expected term to exercise	3 years	5 years	4 years
Value per option	66p	74p	59p

At 31 October 2007, options over 388,665 ordinary shares were outstanding under the Sharesave scheme. Details at the start and end of the accounting year are set out below:

Date of grant	At 31 October 2006	Granted	Exercised/ vested	Forfeits	At 31 October 2007	Exercise price	Expiry date
Safestore Holdings plc Sharesave Scheme							
9/8/2007	-	211,079	-	-	211,079	147p	9/2/2011
9/8/2007	-	27,217	-	-	27,217	176.5p	9/2/2012
9/8/2007	-	150,369	-	-	150,369	147p	9/2/2013
	-	388,665	-	-	388,665		

25 Retained earnings

	£'000
Balance at 1 November 2006	137,114
Profit for the year	78,185
Dividend payment (note 8)	(2,806)
Share based payment	18
Movement on deferred tax relating to pension deficit	(74)
Impact of change in UK tax rate on deferred tax (note 23)	3,157
Balance at 31 October 2007	215,594

26 Statement of changes in shareholders' equity

Group	Share capital £'000	Share premium £'000	Translation reserve £'000	Hedge reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 November 2006	4	368	(968)	-	137,114	136,518
Profit for the year	-	-	-	-	78,185	78,185
Dividends (note 8)	-	-	-	-	(2,806)	(2,806)
Share based payment	-	-	-	-	18	18
Exchange differences on translation of foreign operations	-	-	1,120	-	-	1,120
Redesignation of preferred shares	21	645	-	-	-	666
Shares issued	146	29,097	-	-	-	29,243
Bonus issue	1,700	(1,700)	-	-	-	-
Cash flow hedge	-	-	-	1,916	-	1,916
Movement on deferred tax relating to pension deficit	-	-	-	-	(74)	(74)
Impact of change in UK tax rate on deferred tax (note 23)	-	-	-	-	3,157	3,157
Balance at 31 October 2007	1,871	28,410	152	1,916	215,594	247,943

The translation reserve of £152,000 (2006: (£968,000)) comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Notes to the financial statements continued

for the year ended 31 October 2007

27 Cash flow from operating activities

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

Cash generated from continuing operations

	2007 £'000	2006 £'000
Profit before income tax	103,618	60,986
Gain from fair value adjustment on investment properties	(81,264)	(63,631)
Depreciation	123	103
Negative goodwill written back/(goodwill impairment)	-	756
Finance income	(1,381)	(572)
Finance expense	20,387	29,565
Employee share options	18	-
Changes in working capital:		
- Increase in inventories	(80)	(35)
- (Increase)/decrease in trade and other receivables	(2,085)	702
- Increase in trade and other payables	735	5,390
- Decrease in pension scheme liabilities	(247)	(124)
- Decrease in provisions	(50)	(48)
Cash generated from continuing operations	39,774	33,092

28 Analysis of movement in net debt

	2006 £'000	Cash flows £'000	Non cash movements £'000	2007 £'000
Cash in hand	9,478	9,105	-	18,583
Overdrafts	(469)	469	-	-
	9,009	9,574	-	18,583
Debt due within 1 year	(4,818)	5,478	(4,000)	(3,340)
Debt due after 1 year	(235,246)	(9,146)	4,006	(240,386)
Total net debt excluding finance leases	(231,055)	5,906	6	(225,143)
Finance leases due within 1 year	(7,719)	5,802	(7,023)	(8,940)
Finance leases due after 1 year	(41,882)	-	(13,571)	(55,453)
Total finance leases	(49,601)	5,802	(20,594)	(64,393)
Total net debt	(280,656)	11,708	(20,588)	(289,536)

Non-cash changes relate to reclassification of non current debt to current debt, amortisation of debt issue costs and interest charges on finance leases.

29 Employees and Directors

Staff costs (including Directors) for the Group during the year

	2007 £'000	2006 £'000
Wages and salaries	12,114	11,481
Social security costs	1,713	1,764
Pension costs (note 30)	147	91
Share based payments (note 24)	18	-
	13,992	13,336

During the year ended 31 October 2007 the Company's equity-settled share-based payment arrangements comprised the Safestore Holdings plc Sharesave Scheme. The number of awards made under each scheme are detailed in note 24.

No options have been modified since grant under either scheme.

Notes to the financial statements continued

for the year ended 31 October 2007

29 Employees and Directors continued

Average monthly number of people (including Executive Directors) employed

	2007 Number	2006 Number
Sales	403	378
Administration	61	60
	464	438

Key management compensation

	2007 £'000	2006 *Restated £'000
Wages and salaries	3,050	1,603
Social security costs	503	356
Post-employment benefits	81	55
Share based payments	-	276
	3,634	2,290

The key management figures given above include Directors.

The prior year comparatives have been restated following agreement of the IFRS 2 share valuation.

Directors

	2007 £'000	2006 *Restated £'000
Aggregate emoluments	1,460	767
Company contributions paid to money purchase pension schemes	47	32
Share based payments (note 24)	-	-
	1,507	799

There were two Directors (2006: two) accruing benefits under a money purchase scheme.

Fees of £461,000 (2006: £57,000) were paid to Bridgepoint with respect to the services provided by Vincent Gwilliam and Alan Payne.

Remuneration of highest paid Director

	2007 £'000	2006 £'000
Aggregate emoluments	557	360
Company contributions paid to money purchase scheme	32	22
Share based payment (note 24)	-	-
	589	382

30 Pension commitments

As part of the acquisition of Mentmore plc in June 2004, the acquired group had a defined benefit scheme in the UK which offers both pensions in retirement and death benefits to members. The defined benefit scheme has had no active members since March 2004. The Group has opted to recognise all actuarial gains and losses immediately via the statement of recognised income and expenditure (SORIE).

Defined benefit scheme

A full actuarial valuation was carried out at 31 October 2007 by a qualified independent actuary. The principal assumptions used by the actuary were:

	2007	2006
Rate of increase in salaries	-	-
Rate of increase in pensions in payment	3.5%	3.2%
Discount rate	5.9%	5.0%
Inflation assumption	3.5%	3.2%

The expected return on plan assets is based on market expectation at the beginning of the period for returns over the entire life of the benefit obligation.

The figures assume mortality in line with PA92 year of birth medium cohort tables. These assume greater longevity than the tables used in previous disclosures. Moving to these mortality tables has increased the scheme's liabilities by approximately 5%.

Notes to the financial statements continued

for the year ended 31 October 2007

30 Pension commitments continued

Pension and other post retirement obligations

The amounts recognised in the balance sheet are determined as follows:

	2007 £'000	2006 £'000
Present value of funded obligations	(329)	(1,417)
Fair value of plan assets	476	1,170
Unrecoverable surplus	(147)	-
Net liability	-	(247)

The major categories of plan assets as a percentage of total plan assets are as follows:

	2007 %	2006 %
Equities	-	51
Bonds	100	42
Other	-	7

The amounts recognised in the profit and loss account are as follows:

	2007 £'000	2006 £'000
Interest cost	52	66
Expected return on plan assets	(52)	(57)
Settlements and curtailments	(286)	-
	(286)	9

Changes in the present value of the defined benefit obligation are as follows:

	2007 £'000	2006 £'000
Present value of obligation, 1 November	1,417	1,320
Interest cost	52	66
Benefits paid	(815)	(39)
Actuarial (gains)/losses recognised in the year	(38)	70
Settlements and curtailments	(286)	-
Present value of the obligation, 31 October	330	1,417

Changes in the fair value of the plan assets are as follows:

	2007 £'000	2006 £'000
Fair value of plan assets, 1 November	1,170	949
Expected return on plan assets	52	57
Contributions	147	130
Benefits paid	(815)	(39)
Actuarial (losses)/gains on plan assets	(78)	73
Fair value of plan assets, 31 October	476	1,170

Notes to the financial statements continued

for the year ended 31 October 2007

30 Pension commitments continued

Analysis of movement in the balance sheet

	2007 £'000	2006 £'000
At 1 November	247	371
Total interest expense as above	-	9
Contributions	(147)	(130)
Net actuarial loss/(gain) recognised in the year	40	(3)
Settlements and curtailments	(286)	-
Unrecoverable surplus	146	-
At 31 October	-	247

Cumulative actuarial gains and losses recognised in equity

	2007 £'000	2006 £'000
At 1 November	2	(1)
Net actuarial gains/(losses) recognised in the year	-	3
At 31 October	2	2

The net actuarial loss of £40,000 has not been recognised in equity in the year due to the unrecoverable surplus for the year of £147,000 not being recognised.

History of experience gains and losses

	2007	2006	2005
Experience adjustment arising on scheme assets			
Amount (£'000)	(78)	73	88
% of plan assets	(16%)	6%	9%
Experience adjustment arising on scheme liabilities			
Amount (£'000)	(38)	70	(1)
% of plan liabilities	(12%)	5%	0%
Present value of scheme liabilities (£'000)	329	1,417	1,320
Fair value of scheme assets (£'000)	476	1,170	949
Surplus/ (deficit) (£'000)	147	(247)	(371)

No contributions are expected to be payable for the year ending 31 October 2008.

31 Operating lease commitments – minimum lease payments

The group operates from various premises that are held under non-cancellable operating leases. Total commitments under non-cancellable operating leases:

	Land and buildings 2007 £'000	Other 2007 £'000	Land and buildings 2006 £'000	Other 2006 £'000
Within one year	28	6	-	82
Later than one year and less than five years	-	15	120	-
After five years	-	-	-	-
	28	21	120	82

32 Contingent liabilities

As part of the Group banking, the Company has guaranteed the borrowings totalling £246.1 million (2006: £237 million) of fellow Group undertakings by way of a charge over all of its property and assets. There are similar cross guarantees provided by the Group companies in respect of any bank borrowings which the Company may draw under a Group facility agreement. The financial liability associated with this guarantee is considered remote and therefore no provision has been recorded.

33 Capital commitments

The Group had £17.9m capital commitments as at 31 October 2007 (2006: £14.2m). The prior year comparative has been restated due to better information available.

Notes to the financial statements continued

for the year ended 31 October 2007

34 Related party transactions

The group's shares are widely held since IPO, with funds managed by Bridgepoint Capital (Nominees) Limited being the majority shareholder, with a holding of 35% at 31 October 2007. The ultimate Parent Company of the group is Safestore Holdings plc.

During the year, the following transactions were carried out with related parties:

	2007 £'000	2006 £'000
Bridgepoint Capital		
Deep discount bonds repaid in year	-	83,135
Interest paid on deep discount bonds	-	17,138
Interest accrued on deep discount bonds	-	7,460
Bridgepoint – Director fees	461	174

The following amounts are outstanding, owing to Bridgepoint Capital Limited at 31 October:

	2007 £'000	2006 £'000
Trade payables	2	6

Company balance sheet

as at 31 October 2007

	Note	Company	
		2007 £'000	2006 £'000
Fixed assets			
Tangible fixed assets	5	121	145
Investments in subsidiaries	6	979	979
		1,100	1,124
Current assets			
Debtors: amounts falling due within one year	7	207	7,792
Debtors: amounts falling due after more than one year	7	30,918	-
Cash at bank and in hand		945	979
		32,070	8,771
Creditors: amounts falling due within one year	8	(1,747)	(11,046)
Net current assets/(liabilities)		30,323	(2,275)
Total assets less current liabilities		31,423	(1,151)
Creditors: amounts falling due after more than one year	8	-	-
Net assets/(liabilities)		31,423	(1,151)
Capital and reserve			
Called up share capital	9	1,871	4
Share premium	11	28,410	368
Profit and loss account	10,11	1,142	(1,523)
Total shareholders' funds		31,423	(1,151)

The Company financial statements on pages 91 to 97 were approved by the Board of Directors on 22 January 2008 and signed on its behalf

R D Hodsden, Director
S W Williams, Director

Notes to the Company financial statements

for the year ended 31 October 2007

1 Accounting policies and basis of preparation

The financial statements are prepared in accordance with applicable accounting standards in the UK and the Companies Act 1985 and on a going concern basis. The particular accounting policies adopted are described below. The financial statements are prepared under the historical cost convention.

Although the Group consolidated accounts are prepared under IFRS, Safestore Holdings plc's financial statements presented in this section are prepared under UK GAAP.

The new accounting standards adopted during the year are as follows:

- FRS21: Events after the balance sheet date
- FRS25: Financial instruments: disclosure and presentation
- FRS 26: Financial instruments: measurement

There is no impact on adoption of these standards, except for the adoption of FRS25. The deferred ordinary shares which were classed as debt have been reclassified as equity, see notes 8 and 9 for further details.

Investments

Investments held as fixed assets are stated at cost less provision for impairment in value.

Tangible fixed assets

Tangible fixed assets are measured at cost, being all directly attributable costs in bringing the asset into working condition for its intended use. Depreciation has been charged at the rate of 15% per annum on a reducing balance basis.

Cash flow statement

A cash flow statement for the group, which includes the Parent Company, has been disclosed on page 49 in the group accounts.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment for accounts and taxation purposes of event and transactions recognised in the financial statements of the current and previous years. Deferred taxation is calculated at the rates at which it is estimated that taxation will arise.

Deferred taxation is not provided in respect of timing differences arising from the sale or revaluation of fixed assets unless, by the balance sheet date, a binding commitment to sell the asset has been entered into, and it is unlikely that any gain will be rolled over.

Deferred taxation assets are recognised to the extent that it is regarded as more likely than not that there will be suitable taxable profits against which the deferred tax asset can be recovered in future years.

2 Results of Parent Company

As permitted by Section 230 of the Companies Act, the profit and loss account of the Parent Company is not presented as part of these financial statements. The Parent Company's profit for the financial year amounted to £5,471,000 (2006: £900,000).

3 Directors' emoluments

The Directors' emoluments are disclosed in note 29 of the Annual Report and Accounts of the Group.

4 Operating profit

The Company does not have any employees (2006: nil) apart from the Directors of the Company. The emoluments borne by the Company for 2007 was £1,056,000 (2006: £534,000).

5 Tangible fixed assets

Company	£'000
Cost	
As at 31 October 2006 and at 31 October 2007	196
Accumulated depreciation	
As at 1 November 2006	51
Depreciation	24
At 31 October 2007	75
Net book amount	
At 31 October 2007	121
At 31 October 2006	145

6 Fixed asset investments

	2007 £'000	2006 £'000
Cost		
At 31 October 2006 and 31 October 2007	979	979

Investments in Group undertakings are stated at cost. The Directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. A list of principal subsidiary undertakings is given below. A full list of subsidiary undertakings at 31 October 2007 will be annexed to the Company's next annual return.

Notes to the Company financial statements

for the year ended 31 October 2007

6 Fixed asset investments continued

Interests in subsidiary undertakings

The Company has the following wholly owned subsidiaries:

Subsidiary	Country of incorporation	Principal activity	Note
Safestore Group Limited	England and Wales	Holding Company	
Safestore Acquisition Limited	England and Wales	Holding Company	1
Safestore Limited	England and Wales	Provision of self storage	2
Spaces Personal Storage Limited (formerly Safestore Limited)	England and Wales	Holding Company	2
Mentmore Limited	England and Wales	Holding Company	3
Safestore Properties Limited	England and Wales	Provision of self storage	4
Abbey Une Pièce En Plus SAS	France	Holding Company	5
Une Pièce En Plus SA	France	Provision of self storage	5
Access Storage Holdings (France) S.a.r.l	Luxembourg	Provision of self storage	5

Note

- 1 Safestore Acquisition Limited is a 100% subsidiary of Safestore Group Limited.
- 2 Safestore Limited and Spaces Personal Storage Limited are both 100% subsidiaries of Safestore Acquisition Limited.
- 3 Mentmore Limited is a 100% subsidiary of Safestore Acquisition Limited.
- 4 Safestore Properties Limited is a 100% subsidiary of Mentmore Limited.
- 5 Une Pièce En Plus SA and Access Storage Holdings (France) S.a.r.l are both 100% subsidiaries of Mentmore Limited.

7 Trade and other receivables – current and non current

	2007 £'000	2006 £'000
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	-	7,253
Other debtors	137	469
Deferred tax asset	70	70
	207	7,792
Amounts falling due after one year:		
Amounts owed by subsidiary undertakings	30,918	-

Concentration of credit risk with respect to trade receivables are limited due to the group's customer base being large and unrelated. Due to this, management believe there is no further credit risk provision required in excess of normal provision for doubtful receivables.

8 Trade and other payables – current and non current

	2007 £'000	2006 £'000
Amounts falling due within one year:		
Trade payables	258	127
Amounts owed to group undertakings	-	9,811
Other taxes and social security	286	286
Accruals and deferred income	1,203	156
Preferred ordinary shares	-	666
	1,747	11,046
Amounts falling due after one year:		
Amounts owed to group undertakings	-	-

Amounts owed to group undertakings are repayable on demand. The preferred ordinary shares in issue in 2006 were redesignated to ordinary shares on IPO.

Notes to the Company financial statements

for the year ended 31 October 2007

9 Called up share capital

	2007 £'000	2006 £'000
Authorised		
300,000,000 (2006: 375,000) ordinary shares of 1p each	3,000	4
Called up, allotted and fully paid		
187,083,333 (2006: 375,000) ordinary shares of 1p	1,871	4
At 31 October	1,871	4

Ordinary shares

The holders of the ordinary shares shall be entitled to one vote for each ordinary share. On a return of capital on liquidation, capital reduction or otherwise the surplus assets of the Group remaining after the payment of its liabilities shall be applied, subject to the payment of all amounts payable to the holders of the preferred ordinary shares.

Preferred ordinary shares

The value of preferred ordinary shares including share premium of £666,000 were transferred to other debt at 31 October 2006 as they had a right to a dividend of 15% of net profits cumulative from 1 November 2006.

On 21 February 2007 the Company carried out a bonus issue of two Ordinary Shares for each Ordinary Share and two Preferred Ordinary Shares for each Preferred Ordinary Share in issue. By a resolution passed on 8 March 2007, the Company resolved, conditional upon Admission, to (i) redesignate the Preferred Ordinary Shares as Ordinary Shares, and (ii) to make a further bonus issue of twenty two Ordinary Shares for each Ordinary Share the Company had in issue. This restructuring increased the Company's issued share capital by 165,000,000 Ordinary Shares to 172,500,000 Ordinary Shares. On 14 March 2007, the Company issued 14,583,333 Ordinary Shares through an Initial Public Offering on the London Stock Exchange at a share price of £2.40, generating share premium of £29,097,000 after deducting costs of issuing of £5,757,000 which have been offset against the share premium created on issue.

10 Retained earnings

	£'000
Balance at 31 October 2006	(1,523)
Profit for the year	5,471
Dividend	(2,806)
Balance at 31 October 2007	1,142

11 Reconciliation of movement in total shareholders' funds

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Opening shareholders' funds (deficit)	4	368	(1,523)	(1,151)
Profit for the year	-	-	5,471	5,471
Dividends paid	-	-	(2,806)	(2,806)
Redesignation of preferred shares (note 9)	21	645	-	666
Shares issued	146	29,097	-	29,243
Bonus issue	1,700	(1,700)	-	-
Closing shareholders' funds	1,871	28,410	1,142	31,423

12 Related party transactions

The Company has taken advantage of the exemption available under FRS8, 'Related Party Disclosures' and has not disclosed details of its transactions with related certain parties. This exemption is available as the transactions are with entities that are part of the same group and the consolidated accounts are publicly available.

13 Ultimate controlling party

The group's shares are widely held since IPO, with funds managed by Bridgepoint Capital (Nominees) Limited being the majority shareholder, with a holding of 35% at 31 October 2007.

Directors' biographies

Non-Executive Directors

John von Spreckelsen, *Non-Executive Chairman (65)*

John von Spreckelsen joined the Board in October 2004 as Chairman and a Non-Executive Director. Mr von Spreckelsen also currently holds the chairmanships at Thorntons plc and Forstinger Handel und Service GmbH and is a Non-Executive Director of MEP Mayflower (Holdings) Limited. Previously, Mr von Spreckelsen was the Chief Executive officer of Budgens plc and served as the chairman of Somerfield plc. Mr von Spreckelsen began his career at Commerzbank Germany and Bank of America International, before becoming the European Finance Director of Bowater Corporation.

Vincent Gwilliam, *Non-Executive Director (48)*

Vincent Gwilliam joined the Board in October 2003 as a Non-Executive Director. Mr Gwilliam is a partner at Bridgepoint Capital Limited, a private equity provider, where he is responsible for Bridgepoint's investments in the retail sector. Prior to joining Bridgepoint in 1987, Mr Gwilliam worked at Coopers & Lybrand in the UK Business Services Group. Mr Gwilliam is a graduate of Durham University and is an Associate Member of the Institute of Chartered Accountants in England and Wales.

Richard Grainger, *Non-Executive Director (47)*

Richard Grainger joined the Board on 1 February 2007 as a Non-Executive Director. After graduating from Oxford University, Mr Grainger qualified as a chartered accountant at Price Waterhouse. He started at Hill Samuel Bank Limited in 1987 and subsequently joined Close Brothers Corporate Finance Limited ("CBCF") in 1996. In 2001, Mr Grainger was appointed Chief Executive of CBCF having previously run the Leisure and Retail team and founded Close Brothers Corporate Finance's Corporate Restructuring Group. Mr Grainger is a member of the Management Board of Close Brothers Group plc. Mr Grainger is an Associate Member of the Institute of Chartered Accountants in England and Wales.

Roger Carey, *Non-Executive Director (63)*

Roger Carey joined the Board on 1 February 2007 as Non-Executive Director. He was a Director of Slough Estates plc from 1983 to 1996 and was chief Executive of Saville Gordon Estates plc from 1997, leading to a management buyout in 2002. The Company, renamed Industrious, was subsequently sold to Brixton plc in 2005. Mr Carey was a Non-Executive Director of TR Property Services Ltd and Protego Industrial Ltd. He is a Non-Executive Director of Basset Trust Ltd and of residual Industrious companies. He is a past President of the British Property Federation. Mr Carey is a Fellow of the Royal Institution of Chartered Surveyors.

Executive Directors

Stephen Williams, *Chief Executive Officer (55)*

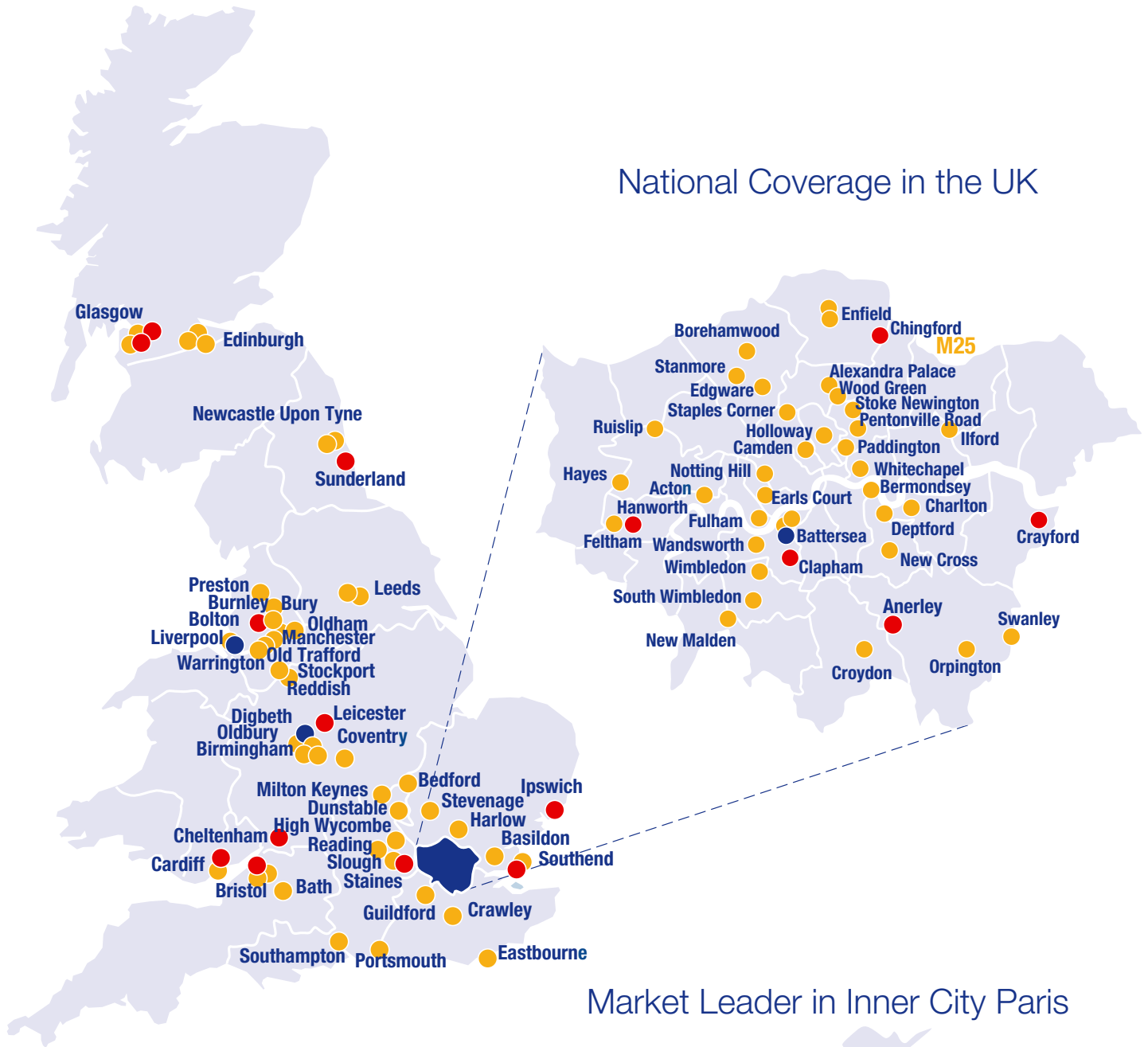
Stephen Williams joined the Group in June 2001 as Chief Operating Officer, following a period as an external consultant for the Company. Mr Williams was appointed to the position of Chief Executive Officer in January 2002. He has over 30 years' experience in the retail industry and management. Mr Williams was Operations Director at Pet City between 1993 and 2000 and Operations Controller at Wickes from 1991 to 1993. Prior to this he had an eighteen-year tenure at PayLess D.I.Y., becoming their Operations Director.

Richard Hodsden, *Chief Financial Officer (41)*

Richard Hodsden joined the Group in August 2002 as Chief Financial Officer. He previously held the position of Finance Director at Globalvault plc, Security Printing & Systems Limited and Lifestyle Upholstery Limited. He was also Financial Controller of Flextronics International Limited and Financial Controller of Parliamentary and Secure Services, The Stationery Office. Mr Hodsden started his career at KPMG, where he qualified as a chartered accountant in 1991. Mr Hodsden is a Fellow of the Institute of Chartered Accountants in England and Wales.



103 Stores, 18 Expansion Sites



- Current Stores
- Current Business Centres
- Expansion Stores

Safestore Holdings plc

Notice of Annual General Meeting

This information is important and requires your immediate attention.

If you have any doubts about what action you need to take, you should contact your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised pursuant to the Financial Services and Markets Act 2000 immediately.

If you have sold or transferred all of your holding of ordinary shares in Safestore Holdings plc you should pass this Notice and the accompanying documents to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of Safestore Holdings plc (the “**Company**”) will be held at Brittanica House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT on 27 March 2008 at 12:00 p.m. for the following purposes:

ORDINARY BUSINESS

1. To receive the Company’s annual accounts for the financial year ended 31 October 2007, together with the Directors’ report, the Directors’ remuneration report, the auditors’ report on those accounts and on the auditable part of the Directors’ remuneration report.
2. To re-appoint PricewaterhouseCoopers as auditors to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which accounts are laid.
3. To authorise the Directors to determine the auditors’ remuneration.

4. To declare a final dividend for the year ended 31 October 2007 of 3 pence per ordinary share payable to shareholders on the register at the close of business on 29 February 2008.
5. To re-appoint Stephen Williams as a Director of the Company in accordance with the Company’s Articles of Association.
6. To re-appoint John von Spreckelsen as a Director of the Company in accordance with the Company’s Articles of Association.
7. To approve the Directors’ remuneration report for the financial year ended 31 October 2007.

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions of which resolutions 8 and 9 will be proposed as ordinary resolutions and resolutions 10, 11 and 12 will be proposed as special resolutions.

Ordinary Resolution

8. To authorise the Company and all companies that are its subsidiaries at any time during the period for which this resolution has effect for the purposes of section 366 of the Companies Act 2006 (the “**Act**”) to:
 - (a) make political donations to political parties or independent election candidates (as such terms are defined in sections 363 and 364 of the Act), not exceeding £100,000 in aggregate;
 - (b) make political donations to political organisations other than political parties (as such terms are defined in sections 363 and 364 of the Act), not exceeding £100,000 in aggregate;
 - (c) to incur political expenditure (as such term is defined in section 365 of the Act), not exceeding £100,000 in aggregate.

During the period beginning with the date of the passing of this resolution and ending at the conclusion of the next annual general meeting of the Company or fifteen months from the date of the passing of this resolution whichever is earlier, provided that the maximum amounts referred to in (a), (b) and (c) may comprise sums in different currencies which shall be converted at such rate as the Board may in its absolute discretion determine to be appropriate.

Ordinary Resolution

9. That in substitution for all existing authorities the Directors be generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £627,117 for a period expiring at the conclusion of the next annual general meeting of the Company or within fifteen months from the date of the passing of this resolution whichever is earlier, but the Company may before such expiry make an offer or agreement which would

Safestore Holdings plc

Notice of Annual General Meeting

continued

or might require relevant securities to be allotted after expiry of this authority and the Directors may allot relevant securities in pursuance of that offer or agreement as if the authority conferred by this resolution had not expired.

Special Resolution

10. That, in substitution for all existing powers and subject to the passing of resolution 9, the Directors be generally empowered pursuant to section 95 of the Companies Act 1985 (the “**Act**”) to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the general authority conferred by resolution 9 as if section 89(1) of the Act did not apply to the allotment, provided that the power conferred by this resolution:

- (a) will expire at the conclusion of the next annual general meeting of the Company or within fifteen months from the date of the passing of this resolution whichever is earlier, but the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the Directors may allot equity securities in pursuance of that offer or agreement as if the power conferred by this resolution had not expired; and
- (b) is limited to:
 - (i) allotments of equity securities in connection with a rights issue, open offer or any other pre-emptive offer in favour of holders of shares but subject to such exclusions as may be necessary to deal with fractional entitlements or legal or practical problems under any laws or requirements of any regulatory body in any jurisdiction; and
 - (ii) allotments of equity securities for cash otherwise than pursuant to paragraph (i) up to an aggregate nominal amount equal to £94,067.

The power conferred on the Directors by this resolution 10 shall also apply to a sale of treasury shares, which is an allotment of equity securities by virtue of section 94(3A) of the Act, but with the omission of the words “pursuant to the general authority conferred by resolution 9”.

Special Resolution

11. That the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of section 163(3) of the Companies Act 1985) of ordinary shares of £0.01 in the capital of the Company (“**ordinary shares**”) provided that:

- (a) the maximum aggregate number of ordinary shares authorised to be purchased is 18,813,508;
- (b) the minimum price which may be paid for an ordinary share is £0.01;
- (c) the maximum price which may be paid for an ordinary share is an amount equal to 105 per cent. of the average

of the middle market quotations for an ordinary share as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that ordinary share is purchased;

- (d) this authority expires at the conclusion of the next annual general meeting of the Company or within fifteen months from the date of the passing of this resolution whichever is earlier; and
- (e) the Company may make a contract to purchase ordinary shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of ordinary shares in pursuance of any such contract

Special Resolution

12. That the adoption of new Articles of Association as set out in the draft produced to the meeting and initialled by the Chairman for the purposes of identification be and is hereby approved in substitution for and to the exclusion of all existing Articles of Association.

BY ORDER OF THE BOARD

R D Hodsden
Company Secretary

Dated: 22 February 2008

Registered office:
Brittanic House
Stirling Way
Borehamwood
Hertfordshire
WD6 2BT

NOTES TO NOTICE

1. A member of the Company is entitled to appoint a proxy to exercise all or any of his rights to attend, speak and vote at a general meeting of the Company. A member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares.
2. A person who is not a member of the Company, but has been nominated by a member of the Company (the “**relevant member**”) to enjoy information rights, (the “**nominated person**”) does not have a right to appoint any proxies under note 1 above. A nominated person may have a right under an agreement with the relevant member to be appointed or to have somebody else appointed as a proxy for the meeting. If a nominated person does not have such a right, or has such a right and does not wish to exercise it, he may have a right under an agreement with the relevant member to give instructions as to the exercise of voting rights.

3. To be effective, the instrument appointing a proxy and any authority under which it is executed (or a notarially certified copy of such authority) must be deposited at the registrars' office by no later than 12:00 p.m. on 25 March 2008. A form of proxy is enclosed with this notice. Completion and return of the form of proxy will not prevent shareholders from attending and voting in person at the meeting.
4. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the relevant register of members of the Company as at 5.30 p.m. on 25 March 2008 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after 5.30 p.m. on 25 March 2008 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. The register referred to in note 4 means the issuer register of members and the Operator register of members maintained in accordance with Regulation 20 of the Uncertificated Securities Regulations 2001.
6. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with the specifications of Euroclear UK & Ireland Limited ("**Euroclear UK & Ireland**") and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
8. CREST members and, where applicable, their CREST sponsors and voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
9. Arrangements will be made at the meeting so that:
 - a) if a corporate shareholder has appointed the Chairman of the Annual General Meeting as the designated corporate representative of that shareholder, the Chairman will act in accordance with that corporate shareholder's instructions to vote on a poll pursuant to the directions of all of the other corporate representatives for that shareholder at the Annual General Meeting, and those corporate representatives will give voting directions to the Chairman who, in accordance with those directions, will vote (or withhold a vote) as corporate representative; and
 - b) if more than one corporate representative of any single corporate shareholder attends the Annual General Meeting but that corporate shareholder has not appointed the Chairman of the Annual General Meeting as its designated corporate representative, a designated corporate representative will be nominated from those corporate representatives of that corporate shareholder who attend, who will vote (or withhold a vote) on a poll in accordance with the voting directions given to such designated corporate representative by the other corporate representatives of that corporate shareholder.

Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators (www.icsa.org.uk) on proxies and corporate representatives for further details of this procedure. The guidance includes a sample form of representation letter if a corporate shareholder wishes to appoint the Chairman as a designated corporate representative, as described in a) above.
10. The following documents will be available for inspection at the Company's registered office and at the offices of Clifford Chance LLP during usual business hours and at the place of the Annual General Meeting from 11:45 a.m. until the close of the meeting:
 - (a) copies of the Executive Directors' service contracts, Non-Executive Directors' appointment letters and qualifying third-party indemnity provisions; and
 - (b) a copy of the Company's existing Articles of Association, and a copy marked to show the differences between those and the Articles of Association as proposed to be adopted pursuant to resolution 2.

Safestore Holdings plc

Notice of Annual General Meeting

continued

11. Any electronic communication sent by a shareholder to the Company or the registrar which is found to contain a computer virus will not be accepted.
12. At 21 February 2008 (being the last business day prior to the publication of this notice) the issued share capital of the Company consists of 188,135,088 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 21 February 2008 are 188,135,088.

EXPLANATORY NOTES TO RESOLUTIONS

1. The Directors are required to present to the meeting the Company's audited annual accounts and related Directors' and auditors' reports and Directors' remuneration report for the financial year ended 31 October 2007.
2. Auditors have to be appointed at each general meeting at which accounts are presented to shareholders. PricewaterhouseCoopers has advised of its willingness to stand for reappointment as the auditor of the Company.
3. The remuneration of auditors must be fixed by the Company in general meeting or in such manner as the Company may determine in a general meeting. The usual practice is for the Annual General Meeting to resolve that the Directors decide on such remuneration.
4. If resolution 4 is approved by shareholders the final dividend for the year ended 31 October 2007 will be paid on 7 April 2008 to shareholders whose names are on the Register of Members at the close of business on 29 February 2008.
5. Under the Company's articles of association any Director appointed by the Board since the date of the last Annual General Meeting shall be appointed to the Board by shareholders at the following Annual General Meeting.
6. Under the Company's articles of association, one-third of the Directors are obliged to retire by rotation at each Annual General Meeting. Stephen Williams and John von Spreckelsen whose biographical details are set out in the Company's Report and Accounts and Annual Review, will retire by rotation this year in accordance with the articles of association and are proposed for re-election through the separate resolutions numbered 5 and 6 above.
7. In accordance with section 241A of the Companies Act 1985, notice is given of the intention to move an ordinary resolution for the approval of the Directors' remuneration report. The Directors' remuneration report for 2007 is set out on pages 28 to 33 of the full Report and Accounts and a summary is contained on pages 83 and 84 of the Annual Review.
8. Resolution 8 concerns Part 14 of the Companies Act 2006 which came into force on 1 October 2007 and provides that political donations made by a company to political parties, to other political organisations and to independent election candidates or political expenditure incurred by a company must be authorised in advance by shareholders.

It is not the policy of the Company to make political donations of the type caught by these provisions (although overseas subsidiaries do make other donations as described in the Report and Accounts) and the Directors have no intention of changing that policy. However, as a result of the wide definitions in the Companies Act 2006, normal expenditure (such as expenditure on organisations concerned with matters of public policy, law reform and representation of the business community) and business activities (such as communicating with the Government and political parties at local, national and European level) might be construed as political expenditure or as a donation to a political party or other political organisation and fall within the restrictions of the Companies Act 2006.

This resolution does not purport to authorise any particular donation or expenditure but is expressed in general terms as required by the Companies Act 2006 and is intended to authorise normal donations and expenditure. If passed, resolution 8 would allow the Company and its subsidiaries to make donations to political parties, other political organisations and independent election candidates and to incur political expenditure (as defined in the Companies Act 2006) up to an aggregate limit of £100,000 during the period up to fifteen months after this Annual General Meeting whilst avoiding inadvertent infringement of the statute. Any political donation made or political expenditure incurred which is in excess of £200 will be disclosed in the Company's Annual Report for next year, as required by the Companies Act 2006. The authority will not be used to make political donations within the normal meaning of that expression.
9. The authority conferred on the Directors pursuant to the ordinary resolution of the Company passed on 8 March 2007 to allot the authorised but unissued share capital of the Company expires at the conclusion of the forthcoming Annual General Meeting. The Board recommends that this authority be renewed and resolution 9, which will be proposed as an ordinary resolution will, if passed, authorise the Directors to allot the Company's unissued shares up to a maximum nominal amount of £627,117, which represents an amount which is equal to not more than one third of the aggregate nominal value of the issued and unconditionally allotted ordinary share capital of the Company (excluding treasury shares) as at 21 February 2008. As at 21 February 2008, the Company did not hold any treasury shares. This authority will expire no later than fifteen months after the date of this Annual General Meeting. The Directors have no present intention of exercising this authority.
10. Resolution 10, which will be proposed as a special resolution, seeks to renew the authority conferred on the Directors pursuant to the special resolution of the Company passed on 8 March 2007 to issue equity securities of the Company for

cash without application of the pre-emption rights provided by section 89 of the Companies Act 1985. Other than in connection with rights, or other similar issue, the authority contained in this resolution will be limited to an aggregate nominal value of £94,067 which represents less than 5% of the issued ordinary share capital of the Company as at 21 February 2008. This authority will expire no later than fifteen months after the date of the annual general meeting.

The authority sought and the limits set by this resolution will also disapply the application of section 89 of the Companies Act 1985 from a sale of treasury shares to the extent also specified in this resolution.

11. Resolution 11, which will be proposed as a special resolution, proposes that the Company be granted the authority to buy back its own ordinary shares in the market as permitted by the Companies Act 1985 and the Company's Articles of Association. The authority limits the number of shares that could be purchased to a maximum of 18,813,508 (representing less than 10% of the issued share capital of the Company as at 21 February 2008) and sets minimum and maximum prices. This authority will expire no later than fifteen months after the date of the Annual General Meeting.

The Directors have no present intention of exercising the authority to purchase the Company's ordinary shares but will keep the matter under review, taking into account other investment opportunities. The authority will be exercised only if the Directors believe that to do so would result in an increase in earnings per share and would be in the best interests of shareholders generally.

Any purchases of ordinary shares would be by means of market purchases through the London Stock Exchange.

Any ordinary shares purchased pursuant to this authority may either be held as treasury shares or cancelled by the Company, depending on which course of action is considered by the Directors to be in the best interests of the shareholders at the time.

As at 21 February 2008, there were options over 388,665 ordinary shares in the capital of the Company outstanding, representing 0.21% of the Company's issued ordinary share capital (excluding treasury shares) at that date. If the remainder of the authority to purchase the Company's shares granted pursuant to the special resolution passed on 8 March 2007 and the authority proposed to be granted under resolution 11 were both exercised in full, the options outstanding at 21 February 2008 would, assuming no further ordinary shares are issued after that date, represent 0.26% of the Company's issued ordinary share capital (excluding treasury shares) at that date. This percentage would reduce to 0.23% if no further purchases are made under the authority granted pursuant to the special resolution passed on 8 March 2007 but the authority proposed to be granted under resolution 11 was exercised in full.

12. Resolution 12, which will be proposed as a special resolution, proposes to adopt a new set of Articles of Association (the "**New Articles**") to ensure consistency of the Articles of Association with those provisions of the Companies Act 2006 which have come into force since the existing Articles of Association (the "**Existing Articles**") were adopted pursuant to the special resolution of the Company passed on 8 March 2007 and certain of those which will come into force on 1 October 2008 and to enable the Company to benefit from those new provisions. The New Articles as proposed to be adopted pursuant to resolution 12 will take effect immediately except for the provisions relating to the approval of conflicts of interest of Directors which will take effect on 1 October 2008 or such other date as section 175 of the Companies Act 2006 comes into force.

The key changes introduced in the New Articles are described below. Other changes, which are of a minor, technical or clarifying nature or which merely reflect changes made by the Companies Act 2006 have not been noted in this explanatory note. Shareholders are advised that, as the Companies Act 2006 is being implemented in phases with the final phase anticipated to come into force in October 2009, further changes to the Company's Articles of Association will be required to be proposed to shareholders at the next Annual General Meeting to ensure the consistency of the Company's Articles of Association with those provisions which will be in force by that time.

Resolutions and Meetings

The provisions in the Existing Articles relating to general meetings and resolutions are being amended to conform to new provisions in the Companies Act 2006. In particular, all meetings (not being an annual general meeting) are called general meetings and a general meeting (not being an annual general meeting) to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required. References to written resolutions are removed as it is no longer possible for a public company to pass a written resolution.

Appointing Proxies and Corporate Representatives

Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Existing Articles proxies are only entitled to vote on a poll. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. Multiple corporate representatives may be appointed under the Companies Act 2006. The New Articles reflect these new provisions. The Companies Act 2006 prescribes that if multiple corporate representatives are appointed and they purport to exercise their rights in different ways, the power is treated as not exercised.

Safestore Holdings plc

Notice of Annual General Meeting

continued

Directors' Duties

The Companies Act 2006 sets out directors' general duties. The provisions largely codify the existing law, but with some changes. Under the Companies Act 2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with, the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position. There are safeguards that will apply when the Directors decide whether to authorise a conflict or potential conflict. First, only independent Directors (those who have no interest in the matter being considered) will be able to take the relevant decision, and secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The procedure for authorising conflicts and potential conflicts is set out in the New Articles and the Directors will be able to impose such limits or conditions when giving authorisation as they think appropriate. The New Articles also include provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a Director from being in breach of duty if a conflict of interest or potential conflict of interest arises, provided that such conflict or potential conflict has been previously authorised by the Directors.

Directors' Indemnity

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the Company's activities as trustee of the same. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies. The New Articles reflect these new provisions.

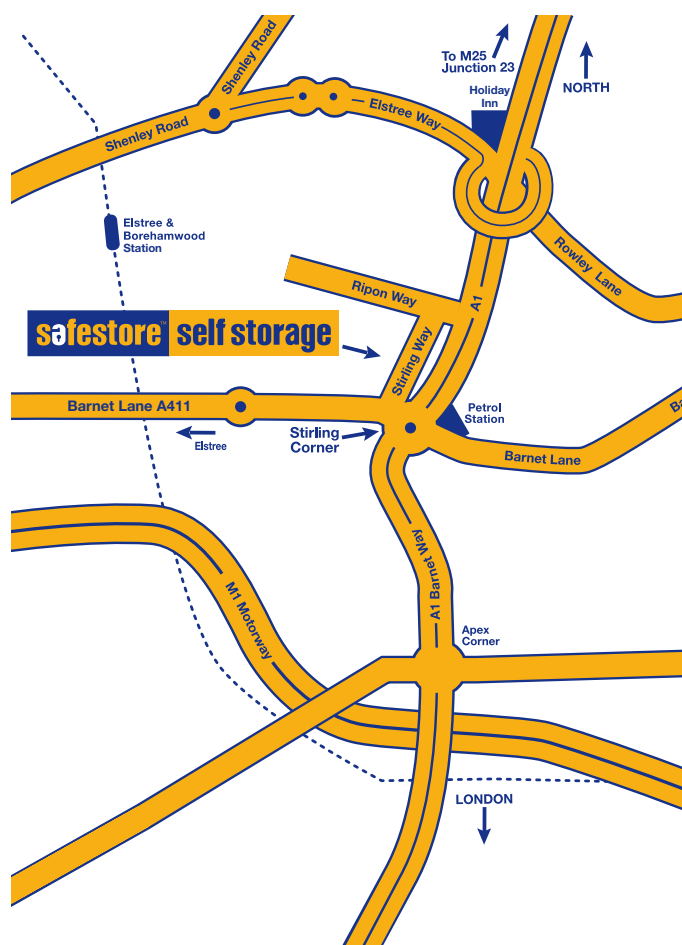
Authority to Allot

We have amended the provisions in the Existing Articles relating to the Directors' authority to allot securities so that in future the Company will seek renewal of this authority on an annual basis from the shareholders in general meeting, rather than relying on the five year authority which is set out in the Existing Articles.

Generally the opportunity has been taken to clarify the wording in some areas of the New Articles, such as those provisions relating to class meetings and voting, and to conform the language of the New Articles with relevant language of the Companies Act 2006.

A copy of the Existing Articles and a copy of the New Articles as proposed to be adopted pursuant to resolution 12 marked to show the differences from the Existing Articles will be available for inspection during normal business hours on Monday to Friday each week (public holidays excepted) at the Company's registered office at Brittanica House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT and at the offices of Clifford Chance LLP at 10 Upper Bank Street, London E14 5JJ, from the date of this document up to and including the date of the Annual General Meeting and at the place of the Annual General Meeting from 11:45 a.m. until the close of the meeting.

How to find us:



**Brittanica House, Stirling Way, Borehamwood,
Hertfordshire, WD6 2BT**





Safestore Holdings Plc

Brittanic House, Stirling Way,
Borehamwood, Herts, WD6 2BT

Tel: 020 8732 1500

Fax: 020 8732 1510

www.safestore.co.uk