



Safestore Holdings plc

Annual report and financial statements 2014



— Significant operational progress, strong earnings growth



I am pleased with the good progress we have made in driving operational improvements during the course of the year. Our industry leading web platform has driven 12% growth in UK enquiries and the sales team, at the same time as managing to increase the conversion rate of these enquiries, has also achieved an increase in pricing by reducing discounts. Our market leading business in Paris continues to perform well, recording its 16th year of uninterrupted revenue growth. ”

Frederic Vecchioli, Safestore's Chief Executive Officer

Key measures

	Year ended 31 October 2014	Year ended 31 October 2013	Change	Change – CER ¹
Underlying and operating metrics				
Revenue	£97.9m	£96.1m	1.9%	2.9%
Revenue – like-for-like ²	£97.9m	£94.7m	3.4%	4.4%
Underlying EBITDA ³	£53.0m	£50.8m	4.3%	5.5%
Cash tax adjusted earnings per share ⁴	13.5p	11.1p	21.6%	n/a
Dividend per share	7.45p	5.75p	29.6%	n/a
Free cash flow (before dividends and financing)	£63.5m	£22.7m	179.7%	n/a
Closing occupancy ⁵	68.8%	65.3%	+3.5ppts	n/a
Average storage rate (£)	24.24	24.39	(0.6%)	0.5%
RevPAF ⁶	£19.31	£18.72	3.2%	4.1%
EPRA basic NAV per share	£2.18	£2.10	3.6%	n/a
Statutory metrics				
Profit before tax	£52.4m	£48.6m	7.8%	n/a
Basic earnings per share ⁷	23.2p	57.8p	(59.9%)	n/a

Notes

- 1 Constant exchange rates.
- 2 Adjusted to reflect the closure of Enfield South and the loss of tenancy income following the sale and short-term leaseback of our Whitechapel site.
- 3 Underlying EBITDA is defined as Operating Profit before exceptional items, change in fair value of derivatives, gain/loss on investment properties, contingent rent and depreciation.
- 4 Cash tax adjusted earnings per share is defined as profit or loss for the year before exceptional items, change in fair value of derivatives, gain/loss on investment properties (adjusted for leasehold depreciation), discount unwind on the CGS receivable and the associated tax impacts, as well as exceptional tax items and deferred tax charges.
- 5 Closing occupancy excludes offices but includes 83,500 sq ft of bulk tenancy as at 31 October 2014 (31 October 2013: 76,600 sq ft).
- 6 RevPAF (Revenue per average square foot) is calculated as Total Revenue divided by total MLA. MLA is Maximum Lettable Area – following a review of MLA in 2013 across the estate and adjusting for the closures of Enfield South and St Denis Landy, Group MLA has been adjusted to 5.03 million sq ft.
- 7 Basic earnings per share in 2013 reflected a deferred tax credit of £59.9 million resulting from the conversion of the Group to a Real Estate Investment Trust ("REIT"). The impact of this credit in Basic Earnings per Share was 31.8 pence.
- 8 As of 21 January 2015, based on the forecasts of nine analysts, the consensus for cash tax adjusted earnings per share for the year ended 31 October 2014 is 13.0 pence.

Overview Highlights

Improving financial performance

- Group like-for-like revenue up 4.4%¹ with closing occupancy up 3.5ppts at 68.8%
- Momentum continues across the UK with 4.4% growth in like-for-like revenue for the year
- Paris business continues robust performance with revenue up 4.4%¹ due to improvement in occupancy and rate¹ with new lets at record levels
- Cash tax adjusted earnings per share up 21.6% at 13.5 Pence – ahead of consensus expectations⁸
- 36% increase in the final dividend to 5.30 pence (FY2013: 3.90 pence)
- Encouraging early trading in the new financial year with positive new lets and rate trends continuing, and Group revenue in CER up 8.6% on the prior year (UK 10.7%; France 3.1%) in the two months to 31 December 2014

Operational delivery

- New lets growth in the UK of 19.8%, resulting from strong enquiries and improving conversion, with performance strengthening throughout the year
- Pricing policy changes driving positive UK rate growth with trend improving from -7.4% in September 2013 to +4.8% in October 2014
- National Accounts UK business customers occupancy up 17% over the year
- Costs tightly controlled across the Group and 0.9% lower than in the prior year

Strong and flexible balance sheet

- Group loan to value (“LTV”) lowered to circa 37% and full year finance costs reduced by circa £4.7 million or 25.5%

Financial highlights

Revenue (£'m)

£97.9m **+1.9%**

14	97.9
13	96.1
12	98.8
11	95.1
10	89.2

Underlying EBITDA³ (£'m)

£53.0m **+4.3%**

14	53.0
13	50.8
12	50.3
11	50.5
10	49.2

Dividend (pence per share)

7.45p **+29.6%**

14	7.45
13	5.75
12	5.65
11	5.30
10	4.95

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— Our people continued to be the key drivers of the success of our business



Alan Lewis
Non-Executive Chairman

I am pleased to announce, on behalf of the Board of Safestore, a good set of results for the year ended 31 October 2014. The reconfigured management team has made a significant impact over the past twelve months and, after completing the rebalancing of our capital structure in the early part of the year, we have set about the task of improving the operational performance of the business in the UK. Whilst we still have work to do, I am pleased with the considerable amount of progress made to date and am confident that the foundations have been laid for continued growth in the business and value creation for our shareholders.

Financial results

Revenue for the year was £97.9 million, 1.9% ahead of last year (FY2013: £96.1 million) and on a like-for-like and constant currency basis, revenue growth was 4.4%. This result was driven by improving momentum in the UK as we progressed through the year, combined with another strong performance of Une Pièce en Plus, our Parisian business.

Underlying EBITDA increased by 4.3% to £53.0 million (FY2013: £50.8 million). In addition to the improvements in revenue in both the UK and Paris we continued to exercise strong control over costs, delivering a 0.9% reduction compared to the prior year.

Our capital restructuring resulted in a reduction in the underlying finance charge¹ of £4.7 million or 25.5% to £13.7 million (FY2013: £18.4 million).

As a result of the above factors, cash tax adjusted earnings per share grew by 21.6% to 13.5 pence (FY2013: 11.1 pence).

Capital structure

In the first quarter of the financial year, we completed our capital restructuring. Debt was reduced by £75 million, principally financed by the sale of our Whitechapel site for net proceeds of £40.5 million, the January 2014 equity placing of 18.6 million new ordinary shares at 175 pence per share, raising net proceeds of £31.6 million, and from internally generated free cash flow. In addition, our bank facilities were renegotiated which provided us with lower interest margins and a further two-year term whilst at the same time allowing the Group to benefit from improved covenants.

The Group's balance sheet is now in good shape with a Group loan-to-value ratio ("Group LTV") of circa 37%. This represents a level of gearing we feel is appropriate for the business to enable the Group to increase returns on equity, maintain financial flexibility and to achieve our medium-term strategic objectives.

Dividend

The Board is pleased to recommend a 36% increase in the final dividend to 5.30 pence per share (FY2013: 3.90 pence per share), resulting in an increase of 30% in the total dividend to 7.45 pence per share for the year (FY2013: 5.75 pence per share). This total dividend for the year is covered 1.8 times by cash tax earnings (FY2013: 1.9 times).

The Board remains confident in the prospects for the Group and, after a year of consolidation in 2013, will continue its progressive dividend policy in 2015 and beyond. For the current financial year and for the medium term, the Board is comfortable with dividend cover of between 1.7 and 2.0 times. Given the Group's REIT status, it is required to pay out 90% of its UK based property income in dividends. The Group estimates that the aforementioned range of dividend cover will ensure compliance with REIT requirements.

People

As previously announced, Adrian Martin, our Senior Independent Director, will be retiring from the Board as Non-Executive Director at the next Annual General Meeting in March 2015.

In October 2014, Joanne Louise Kenrick was appointed to the Board as a Non-Executive Director and a member of the Nomination Committee.

Jo is marketing director at Homebase, a subsidiary of the Home Retail Group plc, and a non-executive director of Principality Building Society where she is also a member of the customer and conduct and nominations committees.

On behalf of the Board, I'd like to put on record our gratitude to Adrian for his valuable contribution to Safestore over the last six years and wish him the best for the future. I am also delighted to welcome Jo to the Board with her significant operational, sales and marketing experience in consumer retail across a number of well-known retail brands. Her deep understanding and knowledge of marketing will help support the Group's continued development.

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

A Lewis

Non-Executive Chairman

21 January 2015



The Board is pleased to recommend a 36% increase in the final dividend to 5.30 pence per share.

¹ The underlying finance charge is defined as the interest payable on bank loans and overdrafts and the amortisation of debt issue costs, net of interest receivable from bank deposits. It excludes interest on obligations under finance leases, fair value movements of derivatives, net exchange gains/losses, discount unwind on the CGS receivable and exceptional finance income/expense.

— Our main focus over the past year has been to improve operational performance of the existing business



Frederic Vecchioli
Chief Executive Officer

The Strategic report covers the following areas:

- Our strategy
- Strategic progress
- Portfolio summary
- Market
- Business model
- Principal risks and uncertainties
- Financial review
- Corporate and social responsibility

Our strategy

Our belief is that the Group has the asset base, management expertise, infrastructure, scale and balance sheet strength to exploit the improving industry dynamics and macro-economic environment. One year ago we laid out our future strategy and we are now pleased to be able to detail significant progress in the report that follows.

We identified three phases to our strategy:

- establish a more appropriate capital structure for the business;
- improve operational delivery; and
- realise selective portfolio management opportunities.

Key performance indicators

The key performance indicators (“KPIs”) of our business are occupancy and average rental rate, which drive the revenue of our business. These KPIs, along with underlying EBITDA, are reported in the highlights section on the inside front cover and on page 1 and within the trading performance section of the Strategic report on pages 10 and 11.

Strategic progress

Capital structure

In the first quarter of the financial year we completed the targeted improvements to our capital structure to position the business better for the future. The actions taken were as follows:

- sold our Whitechapel site for £40.5 million (53% above April 2013 book value) and used the proceeds to pay down debt;
- completed an equity placing of 18.6 million new shares in January 2014 at a share price of 175 pence per share, raising net proceeds of £31.6 million which was used to pay down debt;
- announced an amendment and extension of our bank facilities which provides us with lower interest margins, a further two-year term to our bank facilities whilst at the same time allowing the Group to benefit from improved covenants;

- finalised the hedging arrangements in relation to the renewed facilities, resulting in an estimated effective blended rate of interest of 4.3% across all our facilities (5.3% in 2013); and
- reduced pro forma annual underlying interest charges by at least £6 million compared with 2013.

The above actions, in addition to a strong financial performance during the year, have enabled us to achieve a Group loan-to-value ratio ("Group LTV") of circa 37%, which we believe is an appropriate medium-term level for the business.

The rebalanced capital structure has significantly reduced the interest cost on our borrowings and will underpin an improved return on equity, provide financial flexibility and support our medium-term strategic objectives.

Operational delivery

Our main focus over the past year has been to improve the operational performance of the existing business, particularly in the UK.

We have a strong, fully invested estate in both the UK and France. Of our 121 stores, 82 are in London and the south-east of England or in Paris and 39 in the UK regions and we operate more stores inside the M25 than any other competitor.

However, we have 1.3 million sq ft of unoccupied space in our UK stores and 0.3 million sq ft in Paris. Our continued focus will be on ensuring that we drive occupancy to utilise this capacity at carefully managed rates.

Our operational team has been instrumental in turning around our trading results. In our relatively immature industry, customer service and selling skills at the point of sale are both essential in earning the trust of the customer and in driving the appropriate balance of volumes and unit price in order to optimise revenue growth in each store. Under the leadership of our new Operations Director, appointed in March, 2014 has been a year of significant operational transformation. The Company has invested in operations by:

- significantly reorganising the structure of the business adding three Regional Manager positions, allowing closer store management oversight and development of the training and coaching of the members of the sales team. The costs of these organisational changes, which were a fundamental element of the business' strategy, have been charged to exceptional items;

- strengthening head office support with the recruitment of a new Head of Human Resources ("HR") with a particular focus on operational HR;
- implementing an improved store recruitment and induction process ensuring that we are attracting high calibre staff to the business;
- increasing the focus on the consistency of performance of individual staff members;
- investing in store training to strengthen the stores' sales and customer service teams;
- adapting our pricing policy to ensure that each store trades competitively in its local market whilst substantially improving control and discipline in relation to store level discounting;
- redesigning the store incentive programme so that store performance can be rewarded on a monthly basis through locally controllable and understandable measures based on our key revenue growth drivers; and
- retaining a high level of maintenance standards and customer service to the satisfaction of both our domestic and business customer base.

In tandem with the above changes, which were implemented throughout the year, we saw steady improvement in the conversion of enquiries into new lets, resulting in 35.4% year-on-year growth in new lets in the fourth quarter of the year. Simultaneously, our average storage rate improved from 7.4% down year-on-year in September 2013 to 4.8% up year-on-year in October 2014 and continues to progress as we enter the new financial year.

We are very pleased with the pace at which the above improvements have been implemented. Whilst we have more work to do and further progress to make, we are already seeing the impact of these actions not only in our results, but also in improved team morale and confidence.

Our store teams have benefited from 12% year-on-year growth in customer enquiries, resulting from our continued investment in our marketing team.



**Our operational team
has been instrumental
in turning around our
trading results.**

Strategic progress continued

Operational delivery continued

Customers requiring storage now predominantly start their journey by conducting detailed online research in their locality. It is therefore important to ensure that we appear on the top rankings of searches made through the internet. This is managed by analysing around 100,000 search keyword combinations. Online enquiries now represent 79% of our enquiries and 36% of our online enquiries originate from our mobile site, a figure that has increased by 52% in the last twelve months.

There is a clear benefit of scale in the generation of customer enquiries, and the size of our organisation allows us to employ the appropriate skills and to dedicate a significant budget to achieve these results. Our annual marketing budget of over £3.0 million is mainly directed towards the generation of enquiries through sponsored links as well as organic referencing in the search engines. Improved tools and performance have enabled us to reduce our cost per enquiry in the year, resulting in new enquiry growth of 12% from a similar level of expenditure to the prior year.

We constantly enhance our consumer website for desktop and mobile with richer content designed to assist online customers in establishing their storage requirements. We now have an industry leading website in the UK, and we continue to monitor all channels of enquiry generation and adapt our marketing strategy to optimise responses. Such initiatives will enable us to continue to improve our website enquiry capture, which has grown by 4.4% over the last financial year.

Since we integrated Feefo (an independent merchant review system), which allows customers to leave their feedback on the quality of our customer service on the site, into our website in 2013, our customer satisfaction score has remained in excess of 97%.

We remain focused on business as well as domestic customers. Our national network means that we are uniquely placed to further grow the business customer market and in particular National Accounts. Business customers in the UK now constitute 49% of our total space let and have an average length of stay of 31 months. Within our business customer category, our National Accounts business continues to grow with storage revenue increasing by 12% compared with 2013. The space let to National Accounts customers has increased by 17% compared with 2013 and, at 272,000 sq ft, constitutes 10% of our total occupied space in the UK business. Two-thirds of the space occupied by National Accounts customers is outside London, demonstrating the importance of our well invested national estate.

Our centrally located customer support centre in the UK provides ongoing support to our stores, in addition to actioning enquiries that are outside store hours and handling 16% of all enquiries. Our central pricing team is responsible for the management of our dynamic pricing policy and for the implementation of promotional offers and our centrally based National Accounts team is focused on driving growth in our base of business customers who store at multiple locations. Our IT and Finance teams provide day-to-day support to the store operations and ensure that our pricing and marketing policies are effectively implemented and monitored.

We have continued to ensure that our Head Office functions remain lean and efficient and focused on supporting the operational performance of the business. In the year, we have reduced the underlying central cost base of the business by £1.3 million.

Selective portfolio management opportunities

Our approach to store development in the future will be pragmatic, flexible and returns focused.

In January 2014 we highlighted the possibility of realising a small number of demonstrably value-creating investments from within the current estate, as well as laying the foundations for longer-term growth. To realise these near-term opportunities from within the estate we indicated a maximum capital expenditure of £10–£15 million through 2014 and 2015 over and above our ongoing annual maintenance capital expenditure.

In Paris, we completed the acquisition of the freehold of our leasehold St Denis store for €3.6 million in May 2014. As previously indicated, we also closed our loss-making leasehold store in the St Denis area (Landy), consolidating its occupancy where possible into the freehold St Denis store.

In Southend, we operate out of a purpose-built new store. We are pleased to have completed the unconditional sale of the site of the previous store to Lidl for £1.1 million in June 2014, resulting in a gain of £0.4 million.

We believe that the land we own on the A4 in London at Chiswick represents an attractive opportunity and we are proceeding with the development of a new store on this site. The estimated cost to build this store is included in the £10–£15 million guidance above and we anticipate the store opening in Q2 2016. Our other pipeline sites in Wandsworth and Birmingham continue to be evaluated for potential development.

At New Malden our landlord has now obtained planning permission for the redevelopment of the site and it is likely that the landlord will serve its option to break the lease in return for a premium significantly higher than the asset valuation as an ongoing trading store. If the landlord exercises the option then our current best estimate is that the store would most likely close in H2 2015. We anticipate relocating a significant proportion of the store's occupancy to other nearby stores in our portfolio.

On 28 October 2014 we completed the re-gear of our Edinburgh Gyle store to remove a mutual break clause operable in June 2016. The lease will now continue to June 2026 and has been valued accordingly.

Active and effective management of our property portfolio has always been a key priority. Since the financial year end we have extended leases on a further three leasehold properties at Guildford, Swanley and Harlow, providing the business with long-term tenure on these properties. It is estimated that this activity will add approximately £3.7 million to our asset valuation. This follows the re-gear of six leases during 2013.

We continue to seek other asset management opportunities to develop our store portfolio. Further lease re-gearing and income generation opportunities will be explored on an ongoing basis.

However, our short-term focus will be on filling the 1.6 million sq ft of currently available space, which is the equivalent of 40 full stores. The operational cost of managing this space is already embedded in our relatively fixed cost base and therefore a high proportion of any incremental revenues will translate into profits.

We believe that this strategy, combined with positive market and economic dynamics and the quality of our property portfolio, means that we are well positioned for further growth and to deliver strong returns to our shareholders.

Portfolio summary

The self-storage market has been growing in the last 15 years across many European countries but few regions offer the unique characteristic of London and Paris, both of which consist of large, wealthy and densely populated markets. In the London region, the population is 13 million with a density of 5,200 inhabitants per square mile in the region, 11,000 per square mile in the city of London and up to 32,000 per square mile in the densest boroughs.

The population of the Paris urban area is 10.7 million with a density of 9,300 inhabitants per square mile in the urban area but 54,000 per square mile in the city of Paris and first belt, where 75% of our French stores are located and which has one of the highest densities in the western world. 85% of the Paris region population lives in the city core versus the rest of the urban area which compares with 60% in the London region. There are currently 202 storage centres within the M25 as compared to only 85 in the Paris urban area. The GDPs generated in the London and Paris conurbations are roughly equivalent and are more than twice that of any other European equivalent.

In addition, barriers to entry in these two city markets are high, due to land values and limited availability of sites as well as planning regulation. This is the case for Paris and its first belt in particular, which inhibits new development possibilities.

Our combined operations in London and Paris, with 67 stores, £65.4 million revenue and £37.5 million EBITDA, offer a unique exposure to the two most attractive European self-storage markets.

We have a strong position in both the UK and Paris markets, operating 97 stores in the UK, 58 of which are in London and the south-east, and 24 stores in Paris.

In the UK, 68% of our revenue is generated by our stores in London and the South-east. On average, our stores in London and the south-east are smaller than in the rest of the UK but the occupancy levels and rental rate achieved are higher. In London we operate 43 stores within the M25, more than any other competitor.

In France, we have a leading position in the heart of the affluent city of Paris market with eight stores branded as Une Pièce en Plus ("UPP") ("A spare room") with more than twice the number of stores of our two major competitors combined. 75% of the UPP stores are located in a cluster within a five-mile radius of the city centre, which facilitates strong operational and marketing synergies as well as options to differentiate and channel customers to the right store subject to their preference for convenience or price affordability. The Parisian market has attractive socio-demographic characteristics for self-storage and we believe that UPP enjoys unique strategic strength in such an attractive market.

Together, London, the south-east and Paris represent 68% of our owned stores, 76% of our revenues, as well as 55% of our available capacity.

In addition, Safestore has the benefit of a leading national presence in the UK regions where the stores are predominantly located in the centre of key metropolitan areas such as Birmingham, Manchester, Liverpool, Bristol, Glasgow and Edinburgh.

In the UK we own three development sites with planning permission at Chiswick and Wandsworth in London and in central Birmingham. We plan to open the Chiswick site in early 2016 and continue to assess the value of the Wandsworth and Birmingham sites for self-storage and alternative purposes.

Owned store portfolio by region

	London and south-east	Rest of UK	UK total	Paris	Group total
Number of stores	58	39	97	24	121
Let square feet (m sq ft)	1.55	1.13	2.68	0.78	3.46
Maximum lettable area (m sq ft)	2.18	1.84	4.02	1.01	5.03
Average let square feet per store (k sq ft)	27	29	28	33	29
Average store capacity (k sq ft)	38	47	41	42	42
Closing occupancy (%)	71.0	61.4	66.6	77.2	68.8
Average rate (£ per sq ft)	26.30	16.67	22.21	30.94	24.24
Revenue (£'m)	48.7	23.1	71.8	26.1	97.9
Average revenue per store (£'m)	0.84	0.59	0.74	1.09	0.81

Market

The self-storage market in the UK and France remains relatively immature compared to geographies such as the USA and Australia. The Self Storage Association ("SSA") Annual Survey (April 2014) confirmed that, in the UK, self-storage capacity remains in line with 2013 at 0.5 sq ft per head of population as compared with 7.3 sq ft in the USA and 1.4 sq ft in Australia. While capacity increased significantly between 2006 and 2009 with an average of 34 stores per annum being opened, new additions have been limited to an average of nine stores per annum between 2010 and 2013.

In the Paris market, we estimate the density to be even lower at around 0.36 sq ft per inhabitant.

New supply in London and Paris is likely to be limited in the short term as a result of planning restrictions and the availability of suitable land. Respondents to the SSA survey indicated that the majority of the limited future anticipated development of new stores will take place outside these markets. In fact, capacity in London is expected to contract in the short term as the limited planned openings are offset by site closures as alternative use opportunities have been realised.

The supply in the UK market, according to the SSA survey, remains relatively fragmented. Safestore is the leader by number of stores with 97 wholly owned sites, followed by Big Yellow with 68 wholly owned stores, Access with 55 stores, Storage King and Lok'n Store with 24 stores each and Shurgard with 22 stores. In aggregate, the six leading brands account for less than 30% of the UK store portfolio. The remaining circa 700 self-storage outlets (including 141 container based operations) are independently owned in small chains or single units.

The Paris market is significantly more concentrated with three main operators. Our French business, UPP, is mainly present in the core wealthier and more densely populated inner Paris and first belt areas, whereas our two main competitors, Shurgard and Homebox, have a greater presence in the outskirts and second belt of Paris.

Consumer awareness of self-storage is increasing but is still low, providing an opportunity for future industry growth. The SSA survey indicated that 62% of consumers either knew nothing about the service offered by self-storage operators or had not heard of self-storage at all. The opportunity to grow awareness, combined with limited new industry supply and improving economic conditions, makes for an attractive industry backdrop.

There are numerous drivers of self-storage growth. Most private or business customers need storage either temporarily or permanently for different reasons at any point in the economic cycle, resulting in a market depth that is in our view the reason for its exceptional resilience. The growth of the market is driven both by the fluctuation of economic conditions, which has an impact on the mix of demand, and by growing awareness of the product.

Our domestic customers' need for storage is often driven by lifestyle events such as births, marriages, bereavements, divorces or by the housing market including house moves and developments and moves between rental properties. It is estimated that UK owner-occupied housing transactions drive around 10–15% of new lets.

Our business customer base includes a range of businesses from start-up online retailers through to multi-national corporates utilising our national coverage to store in multiple locations while maintaining flexibility in their cost base.

Business and personal customers	UK	France
Personal customers		
Numbers (% of total)	71%	79%
Square feet occupied (% of total)	51%	61%
Average length of stay (months)	20.8	26.1
Business customers		
Numbers (% of total)	29%	21%
Square feet occupied (% of total)	49%	39%
Average length of stay (months)	30.9	31.5

The SSA survey also highlighted the increasing importance for operators of a strong online presence. 67% of those surveyed confirmed that an internet search would be their chosen means of finding a self-storage unit to contact.

Safestore's customer base is resilient and diverse and consists of 48,000 domestic, business and National Accounts customers across London, Paris and the UK regions.



Our absolute focus is on filling the spare capacity in our stores at optimally yield-managed prices.

Business model

As discussed on page 8, Safestore operates in a market with relatively low consumer awareness. It is anticipated that this will increase over time as the industry matures. To date, despite the financial crisis and the implementation of VAT on self-storage in 2012, the industry has been exceptionally resilient. With more favourable economic conditions and limited new supply coming into the self-storage market, the industry is well positioned for growth.

With more stores inside London's M25 than any other operator and a strong position in central Paris, Safestore has leading positions in the two most important and demographically favourable markets in Europe. In addition, our regional presence in the UK is unsurpassed and contributes to the success of our industry leading National Accounts business. In the UK, Safestore is the leading operator by number of wholly owned stores.

Our capital-efficient portfolio of 121 wholly owned stores in the UK and Paris consists of a mix of freehold and leasehold stores. In order to grow our business and secure the best locations for our facilities we have maintained a flexible approach to leasehold and freehold developments.

Currently, one-third of our stores in the UK are leaseholds with an average remaining lease length of twelve years. Although our property valuation for leaseholds is conservatively based on future cash flows until the next contractual lease renewal date, Safestore has a demonstrable track record of successfully re-gearing leases several years before renewal whilst at the same time achieving concessions from landlords.

In England, we benefit from the Landlord and Tenant Act that protects our rights for renewal except in case of redevelopment. The vast majority of our leasehold stores have building characteristics or locations in retail parks that make current usage either the highest and best use of the property or the only one authorised by planning. We observe that our landlords, who are property investors, value the quality of Safestore as a tenant and typically prefer to extend the length of the leases that they have in their portfolio, enabling Safestore to maintain favourable terms.

In Paris, where 50% of stores are leaseholds, all our leases benefit from the well enshrined Commercial Lease statute that provides that tenants own the commercial property of the premises and that they are legally entitled to indefinitely renew their lease at a rent that is indexed to the National Construction Index published by the state.

In the event that a landlord wants to terminate a lease, the law in Paris requires that he has to fully indemnify the tenant for the loss of its commercial property which, in the case of UPP, given the difficulty in finding new premises in Paris, would amount to the full value of the lost business. The solidity of the tenant protection has been tested three times in the courts by UPP resulting, in each case, in the landlords ultimately abandoning their plans. The tenant's rights have been reinforced in 2014 with new regulations creating in most cases a statutory pre-emption right for the tenant if a landlord wants to transfer the freehold interest. Taking into account the legal context, the valuer values the French leasehold based on an indefinite property tenure, similar to freeholds.

Our experience is that being flexible in its approach has enabled Safestore to operate from properties that would have been otherwise unavailable and to generate strong returns on capital invested.

Safestore excels in the generation of customer enquiries which are received through a variety of channels including the internet, telephone and "walk-ins". In the early days of the industry, local directories and store visibility were key driver of enquiries. The internet is now by far the dominant channel, accounting for 79% of our enquiries in the UK and 63% in France. Telephone enquiries comprise 13% of the total (30% in France) and "walk-ins" amount to only 8% (12% in France). This key change is a clear benefit to the leading operators that possess the budget and the management skills necessary to generate a commanding presence in the major search engines. Safestore has developed a leading digital marketing platform that has generated 50% enquiry growth over the last four years.

Our enquiries are predominantly handled directly by the stores and, in the UK, we have a Customer Support Centre ("CSC") which now handles 16% of all enquiries, in particular when the store staff are busy handling calls or outside normal store opening hours.

Our pricing platform provides the store and CSC staff with system-generated real time prices managed by our centrally based yield management team. Local staff have certain levels of discretion to flex the system generated prices but this is continually monitored.

Customer service standards are high and customer satisfaction feedback is consistently extremely positive. Over the last twelve months we have achieved 97% customer satisfaction, based on "excellent" or "good" ratings as collected by Feefo via our customer website.

The key drivers of sales success are the capacity to generate enquiries in a digital world, the capacity to provide a great number of storage locations that are conveniently located close to the customers' requirements and the ability to maintain a consistently high quality, motivated retail team that is able to secure customer sales at an appropriate storage rate, all of which can be better provided by larger, more efficient organisations.

The business now has in excess of 48,000 business and domestic customers with an average length of stay of 31 months and 22 months respectively.

The cost base of the business is relatively fixed. Each store typically employs three staff. Our Group Head Office comprises business support functions such as yield management, property, marketing, HR, IT and finance.

Since the completion of the rebalancing of our capital structure in early 2014, Safestore has secure financing, a strong balance sheet and significant covenant headroom providing the Group with financial flexibility and the ability to grow organically and via carefully selected new developments.

At 31 October 2014 we had 1.3 million sq ft of unoccupied space in the UK and 0.3 million sq ft in France, equivalent to over 40 full new stores. Our absolute focus is on filling the spare capacity in our stores at optimally yield-managed prices. The operational leverage of our business model will ensure that the bulk of the incremental revenue converts to profit given the fixed nature of our cost base.

Trading performance

UK – strategic momentum drives significant improvement

UK operating performance	2014	2013	Change
Revenue: like-for-like (£'m)	71.8	68.8	4.4%
Revenue (£'m)	71.8	70.2	2.3%
EBITDA (£'m)	36.7	34.8	5.5%
Closing occupancy (let sq ft: million) ¹	2.68	2.56	4.7%
Closing occupancy (% of MLA)	66.6	63.5	+3.1ppts
Average storage rate (£)	22.21	22.19	0.1%

¹ Closing occupancy excludes offices but includes 83,500 sq ft of bulk tenancy as at 31 October 2014 (31 October 2013: 76,600 sq ft).

The UK business performed strongly with like-for-like revenue up 4.4%. At the end of the year, UK occupancy was 66.6%, an increase of 3.1 percentage points on the prior year.

The table below illustrates the continuing improving revenue trends over the last 14 months.

Variance vs prior year	September 2013	October 2013	November 2013	December 2013	January 2014	February 2014	March 2014
Total revenue	(6.9%)	(5.3%)	(3.7%)	(2.9%)	(3.9%)	(1.5%)	(0.3%)
Like-for-like revenue	(5.5%)	(3.8%)	(1.3%)	(0.3%)	(1.3%)	1.2%	2.4%
Closing occupancy	(1.1%)	0.5%	1.6%	2.2%	2.6%	2.8%	4.0%
Average rate	(7.4%)	(4.8%)	(4.7%)	(4.4%)	(4.4%)	(2.8%)	(1.9%)

Variance vs prior year	April 2014	May 2014	June 2014	July 2014	August 2014	September 2014	October 2014
Total revenue	0.6%	2.5%	4.9%	6.2%	8.1%	8.3%	8.8%
Like-for-like revenue	2.9%	4.4%	6.6%	7.8%	9.8%	10.0%	10.4%
Closing occupancy	3.2%	3.0%	4.5%	4.8%	5.3%	5.8%	4.7%
Average rate	(0.9%)	1.5%	3.6%	3.2%	4.0%	4.4%	4.8%

Whilst the UK rate was up 0.1% for the full year, the improvement in the year-on-year position as the year progressed reflected the pricing policy changes made in the first half of the year and the subsequent increased discipline in relation to discounting. In October 2014, rate was up 4.8% year-on-year demonstrating the momentum in the improving rate performance.

Our key focus in the UK, throughout the year, has been on our store operational performance and on improving the conversion of enquiries at an appropriate rate to maximise revenues. New lets growth of 35.4% in the final quarter and 19.8% over the year has continued to drive performance, with 125,000 sq ft of occupancy added over the year.

Finally, control of our cost base has been a strong focus in the year. Despite an increase in the share based payment charge of £1.1 million in the year, the total cost base has still reduced in the year to £35.1 million (2013: £35.4 million).

EBITDA for the UK business was £36.7 million (2013: £34.8 million), an increase of £1.9 million or 5.5%.

Paris – the 16th year of growth in revenue and profitability

Paris operating performance	2014	2013	Change	Change – CER ²
Revenue (£'m)	26.1	25.9	0.8%	4.4%
EBITDA (£'m)	16.3	16.0	1.9%	5.6%
Closing occupancy (let sq ft: million) ¹	0.78	0.76	2.6%	n/a
Closing occupancy (% of MLA)	77.2%	71.9%	+5.3ppt	n/a
Average storage rate (£)	30.94	31.63	(2.2%)	1.4%

¹ Closing occupancy excludes offices but includes 83,500 sq ft of bulk tenancy as at 31 October 2014 (31 October 2013: 76,600 sq ft).

² Constant exchange rates.

Our Paris business performed strongly against the backdrop of a challenging macro-economic environment, demonstrating the quality and market leading position of our estate. Revenue on a CER basis was up 4.4%. Our average rate, on a CER basis, improved by 1.4% on the prior year. Despite the planned closure of our Landy store in October 2014, the square feet occupied was 20,000 sq ft ahead of the prior year. As a result, occupancy as a percentage of MLA increased by 5.3 percentage points to 77.2%.

Revenue growth in Sterling was 0.8%. The impact of a 4% weakening in the average Euro exchange rate was partly mitigated by the foreign exchange swaps in place on €10.5 million of Paris profitability, at an average rate of €1.236:£1. The benefit of these hedging arrangements is reflected within EBITDA but not in the revenue line.

Our strategy of achieving an appropriate balance of rate and occupancy growth has been successful and we are now in the seventh consecutive quarter of year-on-year rate growth and 16th year of uninterrupted revenue growth in local currency.

The cost base in Paris remained well controlled during the year and, despite adverse currency movements, and the fact that the prior year benefited from the recognition of €1.0 million relating to an insurance claim on our Nanterre store, the cost base reduced to £9.8 million (2013: £9.9 million).

The improvements in revenue and underlying cost base reductions resulted in EBITDA in France of £16.3 million (2013: £16.0 million), an improvement of £0.3 million or 1.9% on 2013. On a constant currency basis, EBITDA grew by 5.6%.

F Vecchioli

Chief Executive Officer

21 January 2015

— The process focuses on the identification of key strategic, financial and operational risks



A diversified portfolio let to a large number of customers should help to mitigate any negative impact arising from changing conditions in the financial and property market.

Risk management process

The Group faces a number of risks which, if they arise, could affect its ability to achieve its strategic objectives. The Board is responsible for determining the nature of these risks and ensuring appropriate mitigating actions are in place for managing them.

Effective risk management requires awareness and engagement at all levels of our organisation. It is for this reason that risk management is incorporated into the day-to-day management of our business, as well as being reflected in the Group's core processes and controls. The Board oversees the risk management strategy and the effectiveness of the Group's internal control framework. Risks are considered at every business level and are assessed, discussed and taken into account when deciding upon future strategy, approving transactions and monitoring performance.

Strategic risks are identified, assessed and managed by the Main Board and Audit Committee. They are reviewed at Board level to ensure they are valid, and they represent the key risks associated with the current strategic direction of the Group. Operational risks are identified, assessed and managed by Executive Team members and reported to the Main Board and Audit Committee. These cover all areas of the business, such as finance, operations, investment, development and corporate risks.

The risk management process commences with rigorous risk identification sessions incorporating contributions from functional managers and Executive Management Team members. The output is reviewed and discussed by members of senior management from across the business. The Executive Management Team identifies and prioritises the top business risks, which are then challenged by the Board. The process focuses on the identification of key strategic, financial and operational risks. The potential impact and likelihood of the risks occurring are determined, key risk mitigations are identified, and the current level of risk assessed against the Board's risk appetite. These top business risks form the basis for the principal risks and uncertainties detailed in the section below.

Principal risks and uncertainties

The principal risks and uncertainties described are considered to have the most significant effect on Safestore's strategic objectives. This list is not intended to be exhaustive. Some risks, however, remain outside of the Group's full control, for example macroeconomic issues, changes in government regulation and acts of terrorism.

The key strategic and operational risks are monitored by the Board and are defined as those which could prevent us from achieving our business goals. Our current strategic and operational risks and key mitigating actions are as follows:

Risk	Current mitigation activities
Strategy	
The Group develops business plans based on a wide range of variables. Incorrect assumptions about the self-storage market or changes in the needs of customers, or the activities of customers may adversely affect the returns achieved by the Group	<ul style="list-style-type: none"> — The strategy development process draws on internal and external analysis of the self-storage market, emerging customer trends and a range of other factors. — Strengthened focus on yield management with regular review of demand levels and pricing at each individual store. — The portfolio is geographically diversified with performance monitoring covering the personal and business customers by segments.
Finance risk	
Lack of funding resulting in inability to meet business plans, satisfy liabilities or breach of covenants	<ul style="list-style-type: none"> — Funding requirements for business plans and the timing for commitments are reviewed regularly as part of the monthly management accounts. — The Group manages liquidity in accordance with Board approved policies designed to ensure that the Group has adequate funds for its ongoing needs. — The Board regularly monitors financial covenant ratios and headroom. — The refinanced banking facilities were extended to 30 June 2018 during FY2014 and the US private placement notes mature in five and ten years.
Treasury risk	
Adverse currency or interest rate movements	<ul style="list-style-type: none"> — Guidelines set for our exposure to fixed and floating interest rates and use of interest rate and currency swaps to manage this risk. — Foreign currency denominated assets financed by borrowings in the same currency where appropriate. — The Group has interest rate derivative contracts in place that were re-aligned during FY2014 to cover the full term of the bank facilities and the US private placement notes.
Property investment and development	
Acquisition and development of properties that fail to meet performance expectations	<ul style="list-style-type: none"> — Thorough due diligence conducted and detailed analysis undertaken prior to Board approval for property investment and development.
Overexposure to developments within a short timeframe	<ul style="list-style-type: none"> — The Group's overall exposure to developments is monitored and projects phased. — The performance of individual properties is benchmarked against target returns.
Valuation risk	
Value of our properties declining as a result of external market or internal management factors	<ul style="list-style-type: none"> — Independent valuations conducted by experienced, independent, professionally qualified valuers.
In the absence of relevant transactional evidence, valuations can be inherently subjective leading to a degree of uncertainty	<ul style="list-style-type: none"> — A diversified portfolio let to a large number of customers should help to mitigate any negative impact arising from changing conditions in the financial and property market. — Headroom of loan to value banking covenants is maintained and reviewed. — The lowered gearing levels during FY2014 provides enhanced headroom on valuations and significantly reduces the likelihood of covenants being endangered.

Principal risks and uncertainties continued

Risk	Current mitigation activities
Occupancy risk	
<p>A potential loss of income and increased vacancy due to falling demand, oversupply, or customer default</p>	<ul style="list-style-type: none"> – Personal and business customers cover a wide range of segments, sectors and geographic territories with limited exposure to any single customer. – Dedicated specialised support introduced during FY2014 for improved enquiry capture. – Weekly monitoring of occupancy levels and revised regional structure in FY2014 to facilitate closer management of stores. – Monitoring of reasons for customers vacating and exit interviews conducted. – Independent feedback facility for customer experience. – The occupancy rate across the portfolio has been grown through FY2014 due to flexibility offered on deals by in-house marketing and the customer support centre.
Real estate investment trust (“REIT”) risk	
<p>Failure to comply with the REIT legislation could expose the Group to potential tax penalties or loss of its REIT status</p>	<ul style="list-style-type: none"> – Internal monitoring procedures in place to ensure that the appropriate rules and legislation are complied with and this is formally reported to the Board.
Business interruption risk	
<p>Major events mean that the Group is unable to carry out its business for a sustained period</p>	<ul style="list-style-type: none"> – Business continuity plans in place and tested. – Back-up systems at remote places and remote working capabilities. – Reviews and assessments are undertaken periodically for enhancements to supplement the existing compliant aspects of buildings and processes.

Financial review



Andy Jones
Chief Financial Officer

Underlying income statement

The table below sets out the Group's underlying results of operations for the year ended 31 October 2014 and the year ended 31 October 2013.

Management considers the below presentation of earnings to be representative of the underlying performance of the business.

Underlying EBITDA increased by 4.3% to £53.0 million (2013: £50.8 million), reflecting a 1.9% increase in revenue and a 0.9% saving in the underlying cost base (see pages 17 and 18).

The 30.7% increase in underlying profit before tax to £28.5 million (2013: £21.8 million) was driven by a 25.5% reduction in finance charges from £18.4 million to £13.7 million, which was the result of management actions taken to strengthen the Group's capital structure during the year, together with the improved operating performance of the business.

Given the Group's REIT status in the UK, tax is only paid in France and the tax due in the period increased to £1.2 million (2013: £0.9 million).

Management considers that the most representative earnings per share ("EPS") measure is cash tax adjusted EPS which has increased by 21.6% to 13.5 pence (2013: 11.1 pence). EPRA EPS also reflects the deferred tax on underlying trading and increased by 26.3% to 12.5 pence from 9.9 pence in 2013.

	2014 £'m	2013 £'m	Movement %
Revenue	97.9	96.1	1.9%
Underlying costs	(44.9)	(45.3)	(0.9%)
Underlying EBITDA	53.0	50.8	4.3%
Leasehold rent	(10.3)	(10.2)	1.0%
Underlying EBITDA after leasehold rent	42.7	40.6	5.2%
Depreciation	(0.5)	(0.4)	25.0%
Finance charges	(13.7)	(18.4)	(25.5%)
Underlying profit before tax	28.5	21.8	30.7%
Current tax	(1.2)	(0.9)	33.3%
Cash tax earnings	27.3	20.9	30.6%
Underlying deferred tax	(2.1)	(2.2)	(4.5%)
EPRA earnings	25.2	18.7	
Average shares in issue (million)	202.1	187.9	
Underlying (cash tax adjusted) EPS (pence)	13.5	11.1	21.6%
EPRA EPS (pence)	12.5	9.9	26.3%

Reconciliation of underlying EBITDA

The table below reconciles the operating profit included in the income statement to underlying EBITDA.

	2014 £'m	2013 £'m
Operating profit	75.6	69.2
Adjusted for:		
– gain on investment properties	(24.1)	(21.5)
– depreciation	0.5	0.4
– contingent rent	1.2	0.7
– change in fair value of derivatives	(1.2)	1.3
Exceptional items:		
– restructuring costs	0.8	1.7
– insurance proceeds	–	(1.6)
– VAT and REIT related costs	–	0.3
– other	0.2	0.3
Underlying EBITDA	53.0	50.8

The main reconciling items between operating profit and underlying EBITDA are the gain on investment properties, which increased by £2.6 million from £21.5 million in 2013 to £24.1 million in 2014, and exceptional items which increased from a net charge of £0.7 million in 2013 to £1.0 million in 2014.

Underlying profit by geographical region

The Group is organised and managed in two operating segments based on geographical region. The table below details the underlying profitability of each region.

	2014			2013		
	UK £'m	France £'m	Total £'m	UK £'m	France £'m	Total £'m
Revenue	71.8	26.1	97.9	70.2	25.9	96.1
Underlying cost of sales	(24.4)	(6.2)	(30.6)	(25.1)	(5.6)	(30.7)
Gross profit	47.4	19.9	67.3	45.1	20.3	65.4
Gross margin	66%	76%	69%	64%	78%	68%
Underlying administrative expenses	(10.7)	(3.6)	(14.3)	(10.3)	(4.3)	(14.6)
Underlying EBITDA	36.7	16.3	53.0	34.8	16.0	50.8
EBITDA margin	51%	62%	54%	50%	62%	53%

EBITDA in the UK increased by £1.9 million or 5.5% to £36.7 million (2013: £34.8 million), underpinned by a £1.6 million increase in revenue, driven primarily by a 4.7% increase in closing occupancy, together with a £0.3 million saving in costs.

In the Parisian business, EBITDA increased by £0.3 million or 1.9% to £16.3 million (2013: £16.0 million), driven by administrative expense savings of £0.7 million. On a constant currency basis, EBITDA in France grew by 5.6%.

Revenue

Revenue for the Group is primarily derived from the rental of self-storage space and the sale of ancillary products such as insurance and merchandise (e.g. packing materials and padlocks) in both the UK and France.

The split of the Group's revenues by geographical segment is set out below for 2014 and 2013.

		2014	% of total	2013	% of total	% change
UK	£'m	71.8	73%	70.2	73%	2.3%
France						
Local currency	€'m	32.1		30.7		4.4%
Average exchange rate	€:£	1.228		1.185		
France in Sterling	£'m	26.1	27%	25.9	27%	0.8%
Total revenue		97.9	100%	96.1	100%	1.9%

The Group's revenue increased by 1.9% or £1.8 million in the year. The Group's occupied space was 145,000 sq ft higher at 31 October 2014 (3.46 million sq ft) than at 31 October 2013 (3.32 million sq ft). However, the average rental rate for the Group was 0.6% lower in 2014 at £24.24 than in 2013 (£24.39).

When the Group's revenue is adjusted for the closure of the Enfield South store in H2 2013 and for the loss of tenancy income subsequent to the sale of the Whitechapel store in November 2013, like-for-like revenue increased by 3.4%¹. The increase in like-for-like revenue on a CER basis² was 4.4%, reflecting the weakening of the Euro during the year.

In the UK, revenue increased by £1.6 million or 2.3%, and on a like-for-like basis it was up by 4.4%. The let sq ft was 125,000 sq ft higher at 31 October 2014 than at 31 October 2013, with the average rental rate increasing marginally from £22.19 in 2013 to £22.21 in 2014.

Revenue in the Parisian business increased by 4.4% on a constant currency basis. However, the weakening of the Euro during the financial year had an adverse currency impact of approximately £0.9 million on translation, so the increase was only £0.2 million, or 0.8%, when reported in Sterling. Closing occupancy increased by 2.6% to 0.78 million sq ft, and the rental rate was €38.01 for the year, an increase of 1.4% on 2013 (€37.49).

¹ Adjusted to reflect the closure of Enfield South and the loss of tenancy income following the sale and short-term leaseback of our Whitechapel site.

² Constant exchange rates.

Analysis of cost base

Cost of sales

The table below details the key movements in cost of sales between 2013 and 2014.

	2014 £'m	2013 £'m
Reported cost of sales	(32.3)	(31.8)
Adjusted for:		
– depreciation	0.5	0.4
– contingent rent	1.2	0.7
Underlying cost of sales	(30.6)	(30.7)
Underlying cost of sales for 2013:		(30.7)
– foreign exchange (including currency swaps)		0.2
– Nanterre insurance proceeds (received in FY2013)		(0.8)
– rates and facilities savings		0.4
– other cost improvements		0.3
Underlying cost of sales for 2014		(30.6)

In order to arrive at underlying cost of sales, adjustments are made to remove the impact of depreciation and contingent rent.

The weakening of the Euro during the year resulted in a decrease in the Sterling equivalent of the French cost of sales of £0.2 million.

During the year ended 31 December 2013, £0.8 million was credited to cost of sales, in respect of insurance proceeds relating to the fire that destroyed the Nanterre store and Head Office in December 2010, which was not repeated in the current year.

Management has taken a number of actions to reduce the cost base which, during the year, included rates appeals and greater focus on store facilities costs, which generated £0.4 million of savings. In addition, a reduction in other costs of £0.3 million resulted largely from these actions.

Administrative expenses

The table below reconciles reported administrative expenses to underlying administrative expenses and details the key movements in underlying administrative expenses between 2013 and 2014.

	2014 £'m	2013 £'m
Reported administrative expenses	(14.1)	(16.6)
Adjusted for:		
– exceptional items	1.0	0.7
– changes in fair value of derivatives	(1.2)	1.3
Underlying administrative expenses	(14.3)	(14.6)
Underlying administrative expenses for 2013:		(14.6)
– foreign exchange		0.1
– share based payments (including national insurance)		(1.1)
– employee and related cost savings		0.7
– professional and adviser fees		0.4
– other cost improvements		0.2
Underlying administrative expenses for 2014		(14.3)

In order to arrive at underlying administrative expenses, adjustments are made to remove the impact of exceptional items and changes in the fair value of derivatives.

Exceptional items in the period are costs principally associated with the restructuring of the Group's senior management team and certain operational functions during the year.

Underlying administrative expenses were reduced by £0.3 million to £14.3 million (2013: £14.6 million).

The weakening of the Euro during the year resulted in a £0.1 million decrease in the Sterling equivalent of French administrative expenses.

Charges for share based payments increased to £1.1 million, due to improved performance against targets. This increase was offset by savings in employee costs, reflecting headcount reductions and lower advisers' fees totalling £1.1 million, and other cost savings which amounted to £0.2 million.

Gain on investment properties

The gain on investment properties consists of the revaluation gains and losses with respect to investment properties under IAS 40 and finance lease depreciation for the interests in leaseholds and other items as detailed below.

	2014 £'m	2013 £'m
Movement on investment properties	29.0	26.0
Depreciation on leasehold properties	(4.9)	(4.5)
Gain on investment properties	24.1	21.5

The movement in investment properties reflects the combination of yield movements within the valuations together with the impact of changes in the cash flow metrics of each store. In a normal year the key variables are rate per sq ft, stabilised occupancy, number of months to reach stabilised occupancy and the yields applied.

In the current financial year the UK business contributed £23.7 million to the positive valuation movement and the French business contributed £5.3 million, reflecting improving trading metrics.

Operating profit

Operating profit increased by £6.4 million from £69.2 million in 2013 to £75.6 million in 2014. The increase predominantly reflects the £2.2 million increase in underlying EBITDA, a swing in the fair value of the forward currency contracts of £2.5 million from a loss of £1.3 million in 2013 to a gain of £1.2 million in 2014, and a £2.6 million increase in the gain on investment properties from £21.5 million in 2013 to £24.1 million in 2014.

Net finance costs

Net finance costs consist of interest receivable on bank deposits, interest payable and interest on obligations under finance leases.

	2014 £'m	2013 £'m
Net bank interest payable	(13.7)	(18.4)
Interest on obligations under finance leases	(4.2)	(5.0)
Fair value movement on derivatives (including recycling of hedge reserve)	0.3	2.8
Net exchange losses	(3.7)	—
Exceptional finance expenses	(2.1)	—
Unwinding of discount on CGS receivable	0.2	—
Net finance costs	(23.2)	(20.6)

Net finance costs increased by £2.6 million in 2014, to £23.2 million from £20.6 million in 2013. However 2014 saw a £4.7 million decrease in the underlying finance charge (net bank interest payable), following the capital restructuring in January 2014, and a £0.8 million saving in finance lease interest. These savings were offset by increases in non-underlying finance charges, primarily a £2.5 million adverse swing in the fair value movements on derivatives (which includes the recycling of fair value movements previously reported in the hedge reserve), £3.7 million of net exchange losses (predominantly following the cessation of hedge accounting) and £2.1 million of exceptional finance expenses arising on the capital restructuring.

Based on the year-end drawn debt position the effective interest rate is analysed as follows:

	Facility 'm	Drawn £'m	Hedged £'m	Hedged %	Bank margin	Hedged rate	Floating rate	Total rate
UK term loan	£156.0	156.0	80.0	51	2.25%	1.64%	0.56%	3.36%
UK revolver	£50.0	—	—	—	2.25%	—	0.56%	2.81%
UK revolver – non-utilisation	£50.0	—	—	—	1.01%	—	—	1.01%
Euro revolver	€70.0	38.6	35.5	92	2.25%	0.81%	0.21%	3.01%
Euro revolver – non-utilisation	€21.0	—	—	—	1.01%	—	—	1.01%
US private placement 2019	\$65.6	41.0	41.0	100	5.52%	—	—	5.83%
US private placement 2024	\$47.3	29.6	29.6	100	6.29%	—	—	6.74%
Unamortised finance costs (US PP)	—	(0.6)	—	—	—	—	—	—
Total	£331.8	264.6	186.1	70				4.34%

The UK term loan of £156 million is fully drawn as at 31 October 2014 and attracts a bank margin of 2.25%. The Group has interest rate hedge agreements in place to June 2018 swapping LIBOR on £80.0 million at an effective rate of 1.64%.

As at 31 October 2014, the UK revolver of £50 million was undrawn. The Group pays a non-utilisation fee of 1.0125% on undrawn balances.

The Euro revolver of €70 million has €49 million (£38.6 million) drawn as at 31 October 2014 and attracts a bank margin of 2.25%. The Group has interest rate hedges in place to June 2018 swapping EURIBOR on €45 million at an effective rate of 0.8085%.

The US private placement notes are fully hedged at 5.83% for the 2019 notes and 6.74% for the 2024 notes.

The hedge arrangements provide cover for 70% of the Group's drawn debt. Net interest payable includes a net gain in respect of the fair value movement on derivatives (including the recycling of fair value movements previously reported in the hedge reserve) of £0.3 million (2013: gain of £2.8 million).

Overall, the Group has an effective interest rate on its borrowings of 4.34% at 31 October 2014, which has reduced from 5.26% since the previous year end, as a result of the capital restructuring in January 2014.

Interest on finance leases was £4.2 million (2013: £5.0 million) and reflects part of the leasehold rental payment. The balance is charged through the gain/loss on investment properties line and contingent rent in the income statement. Overall, the leasehold rent charge for 2014 of £10.3 million is broadly flat compared to £10.2 million in 2013, with the benefit of the 2013 negotiated rent reductions being offset by increased contingent rent.

REIT status

The Group converted to REIT status on 1 April 2013. Since then, the Group continues to benefit from a zero tax rate on its UK self-storage income. The Group is only liable to UK tax on the profits attributable to the residual business consisting of the sale of ancillary products such as insurance and packaging products.

The Group's French business remains liable to tax on its self-storage and ancillary businesses as it is not entitled to relief under UK REIT rules as its business does not relate to UK property income.

Tax

The tax (charge)/credit for the year is analysed below.

Tax (charge)/credit

	2014 £'m	2013 £'m
Underlying current tax	(1.2)	(0.9)
Tax relief on settlement of derivatives	0.3	—
Current tax	(0.9)	(0.9)
Exceptional deferred tax credit	—	63.2
Underlying deferred tax	(2.1)	(2.2)
Tax on investment properties movement	(1.8)	(1.9)
Tax on exceptional finance costs	0.2	—
Tax on revaluation of interest rate swaps	0.3	—
Other	(1.3)	1.7
Deferred tax	(4.7)	60.8
Tax (charge)/credit	(5.6)	59.9

The income tax charge in the year is £5.6 million (FY2013: £59.9 million credit). The prior year income tax credit was driven by a deferred tax credit of £63.2 million arising from the release of the UK deferred tax provision following the REIT conversion in April 2013, so has not been repeated in the current year.

In the current year, the underlying current tax charge all relates to the French business and amounted to £1.2 million (2013: £0.9 million). Underlying deferred tax related to the French business and amounted to a charge of £2.1 million (2013: £2.2 million).

The tax impact of the gain on investment properties was a charge of £1.8 million (2013: £1.9 million), and tax credits of £0.2 million and £0.3 million were recognised on exceptional finance costs and the valuation of interest rates swaps in France respectively.

Profit after tax

The profit after tax for 2014 was £46.8 million as compared with £108.5 million in 2013, principally due to the exceptional UK deferred tax credit of £63.2 million in 2013 not repeating. Basic EPS was 23.2 pence (2013: 57.8 pence) and diluted EPS was 23.0 pence (2013: 57.3 pence). Management considers cash tax adjusted EPS to be more representative of the underlying EPS performance of the business and this is discussed on page 15.

Dividends

The Group's full year dividend of 7.45 pence is 29.6% up on the prior year dividend of 5.75 pence. The property income dividend ("PID") element of the full year dividend is 4.80 pence.

Shareholders will be asked to approve the final dividend of 5.30 pence (2013: 3.90 pence) at the Annual General Meeting on 19 March 2015. If approved by shareholders, the final dividend will be payable on 8 April 2015 to shareholders on the register at close of business on 13 March 2015.

Property valuation

Cushman & Wakefield LLP has valued the Group's property portfolio. As at 31 October 2014, the total value of the Group's portfolio was £704.0 million (excluding investment properties under construction of £5.3 million). This represents a decrease of £20.6 million or 2.8% compared with the £724.6 million valuation as at 31 October 2013. A reconciliation of the movement is set out below:

	UK £'m	France £'m	Total £'m	France €'m
Value as at 1 November 2013	542.2	182.4	724.6	213.0
Currency translation movement	—	(14.6)	(14.6)	—
Additions	2.4	1.0	3.4	1.3
Disposals	(41.6)	—	(41.6)	—
Purchase of freehold	—	2.9	2.9	3.6
Revaluation	24.0	5.3	29.3	6.6
Value at 31 October 2014	527.0	177.0	704.0	224.5

The exchange rate at 31 October 2014 was €1.27:£1 compared to €1.17:£1 at 31 October 2013. This movement in the foreign exchange rate has resulted in a £14.6 million adverse currency translation movement in the year. This has impacted the net asset value ("NAV") but had no impact on the loan to value ("LTV") covenant as the assets in Paris are tested in Euro.

The value of the UK property portfolio has reduced by £15.2 million compared with 31 October 2013. A £24.0 million gain arose on the 31 October 2014 revaluation of the UK portfolio, due to improving trading metrics and performance; however, the £41.6 million disposals of the Whitechapel store and the vacant former Southend site during the year resulted in the net reduction in value.

In France, the freehold of the Group's existing St Denis store in Paris was acquired for €3.6 million. The French property valuation increased by €6.6 million in the year reflecting improving operating metrics in the business.

The Group's freehold exit yield for the valuation at 31 October 2014 was 7.73%, unchanged from 31 October 2013.

The weighted average annual discount rate for the whole portfolio has reduced slightly from 11.91% at 31 October 2013 to 11.82% at 31 October 2014.

The Company's pipeline of expansion stores is valued at £5.3 million as at 31 October 2014, a £0.3 million decrease on the 2013 valuation of £5.6 million.

The adjusted EPRA NAV per share was 217.9 pence at 31 October 2014, up 3.6% on 31 October 2013, with the benefit of a £62.1 million increase in net assets being partly offset by the additional shares in issue following the placing of 18.6 million shares in February 2014.

Gearing and capital structure

The Group's borrowings comprise bank borrowing facilities, made up of a UK term loan and revolving facilities in the UK and France, as well as a US private placement.

Net debt (including finance leases and cash) stood at £300.3 million at 31 October 2014, a reduction of £82.5 million from the 2013 position of £382.8 million. Total capital (net debt plus equity) reduced from £728.7 million at 31 October 2013 to £708.3 million at 31 October 2014. The net impact is that the gearing ratio has moved from 53% to 42% in the year.

Management also measures gearing with reference to its loan to value (LTV) ratio defined as gross debt (excluding finance leases) as a proportion of the valuation of investment properties and investment properties under construction (excluding finance leases). At 31 October 2014 the Group LTV ratio was 37% as compared to 47% at 31 October 2013. Management considers that a Group LTV of circa 40% represents an appropriate medium-term capital structure objective.

The reduction in Group LTV since 31 October 2013 was principally a result of the above reduction in net debt. During the year the Group sold its Whitechapel property for net proceeds of £40.5 million. At the 31 October 2013 year end, the Whitechapel property had been valued within investment properties at £40.5 million. The Group used the disposal proceeds to pay down debt under the existing UK term facility.

Following the de-leveraging described above, the Group extended its existing bank facilities from June 2016 to June 2018. As a result, the £230 million UK term loan facility was reduced to £181.2 million, and the UK revolver was increased to £50 million, which was undrawn as at 31 October 2014. The Euro revolver remains at €70 million, of which €49 million had been drawn as at 31 October 2014, and the US private placement reduced from \$115 million to \$113 million.

As a result of the bank refinancing, the margin ratchet was reduced by 0.25% to a range of 2.25% to 3.25%, based on the interest cover ratio. The initial margin payable following the refinancing was 2.75%, compared with the margin paid through most of 2013 of 3.25%, and by the year end this had reduced further to 2.25%. Repayments of £5 million will be made on the UK term facility every six months commencing on 31 October 2015, with the balance due on expiry in June 2018.

Subsequent to the bank refinancing, the Group raised net proceeds of £31.6 million by way of a successful share placing. £25.2 million of these proceeds were used to reduce the UK term loan further, to £156 million.

The UK bank facilities and the US private placement share interest cover and LTV covenants. As part of the amendment and extension of the bank facilities the interest cover requirement commences at a level of EBITDA:interest of 2.0:1. In July 2015 this will increase to 2.2:1 and in July 2016 the covenant ratchets to 2.4:1 where it remains until the end of the facilities. The French LTV covenant remains at 60% throughout the life of the facility and the UK LTV covenant reduces from 62.5% to 60.0% in April 2015 where it remains until the end of the facilities.

There is no amortisation on the US private placement debt of \$113 million. \$66 million was issued at 5.52% (swapped to 5.83%) with 2019 maturity and \$47 million was issued at 6.29% (swapped to 6.74%) with 2024 maturity.

Future liquidity and capital resources

Borrowings under the existing bank facilities are subject to certain financial covenants and the Group is in compliance with its covenants at 31 October 2014 and, based on forecast projections, is expected to be in compliance for a period in excess of twelve months from the date of this report.

Cash flow

The table below sets out the cash flow of the business in 2014 and 2013.

	2014 £'m	2013 £'m
Underlying EBITDA	53.0	50.8
Working capital/exceptionals/other	0.8	1.5
Operating cash inflow	53.8	52.3
Capital expenditure – investment properties	(3.3)	(4.7)
Capital expenditure – purchase of freehold	(2.9)	–
Capital expenditure – property, plant and equipment	(0.2)	(0.2)
Capital Goods Scheme receipt	1.8	3.1
Proceeds from disposal – investment properties	41.6	–
Net inflow from investing activities	37.0	(1.8)
Interest payments	(15.1)	(17.5)
Leasehold rent payments	(10.3)	(10.2)
Tax payments	(1.9)	(0.1)
Free cash flow (before dividends and financing activities)	63.5	22.7
Dividends paid	(12.5)	(10.6)
Issue of share capital	31.8	–
Net repayment of borrowings	(75.3)	(3.4)
Debt issuance costs	(2.1)	–
Hedge breakage costs	(4.9)	–
Net cash flow from financing activities	(63.0)	(14.0)
Net increase in cash	0.5	8.7

Operating cash flow increased by £1.5 million in the year, primarily due to the £2.2 million improvement in underlying EBITDA. The movement in working capital, exceptional costs and other in the year primarily reflects adjustments to accruals (for example relating to rent reviews) and the impact of the movement in exchange rates.

The £37.0 million cash inflow from investing activities predominantly reflects the receipt of sales proceeds totalling £41.6 million from the Whitechapel store and the vacant former Southend site. No new stores were opened in the period, however, the Group acquired the freehold of its existing St Denis store in Paris for €3.6 million. In addition the Group received £1.8 million (2013: £3.1 million) under the Capital Goods Scheme.

Interest payments have reduced by £2.4 million to £15.1 million (2013: £17.5 million) following the capital restructuring in January 2014.

As a result of the above, free cash flow increased from £22.7 million in 2013 to £63.5 million in 2014.

There were significant movements in cash flows from financing activities in the period, including the net repayment of borrowings of £75.3 million (2013: £3.4 million) and costs relating to refinancing and replacement of hedging instruments of £7.0 million (2013: £nil), along with dividend payments totalling £12.5 million (2013: £10.6 million), which were funded by a combination of the above free cash flow and issues of share capital totalling £31.8 million (primarily the January 2014 share placing, which generated net proceeds of £31.6 million).

A Jones
Chief Financial Officer
 21 January 2015

Corporate and social responsibility

Corporate responsibility (“CR”)

At Safestore we strive to deliver an engaging CR programme that is supportive of our principal commitments to our four stakeholder groups and is pivotal in how we progress our business.

- **Our marketplace**
- **Our people**
- **Our community**
- **Our environment**

We have set out our policy and commitments for each of these groups below.

We continually aspire to improve on our CR standards and commitments and consider this fundamental to our goal to deliver the highest standards of customer satisfaction, whilst making good business sense.

As we have progressed through the financial year our CR strategy has been fully supported by the Board. This ensures that our approach supports both our wider purpose statement and Safestore’s values and strategic priorities.

Our Executive Team takes ownership for ensuring that our plan is delivered throughout the business. With the support of the Senior Management Team our plan is far reaching, involving Head Office together with regional and store colleagues. By taking this approach we are able to ensure that each and every member of the team is able to participate with and influence how we develop our CR plan for the future delivering maximum stakeholder value.

Highlights

- We have been accredited for the sixth year running with membership of the FTSE 4 Good Index.
- We supported Hands on London for the third year with its Wrap Up London 2014 campaign where over 14,500 coats were collected and distributed to shelters and refugees in London.
- 40 colleagues were successfully promoted to more senior positions.
- In FY2014 our people participated in over 15,000 hours of training time.
- We saved approximately 4,488 trees from being unnecessarily felled through the provision of a recycled box range.

Safestore and our marketplace

Policy statement

We are committed to conducting our business activities so as to enhance the value of the Company and to optimise shareholder and investor value. We do this by providing easily accessible and clear information which is in the interest of our shareholders, employees, customers, suppliers and creditors. Our Board of Directors have been entrusted with the responsibility of achieving this objective in addition to managing policies and decisions, taking into account stakeholder needs whilst balancing our CR objectives.

We will:

- ensure that our employees have a positive, inclusive and safe place in which to work so that they can maintain best standards of customer service;
- support the evolution of the broader self-storage sector and actively participate in industry forums and conferences to share best practice;

- be an active member of the self-storage association; and
- work proactively with council planners and the broader community regarding our store development programme so as to minimise our impact on the environment.

Feefo

In 2013, we rolled out Feefo, the customer rating system for businesses that guarantees 100% genuine feedback. Feefo polls feedback from actual Safestore customers about their experiences, meaning that feedback is a complete and true representation of consumer opinion. All of our stores across the country have a rating, which means customers can view ratings for that individual store. We take great pride in our staff around the country who we believe deliver the best possible customer experience and it is our mission to continually improve our services as our customers are at the heart of everything we do. Feefo, has awarded Safestore Gold Trusted Status, this is a result of achieving a 97% Feefo Service Rating in 2013/2014 where customers rated Safestore as either “Excellent” or “Good”.

Safestore and our people

Policy statement

Our colleagues play a pivotal role in providing the best solution for our customers and we are passionate in providing a diverse CR programme that ensures they are truly placed at the heart of our business. This helps our colleagues in achieving their goals and is underpinned by our commitment to attract and retain the very best talent to shape our future success.

We provide a healthy and safe environment for our people, customers, suppliers and contractors. Safestore always comply with current legislation and endeavour to continuously exceed legal requirements and local regulations by:

Health and safety

- conducting regular health and safety reviews across our portfolio including the review of risk assessments and accident reports to identify, prevent and mitigate against potential risks;
- ensuring our health and safety committee meets regularly to review issues, process, policy and actions, harnessing a culture where health and safety always sits high on our agenda; and
- delivering accredited health and safety training relevant to job role as standard to all colleagues.

Equality and diversity

- committing to equality of opportunity in all our employment practices, policies and procedures. No team member or potential team member will receive less favourable treatment due any of the following protected characteristics: age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership, pregnancy or maternity;
- being an equal opportunities employer that maintains a workforce that reflects the uniqueness of the communities in which we operate;
- continuing to nurture the talents of our people and the benefit they bring to our varying business functions through a clearly defined and transparent competency framework;
- taking all reasonable steps to employ, train and promote employees on the basis of their experience, abilities and qualifications; and
- maintaining an active succession planning strategy that considers the ability of internal colleagues before recruiting externally. Ensuing that the criteria for selecting team members for training opportunities is non-discriminatory. These are based upon the individual's merits, abilities and needs, business needs, and the availability of appropriate training and development opportunities. All team members participate in the appraisal process and there is positive encouragement to discuss development and training needs and opportunities.

Work-life balance

- providing a range of initiatives that celebrate the cultural diversity of our colleagues including a tax-free cycle-to-work scheme and childcare voucher scheme;
- engaging in programmes that encourage our people to self learn and develop with funding for professional qualifications;
- welcoming and considering all requests from colleagues for flexible working on a case-by-case basis; and
- recognising that there may be circumstances when it is more beneficial or flexible for individuals to work at home, either on a permanent basis, or in order to complete a particular task, for example a special project. Safestore provides guidance and support to both occasional one-off working from home as well as flexible working requests which incorporate a request to work from home.

Training

As an "Investors in People" organisation since 2003 our aim is to be an employer of choice and we passionately believe that our continual success is dependent in our highly motivated and well trained colleagues. We are delighted that in FY2014 our people have participated in over 15,000 hours of training time.

This training consisted of:

- embedding our revised recruitment and induction processes to better align with our core focus areas;
- developing our network of training store managers to improve consistency in our new colleagues' induction experience;
- developing our colleagues' sales and customer service skills;
- courses fulfilling health and safety requirements;
- continuing the delivery of Safestore's bespoke space specialist programme enabling our colleagues to be experts in self-storage who, by putting their customers first, take pride in delivering the best solution for them;
- coaching and performance management courses which focus on team and individual motivation, different learning preferences and leadership styles; and
- leadership development for our Regional Management population.

Promotions

40 colleagues were successfully promoted to more senior positions.

Safestore and our community

Policy statement

Here at Safestore, we are committed to being a responsible business in how we contribute to our local communities. With nearly 100 stores nationwide, we believe it is important for our colleagues to recognise how our activities can have an impact on those around us. For this reason, we look to seek out practical and creative solutions by working with and supporting a number of charitable causes.

We have continued to:

- provide national charity support through partnering with our charity of the year striving to build long-term relationships;
- provide local support for the communities in which we operate through our “charity room in every store” scheme;
- use our communications platform to assist charitable partners in raising awareness of their cause inspiring others to get involved;
- consider requests for community support helping initiatives where we feel our available resources can add the most value; and
- meet our charitable partners regularly to nurture existing relationships and objectively consider new charitable requests.

Scope

Over the last five years, Safestore has helped our “Charity of the Year”, Scope, save money by providing free storage which gives the charity space for its archives as well as space to store and sort through stock donations for sale in its local retail outlets.

In addition to the provision of free storage space we are delighted to support Scope with our colleagues, our customers and the wider community who took part in a two-week long “Dash to Donate” campaign earlier this year where bags of donated stock, including clothing, toys and bric-a-brac, were collected in our stores for Scope’s local charity shops.

Richard Hawkes, Chief Executive, Scope, said:

“We were delighted to partner with Safestore again in 2014. As well as donating storage worth thousands of pounds they took part in a very successful Dash to Donate event for the fifth year running, generating much-needed stock for our charity shops. In addition to this event Safestore staff took part in fundraising activities including the Virgin Money London Marathon with all funds raised going to support disabled people and their families.

Scope provides support, advice and information for more than 250,000 disabled people and their family members every year. Among other things, we play a vital role in supporting families when they first receive a diagnosis and during a child’s crucial early years. Our partnership with Safestore enables us to reach even more of these families. We would like to thank Safestore for its valuable support this year and we look forward to working with Safestore again in 2015.”

Hands on London

Another charity Safestore are proud to support is Hands on London. For the third year running we participated in its Wrap Up London campaign which encourages Londoners to donate a coat to charity. Safestore also offers Hands on London free storage space to support the collection, storage and sorting of the coats prior to distribution to shelters, refuges and other charities.

David Bulmer, CEO, Hands on London, said:

“Safestore provides absolutely invaluable support to the Wrap Up London campaign, each year helping us to collect, store, sort and distribute thousands of coats to those in need across the capital.

Hugely important is the storage space provided free of charge at four locations around the city, without which we could not run the campaign, but in addition the friendly, helpful staff at each store take donations from people dropping in, publicise the event, and give our volunteers lots of encouragement during the long days of sorting coats.

We genuinely feel that Safestore loves Wrap Up London as much as we do at Hands on London do and we know each year that we’ll get incredible support with the campaign.”

Charity Champions

Our network of Charity Champions continues to help drive colleague engagement in fundraising and awareness raising activities. In each region, the Charity Champion helps to organise, support and promote local fundraising and awareness activities for staff at local stores. As well as helping to engage with the local community, the Charity Champions also help support centrally run fundraising initiatives.

John Clark, Store Manager at Sunderland, said:

“Working with local charities helps foster a positive engagement with the community, whilst helping build a positive brand awareness. We are also hoping to engage our teams to work together for a common cause and therefore improve team spirit.”

Local charity support

We are also delighted to have made several other positive contributions to local charities nationwide such as offering storage to Hanworth Girl Guides, box donations to Trinity Homeless Project’s Big Sleep Out event and food collections for Basildon Foodbank. This all contributes to our working together culture.

Safestore and our environment

Policy statement

Sustainable business practice continues to be key to our agenda and we remain focused on delivering a positive net impact on the environment from our business activities wherever practical.

When carrying out our business activities Safestore endeavours to:

- be sensitive in the use of scarce resources, minimising waste production and promoting reuse and recycling where possible;
- communicate our commitment to the environment throughout our business;
- continue to deploy recycling cardboard waste disposal facilities across our portfolio;
- use our website to promote conservation activities to our main stakeholders;
- ensure the safe handling and disposal of waste products;
- support ethical purchasing by minimising the environmental impact of the products we buy and sell;
- consider eco design solutions when building new stores and as a minimum always build to BRE Environmental Assessment Method standard; and
- actively seek out green energy solutions.

Highlights

- We achieved an overall recycling rate of 64% with the recycling collections in place at all of our sites up 10 percentage points on last year.
- 90% of the steel used in our new store openings is recycled.
- The lighting is controlled by motion sensors in 95% of our stores.
- Three of our newest stores have photovoltaic solar panels and have generated 35,100 kWh of electricity this year.

Our packaging range

We carefully select packaging partners who share our values and goals to reduce the unnecessary breakdown of our natural climate. An example of this is our packaging supplier (Ecopac) whose operation is 100% solar powered, operating as part of the Westcott Venture Park sustainable energy project.

This year we used 264 tonnes of recycled paper and through the provision of a recycled box range, cardboard recycling points and a box for life scheme, we have saved approximately 4,488 trees from being unnecessarily felled.

We consider our environmental responsibilities to extend beyond our box range and we continue to look at all aspects of our packaging range seeking green alternatives wherever this is commercially practical.

Mandatory greenhouse gas (“GHG”) emissions reporting

This report was undertaken for the UK mandatory GHG reporting legislation, which requires Safestore Holdings plc to report its GHG emissions for the latest financial year. Trucost has been commissioned for a second year to assess our environmental data: stationary energy use, GHG emissions, waste generation and water use. The data: collected covers all of the Company’s sites in the UK and in France.

Methodology

Scope of analysis and data collection

We collected the following raw data: stationary energy use, GHG emissions, waste generation and water use. The Company does not have any refrigerant leakage.

KPI selection and calculation

For the purposes of this report, covering the 2013/14 financial year, Trucost concentrated on GHG emissions, waste generation and water use as the key performance indicators (“KPIs”) of the Group.

Background

The Greenhouse Gas Protocol differentiates between direct and indirect emissions using a classification system across three different scopes:

- **Scope 1** includes direct emissions from sources which the Company owns or controls. This includes direct emissions from fuel combustion and industrial processes.
- **Scope 2** covers indirect emissions relating solely to the generation of purchased electricity that is consumed by the owned or controlled equipment or operations of the Company.
- **Scope 3** covers other indirect emissions including third party-provided business travel.

Calculation

- Scope 1 emissions were calculated from data on stationary energy use and business vehicle mileage; and
- Scope 2 emissions were calculated from electricity consumption data.

Highlights

- Total GHG emissions were 8,824 tonnes CO₂e. Scope 2 accounted for 92% of emissions, with the remainder allocated to Scope 1. Total GHG emissions have increased by 13% since the previous financial year due to an increase in diesel fuel consumption.
- Business vehicles travelled 450,052 miles, resulting in 134 tonnes CO₂e.
- Total stationary energy use was 22,535,922 kWh, 87% of which was electricity. Stationary energy use has decreased by 2% since the previous financial year.
- Total waste generated was 1,345 tonnes, 50% of which was recycled. Waste generated has increased by 4% since the previous financial year.
- Total water use was 26,406 m³, which is only 1% higher than water use in the previous financial year.

Mandatory greenhouse gas (“GHG”) emissions reporting continued

Group level environmental impacts

Table 1 displays Safestore Holdings plc’s stationary energy use, business travel mileage, waste generation and water use for the 2013/14 financial year, with a comparison to the previous financial year.

Table 1: Group environmental impacts

Item	Units	2013	2014	% change
Natural gas	kWh	3,644,334	3,033,972	-17%
Electricity	kWh	19,247,053	19,501,950	1%
Diesel	miles	189,025	450,052	138%
Recycling	tonnes	699	673	-4%
Energy from waste	tonnes	227	350	54%
Landfill	tonnes	368	322	-12%
Purchased water	m ³	26,169	26,406	1%

Safestore Holdings plc’s operations used 22,535,922 kWh of energy in 2013/14, which is a 2% reduction from the previous year. The natural gas consumption decreased by 17%; however, the vast majority of energy used was electricity. In addition, business vehicles travelled 450,052 miles, a significant increase on the previous financial year. This was because Safestore Holdings plc began to include employee-owned vehicles where the Company paid the mileage, and also the number of regional managers using company vehicles increased by 20%. Safestore Holdings plc generated 1,345 tonnes of waste in 2013/14, of which 50% was recycled. Water use was 26,406 m³, which is very similar to the previous year.

Mandatory GHG reporting

Our Company’s disclosure for the 2013/14 financial year, in accordance with this legislation, is stated in table 2:

Table 2: Mandatory GHG reporting data

Data point	Units	Quantity
Scope 1	tonnes CO ₂ e	696
Scope 2	tonnes CO ₂ e	8,128
Scope 1+2 intensity	tonnes CO ₂ e/floor space (thousand sq ft)	1.1

Data compiled by Trucost using data received from Safestore Holdings plc.

We used the Greenhouse Gas Protocol methodology for compiling its GHG data and included the following material GHGs: CO₂, N₂O and CH₄. We used the following emission conversion factor sources:

- natural gas: DEFRA 2014 conversion factor for kWh natural gas (gross CV basis);
- diesel: DEFRA 2014 conversion factor for miles of diesel (average car);
- purchased electricity:
 - UK: DEFRA 2014 conversion factor; and
 - France: IEA Fuel Combustion (Highlights 2011 Edition) and EIA Foreign Electricity Emission Factors.

Our GHG emissions for 2013/14 covered 100% of floor space and the Company is looking for continuous improvement in its data clarity and completeness in future years. Our Scope 1+2 intensity has increased slightly from 1.0 tonnes CO₂e in 2012/13.

— The Group recognises the importance of, and is committed to, high standards of corporate governance



The Board consistently challenges processes, plans and actions in order to promote continuous and sustained improvement across the business.

A S Lewis
Non-Executive Chairman

Chairman's governance statement

The Board of Safestore believes that corporate governance is important in ensuring its effectiveness. It has an established framework of policies and processes that are regularly reviewed against developments in the legislative, regulatory and governance landscape.

This governance report comprises the following sections:

- Board of Directors
- How the Board works
- Effectiveness
- Relations with shareholders
- Accountability
- Nomination Committee report
- Audit Committee report
- Directors' remuneration report

The role of the Board

The Board's main role is to work with the executive team, providing support and advice to complement and enhance the work undertaken. The Board consistently challenges processes, plans and actions in order to promote continuous and sustained improvement across the business.

UK Corporate Governance Code – statement of compliance

The Group recognises the importance of, and is committed to, high standards of corporate governance. These are set out in the UK Corporate Governance Code issued by the Financial Reporting Council in September 2012 (the "Code") which is the version of the Code which applies to the Company for its 2014 financial year. The Board is accountable to the Company's shareholders for good governance and this report describes how the Board has applied the main principles of good governance set out in the Code during the year under review. Throughout the year ended 31 October 2014, the Company has complied with the main principles of the Code (as they apply to a smaller company outside the FTSE 350).

A S Lewis
Non-Executive Chairman
21 January 2015

Board of Directors



Alan Lewis
Non-Executive Chairman

Nomination Committee

Alan Lewis joined the Group in June 2009 as a non-executive director and was appointed chairman in January 2014. He is also non-executive chairman of Porterbrook, a major train leasing Rosco, and chairman of Amplan, a private property development and investment business. He is also an ambassador for Leaders Quest, a social enterprise that develops leaders from diverse backgrounds.

After five years in manufacturing with RTZ and Black & Decker he spent 30 years in the private equity industry. Firstly with 3i, then from 1991 to 2011 with Bridgepoint, where he was a founding partner. Mr Lewis is a graduate of Liverpool University and holds an MBA from Manchester Business School.



Frederic Vecchioli
Chief Executive Officer

Frederic Vecchioli is a founding director of our French business and has overseen its growth to 24 stores in Paris operating under the “Une Pièce En Plus” brand. He joined the Group as President and Head of French Operations following the Mentmore acquisition in 2004. Mr Vecchioli became Chief Executive Officer of the Group in September 2013. He has a Master of Finance from the University of Paris Dauphine.



Andy Jones
Chief Financial Officer

Andy Jones joined the Group in May 2013 as Chief Financial Officer. Andy's previous role was director of group finance at Worldpay Limited prior to which he held the positions of director of finance and investor relations at TUI Travel PLC and chief financial officer of Virgin Entertainment Group in the US. Andy began his career at Ernst and Young where he qualified as a Chartered Accountant in 1992. Andy is a graduate of the University of Birmingham.



Adrian Martin
Senior Independent Director

Audit Committee
Nomination Committee

Adrian Martin joined the Group in 2008 as a Non-Executive Director and was Chairman of the Audit Committee until March 2014. He is currently chairman of Morgan Sindall Group plc, and a non-executive director of M&C Saatchi plc and H R Owen plc. Previously he was managing partner at BDO Stoy Hayward and chief executive at the law firm Reynolds Porter Chamberlain LLP. Adrian will be retiring from the Board at the next Annual General Meeting in March 2015.



Joanne Kenrick
Non-Executive Director

Audit Committee
Nomination Committee
Remuneration Committee

Joanne Kenrick joined the Group in October 2014 as a Non-Executive Director. She is currently marketing director at Homebase, a subsidiary of Home Retail Group plc, and a non-executive director of Principality Building Society where she is also a member of the customer and conduct and nominations committees. Previously, Jo was chief executive officer of Start, a Prince of Wales charity. She was marketing and customer proposition director at B&Q and marketing director at Camelot Group plc. Jo has a law degree and started her career at Mars Confectionery and PepsiCo.



Ian Krieger
Non-Executive Director

Audit Committee
Nomination Committee
Remuneration Committee

Ian Krieger joined the Group in October 2013 as a Non-Executive Director. He is senior independent director and chairman of the audit committee of Premier Foods plc, and a non-executive director of Capital & Regional plc. He is a director of Anthony Nolan (blood cancer charity) where he is chairman of the audit committee and he is also a trustee and chairman of the finance committee of the Nuffield Trust. Previously Ian was a senior partner and vice-chairman at Deloitte until his retirement in 2012. During his 40 year career at Arthur Andersen and since 2002 at Deloitte, his responsibilities have included heading the corporate finance practice, the London corporate audit division and the private equity practice. Ian has significant boardroom experience and has worked with a wide variety of companies throughout his career.



Keith Edelman
Non-Executive Director

Audit Committee
Nomination Committee
Remuneration Committee

Keith Edelman joined the Group in September 2009 as a Non-Executive Director and was appointed Chairman of the Remuneration Committee in March 2010. He is currently chairman of Goals Soccer Centres Plc, the senior independent director of Supergroup Plc and non-executive director of the Olympic Park Legacy. Prior to this, he was managing director of Arsenal Holdings Plc, chief executive of Storehouse Plc, managing director of Carlton Communications Plc and corporate planning director of Ladbroke Plc.

How the Board works

The Board

The Code recommends that the Board should include a balance of Executive and Non-Executive Directors, such that no individual or small group of individuals can dominate the Board’s decision making. It further recommends that at least half of the Board, excluding the Chairman, should comprise Non-Executive Directors determined by the Board to be independent and that one Non-Executive Director should be nominated as the Senior Independent Director.

The Company currently has seven Directors, which include the Chairman, two Executive Directors and four independent Non-Executive Directors. As a result, the Directors consider that there is a satisfactory balance of decision making power on the Board.

The Board is aware of the other commitments of its Directors and is satisfied that these do not conflict with their duties as Non-Executive Directors of the Company. The Executive Directors do not hold any executive or non-executive directorships in other companies.

There is a clear division of responsibilities between the Chairman and Chief Executive Officer. Adrian Martin, deemed to be independent upon his appointment in 2008, is the Senior Independent Director. Keith Edelman was deemed to be independent upon his appointment in 2009. Alan Lewis was deemed to be independent from January 2011 following the disposal by Bridgepoint of its major shareholding in the Company. Ian Krieger was deemed to be independent upon his appointment in October 2013. Joanne Kenrick was deemed to be independent upon her appointment in October 2014.

A clear division of responsibility at the head of the Group 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 Officer has overall responsibility for the management of the Group’s businesses and implementation of the strategy approved by the Board.

Composition of the Board

Chairman	1
Executive Directors	2
Independent Non-Executive Directors	4

The statement of the division of responsibilities between the Chairman and the Chief Executive Officer is available on the Group’s website at www.safestore.com.

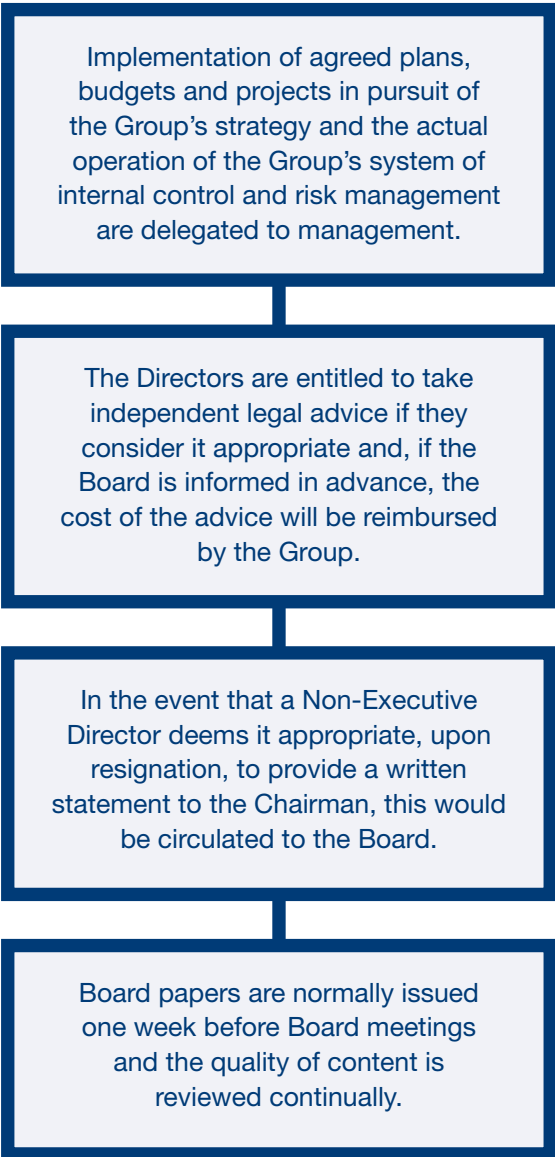
Appropriate directors’ and officers’ insurance cover is arranged by the Group through its insurance brokers and is reviewed annually.

Board process

The Board normally schedules at least eight meetings throughout the year, including an extended strategy review. Additional meetings are held as and when required.

It has a formal schedule of matters specifically reserved for its decision, which includes (amongst other things) the approval of strategic plans, annual budgets, interim and full year preliminary results announcements and financial statements and internal control and risk analysis.

Board process



How the Board works continued

Attendance at Board/Committee meetings

Attendance at meetings of the individual Directors at the Board and for the members of the Committees that they were eligible to attend is shown in the table below:

Director	Board	Audit Committee	Nomination Committee	Remuneration Committee
Alan Lewis	8/8	—	2/2	1/1
Frederic Vecchioli	8/8	—	—	—
Andy Jones	8/8	—	—	—
Adrian Martin	7/8	3/3	2/2	—
Keith Edelman	8/8	3/3	2/2	2/2
Ian Krieger	8/8	3/3	2/2	2/2
Joanne Kenrick	—	—	—	—
Richard Grainger	1/1	—	1/1	1/1

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 the Executive Directors.

The services of the Company Secretary are available to all members of the Board. Board minutes are circulated to all Board members. There is also regular informal contact between Executive and Non-Executive Directors to deal with important matters that arise between scheduled Board meetings. A separate meeting for Non-Executive Directors only is held at least once in every year.

Board committees

The Board has three principal committees, each of whose terms of reference are available from the Investor Relations page of the Group's website at www.safestore.com.

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

Nomination Committee (page 35)

The Nomination Committee comprises Alan Lewis (Chairman), Adrian Martin, Keith Edelman, Ian Krieger and Joanne Kenrick.

Audit Committee (pages 36 to 37)

The Audit Committee comprises Ian Krieger (Chairman), Adrian Martin, Keith Edelman and Joanne Kenrick.

Remuneration Committee (pages 38 to 48)

The Remuneration Committee comprises Keith Edelman (Chairman), Ian Krieger and Joanne Kenrick. Richard Grainger was a member of the committee until his retirement in December 2013. Alan Lewis stepped down from the committee in January 2014.

Effectiveness

Board performance evaluation

During the year, an evaluation of the performance of the Board, its committees, the individual Directors and the Chairman was conducted. The scope of the Board and committee evaluation process was agreed with the Chairman and undertaken internally by the Company Secretary.

Directors completed detailed written questionnaires covering a number of key areas including strategy, succession planning, Board size and composition, risk management and the relationship between the Board and management. The results of the reviews were then considered by the Chairman and discussed by the Board as a whole.

The review also involved an assessment by the Chairman of individual Directors' own performance. The Chairman's own performance was assessed by the Senior Independent Director.

The anonymity of respondents was ensured in order to promote the open and frank exchange of views. A report was produced mapping the performance of the Board which addressed the following areas:

- dynamics of the Board, including the engagement of the Directors in the affairs of the Company and the environment in the boardroom;
 - the priorities for Board meetings;
 - management of time, planning of the annual cycle of work and agenda;
 - evaluation of the Board's oversight of operations;
 - management of risk, including the Board's review and testing of risk management policies;
 - composition and performance of the committees of the Board; and
 - identification of the main priorities for the Board for the coming year.
- The Directors have concluded that, following this evaluation, the Board and its committees operate effectively. Recommendations were made to further enhance the performance and effectiveness of the Board and agree the priorities for the next year. These enhancements related mainly to the scheduling of priorities in the annual calendar.

The content for any subsequent evaluation will be designed to build upon insights gained in the previous exercise to ensure that the recommendations agreed in the review have been implemented and that year-on-year progress is measured. It is intended to hold externally facilitated face-to-face interviews every three years (as was done last year).

Board appointments

Every decision to appoint further Directors to the Board is taken by the entire Board in a formal meeting based on a recommendation from the Nomination Committee. The Nomination Committee consults with financial and legal advisers and uses the services of external recruitment specialists. New members of the Board are provided with initial and ongoing training appropriate to individual needs in respect of their role and duties as directors of a listed company.

The service agreements of the Executive Directors and the letters of appointment of the Non-Executive Directors are available for inspection at the registered office of the Company during normal business hours, including the 15 minutes immediately prior to the AGM. The letters of appointment for Non-Executive Directors are in line with the provisions of the UK Corporate Governance Code relating to expected time commitment.

Re-election of Directors

The Company's Articles of Association provide that one-third of the Directors retire by rotation each year and that each Director will seek re-election by the shareholders at the AGM at least once every three years. Additionally, new Directors are subject to election by shareholders at the first opportunity after their appointment. All Directors have offered to stand for re-election at the 2015 AGM and their details are given in the Notice of Annual General Meeting.

Relations with shareholders

The Group places a great deal of importance on communication with its shareholders and maintains a dialogue with them through investor relations programmes. These 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 Group, there is a formal process whereby the Board reviews announcements and reports prior to public distribution and are sent summaries of institutional investor comments 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. The AGM gives all shareholders who are able to attend (especially private shareholders) the opportunity to hear about the general development of the business. It also provides an opportunity for shareholders to ask questions of the full Board of Directors, including the Chairmen of the Audit, Nomination and Remuneration Committees.

Accountability

Risk management

The Directors are responsible for the Group's system of operational control and risk management. During the year the Group undertook regular reviews of the formal risk assessment. Risk management remains an ongoing programme within the Group and is formally considered at operational meetings as well as at meetings of the Board.

Internal control

The UK Corporate Governance Code requires that, at least annually, Directors review the effectiveness of the Group's internal controls including financial, operational and compliance controls and risk management systems. The Board confirms that it carried out a review of the effectiveness of the system of internal control which operated within the Group during the financial year in accordance with the UK Corporate Governance Code. 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 currently 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 Executive Officer and Chief Financial Officer.

A summary of the principal risks and uncertainties within the business is set out on pages 12 to 14.

Nomination Committee report

Members of the Committee

The Nomination Committee (the "Committee") comprises:

- Alan Lewis (Chairman)
- Adrian Martin
- Keith Edelman
- Ian Krieger
- Joanne Kenrick

Alan Lewis succeeded Richard Grainger as Chairman upon his retirement on 31 December 2013. Keith Edelman and Ian Krieger were appointed members of the committee in December 2013. Joanne Kenrick was appointed a member when she joined the Board in October 2014.

The Nomination Committee is appointed by the Board and it comprises the Chairman of the Board and all of the Non-Executive Directors. The Chairman does not chair or attend when the committee is considering matters relating to his position, in which circumstances, the committee is chaired by an independent Non-Executive Director, usually the Senior Independent Director.

Role

The committee keeps the composition of the Board under review, makes recommendations on its membership and monitors succession planning for Directors. It also evaluates Board and committee performance. The committee adopts a formal, rigorous and transparent procedure for the appointment of new Directors to the Board.

Succession planning

The Board comprises two Executive Directors complemented by Non-Executive Directors who have wide business experience and skills as well as a detailed understanding of the Group's philosophy and strategy. It is a key responsibility of the committee to advise the Board on succession planning. The committee ensures that future changes in the Board's membership are anticipated and properly managed, and that in the event of unforeseen changes, management and oversight of the Group's business and long-term strategy will not be disrupted. The committee also addresses continuity in, and development of, the Executive Management Team below Board level.

All aspects of diversity are considered at every level of recruitment. All appointments to the Board are made on merit. The committee seeks a Board composition with the right balance of skills and diversity to meet the demands of the business. The Board does not consider that quotas are appropriate for its representation and has therefore chosen not to set targets.

Specialist recruitment consultants were engaged to undertake a search and selection process for an additional Non-Executive Director. A short-list of candidates was prepared and discussed by the Committee which recommended to the Board that Joanne Kenrick should be appointed as a Non-Executive Director. The Board agreed with this recommendation and Joanne Kenrick joined the Board in October 2014.

During the year, the Committee considered the performance of the Chief Executive Officer, appointed in September 2013 and the Chief Financial Officer, appointed in May 2013.

Ian Krieger succeeded Adrian Martin as Chairman of the Audit Committee following the 2014 AGM. Adrian Martin has signified his willingness to continue as Senior Independent Director until his planned retirement at the 2015 AGM.

Board performance evaluation

The Board undertook the annual evaluation of the performance of the Board and its committees seeking to identify areas where performance and procedures might be improved. Further details are provided in the corporate governance section of this report.

Directors standing for re-election

Joanne Kenrick was appointed to the Board after the 2014 AGM.

All Directors will stand for re-election at the 2015 AGM. Following the annual Board performance reviews of individual Directors, as applicable, the Chairman considers:

- that each Director subject to re-election continues to operate as an effective member of the Board; and
- that each Director subject to re-election has the skill, knowledge and experience that enables them to discharge their duties properly and contribute to the effective operation of the Board.

The Board, on the advice of the Committee, therefore recommends the re-election of each Director standing for re-election. Full biographical details of each Director are available on pages 29 to 31.

The full terms of reference of the Nomination Committee are available on the Group's website at www.safestore.com.

This report was approved by the Nomination Committee for release on 22 January 2015 and signed on its behalf by:

A S Lewis
Chairman of the Nomination Committee

Members of the Committee

- Ian Krieger (Chairman)
- Keith Edelman
- Adrian Martin
- Joanne Kenrick

Ian Krieger succeeded Adrian Martin as Chairman of the committee following the 2014 Annual General Meeting.

Role

The primary function of the committee is to assist the Board in fulfilling its oversight responsibilities. This includes reviewing the financial reports and other financial information before publication. In addition, the committee also reviews the systems of internal controls on a continuing basis, with respect to finance, accounting, risk management, compliance, fraud and audit that management and the Board have established.

The committee has responsibility for the financial reporting processes, along with reviewing the roles and effectiveness of both the internal store assurance team and the external auditors. The ultimate responsibility for reviewing and approving the annual and other accounts remains with the Board.

The key terms set out that the Audit Committee will:

- serve as an independent and objective party to monitor the quality and timeliness of the financial reporting process and monitor the internal financial control system;
- review and appraise the effectiveness of the external auditors;
- provide an open line of communication between the independent external auditors and the Board of Directors;
- confirm and ensure the independence and objectivity of the external auditors (in particular, in the context of the provision of additional services to the Company);
- review and ensure the effectiveness of the risk management processes of the Company;
- review and monitor the effectiveness of the store assurance function, management's responsiveness to any findings and recommendations, and consideration of the need for the introduction of an internal audit function;
- assess potential conflicts of interest of directors on behalf of the Board; and
- report to the Board on how it has discharged its responsibilities.

Risk management and internal control

The Board, as a whole, including the Audit Committee members, considers that the nature and extent of Safestore's risk management framework and the risk profile is acceptable in order to achieve the Company's strategic objectives. As a result, it is considered that the Board has fulfilled its obligations under the Code.

Safestore's internal controls, along with its design and operating effectiveness, are subject to annual review by the Audit Committee through reports received from management, along with those from the external auditors. Further details of risk management and internal control are set out on pages 12 to 14.

Internal audit

The Audit Committee has oversight responsibilities for the store assurance team which is responsible for reviewing operational and financial controls at store level. The Group does not have a separate internal audit function and the Board periodically reviews the requirement for establishing one. Upon the recommendation of the Audit Committee, an externally facilitated review of the control environment was commissioned for all aspects of financial controls and business risks. Following completion of this project in early 2014, the Audit Committee reviewed the findings and determined that a separate internal audit function is not deemed necessary. It was agreed that a rolling programme of work will continue to be commissioned periodically until the Audit Committee determines that it is appropriate for the Group to establish an internal audit function.

Main activities of the committee during the year

During the year the Audit Committee's business has included the following items:

- review of the financial statements and announcements relating to the financial performance and governance of the Group at year end and half year;
- principal judgemental accounting matters affecting the Group based on reports from both the Group's management and the external auditors;
- external audit plans and reports;
- review of the adequacy and the effectiveness of the Group's ongoing risk management systems and processes, through risk and assurance plans and reports, including:
 - store assurance audit reports;
 - internal financial control assessments;
 - fraud and loss prevention;
 - revenue protection; and
 - risk assessment;
- information security and business continuity;
- whistleblower reports;
- store assurance team effectiveness and independence;
- external audit effectiveness, independence and re-appointment in conjunction with audit tendering;
- anti-bribery and corruption procedures; and
- specific investigations as required.

Financial reporting and significant financial judgements

The committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. The committee reviews accounting papers prepared by management which provide details on the main financial reporting judgements.

The committee also reviews reports by the external auditors on the full year and half year results which highlight any issues with respect to the work undertaken on the year-end audit and half-year review.

The committee pays particular attention to matters it considers to be important by virtue of their impact on the Group's results and remuneration, and particularly those which involve a high level of complexity, judgement or estimation by management.

Property valuations – The key area of judgement that the committee considered in reviewing the financial statements was the valuation of the investment property portfolio. Whilst this is conducted by independent external valuers, it is one of the key components of the financial results and is inherently complex and subject to a high degree of judgement. As well as detailed management procedures and reviews of the process, members of the committee met the Group's valuers to discuss the valuations, review the key judgements and discussed whether there were any significant disagreements with management. The committee reviewed and challenged the assumptions with the valuers in order to agree and conclude on the appropriateness of the assumptions applied. The Board considered the valuation in detail at its meeting to approve the financial statements.

Revenue recognition – The committee considered the risks of fraud and was content that there were no issues arising.

Financial statements – The committee considered and was satisfied with management's presentation of the financial statements.

Management confirmed to the committee that it was not aware of any material misstatements and the auditors confirmed that they had found no material misstatements during the course of their work. The committee is satisfied that the judgements made by management are reasonable and that appropriate disclosures have been included in the accounts.

After reviewing the reports from management and following its discussions with the valuers and auditors, the committee is satisfied that the financial statements appropriately address the critical judgements and key estimates, both in respect of the amounts reported and the disclosures. The committee is also satisfied that the processes used for determining the value of the assets and liabilities have been appropriately reviewed, challenged and are sufficiently robust.

At the request of the Board, the committee also considered whether the Annual Report and Accounts was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Company's performance, business model and strategy. The committee is satisfied that, taken as a whole, the Annual Report and Accounts is fair, balanced and understandable. In reaching this conclusion, the committee considered the overall review and confirmation process around the Annual Report and Accounts. The committee was provided with, and commented on, a draft copy of the Annual Report and Accounts. In carrying out the above processes, key considerations included ensuring that there was consistency between the accounts and the narrative provided in the front half of the Annual Report, and that the programme of corporate reporting reviews focused on the balance between the reporting of weaknesses, difficulties and challenges, as well as successes, in an open and honest manner.

External auditors

During the year the committee received and reviewed audit plans and reports from the external auditors. It is standard practice for the external auditors to meet privately with the Audit Committee without any member of management or the Executive Directors being present at each Audit Committee meeting. The Audit Committee has responsibility for making a recommendation on the appointment, re-appointment and removal of the external auditors. PricewaterhouseCoopers LLP were re-appointed auditors of the Group at the Annual General Meeting held in March 2014. Following an audit tender, Deloitte LLP were appointed auditors for the Group in September 2014.

Audit tendering

The Audit Committee had noted the changes to the Code, the recent findings of the Competition Commission and the guidance for audit committees issued by the Financial Reporting Council, each in the context of tendering for the external audit contract. The Company's external audit was tendered in mid-2014 and the big four firms were invited to participate. KPMG LLP and Deloitte LLP completed the tender process. After due consideration of the tender proposals and presentations to the committee it was decided that Deloitte LLP be recommended for appointment. The Board ratified the appointment of Deloitte LLP as auditors in September 2014. There are no contractual obligations that restrict the choice of external auditors.

Effectiveness of the external audit process

To assess the effectiveness of the external audit process, the auditors are asked on an annual basis to articulate the steps that they have taken to ensure objectivity and independence, including where the auditor provides non-audit services. The committee monitors the auditors' performance, behaviour and effectiveness during the exercise of their duties, which informs the Audit Committee's decision to recommend reappointment on an annual basis.

Non-audit services

The Audit Committee's terms of reference set out that it is responsible for the formal policy on the award of non-audit work to the auditors. In order to preserve auditor objectivity and independence, the external auditors are not asked to provide consulting or advisory services unless this is in the best interests of the Company. In the current financial year, PricewaterhouseCoopers LLP provided taxation services of £0.1 million until their resignation as auditors in September 2014. Prior to their appointment as auditors in September 2014, Deloitte LLP provided property advisory and consulting services of £0.4 million primarily relating to the disposal of the Whitechapel property in November 2013. The committee has formalised procedures for the approval of non-audit services which stipulate the services for which the auditors will not be used. The policy also stipulates projects where the auditors may be used subject to certain conditions and pre-approval requirements. A report of all audit and non-audit fees payable to the external auditors is provided to the committee twice a year, including both actual fees for the year to date and a forecast for the full year, analysed by project and into pre-defined categories. It was determined that the nature of the work would not impact auditor objectivity and independence given the safeguards in place.

This report was approved by the Audit Committee for release on 22 January 2015 and signed on its behalf by:

I S Krieger
Chairman of the Audit Committee



Keith Edelman
Chairman of the Remuneration Committee

Annual statement

Dear shareholder

This report sets out the remuneration policy for the Directors of Safestore Holdings plc and discloses amounts paid to them over the course of the financial year. This is comprised of the following three sections:

- this Annual statement, summarising and explaining the major decisions on, and any substantial changes to, Directors' remuneration in the year;
- the Directors' remuneration policy, which sets out the three year Directors' remuneration policy for the Company which became formally effective from the 2014 AGM. While disclosure of this part of the report is not required this year, this section has been repeated from last year in line with best practice; and
- the Annual report on remuneration, which sets out the remuneration earned by the Group's Directors in the year ended 31 October 2014, together with how the policy will be implemented in the year ending 31 October 2015.

The Annual statement and Annual report on remuneration will be subject to an advisory shareholder vote at the forthcoming 2015 AGM. No changes are being made to the Directors' remuneration policy.

Performance and reward

The Company and Executive Team have performed well in the year under review. As a result, Executive Directors will receive annual bonus payments of 76% of salary for the year ended 31 October 2014 and while the 2011 PSP awards lapsed in February 2014 due to performance conditions not being met, near 100% of the 2012 PSP awards are expected to vest in February 2015 based on achievement of three year EPS and relative total shareholder return performance targets.

Summary of key decisions in the year

The Remuneration Committee (the "Committee") regularly reviews the senior Executive remuneration policy to ensure it promotes the attraction, motivation and retention of the high quality Executives who are key to delivering the Company's strategy in the past and who will be key to delivering sustainable earnings growth and shareholder return in the future.

The Committee's most recent conclusions are that the existing senior Executive remuneration policy remains appropriate and should continue to operate for FY2015. The key points to note are as follows:

- while base salary positioning was felt to be broadly appropriate during transition, following a successful first year as Chief Executive, Frederic Vecchioli's base salary was moved to market from the first anniversary of appointment (as had been reported as intended after having been initially set at below market levels). The increase awarded to Andy Jones reflected his performance in the role to date and was commensurate with increases awarded to high performing employees across the workforce;
- the structure and quantum of the annual bonus continues to work well and so will remain unchanged for FY2015; and
- the long-term incentive grant policy, whereby nil-cost awards are granted annually with vesting based on earnings per share (two-thirds) and relative total shareholder return (one-third) performance conditions and continued service, provides a strong alignment between the senior executive team and shareholders. Grant levels and performance targets will continue to be reviewed in advance of each award and will reflect changes in market conditions. A two-year post-vesting holding period for PSP awards will be considered for the next update of our policy at the 2017 AGM.

In conclusion, the Committee believes that the current remuneration policy continues to incentivise the delivery of strong yet sustainable financial results and the creation of shareholder value.

K G Edelman
Chairman of the Remuneration Committee
21 January 2015

Directors' remuneration policy

Introduction and overview

The policy has been developed taking into account the principles of the UK Corporate Governance Code. The Board recognises that the Directors' remuneration is of legitimate concern to shareholders and is committed to following current best practice. The Group operates within a competitive environment; performance depends on the individual contributions of the Directors and employees and the Group believes in rewarding vision and innovation.

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

The policy of the Board 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. The Group's general policy is to set basic salaries around mid-market levels and set performance pay levels which are at the upper quartile of market practice but with stretching goals which accords with the Group's general policy of seeking to make bonuses self-financing wherever possible. Remuneration packages will also reflect the Directors' responsibilities and contain incentives to deliver the Group's objectives.

Consideration of shareholder views

The Committee considers shareholder feedback received in relation to the AGM each year at a meeting immediately following the AGM. This feedback, plus any additional feedback received during any meetings from time to time, is then considered as part of the Group's annual review of remuneration policy. In addition, the Remuneration Committee will seek to engage directly with major shareholders and their representative bodies should any material changes be made to the remuneration policy. Details of votes cast for and against the resolution to approve last year's remuneration report and any matters discussed with shareholders during the year are set out in the Annual report on remuneration.

Consideration of employment conditions elsewhere in the Group

The Committee considers the general basic salary increase for the broader UK employee population when determining the annual salary increases for the Executive Directors. Employees have not been consulted in respect of the design of the Group's senior Executive remuneration policy, although the committee will keep this under review.

The relative increase in Chief Executive Officer pay for the year under review, as compared with that of the general workforce, is set out in the Annual report on remuneration. The committee also considers environmental, social and governance issues, and risk when reviewing executive pay quantum and structure.

Summary of prevailing remuneration policy

Element	How component supports corporate strategy	Operation	Maximum	Performance targets and recovery provisions
Basic salary	Attracts and retains appropriate talent. Reflects an individual's responsibilities, experience and role.	Normally reviewed annually on 1 May and takes effect from this date. Salaries are paid monthly. Decisions influenced by: – responsibilities, abilities, experience and performance of an individual; and – the Group's salary and pay structures and general workforce increases. Salaries are benchmarked periodically against companies of a similar size and complexity.	There is no prescribed maximum annual basic salary increase. The Committee is guided by the general increase for the broader employee population but may decide to award a lower increase for Executive Directors or indeed exceed this to recognise, for example, an increase in the scale, scope or responsibility of the role and/or to take account relevant market movements. Current salary levels are set out in the Annual report on remuneration.	Not applicable.
Annual bonus	Rewards the achievement of a combination of financial and non-financial performance targets in line with corporate strategy over the one-year operating cycle.	Targets reviewed annually. Bonus level is determined by the Committee after the end of the relevant financial year, subject to performance against targets set at the start of the year.	Maximum: 100% of salary.	Performance period: one year. Performance metrics: EBITDA targets and personal objectives. Claw-back provision operates.

Directors' remuneration policy continued

Summary of prevailing remuneration policy continued				
Element	How component supports corporate strategy	Operation	Maximum	Performance targets and recovery provisions
Long-term incentive plan	Incentivises Directors to achieve returns for shareholders over the long term.	Performance Share Plan ("PSP") approved by shareholders in 2009. Awards of nil-cost or conditional shares are made annually with vesting dependent on the achievement of performance conditions over the subsequent three years. The Committee reviews the quantum of awards annually and monitors the continuing suitability of the performance measures.	Normal grant level: 125% of salary. Normal maximum: 150% of salary. Exceptional maximum: 200% of salary. Participants may benefit from the value of dividends paid over the vesting period to the extent that awards vest. This benefit is delivered in the form of cash or additional shares at the time that awards vest.	Performance period: three years. Majority of awards are subject to PBT EPS growth targets, with minority subject to TSR performance against a comparator group of other companies. 25% of an award vests at threshold performance (0% vests below this), increasing to 100% pro-rata for maximum performance. Claw-back provision operates.
All-employee Sharesave	Encourages long-term shareholding in the Company.	Invitations made by the Committee under the Approved Sharesave Scheme.	As per HMRC limits.	None.
Share ownership	Further aligns Executives with investors, while encouraging employee share ownership.	50% of the net of tax vested PSP shares required to be retained until the shareholding guideline is met.	100% of salary.	None.
Benefits	Provides insured benefits to support the individual and their family during periods of ill health, accidents or death. Car allowance facilitates effective travel.	Includes car allowance, life insurance, private medical and dental insurance. Other benefits may be provided where appropriate.	At cost.	None.
Pension	Provides retirement benefits.	Defined contribution arrangements and/or salary supplements.	Up to 20% of basic salary.	None.
Non-Executive Directors	Provides fees reflecting time commitments and responsibilities of each role, in line with those provided by similarly sized companies.	Cash fee paid on a monthly basis. Fees are reviewed annually.	No maximum.	None.

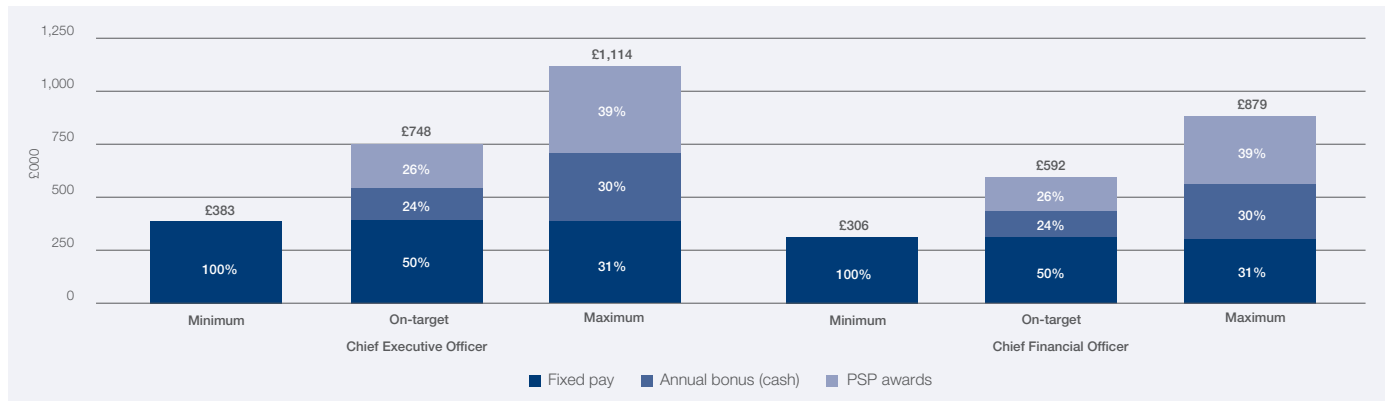
Notes

- The Annual report on remuneration sets out how the Company intends to implement the policy presented in this table.
- Below the Board level, a lower or no annual bonus opportunity may apply and participation in the PSP is limited to the Executive Directors and certain selected senior managers. Other employees are eligible to participate in the Company's Sharesave scheme. In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals, together with the fact that remuneration of the Executive Directors and senior executives typically has a greater emphasis on performance related pay.
- The choice of the performance metrics applicable to the annual bonus scheme reflect the Committee's belief that any incentive compensation should be appropriately challenging and tied to both the delivery of EBITDA growth and specific individual objectives.
- The TSR and EPS performance conditions applicable to the PSP (see Annual report on remuneration) were selected by the Remuneration Committee on the basis that they reward the delivery of long-term returns to shareholders and the Group's financial growth and are consistent with the Company's objective of delivering superior levels of long-term value to shareholders. The TSR performance condition is monitored on the Committee's behalf by New Bridge Street (part of Aon plc) whilst the Group's EPS growth is derived from the audited financial statements.
- The Committee operates the PSP in accordance with the plan rules and the Listing Rules and the Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plan.
- While PSP awards currently vest after three years subject to continued service and performance targets, the Committee will consider developments in best practice when setting future long-term incentive grant policies and, in particular, whether the introduction of a post vesting holding period, in addition to the existing shareholding guidelines, is appropriate for the Company.
- The all-employee Sharesave scheme does not have performance conditions.
- For the avoidance of doubt, in approving this Directors' remuneration policy, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the payment of a pension, payment of last year's annual bonus or the vesting/exercise of share awards granted in the past). Details of any payments to former Directors will be set out in the Annual report on remuneration as they arise.

Directors' remuneration policy continued

Reward scenarios

The chart below shows how the composition of each of the Executive Directors' remuneration packages varies at different levels of performance under the policy set out above, as a percentage of total remuneration opportunity and as a total value:



Notes

1 The minimum performance scenario comprises the fixed elements of remuneration only, including:

- salary levels as at 1 November 2014;
- pension, as per the prevailing policy; and
- estimated benefits (car allowance, private medical insurance and life assurance).

2 The on-target level of bonus is taken to be 50% of the maximum bonus opportunity (100% of salary only), and the on-target level of PSP vesting is assumed to be 50% of the face value assuming a normal grant level (125% of salary). These values are included in addition to the components/values of minimum remuneration.

3 Maximum assumes full bonus payout (100% of salary only) and the full face value of the PSP (125% of salary only), in addition to fixed components of remuneration.

4 No share price growth has been factored into the calculations.

Approach to recruitment and promotions

The remuneration package for a Director would be set in accordance with the terms of the Company's prevailing approved remuneration policy at the time of appointment and take into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

Salary would be provided at such a level as required to attract the most appropriate candidate and may be set initially at a below mid-market level on the basis that it may progress towards the mid-market level once expertise and performance has been proven and sustained. The annual bonus potential would be limited to 100% of salary and grants under the PSP would be limited to 150% of salary (200% of salary in exceptional circumstances). In addition, the Committee may offer additional cash and/or share based elements to replace deferred or incentive pay forfeited by an Executive leaving a previous employer. It would seek to ensure, where possible, that these awards would be consistent with awards forfeited in terms of vesting periods, expected value and performance conditions.

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms. In addition, any other ongoing remuneration obligations existing prior to appointment may continue.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

If appropriate the Committee may agree on a recruitment of a new Executive a notice period in excess of twelve months but to reduce this to twelve months over a specified period.

Directors' remuneration policy continued

Service contracts for Executive Directors

The service agreements of the Executive Directors are not fixed term and are terminable by either the Company or the Director on the following bases:

Director	Date of current service contract	Notice period
F Vecchioli	3 September 2013	Twelve months
A Jones	29 January 2013	Twelve months

At the Board's discretion early termination of an Executive Director's service contract can be undertaken by way of payment of salary and benefits in lieu of the required notice period. A summary of the main contractual terms surrounding termination is set out below:

Provision	Detailed terms
Notice period	Twelve months
Termination payment	Payment in lieu of notice based on salary and specified benefits
Remuneration entitlements	A bonus may be payable (pro-rated where relevant) and outstanding share awards may vest (see below)
Change of control	No Executive Director's contract contains additional provisions in respect of change of control

Annual bonus may be payable with respect to the period of the financial year served although it will be pro-rated for time and paid at the normal payout date. Any share based entitlements granted to an Executive Director under the Company's share plans will be determined based on the relevant plan rules. However, in certain prescribed circumstances, such as death, ill health, disability, retirement or other circumstances at the discretion of the Committee, "good leaver" status may be applied. For good leavers, awards will normally vest at the normal vesting date, subject to the satisfaction of the relevant performance conditions at that time and reduced pro-rata to reflect the proportion of the performance period actually served. However, the Remuneration Committee has discretion to determine that awards vest at cessation of employment.

The Board allows Executive Directors to accept appropriate outside commercial non-executive director 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.

Non-Executive Directors

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

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.

Annual report on remuneration

Implementation of the Remuneration policy for the year ending 31 October 2015

Basic salary

Basic salary is determined by reference to the individual's experience, performance, responsibility and pay levels across the Group more generally. In addition, the Committee reviews periodically basic salary levels within similarly sized listed real estate and pan-sector companies although the Committee is careful not to place excessive reliance on the use of external comparator analysis. Current basic salary levels for Executive Directors are presented below:

		From 1 November 2014	From 1 November 2013
F Vecchioli	Chief Executive Officer	£325,000	£290,000 ¹
A Jones	Chief Financial Officer	£255,000	£242,000 ²

¹ F Vecchioli's basic salary was set at £290,000 which was considered below market and below that of his predecessor. Consistent with the Company's policy on recruitments and promotions described in the Directors' remuneration policy, his basic salary was increased to mid-market levels from the first anniversary of appointment given individual's experience and expertise in the role.

² A Jones' basic salary was set at £242,000 from appointment and was reviewed on 1 May 2014 (the normal review date). His increase reflected his performance in the role to date and was commensurate with increases awarded to high performing employees across the workforce.

Annual bonus

The Committee will operate an annual bonus plan for Executive Directors during FY2015 in line with that operated in FY2014. The maximum bonus will remain at 100% of basic salary, with measurement based upon sliding scale EBITDA and personal objectives set at the start of each financial year in the ratio of 80:20. In addition to this, EBITDA must be greater than the previous financial year for any bonus to be payable. We have not disclosed specific targets for FY2015 prospectively as they are considered to be commercially sensitive, although the Committee is satisfied that they will be demanding and require performance significantly better than budget for full payout and the targets will be disclosed retrospectively.

Long-term incentives

The 2009 Performance Share Plan ("PSP") is the Group's primary long-term incentive arrangement. Awards in relation to the year ended 31 October 2014 will be over 125% of salary and are likely to be granted in February 2015. The 2015 PSP awards will be subject to EPS and TSR conditions as follows:

- two-thirds of awards are subject to the PBT-EPS condition. 25% of this part of an award vests for PBT-EPS growth of RPI +3% per annum with full vesting of this part of an award for PBT-EPS growth of RPI +8% per annum. A sliding scale operates between these points; and
- the remaining one-third of awards are each subject to a TSR condition based on the Group's performance against other FTSE SmallCap companies (excluding investment trusts) as at the date of grant. 25% of this part of an award vests if Safestore's TSR is at a median of the ranking of the TSRs of the comparator group, with full vesting of this part of an award for upper quartile performance. A sliding scale operates between these points. In addition to the above, no part of the TSR awards will vest unless the Committee is also satisfied that the TSR performance of the Group is reflective of the Group's underlying performance.

Benefits

Taxable benefits provided will continue to include a car allowance, life insurance, private medical and dental insurance. Benefits in kind are not pensionable and are not taken into account when determining basic salary for performance related remuneration.

Pension

The Group will continue to contribute 10% of basic salary for the pension arrangements of the Executive Directors.

Non-Executive Directors

The Company's approach to Non-Executive Directors' remuneration is set by the Board with account taken of the time and responsibility involved in each role, including where applicable the Chairmanship of Board committees. A summary of current fees is as follows:

	FY2015	FY2014	% increase
Chairman	£100,000	£100,000	0%
Base fee	£35,000	£35,000	0%
Additional fees:			
Committee Chair fees	£10,000	£10,000	0%

Annual report on remuneration continued

Directors' remuneration

The following details set out on pages 44 to 46 of this report have been audited by Deloitte LLP.

	Salary and fees £'000	Taxable benefits £'000	Bonus ¹ £'000	PSP awards vesting ² £'000	Other £'000	Pension costs £'000	Total £'000
2014							
Chairman and Executive Directors							
A S Lewis ³	83	—	—	—	—	—	83
R S Grainger ³	17	—	—	—	—	—	17
F Vecchioli ⁴	296	24	247	376	—	30	973
A Jones ⁵	248	19	194	—	100	25	586
	644	43	441	376	100	55	1,659
Non-Executive Directors							
A H Martin	39	—	—	—	—	—	39
A S Lewis ³	6	—	—	—	—	—	6
J L Kenrick ⁶	2	—	—	—	—	—	2
K G Edelman	45	—	—	—	—	—	45
I Krieger	41	—	—	—	—	—	41
	133	—	—	—	—	—	133
Total	777	43	441	376	100	55	1,792
2013							
Chairman and Executive Directors							
R S Grainger ³	90	—	—	—	—	—	90
F Vecchioli ⁴	192	3	135	—	—	29	359
A Jones ⁵	117	8	83	—	50	12	270
	399	11	218	—	50	41	719
Non-Executive Directors							
A H Martin	45	—	—	—	—	—	45
A S Lewis	35	—	—	—	—	—	35
K G Edelman	45	—	—	—	—	—	45
I Krieger ⁷	3	—	—	—	—	—	3
	128	—	—	—	—	—	128
Former Directors ⁸	487	35	227	—	409	67	1,225
Total	1,014	46	445	—	459	108	2,072

1 The performance related annual bonus is based on performance measures, as disclosed in the policy table on pages 39 and 40, 80% of which relate to adjusted EBITDA before non-recurring items, and 20% to an assessment of the personal performance of the directors. The final bonus payable for the year included 70.0% (2013: 62.5%) of the adjusted EBITDA element and 100% (2013: 100%) of the personal performance element.

2 As a result of the near maximum PBT-EPS target being met (14.1 pence compared with a maximum target of 14.2 pence) and an expectation of upper quartile TSR performance (albeit the TSR performance period does not technically end until 31 January 2015), near 100% of the PSP awards granted in 2012 are expected to vest in early 2015). The value of the 2012 award held by Frederic Vecchioli has been valued at £376k based on near 100% expected vesting and a three month average share price to 31 October 2014 of 210.5 pence.

3 Alan Lewis succeeded Richard Grainger as Chairman upon his retirement on 31 December 2013. Alan Lewis was a Non-Executive Director prior to his appointment as Chairman.

4 Frederic Vecchioli was appointed Chief Executive on 4 September 2013; previously he was an Executive Director.

5 Andy Jones was appointed a Director on 7 May 2013. As disclosed last year, it was agreed that a £100,000 retention award which was forfeited upon his resignation from his previous employer would be compensated but not until the first anniversary of appointment. It was further agreed that Andy Jones would invest the net of tax proceeds of the value compensated into Safestore Holdings plc shares and retain these shares.

6 Joanne Kenrick joined the Board on 8 October 2014.

7 Ian Krieger joined the Board on 3 October 2013.

8 Peter Gowers stepped down from the Board on 4 September 2013. Richard Hodsden stepped down from the Board on 7 May 2013.

Annual report on remuneration continued

Directors' remuneration continued

Measure	As a percentage of maximum bonus opportunity		Performance required			Actual performance		
	CEO	CFO	Threshold	On-target	Maximum	Actual	Payout %	
Adjusted EBITDA before non-recurring items (£'m)	80%	80%	52.6	54.8	57.0	54.8	56%	
Personal performance	20%	20%	Objectives based on personal and business targets ¹			Objectives met in full		20%

¹ Based on delivery of strategy, trading performance improvement, and capital structure objectives.

Scheme interests awarded during the year

	PSP share awards		
	Number	Basis of awards	Face value
F Vecchioli	186,856	125% of salary	£362,500
A Jones	155,928		£302,500

The face value of the awards is based on a price of £1.94, being the closing share price from the business day immediately preceding the award which was granted on 4 February 2014. The awards are contingent upon satisfying performance conditions measured over three years, as detailed on page 43.

Payments for loss of office

No payments for loss of office were made during the year.

Payments to past Directors

No payments were made to past Directors during the year.

Statement of Directors' shareholding and share interests

Performance Share Plan awards

	Awards granted	Maximum award	Awards vested	Awards lapsed	Maximum outstanding awards at 31 October 2014	Market price at date of vesting (p)	Market price at date of exercise (p)	Normal vesting date
F Vecchioli	02/02/2011	137,747	—	(137,747)	—	—	—	02/02/2014
	02/02/2012	178,597	—	—	178,597	—	—	02/02/2015
	06/02/2013	165,869	—	—	165,869	—	—	06/02/2016
	04/02/2014	186,856	—	—	186,856	—	—	04/02/2017
A Jones	28/06/2013	293,927	—	—	293,927	—	—	28/06/2016
	04/02/2014	155,928	—	—	155,928	—	—	04/02/2017

The PSP awards are subject to continued service over three years and the following performance targets:

	EPS (two-thirds)	TSR (one-third)
2011, 2012 and 2013 PSP awards	25% of this part of an award vests for PBT-EPS growth of RPI+2% per annum with full vesting of this part of an award for PBT-EPS growth of RPI+6% per annum. A sliding scale operates between these points.	25% of this part of an award vests if Safestore's TSR is at a median of the comparator group (FTSE SmallCap excluding investment trusts), with full vesting of this part of an award for upper quartile performance. A sliding scale operates between these points. In addition to the above, no part of the TSR awards will vest unless the Committee is also satisfied that the TSR performance of the Group is reflective of the Group's underlying performance.
2014 PSP awards	25% of this part of an award vests for PBT-EPS growth of RPI+3% per annum with full vesting of this part of an award for PBT-EPS growth of RPI+8% per annum. A sliding scale operates between these points.	

The 2011 PSP award lapsed in February 2014 due to performance conditions not being met.

Annual report on remuneration continued

Directors' shareholdings

	Ordinary shares of 1 pence each (thousands)				
	Beneficial			Shareholding guideline	Actual
	1 November 2013	31 October 2014	21 January 2015		
Executive Directors					
F Vecchioli	1,151	1,451	1,451	100%	928%
A B Jones	—	30	30	100%	24%
A S Lewis	200	400	400	n/a	n/a
A H Martin	20	40	40	n/a	n/a
K G Edelman	—	25	25	n/a	n/a
J L Kenrick ¹	—	—	—	n/a	n/a
I S Krieger	—	20	20	n/a	n/a
R S Grainger ²	101	n/a	n/a	n/a	n/a
	1,472	1,966	1,966		

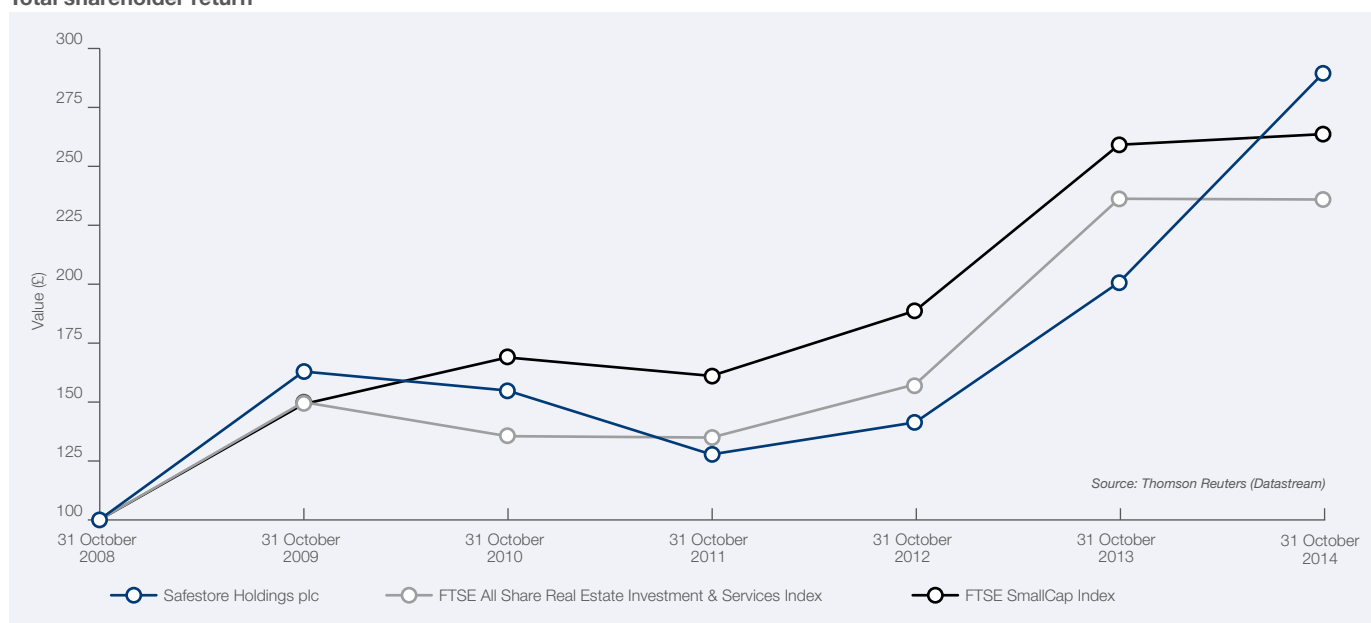
¹ Joanne Kenrick joined the Board on 8 October 2014.

² Richard Grainger retired from the Board on 31 December 2013.

TSR performance graph and table

The graph below shows the value, by 31 October 2014, of £100 invested in Safestore Holdings plc over the past six years compared with the value of £100 invested in the FTSE SmallCap Index and the FTSE All Share Real Estate Investment & Services Index. The other points plotted are the values at intervening financial year ends. These comparators have been chosen on the basis that they are the markets within which Safestore operates, albeit that the FTSE All Share Real Estate Investment & Services Index comprises mainly commercial property companies.

Total shareholder return



Annual report on remuneration continued

Chief Executive Officer six-year remuneration history

Year	Incumbent	CEO single figure of total remuneration	Annual bonus payout against maximum	PSP vesting against maximum opportunity
FY2014	F Vecchioli	£973,000	76%	100%
FY2013	F Vecchioli ¹	£359,000	70%	—
FY2013	P D Gowers ²	£910,000	70%	—
FY2012	P D Gowers	£390,000	—	—
FY2011	P D Gowers	£425,000	59%	—
FY2011	S W Williams ³	£597,000	—	—
FY2010	S W Williams	£607,000	75%	—
FY2009	S W Williams	£485,000	—	—

1 Appointed Chief Executive Officer from 4 September 2013.

2 Appointed Chief Executive Officer on 1 March 2011, stepped down as Chief Executive Officer on 4 September 2013 and left the Company on 31 October 2013.

3 Stepped down as Chief Executive Officer on 28 February 2011 and left the Company on 30 April 2011.

Percentage change in remuneration of Chief Executive Officer and employees

The table below shows the percentage change in remuneration of the Director undertaking the role of Chief Executive Officer and the Company's employees as a whole between FY2014 and FY2013.

	Percentage increase in remuneration in 2014 compared with remuneration in 2013	
	CEO	Average pay based on all employees
Salary	54%	2%
Benefits	700%	0%
Annual bonus	83%	4%

1 Comparison relates to remuneration for Frederic Vecchioli between 2013 and 2014.

Relative importance of spend on pay

The following table shows the Company's actual spend on pay (for all employees) relative to dividends:

	2012/2013	2013/2014	% change
Staff costs (£m)	17.2	17.9	4.1%
Dividends (£m)	10.6	12.5	17.9%

Annual report on remuneration continued

Details of the Remuneration Committee, advisers to the Committee and their fees

The Remuneration Committee currently comprises three independent Non-Executive Directors.

Details of the Directors who were members of the Committee during the year are disclosed on page 33.

It remains the Committee's policy that it shall be available to meet on an ad hoc basis when the needs of the Group require it. At the invitation of the Chairman, the Chairman of the Board, the Chief Executive Officer and HR Director may attend meetings of the Committee, except when their own remuneration is under consideration. No Director is involved in determining his or her own remuneration. The Company Secretary acts as the secretary to the Committee. The members of the Committee can, where they judge it necessary to discharge their responsibilities, obtain independent professional advice at the Group's expense. The Committee's terms of reference are published on the Group's website at www.safestore.com and are available in hard copy on application to the Company Secretary.

During the year, the Committee received advice from New Bridge Street (part of Aon plc), an independent remuneration consultancy, in connection with remuneration matters including the provision of general guidance on market and best practice. New Bridge Street has no other connection or relationship with the Group and provided no other services to the Group during FY2014. Its fees for the year amounted to £19,000 (2013: £31,000).

Statement of voting at general meeting

At the AGM held on 19 March 2014, the Directors' remuneration report resolutions received the following votes from shareholders:

	Annual statement and Annual report on remuneration		Directors' remuneration policy	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	165,826,824	98.47	160,763,590	94.48
Discretion	2,583	0.01	2,583	0.01
Against	2,555,832	1.52	9,376,570	5.51
Total votes cast	168,385,239		170,142,743	
Votes withheld	1,832,591		75,087	
Total votes cast (including withheld votes)	170,217,830		170,217,830	

Directors' report

Safestore Holdings plc is incorporated as a public limited company and is registered in England with the registered number 4726380. The address of the registered office is Brittanica House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT, United Kingdom.

The Directors present their report and the audited consolidated financial statements for the year ended 31 October 2014. References to Safestore, the "Group", and the "Company", "we" or "our" are to Safestore Holdings plc, and its subsidiary companies where appropriate.

Strategic report

A review of the development of the Group's business during the year, the principal risks and uncertainties facing the Group and its future prospects are included in the Chairman's statement and the Strategic report which should be read in conjunction with this report.

Results for the year and dividends

The results for the year ended 31 October 2014 are set out in the Group statement of comprehensive income on page 56.

An interim dividend of 2.15 pence (2013: 1.85 pence) was paid on 15 August 2014 and this included a PID of 2.15 pence (2013: 0.18 pence). The Directors recommend a final dividend in respect of the year ended 31 October 2014 of 5.30 pence per ordinary share (2013: 3.90 pence). The PID element of the final dividend will be 2.65 pence (2013: 3.90 pence). If authorised at the 2015 AGM, the dividend will be paid on 8 April 2015 to members on the register on 13 March 2015.

The PID will be paid after the deduction of withholding tax at the basic rate (currently 20%). However, certain categories of shareholder may be entitled to receive payment of a gross PID if they are UK resident companies, UK public bodies, UK pension funds and managers of ISAs, PEPs and child trust funds. Information together with the relevant forms which must be completed and submitted to the Company's registrars for shareholders who are eligible to receive gross PIDs is available in the investor relations section of the Company's website. The ordinary dividend is not subject to withholding tax.

Going concern

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

Financial instruments

The financial risk management objectives and policies of the Group, along with any details of exposure to any liability and cash flow risk, are set out on page 12 to 14 and notes 2 and 19 to the financial statements.

Disclosure of information under Listing Rule 9.8.4

Information on long term incentive schemes can be found in note 22 to the Group financial statements.

Post-balance sheets events

There are no reported post-balance sheet events.

Directors

Details of the Directors of the Company who served throughout the year ended 31 October 2014 and up to the date of the financial statements, and their interests in the ordinary share capital of the Company and details of options granted to Executive Directors under the Group's share schemes, are set out in the Annual remuneration report on pages 43 to 48.

The Company's rules governing the appointment and replacement of Directors are contained in its Articles of Association. Changes to the Articles of Association are only permitted in accordance with legislation and must be approved by a special resolution of shareholders. 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 32 to 34.

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.

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 2014 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.

No member of the Board had a material interest in any contract of significance with the Company, or any of its subsidiaries, at any time during the year. Directors are required to notify the Company of any conflict or potential conflict of interest. The Board confirms that no conflicts have been identified or notified to the Company during the year and, accordingly, the Board has not authorised any conflicts of interest as permitted by the Company's Articles of Association.

Share capital

At 31 October 2014, the Company's issued share capital comprised 207,134,266 ordinary shares of 1 pence each. Details of movements in the share capital during the year are provided in note 22 of the financial statements. The rights and obligations attaching to the Company's ordinary shares are set out in its Articles of Association.

Own shares – Employee Benefit Trust

The Employee Benefit Trust retains 142,851 ordinary shares (FY2013: 142,851 ordinary shares) with a cost of £1,429 (FY2013: £1,429) in satisfaction of awards under the Group's Long Term Incentive Plan. This represents 0.07% (FY2013: 0.08%) of the total issued share capital of the Company.

Purchase of own shares

The Company was granted authority at the 2014 AGM to make market purchases of its own ordinary shares. This authority will expire at the conclusion of the 2015 AGM and a resolution will be proposed to seek further authority. No ordinary shares were purchased under this authority during the year or in the period from 1 November 2013 to 21 January 2014.

Change of control

The Group's bank facilities agreement and US private placement note agreement contain provisions entitling the counterparty to terminate the contractual agreements in the event of a change of control of the Group. The Group's share schemes contain provisions relating to the vesting and exercising of options in the event of a change of control of the Group.

Employment and environmental matters

Information in respect of the Group's environmental and employment policies and greenhouse gas reporting are summarised in Corporate and social responsibility on pages 23 to 27 and are also available on the Group's website.

Amendment of the Articles of Association

The Company's Articles of Association may only be amended by special resolution at a general meeting of the shareholders.

Substantial shareholdings

In accordance with the Disclosure and Transparency Rules DTR 5, the Company has been notified of the following disclosable interests in its issued ordinary shares:

	At 10 January 2015	
	Number '000	Percentage of current issued share capital
JP Morgan Asset Management	11,675	5.64
Henderson Global Investors	11,487	5.55
Legal and General Investment Management	11,307	5.46
CBRE Global Investors	11,067	5.34
APG Investments	10,090	4.87
BlackRock Investment Management (UK)	10,087	4.87
Schroder Investment Management	8,858	4.28
Principal Global Investors	7,509	3.63
F&C Asset Management	7,064	3.41

All interests disclosed to the Company in accordance with the Disclosure and Transparency Rules DTR 5 that have occurred since 9 January 2015 can be found at our corporate website: www.safestore.com.

Independent auditors and 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 418 of the Companies Act 2006 the following applies:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- 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.

Independent auditors

Deloitte LLP have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held at the Company's registered office at Brittanica House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT on 19 March 2015 at 12.00 noon.

The 2015 AGM will include, as special business, resolutions dealing with authority to issue shares, disapplication of pre-emption rights, authority to purchase the Company's own shares, authority for scrip dividend alternative, and authority to call a general meeting on not less than 14 days' notice. The Notice of Annual General Meeting sets out details of the business to be considered at the AGM and contains explanatory notes on such business. This has been despatched to shareholders and can be found on our corporate website: www.safestore.com.

Shareholders are encouraged to use their vote at this year's AGM either by attending the meeting in person or by completing and returning the Form of Proxy in accordance with the instructions set out in the form. Completing and returning the Form of Proxy will not prevent shareholders from attending and voting at the meeting.

By order of the Board

S Ahmed
Company Secretary
 21 January 2015

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' remuneration report and the 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 in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. 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.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Having taken all matters considered by the Board and brought to the attention of the Board during the year into account, the Directors consider that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 29 to 31 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

In accordance with Section 418 of the Companies Act 2006, Directors' reports shall include a statement, in the case of each Director in office at the date the Directors' report is approved, that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he 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.

The Annual Report on pages 1 to 95 was approved by the Board of Directors and authorised for issue on 22 January 2015.

By order of the Board

S Ahmed
Company Secretary

Opinion on financial statements of Safestore Holdings plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 October 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated Statement of Changes in Shareholders' Equity, the Consolidated Cash Flow Statement and the related notes 1 to 30, and in relation to the parent company, notes 1 to 14.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Going concern

As required by the Listing Rules we have reviewed the directors' statement contained within the Directors' report that the Group is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Valuation of investment property Investment properties are held at £704.0 million at 31 October 2014. This is the most quantitatively material balance in the financial statements. Investment properties are held at fair value on the balance sheet. Fair value is by its nature subjective with significant judgement applied to the valuation. The key judgements about individual properties are cap rate, discount rate, rental growth and stabilized occupancy levels. These judgements drive a cash flow model that is used as the basis of the valuation of each individual property. For further details of the Group's valuation method and assumptions, refer to note 11 of the financial statements.	<p>We met with the third party valuers and assessed the appropriateness of the valuer's scope and whether the valuer had sufficient expertise and resource.</p> <p>We obtained the source information provided by management (e.g. historical revenue on a store by store basis) to the valuer and tested the integrity of a sample of such information.</p> <p>We provided the valuations to our own internal real estate specialists, who are members of the Royal Institute of Chartered Surveyors. Our specialists performed an independent assessment of the assumptions that underpin the valuations, namely cap rates, discount rate, rental growth and stabilised occupancy on a property by property basis, based on their knowledge of the self-storage industry and wider real estate market.</p>
Revenue recognition The Group recognises rental revenue over the period that the space is occupied by the customer. Accounting for rental revenue leads to significant deferred income balances, resulting in a risk of material misstatement that deferred revenue is not calculated correctly, and that revenue is recorded in the incorrect period. The accuracy of revenue also has an impact on investment property valuations as the historical revenue data is a key input into the investment property valuation model. For further details of the Group's revenue recognition policy, refer to note 2 of the financial statements.	<p>To gain assurance that revenue was being recorded appropriately in the financial statements, we tested the system used by the Group to calculate revenue. We also tested the interface controls between the revenue system and the general ledger, as well as testing a sample of reports reconciling the system to the general ledger.</p> <p>We tested that revenue had been recorded in the appropriate period by selecting a sample of revenue invoices and recalculating the revenue recorded in the period, and revenue deferred at the period end. We also tested revenue on a store by store basis by establishing expectations of revenue based on our understanding of annual movements in revenue per store, and comparing to actual revenue.</p>

Our assessment of risks of material misstatement continued

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee and discussed in their report.

Last year the previous auditor's report included one other risk which is not included in our report this year: the risk of management override of internal controls. While we identified this as a significant risk, we did not consider it to be one which had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £8.2 million. The figure was determined as 2% of net assets. We consider net assets to be a critical financial performance measure for the Group on the basis that it is a key metric used by management, investors, analysts and lenders.

In addition to net assets, we also consider profit before income tax, adjusted to exclude the gain on revaluation of investment properties and movements in the fair value of derivatives, to be a critical financial performance measure for the Group, which aligns closely with EPRA earnings. We applied a lower threshold of £1.6 million, which has been determined as 5% of adjusted profit before tax, for testing of balances impacting that measure, being Consolidated Income Statement balances with the exception primarily of fair value movements on investment property and derivatives.

Last year the previous auditors set materiality at £2.5 million, representing approximately 5% of the Group's pre-tax profit adjusted for interest, gains on investment properties and gains/losses on derivatives.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £164,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

We determined that there were two components within the Group; the United Kingdom and France operations. In addition to performing the Group audit procedures, which included the testing of the consolidation process, the Group audit team also performed the audit of the United Kingdom component given all United Kingdom entities operate from the same office with the same financial system. We instructed component auditors to perform the audit of the France component, and visited the component auditors in France to review the work performed by them during their audit. Our component audit work was executed at levels of materiality applicable to each individual component which were lower than Group materiality, ranging from £3.7 million to £5.2 million. In addition, for the lower materiality described above, our component materialities ranged from £0.6 million to £0.9 million.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Matters on which we are required to report by exception continued

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Mark Beddy FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom**

21 January 2015

Consolidated income statement

for the year ended 31 October 2014

	Notes	Group	
		2014 £'m	2013 £'m
Revenue	3	97.9	96.1
Cost of sales		(32.3)	(31.8)
Gross profit		65.6	64.3
Administrative expenses		(14.1)	(16.6)
Underlying EBITDA (operating profit before exceptional items, change in fair value of derivatives, gain/loss on investment properties, contingent rent and depreciation)		53.0	50.8
Exceptional items	5	(1.0)	(0.7)
Change in fair value of derivatives		1.2	(1.3)
Depreciation and contingent rent		(1.7)	(1.1)
Operating profit before gain on investment properties		51.5	47.7
Gain on investment properties	11	24.1	21.5
Operating profit	3,6	75.6	69.2
Finance income	4	4.7	2.8
Finance expense	4	(27.9)	(23.4)
Profit before income tax		52.4	48.6
Income tax (charge)/credit ¹	8	(5.6)	59.9
Profit for the year		46.8	108.5
Earnings per share for profit attributable to the equity holders			
– basic (pence)	10	23.2	57.8
– diluted (pence)	10	23.0	57.3

¹ Includes an exceptional credit of £nil (FY2013: £63.2 million) (see note 8).

The financial results for both years relate to continuing activities.

The notes on pages 60 to 91 are an integral part of these consolidated financial statements.

Financial statements Consolidated statement of comprehensive income
for the year ended 31 October 2014

	Group	
	2014 £'m	2013 £'m
Profit for the year	46.8	108.5
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Cash flow hedges	(3.3)	—
Recycling of hedge reserve	6.7	(0.5)
Currency translation differences	(8.4)	6.0
Tax on items taken to other comprehensive income	—	(1.1)
Other comprehensive (expenditure)/income, net of tax	(5.0)	4.4
Total comprehensive income for the year	41.8	112.9

Consolidated balance sheet

as at 31 October 2014

	Notes	Group	
		2014 £'m	2013 £'m
Assets			
Non-current assets			
Investment properties	11	704.0	724.6
Interests in leasehold properties	11	51.0	55.7
Investment properties under construction	11	5.3	5.6
Property, plant and equipment	12	1.5	1.8
Deferred income tax assets	21	2.0	3.3
Other receivables	15	4.8	6.4
		768.6	797.4
Current assets			
Inventories	14	0.2	0.1
Trade and other receivables	15	20.2	17.1
Current income tax assets		0.2	—
Derivative financial instruments	19	0.3	—
Cash and cash equivalents	16	15.3	15.8
		36.2	33.0
Total assets		804.8	830.4
Current liabilities			
Financial liabilities			
– bank borrowings	18	(5.0)	(5.0)
– derivative financial instruments	19	—	(0.4)
Trade and other payables	17	(36.7)	(34.8)
Current income tax liabilities		—	(0.8)
Obligations under finance leases	20	(8.0)	(8.6)
		(49.7)	(49.6)
Non-current liabilities			
Financial liabilities			
– bank borrowings	18	(259.6)	(337.9)
– derivative financial instruments	19	(4.8)	(10.6)
Deferred income tax liabilities	21	(39.7)	(39.3)
Obligations under finance leases	20	(43.0)	(47.1)
		(347.1)	(434.9)
Total liabilities		(396.8)	(484.5)
Net assets		408.0	345.9
Equity			
Ordinary shares	22	2.1	1.9
Share premium		60.0	28.4
Other reserves	23	(2.9)	2.1
Retained earnings	23	348.8	313.5
Total equity		408.0	345.9

These financial statements were authorised for issue by the Board of Directors on 21 January 2015 and signed on its behalf by:

A Jones

Chief Financial Officer

F Vecchioli

Chief Executive Officer

Company registration number: 4726380

Financial statements Consolidated statement of changes in shareholders' equity
for the year ended 31 October 2014

	Group					
	Share capital £'m	Share premium £'m	Translation reserve £'m	Hedge reserve £'m	Retained earnings £'m	Total £'m
Balance at 1 November 2012	1.9	28.3	(0.5)	(1.8)	215.4	243.3
Comprehensive income						
Profit for the year	—	—	—	—	108.5	108.5
Other comprehensive income						
Currency translation differences	—	—	6.0	—	—	6.0
Recycling of hedge reserve	—	—	—	(0.5)	—	(0.5)
Tax on items taken to other comprehensive income	—	—	—	(1.1)	—	(1.1)
Total other comprehensive income	—	—	6.0	(1.6)	—	4.4
Total comprehensive income	—	—	6.0	(1.6)	108.5	112.9
Transactions with owners						
Dividends (note 9)	—	—	—	—	(10.6)	(10.6)
Increase in share capital	—	0.1	—	—	—	0.1
Employee share options	—	—	—	—	0.2	0.2
Transactions with owners	—	0.1	—	—	(10.4)	(10.3)
Balance at 1 November 2013	1.9	28.4	5.5	(3.4)	313.5	345.9
Comprehensive income						
Profit for the year	—	—	—	—	46.8	46.8
Other comprehensive income						
Currency translation differences	—	—	(8.4)	—	—	(8.4)
Change in fair value of hedged instruments	—	—	—	(3.3)	—	(3.3)
Recycling of hedge reserve	—	—	—	6.7	—	6.7
Total other comprehensive income	—	—	(8.4)	3.4	—	(5.0)
Total comprehensive income	—	—	(8.4)	3.4	46.8	41.8
Transactions with owners						
Dividends (note 9)	—	—	—	—	(12.5)	(12.5)
Increase in share capital	0.2	31.6	—	—	—	31.8
Employee share options	—	—	—	—	1.0	1.0
Transactions with owners	0.2	31.6	—	—	(11.5)	20.3
Balance at 31 October 2014	2.1	60.0	(2.9)	—	348.8	408.0

Consolidated cash flow statement

for the year ended 31 October 2014

	Notes	Group	
		2014 £'m	2013 £'m
Cash flows from operating activities			
Cash generated from operations	24	52.6	51.6
Interest paid		(19.4)	(22.5)
Interest received		0.1	—
Tax paid		(1.9)	(0.1)
Net cash inflow from operating activities		31.4	29.0
Cash flows from investing activities			
Expenditure on investment properties and development properties		(6.2)	(4.7)
Proceeds in respect of Capital Goods Scheme		1.8	3.1
Purchase of property, plant and equipment		(0.3)	(0.2)
Proceeds from disposal of investment properties		41.6	—
Proceeds from sale of property, plant and equipment		0.1	—
Net cash inflow/(outflow) from investing activities		37.0	(1.8)
Cash flows from financing activities			
Issue of share capital		31.8	—
Equity dividends paid	9	(12.5)	(10.6)
Proceeds from borrowings		6.8	2.9
Debt issuance costs		(2.1)	—
Hedge breakage payments		(4.9)	—
Finance lease principal payments		(4.9)	(4.5)
Repayment of borrowings		(82.1)	(6.3)
Net cash outflow from financing activities		(67.9)	(18.5)
Net increase in cash and cash equivalents			
Exchange (loss)/gain on cash and cash equivalents		(1.0)	0.2
Cash and cash equivalents at 1 November		15.8	6.9
Cash and cash equivalents at 31 October	16,25	15.3	15.8

1. General information

Safestore Holdings plc ("the Company") and its subsidiaries (together, "the Group") provide self-storage facilities to customers throughout the UK and Paris. The Company is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in the UK. The address of its registered office is Brittanica House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT.

2. Summary of significant 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and International Financial Report Interpretations Committee ("IFRIC") interpretations. They also comply with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Group consolidated financial statements are presented in £ Sterling and are rounded to the nearest £0.1 million, unless otherwise stated. They are prepared on a going concern basis under the historical cost convention as modified by the revaluation of investment properties and the fair value of derivative financial instruments.

The preparation of financial statements in conformity with IFRS 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.

Going concern

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

Standards, amendments to standards and interpretations issued and applied

At the date of approval of these financial statements, the following interpretations and amendments were endorsed by the EU and are mandatory for the Group for the first time for the financial year beginning 1 November 2013. There are no new standards, amendments or interpretations that are effective for the first time for the current financial year that have had a material impact on the Group.

i) New and amended standards

— IFRS 13 'Fair Value Measurement' provides consistency by making available a single source of guidance on how fair value is measured. IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 'Financial Instruments: Disclosures'.

ii) New and amended standards not yet effective

At the date of authorisation of these financial statements, there were a number of new standards, amendments to existing standards and interpretations in issue that have not been applied in preparing these consolidated financial statements. The Group has no plan to adopt these standards earlier than the effective date.

Effective for the year ending 31 October 2015

- IFRS 10 'Consolidated Financial Statements';
- IFRS 11 'Joint Arrangements';
- IFRS 12 'Disclosures of Interests in Other Entities';
- IAS 19 'Employee Benefits' – Amendments relating to employee contributions to defined benefit plans;
- IAS 27 'Separate Financial Statements';
- IAS 28 'Investments in Associates and Joint Ventures';
- IAS 32 'Financial Instruments: Presentation' – Amendments relating to the offsetting of financial assets and financial liabilities;
- IAS 36 'Impairment of Assets' – Amendments arising from recoverable amount disclosure for non-financial assets;
- IAS 39 'Financial Instruments: Recognition and Measurement' – Amendments relating to novation of derivatives and continuation of hedge accounting;
- IFRIC 21 'Levies';
- Annual improvements to IFRSs 2010–2012 Cycle; and
- Annual improvements to IFRSs 2011–2013 Cycle.

2. Summary of significant accounting policies continued

Standards, amendments to standards and interpretations issued and applied continued

ii) New and amended standards not yet effective continued

Effective for the year ending 31 October 2017:

- IFRS 14 'Regulatory Deferral Accounts';
- IFRS 10 and IAS 28 Amendments relating to the sale or contribution of assets between an investor and its associate or joint venture;
- IFRS 11 Amendments relating to acquisitions of interests in joint operations;
- IAS 16 and IAS 38 Amendments relating to clarification of acceptable methods of depreciation and amortisation;
- IAS 27 Amendments relating to equity method in separate financial statements; and
- Annual improvements to IFRSs 2012–2014 Cycle.

Effective for the year ending 31 October 2018:

- IFRS 15 'Revenue from Contracts with Customers'.

Effective for the year ending 31 October 2019:

- IFRS 9 'Financial Instruments' – final standard, addressing the accounting for financial assets and liabilities including classification and measurement, impairment, hedge accounting and own credit.

The Directors are currently considering the potential impact arising from the future adoption of these standards and interpretations listed above.

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-group 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 purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for the acquisition is measured as the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity instruments issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets including intangible assets of the acquired entity at the date of acquisition. Costs attributable to an acquisition are expensed in the consolidated income statement under the heading "Other expenses".

Segmental reporting

IFRS 8 'Operating Segments' ("IFRS 8") requires operating segments to be identified based upon the Group's internal reporting to the chief operating decision maker ("CODM") to make decisions about resources to be allocated to segments and to assess their performance. The CODM is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its CODM is the Executive Directors.

A business segment is a distinguishable group of assets and operations, reflected in the way that the Group manages its business, that is subject to risks and returns that are different from those of other business segments. The Group's net assets, revenue and profit before tax are attributable to one principal activity, the provision of self-storage, in two geographical reporting segments, the United Kingdom and France.

Segment results, assets and liabilities include items directly attributable to segments as well as those that can be allocated on a reasonable basis.

2. Summary of significant accounting policies continued

Revenue recognition

Revenue represents amounts derived from the provision of self-storage 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 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 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.

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

Income from insurance claims is recognised when it is virtually certain of being received.

Exceptional items

The Group defines exceptional items to be those that warrant, by virtue of their nature, size or frequency, separate disclosure 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 Sterling, which is the presentational currency of the Group.

Transactions and balances

Foreign currency transactions 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 into the Group's presentational currency 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 are classified as equity and are recognised as a separate component of equity, within the translation reserve. Such translation differences are recognised as income or expense in the period in which the operation is disposed of.

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, investment properties under construction and interests in leasehold properties

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

The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of these outflows are recognised as a liability, including finance lease liabilities in respect of leasehold land and buildings classified as investment properties; others, including contingent rent payments, are not recognised in the balance sheet.

2. Summary of significant accounting policies continued

Investment properties, investment properties under construction and interests in leasehold properties continued

Land and properties held under operating leases are classified and accounted for by the Group as investment property in accordance with IAS 40 when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. For investment properties held under leases that are classified as finance leases, the properties are initially 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. After initial recognition, leasehold properties classified as investment properties are held at fair value, and the obligation to the lessor for the buildings element of the leasehold is included in the balance sheet at the present value of the minimum lease payments. 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 or losses on sale of investment properties are calculated as the difference between the consideration received and fair value estimated at the 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.

Property, plant and equipment

Property, plant and equipment not classified as investment properties or investment properties under construction 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.

Assets' residual values and useful lives are reviewed and, if appropriate, adjusted 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:

Owner occupied buildings over the shorter of the remaining lease period and occupied period	2% per annum
Motor vehicles	20–25% per annum
Computer hardware and software	15–33% per annum
Fixtures, fittings, signs and partitioning	10% 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.

Impairment of tangible assets (excluding investment property)

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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.

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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost 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. Net realisable value represents the estimated selling price less directly associated costs. Provision is made for slow-moving or obsolete stock, calculated on the basis of sales trends observed in the year.

2. Summary of significant accounting policies continued

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 recoverable. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 28 days overdue) are considered indicators that trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within "administrative expenses". When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables.

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 at fair value. Subsequently they are measured at amortised cost using the effective interest rate method.

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.

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

Borrowings

Interest-bearing bank loans and overdrafts are recorded at fair value, net of directly attributable transaction 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. Where fees are payable in relation to raising debt the costs are disclosed in the cash flow statement within financing activities. Where payments are made to exit or modify derivative financial instruments, these costs are disclosed in the cash flow statement within financing activities.

Issuance costs incurred on re-financing are offset against the carrying value of borrowings, unless they do not solely relate to the issuance of the new facility, in which case they are recognised as part of the gain or loss on the cancellation of the original facility.

Financial instruments

The Group uses derivative financial instruments such as interest rate swaps, cross currency swaps and foreign exchange swaps, to hedge risks associated with fluctuations on borrowings and foreign operations transactions. 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 at each reporting date. The gain or loss on re-measurement is taken to finance expense in the income statement except where the derivative is designated as an effective cash flow hedging instrument. Interest costs for the period relating to derivative financial instruments, which economically hedge borrowings, are recognised within interest payable on bank loans and overdraft. Other fair value movements on derivative financial instruments are recognised within fair value movement of derivatives. Designation as part of an effective hedge relationship occurs at inception of a hedge relationship.

(a) Financial assets

Financial assets are classified as financial assets at fair value through profit or loss and loans and receivables as appropriate. The Group determines the classification of its assets at initial recognition.

Financial assets are derecognised only when the contractual right to the cash flows from the financial asset expire or the Group transfers substantially all risks and rewards of ownership. Financial assets consist of loans and receivables and derivatives.

Financial assets recognised as trade and other receivables are classified as loans and receivables. They are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

Cash and cash equivalents are also classified as loans and receivables. They are subsequently measured at amortised cost. Cash and cash equivalents includes cash in hand, deposits at call with banks and other short-term highly liquid investments with original maturities of three months or less.

At each balance sheet date the Group assesses whether there is objective evidence that a financial asset or group of assets is impaired. If there is objective evidence the asset is impaired, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the financial assets original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the income statement.

2. Summary of significant accounting policies continued

Financial instruments continued

(b) Financial liabilities

Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through the profit or loss or other liabilities, as appropriate.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. All loans and borrowings are classified as other liabilities. Initial recognition is at fair value and subsequently at amortised cost. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Financial liabilities included within trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

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

- 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.

Changes in the fair value of derivative financial instruments that are designated as effective 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 forecast transaction results in the recognition of an asset or a liability, then, at the time the non-financial 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.

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 forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement for the period.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Taxation including deferred tax

The tax credit 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 for that period that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided on items that may become taxable at a later date, on the difference between the balance sheet value and the tax base value, on an undiscounted basis. 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.

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.

Share capital

Ordinary shares are classified as equity.

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

Share based payments

Share based incentives are provided to all employees under the Group's bonus share plan, performance share plan and employee Sharesave schemes. The Group recognises a compensation cost in respect of these schemes that is based on the fair value of the awards, measured using Black-Scholes, Binomial and Monte Carlo valuation methodologies. For equity-settled schemes, the fair value is determined at the date of grant and is not subsequently re-measured unless the conditions on which the award was granted are modified. For cash-settled schemes, the fair value is determined at the date of grant and is re-measured at each balance sheet date until the liability is settled. Generally, the compensation cost is recognised on a straight line basis over the vesting period. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to the failure to satisfy service conditions or non-market performance conditions.

2. Summary of significant accounting policies continued

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 and investment property under construction

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 rental income and operating costs; maintenance requirements; capitalisation rate; 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 11 to the financial statements.

b) Recognition of deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which available losses and timing differences can be utilised as set out in note 21.

The carrying value for deferred tax assets is reviewed at each balance sheet date.

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 asset values ("NAV"). 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 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 financial risks facing the Group are described below.

Interest rate risk

The Group finances its operations through a mixture of retained profits, issued share capital and bank borrowings. The Group borrows in Sterling, Euro and US Dollars at floating rates and, where necessary, uses interest rate swaps to convert these to fixed rates (see note 19) to generate the preferred interest rate profile and to manage its exposure to interest rate fluctuations. A 1% change in interest rates would have a £1.5 million (FY2013: £0.4 million) impact on net interest. This sensitivity impact has been prepared by determining average floating interest rates and flexing these against average floating rate deposits and borrowings by major currency area over the course of the year.

Liquidity risk

The Group's policy on liquidity risk is to ensure that sufficient cash is available to fund ongoing 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 reviewed regularly and is designed to exceed forecast peak gross debt levels. Further details of the Group's borrowing facilities, including the repayment profile of existing borrowings and the amount of undrawn committed borrowing facilities, are set out in note 18.

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 or above authorised counterparties based on ratings issued by the major rating agencies. Counterparty exposure positions are monitored regularly so that credit exposures to any one counterparty are within predetermined limits. Overall, the Group considers that it is not exposed to a significant amount of credit risk. The amount of trade receivables outstanding at the year end does not represent the maximum exposure to operational credit risk due to the normal patterns of supply and payment over the course of a year. Based on management information collected as at month ends the maximum level of net trade receivables at any one point during the year was £10.1 million (FY2013: £9.4 million).

2. Summary of significant accounting policies continued

Financial risk management continued

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk in respect of the Euro and US Dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group uses forward contracts. The Group's treasury risk management policy is to enter into forward contracts for between 60% and 70% of anticipated profits in Euros for the subsequent 12 to 24 months, in order to minimise the foreign exchange exposure on its foreign operations profits.

The Group has investments in foreign operations in France, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

At 31 October 2014, if Sterling had weakened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been £0.9 million lower (FY2013: £1.5 million higher), mainly as a result of foreign exchange gains/losses on translation of Euro receivables and financial assets at fair value through profit or loss. Equity would have been £10.3 million higher (FY2013: £13.4 million higher), arising primarily on translation of Euro-denominated net assets held by subsidiary companies with a Euro functional currency.

The Group is not exposed to significant transaction foreign exchange risk as purchases are invoiced in either Sterling or Euros.

The Group holds US Dollar denominated loan notes totalling \$112.9 million and as such is exposed to foreign exchange risk on these notes. The foreign exchange risk relating to the notes has been fully hedged at 31 October 2014.

Hedge risk

Following a review during the year of the Group's hedge accounting procedures in the light of recent accounting developments, management decided to de-designate the hedge relationship and cease hedge accounting for the Group's cross currency swaps. As a result, previous amounts recorded in the hedge reserve have been recycled to the income statement during the year, and the Group is no longer exposed to hedge accounting risk.

Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Being a Real Estate Investment Trust ("REIT"), the Group is required to distribute as a dividend a minimum of 90% of its property rental income to shareholders. This is factored into the Group's capital risk management.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 October 2014 and 2013 were as follows:

	2014 £'m	2013 £'m
Total borrowings (excluding derivatives)	315.6	398.6
Less: cash and cash equivalents (note 16)	(15.3)	(15.8)
Net debt	300.3	382.8
Total equity	408.0	345.9
Total capital	708.3	728.7
Gearing ratio	42%	53%

The Group considers that a loan to value ("LTV") ratio, defined as gross debt (excluding finance leases) as a proportion of the valuation of investment properties and investment properties under construction (excluding finance leases), of circa 40% represents an appropriate medium-term capital structure objective. The Group's LTV ratio was 37% at 31 October 2014.

The Group has complied with all of the covenants on its banking facilities during the year.

3. Segmental analysis

The segmental information presented has been prepared in accordance with the requirements of IFRS 8. The Group's revenue, profit before income tax and net assets are attributable to one activity: the provision of self-storage accommodation and related services. Segmental information is presented in respect of the Group's geographical segments. This is based on the Group's management and internal reporting structure.

Safestore is organised and managed in two operating segments, based on geographical areas, being the United Kingdom and France.

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

The operating profits and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Year ended 31 October 2014	UK £'m	France £'m	Group £'m
Continuing operations			
Revenue	71.8	26.1	97.9
EBITDA before exceptional items, change in fair values of derivatives, gain on investment properties, depreciation and contingent rent	36.7	16.3	53.0
Exceptional items	(1.0)	—	(1.0)
Change in fair value of derivative	—	1.2	1.2
Contingent rent and depreciation	(1.1)	(0.6)	(1.7)
Operating profit before gain on investment properties	34.6	16.9	51.5
Gain on investment properties	21.6	2.5	24.1
Operating profit	56.2	19.4	75.6
Net finance expense	(18.8)	(4.4)	(23.2)
Profit before tax	37.4	15.0	52.4
Total assets	603.6	201.2	804.8
Year ended 31 October 2013	UK £'m	France £'m	Group £'m
Continuing operations			
Revenue	70.2	25.9	96.1
EBITDA before exceptional items, change in fair values of derivatives, gain on investment properties, depreciation and contingent rent	34.8	16.0	50.8
Exceptional items	(1.8)	1.1	(0.7)
Change in fair value of derivative	—	(1.3)	(1.3)
Contingent rent and depreciation	(0.6)	(0.5)	(1.1)
Operating profit before gain on investment properties	32.4	15.3	47.7
Gain on investment properties	16.7	4.8	21.5
Operating profit	49.1	20.1	69.2
Net finance expense	(16.1)	(4.5)	(20.6)
Profit before tax	33.0	15.6	48.6
Total assets	615.1	215.3	830.4

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

4. Finance income and costs

	Note	2014 £'m	2013 £'m
Finance costs			
Interest payable on bank loans and overdraft		(13.6)	(18.3)
Amortisation of debt issuance costs on bank loan	18	(0.1)	(0.1)
Underlying finance charges		(13.7)	(18.4)
Interest on obligations under finance leases		(4.2)	(5.0)
Fair value movement of derivatives		(0.8)	—
Recycling of hedge reserve		(3.4)	—
Net exchange losses		(3.7)	—
Exceptional finance expense		(2.1)	—
Total finance cost		(27.9)	(23.4)
Finance income			
Fair value movement of derivatives		4.5	2.8
Unwinding of discount on CGS receivable		0.2	—
Total finance income		4.7	2.8
Net finance costs		(23.2)	(20.6)

Exceptional finance costs of £2.1 million were incurred in respect of the Group's debt refinancing in January 2014.

Included within interest payable of £13.6 million (FY2013: £18.3 million) is £1.3 million (FY2013: £2.3 million) of interest relating to derivative financial instruments that are economically hedging the Group's borrowings. The total change in fair value of derivatives reported within net finance costs for the year is a net gain of £3.7 million (FY2013: £2.8 million).

5. Exceptional items

	2014 £'m	2013 £'m
Restructuring costs	(0.8)	(1.7)
Insurance proceeds	—	1.6
VAT and REIT related costs	—	(0.3)
Other exceptional items	(0.2)	(0.3)
Total exceptional costs	(1.0)	(0.7)

Restructuring costs of £0.8 million (FY2013: £1.7 million) were incurred primarily in respect of organisational changes during the year, which were a fundamental element of the business' strategy.

The insurance proceeds recognised in the comparative period relate to claims for property damage and consequential losses arising from the December 2010 fire at the La Défense store in Paris.

Financial statements Notes to the financial statements continued for the year ended 31 October 2014

6. Operating profit

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

	Notes	2014 £'m	2013 £'m
Staff costs	26	17.9	17.2
Inventories:			
– cost of inventories recognised as an expense (included in cost of sales)	14	0.8	1.1
Depreciation on property, plant and equipment:			
– owned assets	12	0.5	0.4
Gain on investment properties	11	(24.1)	(21.5)
Repairs and maintenance expenditure on investment properties		2.4	2.2
Trade receivables impairment	15	0.5	0.5

7. Fees paid to auditors

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

	2014 £'m	2013 £'m
Audit services		
Fees payable to Company's auditors and their associates for the audit of the parent company and consolidated financial statements	0.1	0.1
Fees payable to Company's auditors and their associates for the audit of the Company's subsidiaries pursuant to legislation	0.1	0.2
Total audit fees	0.2	0.3
Fees for other services		
Tax services	–	0.2
Transaction services	0.4	–
Total	0.6	0.5

Non-audit services for 2014 relate wholly to advice in respect of property transactions, paid to the Company's current auditor, Deloitte LLP, prior to appointment as auditor during the year.

The prior year non-audit services relate to fees paid to the previous auditor, PricewaterhouseCoopers LLP, for advice in respect of the Group's conversion to a REIT.

8. Income tax (charge)/credit

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

	Note	2014 £'m	2013 £'m
Current tax:			
– UK corporation tax		–	–
– tax in respect of overseas subsidiaries		(0.9)	(1.1)
– adjustment in respect of prior year		–	0.2
		(0.9)	(0.9)
Deferred tax:			
– current year, including exceptional credit of £nil (FY2013: £63.2 million)		(3.6)	59.9
– adjustment in respect of prior year		(1.1)	0.9
	21	(4.7)	60.8
Tax (charge)/credit		(5.6)	59.9

8. Income tax (charge)/credit continued

Reconciliation of income tax charge/(credit)

The tax for the period is lower (FY2013: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 October 2014 of 21.8% (FY2013: 23.4%). The differences are explained below:

	2014 £'m	2013 £'m
Profit before tax	52.4	48.6
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.8% (FY2013: 23.4%)	11.4	11.4
Effect of:		
– permanent differences	(0.5)	(6.3)
– profits from the tax exempt business	(8.1)	(3.2)
– difference from overseas tax rates	1.7	1.7
– losses not recognised in the year	–	0.8
– adjustments in respect of prior years	1.1	(1.1)
– release of UK deferred tax arising on the conversion to REIT	–	(63.2)
Tax charge/(credit)	5.6	(59.9)

The Group is an REIT. As a result the Group is exempt from UK corporation tax on the profits and gains from its qualifying rental business in the UK provided that it meets certain conditions. Non-qualifying profits and gains of the Group remain subject to corporation tax as normal. The Group monitors its compliance with the REIT conditions. There have been no breaches of the conditions to date.

The deferred tax credit of £60.8 million for the year ended 31 October 2013 comprises an exceptional credit of £63.2 million which arose from the release of UK deferred tax following the REIT conversion and a charge of £2.4 million in respect of the French business.

The main rate of corporation tax in the UK reduced from 23% to 21% with effect from 1 April 2014 and will further reduce to 20% from 1 April 2015. Accordingly the Group's results for this accounting period are taxed at an effective rate of 21.8%. Due to the Group's REIT status there will be no deferred taxation impact in respect of the changes in taxation rates.

9. Dividends per share

The dividend paid in 2014 was £12.5 million (6.05 pence per share) (FY2013: £10.6 million (5.65 pence per share)). A dividend in respect of the year ended 31 October 2014 of 5.30 pence (FY2013: 3.90 pence) per share, amounting to a final dividend of £11.0 million (FY2013: £7.3 million), is to be proposed at the AGM on 19 March 2015. The ex-dividend date will be 12 March 2015 and the record date will be 13 March 2015 with an intended payment date of 8 April 2015. The final dividend has not been included as a liability at 31 October 2014.

The PID element of the final dividend is 2.65 pence (FY2013: 3.90 pence), making the PID payable for the year 4.80 pence (FY2013: 4.08 pence) per share.

10. Earnings per share

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

	Year ended 31 October 2014			Year ended 31 October 2013		
	Earnings £'m	Shares million	Pence per share	Earnings £'m	Shares million	Pence per share
Basic	46.8	202.1	23.2	108.5	187.9	57.8
Dilutive securities	–	1.5	(0.2)	–	1.3	(0.5)
Diluted	46.8	203.6	23.0	108.5	189.2	57.3

10. Earnings per share continued

Adjusted earnings per share

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

EPRA earnings and earnings per share before non-recurring items, movements on revaluations of investment properties and changes in the fair value of derivatives have been disclosed to give a clearer understanding of the Group's underlying trading performance.

	Year ended 31 October 2014			Year ended 31 October 2013		
	Earnings £'m	Shares million	Pence per share	Earnings £'m	Shares million	Pence per share
Basic	46.8	202.1	23.2	108.5	187.9	57.8
Adjustments:						
Gain on investment properties	(24.1)	—	(12.0)	(21.5)	—	(11.4)
Exceptional operating items	1.0	—	0.5	0.7	—	0.3
Exceptional finance costs	2.1	—	1.0	—	—	—
Unwinding of discount on CGS receivable	(0.2)	—	(0.1)	—	—	—
Net exchange losses	3.7	—	1.8	—	—	—
Change in fair value of derivatives and recycling of hedge reserve	(1.5)	—	(0.7)	(1.5)	—	(0.8)
Tax adjustments	1.4	—	0.7	(63.6)	—	(33.9)
Adjusted	29.2	202.1	14.4	22.6	187.9	12.0
EPRA adjusted						
Depreciation of leasehold properties	(4.9)	—	(2.4)	(4.5)	—	(2.4)
Tax on leasehold depreciation adjustment	0.9	—	0.5	0.6	—	0.3
EPRA basic	25.2	202.1	12.5	18.7	187.9	9.9
Adjustment for cash tax	2.1	—	1.0	2.2	—	1.2
Adjusted cash tax earnings ¹	27.3	202.1	13.5	20.9	187.9	11.1

¹ Adjusted cash tax earnings is defined as profit or loss for the year before exceptional items, change in fair value of derivatives, gain/loss on investment properties (adjusted for leasehold depreciation), discount unwind on the CGS receivable and the associated tax impacts, as well as exceptional tax items and deferred tax charges.

Gain on investment properties includes depreciation on leasehold properties of £4.9 million (FY2013: £4.5 million) and the related tax thereon of £0.9 million (FY2013: £0.6 million). As an industry standard measure, EPRA earnings is presented. EPRA earnings of £25.2 million (FY2013: £18.7 million) and EPRA earnings per share of 12.5 pence (FY2013: 9.9 pence) are calculated after further adjusting for these items.

	Group		
	2014 £'m	2013 £'m	Movement %
EPRA adjusted income statement (non-statutory)			
Revenue	97.9	96.1	1.9
Operating expenses (excluding depreciation and contingent rent)	(44.9)	(45.3)	0.9
EBITDA before contingent rent	53.0	50.8	4.3
Depreciation and contingent rent	(1.7)	(1.1)	(54.5)
Operating profit before depreciation on leasehold properties	51.3	49.7	3.2
Depreciation on leasehold properties	(4.9)	(4.5)	(8.9)
Operating profit	46.4	45.2	2.7
Net financing costs	(17.9)	(23.4)	23.5
Profit before income tax	28.5	21.8	30.7
Income tax	(3.3)	(3.1)	(6.5)
Profit for the year ("EPRA earnings")	25.2	18.7	34.8
Adjusted EPRA earnings per share	12.5 pence	9.9 pence	26.3
Final dividend per share	5.3 pence	3.9 pence	35.9

11. Investment properties, investment properties under construction and interests in leasehold properties

	Investment property £'m	Interests in leasehold properties £'m	Investment property under construction £'m	Total investment properties £'m
As at 1 November 2013	724.6	55.7	5.6	785.9
Additions	3.4	3.2	—	6.6
Disposals	(41.6)	(1.5)	—	(43.1)
Purchase of freehold	2.9	(0.3)	—	2.6
Revaluations	29.3	—	(0.3)	29.0
Depreciation	—	(4.9)	—	(4.9)
Exchange movements	(14.6)	(1.2)	—	(15.8)
As at 31 October 2014	704.0	51.0	5.3	760.3

	Investment property £'m	Interests in leasehold properties £'m	Investment property under construction £'m	Total investment properties £'m
As at 1 November 2012	685.1	58.0	5.4	748.5
Additions	4.2	20.6	—	24.8
Disposals	—	(13.4)	—	(13.4)
Capital Goods Scheme	(2.2)	—	—	(2.2)
Reclassifications	1.3	—	—	1.3
Revaluations	25.8	—	0.2	26.0
Adjustment to present value	—	(5.8)	—	(5.8)
Depreciation	—	(4.5)	—	(4.5)
Exchange movements	10.4	0.8	—	11.2
As at 31 October 2013	724.6	55.7	5.6	785.9

The adjustment to present value on interest in leasehold properties reflects the improved recoverability of input taxation following the implementation of VAT on UK self-storage sales from 1 October 2012.

The Capital Goods Scheme adjustment relates to an increase in the discounted receivable initially recognised as at 31 October 2012.

Gain/(loss) on investment properties comprises:

	2014 £'m	2013 £'m
Revaluations	29.0	26.0
Depreciation	(4.9)	(4.5)
	24.1	21.5

11. Investment properties, investment properties under construction and interests in leasehold properties continued

	Cost £'m	Valuation £'m	Revaluation on cost £'m
Freehold stores			
As at 1 November 2013	360.0	591.1	231.1
Movement in year	(1.2)	(24.3)	(23.1)
As at 31 October 2014	358.8	566.8	208.0
Leasehold stores			
As at 1 November 2013	75.5	133.5	58.0
Movement in year	—	3.7	3.7
As at 31 October 2014	75.5	137.2	61.7
All stores			
As at 1 November 2013	435.5	724.6	289.1
Movement in year	(1.2)	(20.6)	(19.4)
As at 31 October 2014	434.3	704.0	269.7

The valuation of £704.0 million (FY2013: £724.6 million) excludes £0.6 million in respect of owner occupied property, which is included within property, plant and equipment. Rental income earned from investment properties for the year ended 31 October 2014 was £80.6 million (FY2013: £78.3 million).

The Group has classified the investment property and investment property under construction, held at fair value, within Level 3 of the fair value hierarchy. There were no transfers to or from Level 3 during the year.

The freehold and leasehold investment properties have been valued as at 31 October 2014 by external valuers, Cushman & Wakefield LLP (“C&W”). The valuation has been carried out in accordance with the current UK edition of the RICS Valuation – Professional Standards, published by The Royal Institution of Chartered Surveyors (“the Red Book”). The valuation of each of the investment properties has been prepared on the basis of fair value as a fully equipped operational entity, having regard to trading potential. One non-trading property was valued on the basis of fair value. The valuation has been provided for accounts purposes and, as such, is a Regulated Purpose Valuation as defined in the Red Book. In compliance with the disclosure requirements of the Red Book, C&W has confirmed that:

- one of the members of the RICS who has been a signatory to the valuations provided to the Group for the same purposes as this valuation has been so since October 2006, with the second signatory, also a member of the RICS, doing so for the first time;
- C&W has been carrying out regular valuations for the same purpose as this valuation on behalf of the Group since October 2006;
- C&W does not provide other significant professional or agency services to the Group;
- in relation to the preceding financial year of C&W, the proportion of total fees payable by the Group to the total fee income of the firm is less than 5%; and
- the fee payable to C&W is a fixed amount per property and is not contingent on the appraised value.

Market uncertainty

C&W’s valuation report comments on valuation uncertainty resulting from low liquidity in the market for self-storage property. C&W notes that, although there were a number of self-storage transactions in 2007, the only significant transactions since 2007 are:

- the sale of a 51% share in Shurgard Europe which was announced in January 2008 and completed on 31 March 2008;
- the sale of the former Keepsafe portfolio by Macquarie to Alligator Self Storage which was completed in January 2010;
- the purchase by Shurgard Europe of the 80% interests held by its joint venture partner (Arcapita) in its two European joint venture vehicles, First Shurgard and Second Shurgard. The price paid was €172 million and the transaction was announced in March 2011. The two joint ventures owned 72 self-storage properties;
- the purchase of Selstor, Sweden, by Pelican Self Storage/M3 Capital in Q4 2013;
- the purchase of Armadillo Self Storage by a joint venture between Big Yellow and an Australian consortium in April 2014;
- the purchase of Alligator Self Storage by Ready Steady Store in October 2014; and
- in December 2014 Big Yellow bought out the remaining 66.7% stake it did not already own in the Big Yellow Partnership, from its JV partner Pramerica.

There have been twelve single store market transactions in the UK since 2010. C&W states that, due to the lack of comparable market information in the self-storage sector, there is greater uncertainty attached to its opinion of value than would be anticipated during a more active market.

11. Investment properties, investment properties under construction and interests in leasehold properties continued

Valuation method and assumptions

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

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

Freehold and long leasehold (UK and France)

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

Assumptions:

- Net operating income is based on projected revenue received less projected operating costs together with a central administration charge of 6% of the estimated annual revenue subject to a cap and collar. The initial net operating income is calculated by estimating the net operating income in the first twelve months following the valuation date.
- The net operating income in future years is calculated assuming either straight line absorption from day one actual occupancy or variable absorption over years one to four of the cash flow period, to an estimated stabilised/mature occupancy level. In the valuation the assumed stabilised occupancy level for the trading stores (both freeholds and all leaseholds) open at 31 October 2014 averages 77.81% (31 October 2013: 78.26%). The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth. The average time assumed for stores to trade at their maturity levels is 29.67 months (31 October 2013: 36.95 months).
- The capitalisation rates applied to existing and future net cash flows have been estimated by reference to underlying yields for industrial and retail warehouse property, yields for other trading property types such as student housing and hotels, bank base rates, ten year money rates, inflation and the available evidence of transactions in the sector. The valuation included in the accounts assumes rental growth in future periods. If an assumption of no rental growth is applied to the external valuation, the net initial yield pre-administration expenses for the 107 mature stores (i.e. excluding those stores categorised as “developing”) is 7.82% (31 October 2013: 7.42%), rising to stabilised net yield pre-administration expenses of 9.73% (31 October 2013: 9.87%).
- The future net cash flow projections (including revenue growth and cost inflation) have been discounted at a rate that reflects the risk associated with each asset. The weighted average annual discount rate adopted (for both freeholds and all leaseholds) is 11.82% (31 October 2013: 11.91%).
- Purchaser’s costs of 5.8% (for the UK) and 6.2% to 6.9% (for France) (see page 76) have been assumed initially and sales plus purchaser’s costs totalling 7.8% (UK) and 8.2% to 8.9% (France) are assumed on the notional sales in the tenth year in relation to freehold and long leasehold stores.

Short leaseholds (UK)

The same methodology has been used as for freeholds, except that no sale of the assets in the tenth year is assumed but the discounted cash flow is extended to the expiry of the lease. The average unexpired term of the Group’s UK short-term leasehold properties is 11.11 years (31 October 2013: 12.71 years). The average unexpired term excludes the French commercial leases.

Short leaseholds (France)

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

Investment properties under construction (UK only)

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

11. Investment properties, investment properties under construction and interests in leasehold properties continued

Valuation method and assumptions continued

Immature stores: value uncertainty

C&W has assessed the value of each property individually. However, four of the stores in the portfolio are relatively immature and have low initial cash flow. C&W has endeavoured to reflect the nature of the cash flow profile for these properties in its valuation, and the higher associated risks relating to the as yet unproven future cash flow, by adjustment to the capitalisation rates and discount rates adopted. However, immature low cash flow stores of this nature are rarely, if ever, traded individually in the market, unless as part of a distressed sale or similar situation. Although, there is more evidence of immature low cash flow stores being traded as part of a group or portfolio transaction.

C&W considers there to be market uncertainty in the self-storage sector due to the lack of comparable market transactions and information. The degree of uncertainty relating to the four immature stores is greater than in relation to the balance of the properties due to there being even less market evidence that might be available for more mature properties and portfolios.

C&W states that in practice, if an actual sale of the properties were to be contemplated then any immature low cash flow stores would normally be presented to the market for sale lotted or grouped with other more mature assets owned by the same entity, in order to alleviate the issue of negative or low short-term cash flow. This approach would enhance the marketability of the group of assets and assist in achieving the best price available in the market by diluting the cash flow risk.

C&W has not adjusted its opinion of fair value to reflect such a grouping of the immature assets with other properties in the portfolio and all stores have been valued individually. However, C&W highlights the matter to alert the Group to the manner in which the properties might be grouped or lotted in order to maximise their attractiveness to the marketplace.

C&W considers this approach to be a valuation assumption but not a Special Assumption, the latter being an assumption that assumes facts that differ from the actual facts existing at the valuation date and which, if not adopted, could produce a material difference in value.

C&W has not assumed that the entire portfolio of properties owned by the Group would be sold as a single lot and the value for the whole portfolio in the context of a sale as a single lot may differ significantly (either higher or lower) from the aggregate of the individual values for each property in the portfolio, reflecting the lotting assumption described above.

Lotting of stores with customer transfers

Where stores within the portfolio are expected to close in the short term, C&W has assumed that a proportion of the customer base from these stores will be transferred, at closure, to nearby stores also owned by the Group.

C&W has assumed that the properties that are closing would be sold together with the stores where customers will be transferred to, in the event they were offered to the market. C&W considers this approach to be a valuation assumption but not a Special Assumption, the latter being an assumption that assumes facts that differ from the actual facts existing at the valuation date and which, if not adopted, could produce a material difference in value.

Valuation assumption for purchaser's costs

The Group's investment property assets have been valued for the purposes of the financial statements after deducting notional purchaser's costs of 5.8% (UK) and 6.2% to 6.9% (France) of gross value, as if they were sold directly as property assets. The valuation is an asset valuation which is strongly linked to the operating performance of the business. They would have to be sold with the benefit of operational contracts, employment contracts and customer contracts, which would be very difficult to achieve except in a corporate structure.

This approach follows the logic of the valuation methodology in that the valuation is based on a capitalisation of the net operating income after allowing a deduction for operational cost and an allowance for central administration costs. Sale in a corporate structure would result in a reduction in the assumed stamp duty land tax but an increase in other transaction costs reflecting additional due diligence resulting in a reduced notional purchaser's cost of 2.75% of gross value. All the significant sized transactions that have been concluded in the UK in recent years were completed in a corporate structure. The Group therefore instructed C&W to prepare additional valuation advice on the basis of purchaser's cost of 2.75% of gross value which are used for internal management purposes.

Sensitivity of the valuation to assumptions

All other factors being equal, higher net operating income would lead to an increase in the valuation of a store and an increase in the capitalisation rate or discount rate would result in a lower valuation, and vice versa. Higher assumptions for stabilised occupancy, absorption rate, rental rate and other revenue, and a lower assumption for operating costs, would result in an increase in projected net operating income, and thus an increase in valuation.

12. Property, plant and equipment

	Owner occupied buildings £'m	Motor vehicles £'m	Fixtures and fittings £'m	Total £'m
Cost				
At 1 November 2013	0.8	0.2	2.7	3.7
Additions	—	—	0.3	0.3
Disposals	—	—	(0.1)	(0.1)
At 31 October 2014	0.8	0.2	2.9	3.9
Accumulated depreciation				
At 1 November 2013	0.1	0.1	1.7	1.9
Charge for the year	0.1	—	0.4	0.5
At 31 October 2014	0.2	0.1	2.1	2.4
Net book value				
At 31 October 2014	0.6	0.1	0.8	1.5
At 31 October 2013	0.7	0.1	1.0	1.8
Cost				
At 1 November 2012	0.8	0.3	3.8	4.9
Additions	—	—	0.2	0.2
Disposals	—	(0.1)	—	(0.1)
Reclassification to investment property	—	—	(1.3)	(1.3)
At 31 October 2013	0.8	0.2	2.7	3.7
Accumulated depreciation				
At 1 November 2012	0.1	0.2	0.9	1.2
Charge for the year	—	0.1	0.3	0.4
Disposals	—	(0.2)	—	(0.2)
Impairment	—	—	0.5	0.5
At 31 October 2013	0.1	0.1	1.7	1.9
Net book value				
At 31 October 2013	0.7	0.1	1.0	1.8
At 31 October 2012	0.7	0.1	2.9	3.7

13. Net assets per share

EPRA earnings and earnings per share before non-recurring items, movements on revaluations of investment properties and changes in the fair value of derivatives have been disclosed to give a clearer understanding of the Group's underlying trading performance.

The European Public Real Estate Association ("EPRA") has issued recommended bases for the calculation of net assets per share information and these are shown in the table below.

	2014 £'m	2013 £'m
Analysis of net asset value:		
Net assets	408.0	345.9
Adjustments to exclude:		
Fair value of derivative financial instruments (net of deferred tax)	4.2	11.0
Deferred tax liabilities on the revaluation of investment properties	38.8	39.3
Adjusted net asset value	451.0	396.2
Basic net assets per share (pence)	197.1	183.7
EPRA basic net assets per share (pence)	217.9	210.4
Diluted net assets per share (pence)	195.7	182.4
EPRA diluted net assets per share (pence)	216.4	208.8
	Number	Number
Shares in issue	206,991,414	188,345,784

Basic net assets per share is shareholders' funds divided by the number of shares at the year end. Diluted net assets per share is shareholders' funds divided by the number of shares at the year end, adjusted for dilutive share options of 1,466,877 shares (FY2013: 1,297,572 shares). EPRA diluted net assets per share exclude deferred tax liabilities arising on the revaluation of investment properties. The EPRA NAV, which further excludes fair value adjustments for debt and related derivatives net of deferred tax, was £451.0 million (FY2013: £396.2 million), giving EPRA net assets per share of 217.9 pence (FY2013: 210.4 pence). The Directors consider that these alternative measures provide useful information on the performance of the Group.

EPRA adjusted balance sheet (non-statutory)

	Group		
	2014 £'m	2013 £'m	Movement %
Assets			
Non-current assets	768.3	797.4	(3.6)
Current assets	35.9	33.0	8.8
Total assets	804.2	830.4	(3.2)
Liabilities			
Current liabilities	(49.7)	(49.2)	(1.0)
Non-current liabilities	(303.5)	(385.0)	21.2
Total liabilities	(353.2)	(434.2)	18.7
EPRA net asset value	451.0	396.2	13.8
EPRA net asset value per share	217.9 pence	210.4 pence	3.6

14. Inventories

	2014 £'m	2013 £'m
Finished goods and goods held for resale	0.3	0.2
Less: provisions for impairment of inventories	(0.1)	(0.1)
	0.2	0.1

The Group consumed £0.8 million (FY2013: £1.1 million) of inventories during the year. Inventory write downs were £nil for both the financial years ended 31 October 2014 and 31 October 2013. Inventories of £0.1 million (FY2013: £0.1 million) 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

	2014 £'m	2013 £'m
Current:		
Trade receivables	10.1	9.0
Less: provision for impairment of receivables	(1.4)	(1.3)
Trade receivables – net	8.7	7.7
Other receivables	6.2	3.7
Prepayments and accrued income	5.3	5.7
	20.2	17.1

Movements on the Group provision for impairment of trade receivables are as follows:

	2014 £'m	2013 £'m
Provisions for doubtful debts against trade receivables:		
At 1 November	1.3	1.1
Provision for receivables impairment	0.5	0.5
Receivables written off during the year as uncollectable	(0.4)	(0.3)
At 31 October	1.4	1.3

The creation and release of provision for impaired receivables have been included in “administrative expenses” in the income statement.

Trade receivables that are less than 28 days overdue are not considered impaired. As of 31 October 2014, trade receivables of £0.5 million (FY2013: £0.3 million) were past due but not impaired. These relate to a number of customers who benefit from an extension to normal terms and for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2014 £'m	2013 £'m
Up to 28 days overdue	0.3	0.2
Up to 60 days overdue	0.2	0.1

The above balances are short term (including other receivables) and therefore the difference between the book value and the fair value of the above receivables is not significant. Consequently these have not been discounted.

As of 31 October 2014, trade receivables of £1.4 million (FY2013: £1.3 million) were impaired and provided for in full. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

15. Trade and other receivables continued

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2014 £'m	2013 £'m
Sterling	14.8	11.2
Euros	5.4	5.9
	20.2	17.1

Other receivables includes amounts in relation to VAT recoverable on qualifying expenditure in respect of the Capital Goods Scheme. As at 31 October 2014 the Group had a total discounted other receivable of £6.4 million (FY2013: £8.1 million). This is split £4.8 million as non-current assets and £1.6 million as current assets (FY2013: £6.4 million and £1.7 million respectively).

16. Cash and cash equivalents

	2014 £'m	2013 £'m
Cash at bank and in hand	15.3	15.8

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2014 £'m	2013 £'m
Sterling	12.3	6.5
Euros	3.0	9.3
	15.3	15.8

17. Trade and other payables

	2014 £'m	2013 £'m
Current:		
Trade payables	7.0	7.4
Other taxes and social security payable	2.0	2.4
Other payables	2.6	3.2
Accruals and deferred income	25.1	21.8
	36.7	34.8

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2014 £'m	2013 £'m
Sterling	29.9	26.9
Euros	6.8	7.9
	36.7	34.8

18. Financial liabilities – bank borrowings and secured notes

	2014 £'m	2013 £'m
Current		
Bank loans and overdrafts due within one year or on demand:		
Secured – bank loan	5.0	5.0
	5.0	5.0
Non-current		
Bank loans and secured notes:		
Secured	260.2	338.6
Debt issue costs	(0.6)	(0.7)
	259.6	337.9

The bank facilities of £206 million and €70 million run to June 2018 and a \$112.9 million US private placement note issue of seven and twelve years has maturities extending to 2019 and 2024. The blended cost of interest on the overall debt is 4.3% per annum.

The bank facilities attract a margin over LIBOR/EURIBOR. Since the January 2014 refinancing, the margin ratchets between 2.25% and 3.25%, by reference to the Group's performance against its interest cover covenant. Approximately 60% of the drawn bank facilities have been hedged at 1.64% (LIBOR) or 0.81% (EURIBOR).

The Company has in issue \$65.6 million (FY2013: \$67.0 million) 5.52% Series A Senior Secured Notes due 2019 and \$47.3 million (FY2013: \$48.0 million) 6.29% Series B Senior Secured Notes due 2024. The proceeds of the US private placement have been fully hedged by cross currency swaps converting the US Dollar exchange risk into £ Sterling.

The bank loans and overdrafts are secured by a fixed charge over the Group's investment property portfolio. As part of the Group's interest rate management strategy, the Group entered into several interest rate swap contracts, details of which are shown in note 19.

Bank loans and secured notes are stated before unamortised issue costs of £0.6 million (FY2013: £0.7 million).

Bank loans and secured notes are repayable as follows:

	Group	
	2014 £'m	2013 £'m
In one year or less	5.0	5.0
Between one and two years	10.0	10.0
Between two and five years	220.6	256.9
After more than five years	29.6	71.7
Bank loans and secured notes	265.2	343.6
Unamortised issue costs due after one year	(0.6)	(0.7)
	264.6	342.9

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

	2014	2013
Bank loans (UK term loan)	Quarterly LIBOR plus 2.25%	Quarterly LIBOR plus 3.25%
Bank loans (Euro term loan)	Quarterly EURIBOR plus 2.25%	Quarterly EURIBOR plus 3.25%
Private placement notes	Weighted average rate of 6.21%	Weighted average rate of 6.21%

Secured loan notes bear interest at 5.83% on \$65.6 million (FY2013: \$67.0 million) and 6.7375% on \$47.3 million (FY2013: \$48.0 million), as a result of cross currency swap agreements.

18. Financial liabilities – bank borrowings and secured notes continued

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	
	2014 £'m	2013 £'m
Expiring beyond one year	66.6	58.0

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2014 £'m	2013 £'m
Sterling	156.0	230.0
Euro	38.6	41.9
US Dollar	70.6	71.7
	265.2	343.6

19. Financial instruments

Financial instruments disclosures are set out below. Additional disclosures are set out in note 2, under Financial risk management.

	2014		2013	
	Asset £'m	Liability £'m	Asset £'m	Liability £'m
Interest rate swaps	—	(1.7)	—	(5.9)
Cross currency swaps	—	(3.1)	—	(4.3)
Foreign exchange contracts	0.3	—	—	(0.8)
	0.3	(4.8)	—	(11.0)

The fair value of financial instruments that are not traded in an active market, such as over-the-counter derivatives, is determined using valuation techniques. The Group obtains such valuations from counterparties who use a variety of assumptions based on market conditions existing at each balance sheet date.

The fair values of all financial instruments are equal to their book value, with the exception of bank loans and finance lease obligations which are set out below. The carrying value less impairment provision of trade receivables, other receivables and the carrying value of trade payables and other payables approximate their fair value.

The fair value of finance leases is approximately equal to their book value. The fair value of bank loans is calculated as:

	2014		2013	
	Book value £'m	Fair value £'m	Book value £'m	Fair value £'m
Bank loans	264.6	272.0	342.9	365.6

19. Financial instruments continued

Fair value hierarchy

IFRS 13 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – inputs for the asset or liability that are not based on observable market data.

The table below shows the level in the fair value hierarchy into which fair value measurements have been categorised:

	2014 £'m	2013 £'m
Assets per the balance sheet		
Derivative financial instruments – Level 2	0.3	—
Liabilities per the balance sheet		
Derivative financial instruments – Level 2	4.8	11.0

There were no transfers between Levels 1, 2 and 3 fair value measurements during the current or prior year.

Over the life of the Group's derivative financial instruments, the cumulative fair value gain/loss on those instruments will be £nil as it is the Group's intention to hold them to maturity.

Interest rate swaps not designated as part of a hedging arrangement

The notional principal amounts of the outstanding interest rate swap contracts at 31 October 2014 were £80 million and €45 million (FY2013: £196.7 million and €40 million). At 31 October 2014 the fixed interest rates were Sterling at 1.640% and Euro at 0.8085% (FY2013: Sterling at 1.710% and Euro at 1.361%) and floating rates are at quarterly LIBOR and quarterly EURIBOR. The LIBOR swaps and the EURIBOR swaps expire in June 2018.

The Group restructured its bank borrowing facilities in January 2014, extending the maturity of existing bank facilities from June 2016 to June 2018. As a result, the existing interest rate swap contracts were cancelled, and replaced by new interest rate swap contracts to coincide with the new maturity in June 2018. Settlement payments totalling £4.9 million were made to counterparties in respect of the cancelled contracts. The movement in fair value recognised in the income statement was a net loss of £0.7 million (FY2013: gain of £2.8 million).

Foreign exchange swap not designated as part of a hedging arrangement

At 31 October 2014, the Group had foreign currency swap contracts outstanding for a notional principal amount of €6.0 million maturing on 30 April 2015 and on 31 October 2015. The Group will receive the Sterling equivalent of the notional principal amount at an average exchange rate of €1.2343 to the pound and pay the Sterling equivalent of the average monthly spot rates for the six months. The movement in the fair value recognised in the income statement in the period was a gain of £1.2 million (FY2013: loss of £1.3 million).

Cross currency swaps no longer designated as part of a hedging arrangement

The Group entered into cross currency swaps to mitigate the foreign exchange risk arising on future interest payments and the principal repayments arising from the \$65.6 million and \$47.3 million US Secured Senior Notes. These cross currency swaps commenced in May 2012 and terminate in 2019 and 2024 in line with the maturity of the notes. Following a review during the year of the Group's hedge accounting procedures in the light of recent accounting developments, management decided to de-designate the hedge relationship from 1 May 2014 and cease hedge accounting for these cross currency swaps. As a result, previous hedge accounting adjustments totalling £3.4 million have been recycled during the year. The movement in fair value recognised during the period, was a gain of £4.4 million (FY2013: £nil) to the income statement, and a charge of £3.3 million (FY2013: £nil) in other comprehensive income.

19. Financial instruments continued

Financial instruments by category

	Loans and receivables £'m	Assets at fair value through profit and loss £'m	Total £'m
Assets as per balance sheet			
Trade receivables and other receivables excluding prepayments	14.9	—	14.9
Derivative financial instruments	—	0.3	0.3
Cash and cash equivalents	15.3	—	15.3
As at 31 October 2014	30.2	0.3	30.5

	Liabilities at fair value through profit and loss £'m	Other financial liabilities at amortised cost £'m	Total £'m
Liabilities as per balance sheet			
Borrowings (excluding finance lease liabilities)	—	264.6	264.6
Finance lease liabilities	—	51.0	51.0
Derivative financial instruments	4.8	—	4.8
Trade and other payables	—	36.7	36.7
As at 31 October 2014	4.8	352.3	357.1

	Loans and receivables £'m	Assets at fair value through profit and loss £'m	Total £'m
Assets as per balance sheet			
Trade receivables and other receivables excluding prepayments	11.4	—	11.4
Cash and cash equivalents	15.8	—	15.8
As at 31 October 2013	27.2	—	27.2

	Liabilities at fair value through profit and loss £'m	Other financial liabilities at amortised cost £'m	Total £'m
Liabilities as per balance sheet			
Borrowings (excluding finance lease liabilities)	—	342.9	342.9
Finance lease liabilities	—	55.7	55.7
Derivative financial instruments	11.0	—	11.0
Trade and other payables	—	34.8	34.8
As at 31 October 2013	11.0	433.4	444.4

The interest rate risk profile, after taking account of derivative financial instruments, was as follows:

	2014			2013		
	Floating rate £'m	Fixed rate £'m	Total £'m	Floating rate £'m	Fixed rate £'m	Total £'m
Borrowings	78.5	186.1	264.6	40.3	302.6	342.9

The weighted average interest rate of the fixed rate financial borrowing was 4.61% (FY2013: 5.22%) and the weighted average remaining period for which the rate is fixed was four years for bank borrowings and five/ten years for the notes (FY2013: three years for bank debt; six/eleven for notes).

19. Financial instruments continued

Maturity analysis

The table below analyses the Group's financial liabilities and non-settled derivative financial instruments into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than one year £'m	One to two years £'m	Two to five years £'m	More than five years £'m
2014				
Borrowings	15.1	20.0	243.3	38.9
Derivative financial instruments	5.5	5.5	15.3	10.1
Contractual interest payments and finance lease charges	8.9	8.6	22.9	40.1
Trade and other payables	36.7	—	—	—
	66.2	34.1	281.5	89.1
2013				
Borrowings	22.1	27.8	274.4	92.1
Derivative financial instruments	7.2	7.2	15.6	14.7
Contractual interest payments and finance lease charges	9.2	8.8	24.1	44.2
Trade and other payables	34.8	—	—	—
	73.3	43.8	314.1	151.0

20. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2014 £'m	2013 £'m	2014 £'m	2013 £'m
Within one year	8.9	9.2	8.0	8.6
Within two to five years	31.5	32.9	23.9	26.1
Greater than five years	40.1	44.2	19.1	21.0
	80.5	86.3	51.0	55.7
Less: future finance charges on finance leases	(29.5)	(30.6)	—	—
Present value of finance lease obligations	51.0	55.7	51.0	55.7

The comparative minimum lease payments have been adjusted to appropriately reflect the profile of lease payments as they fall due.

	2014 £'m	2013 £'m
Current	8.0	8.6
Non-current	43.0	47.1
	51.0	55.7

21. Deferred income tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 20% (FY2013: 20%) for the UK and 33.3% (FY2013: 33.3%) for France. The movement on the deferred tax account was as shown below.

	Note	2014 £'m	2013 £'m
At 1 November		36.0	93.7
Charge/(credit) to income statement	8	4.7	(60.8)
Released to equity		—	1.1
Exchange differences		(3.0)	2.0
At 31 October		37.7	36.0

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below.

	Revaluation of investment properties £'m	Other timing differences £'m	Total £'m
Deferred tax liability			
At 1 November 2012	100.6	0.2	100.8
Credit to income statement	(63.5)	(0.2)	(63.7)
Exchange differences	2.2	—	2.2
At 31 October 2013	39.3	—	39.3
At 1 November 2013	39.3	—	39.3
Charge to income statement	2.8	0.9	3.7
Exchange differences	(3.3)	—	(3.3)
At 31 October 2014	38.8	0.9	39.7
	Tax losses £'m	Interest swap £'m	Total £'m
Deferred tax asset			
At 1 November 2012	4.2	2.9	7.1
Charged to income statement	(1.4)	(1.5)	(2.9)
Released to equity	—	(1.1)	(1.1)
Exchange differences	0.2	—	0.2
At 31 October 2013	3.0	0.3	3.3
At 1 November 2013	3.0	0.3	3.3
Charged to income statement	(1.0)	—	(1.0)
Exchange differences	(0.3)	—	(0.3)
At 31 October 2014	1.7	0.3	2.0

The deferred tax liability due after more than one year is £39.7 million (FY2013: £39.3 million).

As at 31 October 2014, the Group had trading losses of £5.6 million (FY2013: £3.1 million) and capital losses of £36.4 million (FY2013: £36.4 million) in respect of its UK operations. The increase in capital losses arose from the liquidation of a number of dormant subsidiary companies. No deferred tax asset has been recognised in respect of these losses.

22. Called up share capital

	2014 £'m	2013 £'m
Called up, allotted and fully paid		
207,134,266 (FY2013: 188,345,784) ordinary shares of 1 pence each	2.1	1.9

Ordinary shares

The holders of the ordinary shares shall be entitled to one vote for each ordinary share.

During the year the Company issued 18,788,482 ordinary shares for total consideration of £31.8 million, which increased issued share capital by £0.2 million and share premium by £31.6 million.

Safestore Holdings plc Sharesave scheme

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 26 August 2014

		(UK three years)	(UK five years)
Number of options granted		255,503	89,787
Share price at grant date	(pence)	216	216
Exercise price	(pence)	164	164
Risk-free rate of interest	(% per annum)	1.10	1.75
Expected volatility	(% per annum)	30.8	33.1
Expected dividend yield	(% per annum)	2.24	2.24
Expected term to exercise	(years)	3.25	5.25
Value per option	(pence)	58	67

Safestore 2009 Performance Share Plan

The fair values of the awards granted in the accounting period were assessed by an independent actuary using a Monte Carlo model based on the assumptions set out in the table below. In determining an appropriate assumption for expected future volatility, the historical volatility of the share price of Safestore Holdings plc has been considered along with the historical volatility of comparator companies.

Grant date February 2014

		(PBT-EPS part)	(TSR part)
Number of options granted		451,831	225,915
Share price at grant date	(pence)	195	195
Exercise price	(pence)	—	—
Risk-free rate of interest	(% per annum)	n/a	0.97
Expected volatility	(% per annum)	—	29.4
Expected term to exercise	(years)	3	3
Value per option	(pence)	195	142

22. Called up share capital continued

Safestore 2009 Performance Share Plan continued

During the year, 345,290 options were granted under the Sharesave scheme, 193,495 options were exercised and 55,471 options lapsed as shown in the table below. 677,746 awards were granted under the 2009 Performance Share Plan and 796,417 awards lapsed. No awards were exercised under the 2009 Performance Share Plan. At the end of the accounting period, options over 443,645 ordinary shares were outstanding under the Sharesave scheme and 2,110,182 awards in the Performance Share Plan remain unvested. Details of the awards outstanding under all of the Group's share schemes over the accounting years are set out below:

Date of grant	At 31 October 2013	Granted	Exercised	Lapsed	At 31 October 2014	Exercise price	Expiry date
Safestore Holdings plc							
Sharesave scheme							
11/08/2011	237,573	—	(193,495)	(34,708)	9,370	104.0p	11/02/2015
11/08/2011	109,748	—	—	(20,763)	88,985	104.0p	11/02/2017
26/08/2014	—	255,503	—	—	255,503	164.0p	01/03/2018
26/08/2014	—	89,787	—	—	89,787	164.0p	01/03/2020
Total	347,321	345,290	(193,495)	(55,471)	443,645		
Safestore 2009							
Performance Share Plan							
01/02/2011	509,481	—	—	(509,481)	—	0.0p	01/02/2015
01/02/2012	671,000	—	—	(25,435)	645,565	0.0p	01/02/2016
28/06/2012	99,510	—	—	(44,227)	55,283	0.0p	29/06/2016
06/02/2013	654,935	—	—	(106,395)	548,540	0.0p	06/02/2017
28/06/2013	293,927	—	—	—	293,927	0.0p	28/06/2017
04/02/2014	—	677,746	—	(110,879)	566,867	0.0p	04/02/2018
Total	2,228,853	677,746	—	(796,417)	2,110,182		

No options have been modified since grant under any of the schemes.

Amounts previously reported for outstanding options in respect the 2011 Sharesave awards have been restated to reflect the appropriate amount of lapsed awards.

23. Other reserves

	Notes	Translation reserve £'m	Hedge reserve £'m	Retained earnings £'m	Total £'m
Balance at 1 November 2012		(0.5)	(1.8)	215.4	213.1
Profit for the year		—	—	108.5	108.5
Dividends	9	—	—	(10.6)	(10.6)
Exchange differences on translation of foreign operations		6.0	—	—	6.0
Recycling of hedge reserve		—	(0.5)	—	(0.5)
Tax on items taken to other comprehensive income		—	(1.1)	—	(1.1)
Employee share options		—	—	0.2	0.2
Balance at 31 October 2013		5.5	(3.4)	313.5	315.6
Profit for the year		—	—	46.8	46.8
Dividends	9	—	—	(12.5)	(12.5)
Exchange differences on translation of foreign operations		(8.4)	—	—	(8.4)
Change in fair value of hedged instruments		—	(3.3)	—	(3.3)
Recycling of hedge reserve		—	6.7	—	6.7
Employee share options		—	—	1.0	1.0
Balance at 31 October 2014		(2.9)	—	348.8	345.9

The translation reserve balance of £2.9 million adverse (FY2013: £5.5 million) comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The hedge reserve balance of £nil (FY2013: £3.4 million adverse) comprises the unrealised elements of derivative financial instruments recognised in equity.

Included within retained earnings are ordinary shares with a nominal value of £1,428 (FY2013: £1,428) that represent shares allotted to the Safestore Employee Benefit Trust in satisfaction of awards under the Group's Long Term Incentive Plan in 2008 and which remain unvested.

24. Cash flow from operating activities

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

	Notes	2014 £'m	2013 £'m
Cash generated from continuing operations			
Profit before income tax		52.4	48.6
Gain on investment properties	11	(24.1)	(21.5)
Depreciation	12	0.5	0.4
Impairment of non-current assets	12	—	0.5
Change in fair value of derivatives		(1.2)	1.3
Net finance expense	4	23.2	20.6
Employee share options		1.0	0.2
Changes in working capital:			
Increase in inventories		(0.1)	—
Increase in trade and other receivables		(3.5)	(0.6)
Increase in trade and other payables		4.4	2.1
Cash generated from continuing operations		52.6	51.6

25. Analysis of movement in net debt

	2013 £'m	Cash flows £'m	Non-cash movements £'m	2014 £'m
Cash in hand	15.8	0.5	(1.0)	15.3
Debt due within one year	(5.0)	5.0	(5.0)	(5.0)
Debt due after one year	(337.9)	70.3	8.0	(259.6)
Total net debt excluding finance leases	(327.1)	75.8	2.0	(249.3)
Finance leases due within one year	(8.6)	4.9	(4.3)	(8.0)
Finance leases due after one year	(47.1)	—	4.1	(43.0)
Total finance leases	(55.7)	4.9	(0.2)	(51.0)
Total net debt	(382.8)	80.7	1.8	(300.3)

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

26. Employees and Directors

Staff costs (including Directors) for the Group during the year	2014 £'m	2013 £'m
Wages and salaries	14.2	14.3
Social security costs	2.5	2.5
Other pension costs	0.2	0.2
Share based payments	1.0	0.2
	17.9	17.2

During the period ended 31 October 2014 the Company's equity-settled share based payment arrangements comprised the Safestore Holdings plc Sharesave scheme and the Safestore 2009 Performance Share Plan. The number of awards made under each scheme are detailed in note 22. No options have been modified since grant under any of the schemes.

Average monthly number of people (including Executive Directors) employed	2014 Number	2013 Number
Sales	452	460
Administration	71	72
	523	532

Previously reported amounts for sales employees have been restated to exclude employees of Space Maker, as the Directors believe this is a more appropriate measure of the Group's employees.

Key management compensation	2014 £'m	2013 £'m
Wages and salaries	2.2	3.2
Social security costs	0.8	0.5
Post-employment benefits	0.1	0.2
Share based payments	1.0	0.2
	4.1	4.1

The key management figures given above include Directors.

Directors	2014 £'m	2013 £'m
Aggregate emoluments	1.7	2.0
Company contributions paid to money purchase pension schemes	—	0.1
	1.7	2.1

There were two Directors (FY2013: three) accruing benefits under a money purchase scheme.

27. Contingent liabilities

As part of the Group banking facility, the Company has guaranteed the borrowings totalling £265.2 million (FY2013: £343.6 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.

28. Capital commitments

The Group had £0.3 million capital commitments as at 31 October 2014 (FY2013: £nil).

29. Related party transactions

The Group's shares are widely held.

During the year £nil (FY2013: £nil) transactions were carried out with related parties.

30. Parent company

Safestore Holdings plc is a limited liability company incorporated in England and Wales and domiciled in the UK. It operates as the ultimate parent company of the Safestore Holdings plc Group.

Financial statements Company balance sheet
as at 31 October 2014

	Notes	Company	
		2014 £'m	2013 £'m
Fixed assets			
Tangible fixed assets	5	—	—
Fixed asset investments	6	1.0	1.0
Total fixed assets		1.0	1.0
Current assets			
Debtors: amounts falling due within one year	7	0.2	0.2
Debtors: amounts falling due after more than one year	7	160.0	129.3
Cash at bank and in hand		1.1	2.3
Total current assets		161.3	131.8
Total assets		162.3	132.8
Creditors: amounts falling due within one year	8	(7.2)	(5.9)
Total assets less current liabilities		155.1	126.9
Creditors: amounts falling due after more than one year	9	(70.0)	(71.0)
Net assets		85.1	55.9
Capital and reserves			
Ordinary shares	10	2.1	1.9
Share premium account	11	60.0	28.4
Profit and loss account	11	23.0	25.6
Total shareholders' funds	12	85.1	55.9

The Company financial statements on pages 92 to 95 were approved by the Board of Directors on 21 January 2015 and signed on its behalf by:

A Jones **F Vecchioli**
Chief Financial Officer Chief Executive Officer

Company registration number: 4726380

Notes to the Company financial statements for the year ended 31 October 2014

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 2006. The particular accounting policies adopted are described below. The financial statements are prepared on a going concern basis 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.

There have been no new accounting standards adopted during the year.

Investments

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

Tangible fixed assets

Fixtures and fittings are stated at historic purchase cost less accumulated depreciation. Costs are 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 straight line basis.

Cash flow statement

The Company has taken advantage of the exemption given in FRS 1 and has consequently not prepared a cash flow statement.

Share based payments

Share based incentives are provided to employees under the Company's bonus share plan, performance share plan and employee Sharesave schemes. The Company recognises a compensation cost in respect of these schemes that is based on the fair value of the awards, measured using Black-Scholes, Binomial and Monte Carlo valuation methodologies. For equity-settled schemes, the fair value is determined at the date of grant and is not subsequently re-measured unless the conditions on which the award was granted are modified. For cash-settled schemes, the fair value is determined at the date of grant and is re-measured at each balance sheet date until the liability is settled. Generally, the compensation cost is recognised on a straight line basis over the vesting period. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to the failure to satisfy service conditions or non-market performance conditions. See note 22 in the Group accounts for further disclosures.

Profit and loss account

Interest income is recognised using the effective interest method. Dividend income is recognised when the right to receive payment is established.

Dividends

The annual final dividend is not provided for until approved at the AGM whilst interim dividends are charged in the period they are paid.

2. Results of parent company

As permitted by Section 408 of the Companies Act 2006, 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 £8.9 million (FY2013: £21.9 million).

3. Directors' emoluments

The Directors' emoluments are disclosed in note 26 of the Annual Report and financial statements of the Group.

4. Operating profit

The Company does not have any employees (FY2013: none). Auditors' remuneration for the year ended 31 October 2014 was £10,000 (FY2013: £10,000). There were no non-audit services (FY2013: none) provided by the auditors.

5. Tangible fixed assets – fixtures and fittings

	£'m
Cost	
As at 1 November 2013 and at 31 October 2014	0.2
Accumulated depreciation	
As at 1 November 2013	0.2
Charge for the year	—
At 31 October 2014	0.2
Net book value	
At 31 October 2014	—
At 31 October 2013	—

6. Fixed asset investments

£'m

Cost and net book value

At 1 November 2013 and 31 October 2014

1.0

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. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Interests in subsidiary undertakings

The Company has the following wholly owned subsidiaries:

Subsidiary	Country of incorporation	Principal activity
Safestore Group Limited	England and Wales	Holding company
Safestore Limited ¹	England and Wales	Provision of self-storage
Spaces Personal Storage Limited ¹	England and Wales	Holding company
Safestore Properties Limited ²	England and Wales	Holding company
Une Pièce en Plus SAS ³	France	Provision of self-storage
Compagnie de Libre Entreposage France SAS ³	France	Holding company

Notes

¹ Safestore Limited and Spaces Personal Storage Limited are both 100% subsidiaries of Safestore Acquisition Limited.

² Safestore Properties Limited is a 100% subsidiary of Mentmore Limited.

³ Une Pièce en Plus SAS and Compagnie de Libre Entreposage France SAS are both 100% subsidiaries of Mentmore Limited.

7. Debtors

	2014 £'m	2013 £'m
Trade debtors	0.1	0.1
Other debtors	0.1	0.1
Debtors due within one year	0.2	0.2
Amounts owed by Group undertakings	160.0	129.3
Debtors due after more than one year	160.0	129.3

8. Creditors: amounts falling due within one year

	2014 £'m	2013 £'m
Trade creditors	0.1	0.2
Amounts owed to Group undertakings	6.1	4.8
Other taxes and social security	0.1	0.2
Accruals and deferred income	0.9	0.7
Creditors due within one year	7.2	5.9

9. Creditors: amounts falling due after more than one year

	2014 £'m	2013 £'m
Secured loan notes	70.6	71.7
Debt issue costs	(0.6)	(0.7)
	70.0	71.0

The loan notes are \$65.6 million (FY2013: \$67.0 million) 5.52% Series A senior Secured Notes due 2019 and \$47.3 million (FY2013: \$48.0 million) 6.29% Series B Senior Secured notes due 2024.

10. Called up share capital

	2014 £'m	2013 £'m
Allotted and fully paid		
207,134,266 (FY2013: 188,345,784) ordinary shares of 1 pence	2.1	1.9
At 31 October	2.1	1.9

Ordinary shares

The holders of the ordinary shares shall be entitled to one vote for each ordinary share.

For details of share options see note 22 in the Group financial statements.

11. Reserves

	Share premium account £'m	Profit and loss reserve £'m
At 1 November 2013	28.4	25.6
Profit for the year	—	8.9
Issue of share capital	31.6	—
Employee share options	—	1.0
Dividends paid	—	(12.5)
At 31 October 2014	60.0	23.0

For details of the dividend paid in the year see note 9 in the Group financial statements.

12. Reconciliation of movements in shareholders' funds

	2014 £'m	2013 £'m
Profit for the year	8.9	21.9
Dividends paid	(12.5)	(10.6)
Employee share options	1.0	0.2
Issue of share capital	31.8	0.1
At 1 November	55.9	44.3
At 31 October	85.1	55.9

13. Related party transactions

The Company has taken advantage of the exemption available under FRS 8 'Related Party Disclosures' and has not disclosed details of its transactions with certain related 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.

14. Contingent liabilities

For details of contingent liabilities see note 27 in the Group financial statements.

This document is important and requires your immediate attention. If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from a stockbroker, bank manager, solicitor, accountant or other independent professional adviser duly authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your ordinary shares in Safestore Holdings plc, please pass this document together with any accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the purchaser or transferee who now holds the shares.

Safestore Holdings plc

(the "Company")

(Incorporated in England and Wales under the Companies Act 1985 with registered number 04726380)

Notice of the Annual General Meeting of the Company to be held at the offices of the Company, Brittanica House, Stirling Way, Borehamwood Herts WD6 2BT on 19 March 2015 at 12.00 noon (the "Annual General Meeting") is set out on pages 97 to 102 of this document.

A Form of Proxy for use at the Annual General Meeting accompanies this document. Whether or not you propose to attend the Annual General Meeting, please complete and submit the Form of Proxy in accordance with the instructions printed on it. The Form of Proxy must be deposited at the offices of the Registrar of the Company, Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Alternatively, you can appoint a proxy electronically at www.capitashareportal.com or, if you hold your shares in CREST, you may appoint a proxy via the CREST electronic proxy appointment service. Notice of your appointment of a proxy should reach Capita Asset Services by no later than 12.00 noon on 17 March 2015.

The results of the meeting will be announced as soon as practicable and will appear on the Company's website, www.safestore.com.

All times shown in this document are London times unless otherwise indicated.

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING (the "Meeting" or "Annual General Meeting") of Safestore Holdings plc (the "Company") will be held at Brittanica House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT on 19 March 2015 at 12.00 noon for the following purposes:

To consider, and if thought fit, pass the following resolutions, of which numbers 1 to 13 will be proposed as ordinary resolutions and numbers 14 to 16 will be proposed as special resolutions:

Ordinary resolutions

1. To receive the Company's annual accounts for the financial year ended 31 October 2014, together with the Directors' report and the Auditors' report on those accounts and on the auditable part of the Directors' remuneration report.
2. To approve the Directors' remuneration report for the financial year ended 31 October 2014.
3. To appoint Deloitte LLP as auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at which accounts are laid.
4. To authorise the Directors to determine the auditors' remuneration.
5. To declare a final dividend for the year ended 31 October 2014 of 5.30 pence per ordinary share payable to shareholders on the register at the close of business on 13 March 2015.
6. To re-elect Alan Lewis as a Director of the Company.
7. To re-elect Keith Edelman as a Director of the Company.
8. To re-elect Frederic Vecchioli as a Director of the Company.
9. To re-elect Andy Jones as a Director of the Company.
10. To re-elect Ian Krieger as a Director of the Company.
11. To elect Joanne Kenrick, who has been appointed as a Director since the last Annual General Meeting of the Company, as a Director.
12. 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 Part 14 of the Companies Act 2006 (the "Act") to:
 - (a) make political donations to political parties and/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; and
 - (c) 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 Company's next Annual General Meeting after the date of the passing of this resolution 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.
13. THAT for the purposes of Section 551 of the Companies Act 2006 (the "Act") and so that expressions used in this resolution shall bear the same meanings as in the said Section 551):
 - 13.1 the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares and to grant such subscription and conversion rights as are contemplated by Sections 551(1)(a) and (b) of the Act respectively up to a maximum nominal amount of £690,447 to such persons and at such times and on such terms as they think proper during the period expiring at the end of the next Annual General Meeting of the Company (unless previously revoked or varied by the Company in general meeting); and further
 - 13.2 the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot equity securities (as defined in Section 560 of the Act) in connection with a rights issue in favour of the holders of equity securities and any other persons entitled to participate in such issue where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as maybe) to the respective number of equity securities held by them up to an aggregate nominal amount of £690,447 during the period expiring at the end of the Annual General Meeting of the Company after the passing of this resolution subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and
 - 13.3 the Company be and is hereby authorised to make prior to the expiry of such period any offer or agreement which would or might require such shares or rights to be allotted or granted after the expiry of the said period and the Directors may allot such shares or grant such rights in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution,
 so that all previous authorities of the Directors pursuant to the said Section 551 be and are hereby revoked.

Special resolutions

14. THAT, subject to the passing of resolution 13 set out in the Notice convening this Meeting, the Directors be and are empowered in accordance with Section 570 of the Companies Act 2006 (the "Act") to allot equity securities (as defined in Section 560 of the Act) for cash, pursuant to the authority conferred on them to allot such shares or grant such rights by that resolution as if Section 561(1) and sub-Sections (1) – (6) of Section 562 of the Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to:
- 14.1 the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities (but in the case of the authority granted under resolution 13.2 by way of a rights issue only) and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by or deemed to be held by them on the record date of such allotment, subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and
- 14.2 the allotment (otherwise than pursuant to paragraph 14.1 above) of equity securities up to an aggregate nominal value not exceeding £103,567, and this power, unless renewed, shall expire at the end of the next Annual General Meeting of the Company after the passing of this resolution but shall extend to the making, before such expiry, of an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.
15. THAT the Company be and is hereby generally and unconditionally authorised for the purpose of Section 701 of the Companies Act 2006 (the "Act") to make market purchases (as defined in Section 693 of the Act) of ordinary shares of 1 pence each in the capital of the Company ("Ordinary Shares") provided that:
- 15.1 the maximum number of Ordinary Shares hereby authorised to be purchased is 20,713,426;
- 15.2 the minimum price (exclusive of expenses) which may be paid for such Ordinary Shares is 1 pence per share, being the nominal amount thereof;
- 15.3 the maximum price (exclusive of expenses) which may be paid for such Ordinary Shares shall be an amount equal to the higher of (i) 5% above the average of the middle market quotations for such shares taken from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made and (ii) the higher of the price of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share as derived from the London Stock Exchange Trading System ("SETS");
- 15.4 the authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the end of the next Annual General Meeting of the Company and the date which is 18 months after the date on which this resolution is passed; and
- 15.5 the Company may make a contract to purchase its own Ordinary Shares under the authority conferred by this resolution prior to the expiry of such authority, and such contract will or may be executed wholly or partly after the expiry of such authority, and the Company may make a purchase of its own Ordinary Shares in pursuance of any such contract.
16. THAT a general meeting of the Company other than an Annual General Meeting may be called on not less than 14 clear days' notice, provided that this authority expires at the conclusion of the Company's next Annual General Meeting after the date of the passing of this resolution.

By order of the Board

S Ahmed
Company Secretary

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

Dated: 16 February 2015

Notes to Notice

- (i) A member entitled to attend and vote at the meeting convened by the above Notice (the "Meeting") is entitled to appoint a proxy to exercise all or any of the rights of the member to attend and speak and vote on his or her behalf. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. The right to appoint a proxy does not apply to any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 (the "Act") to enjoy information rights (a "Nominated Person").
- (ii) To appoint a proxy you may:
- (a) use the proxy form enclosed with this Notice of Annual General Meeting. To be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be received by post or (during normal business hours only) by hand at Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, in each case no later than 12.00 noon on 17 March 2015 or not later than 48 hours before the time fixed for any adjourned meeting (as an alternative you may appoint a proxy electronically at www.capitashareportal.com); or
- (b) if you hold your shares in uncertificated form, use the CREST electronic proxy appointment service as described in notes (vi), (vii) and (viii) below. Completion of the proxy form or appointment of a proxy through CREST will not prevent a member from attending and voting in person. You may submit your vote electronically at www.capitashareportal.com not later than 48 hours before the time fixed for the Meeting or adjourned meeting at which your proxy proposes to vote.
- (iii) Any member or his or her proxy attending the Meeting has the right to ask any question at the Meeting relating to the business of the Meeting.
- (iv) Pursuant to Section 360B of the Act and Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only shareholders registered in the register of members of the Company as at 6.00pm on 17 March 2015 shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at such time. If the Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned Meeting is 6.00pm on the day preceding the date fixed for the adjourned Meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
- (v) In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
- (vi) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by using 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.
- (vii) 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, Capita Asset Services (CREST participant 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.
- (viii) 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 or her 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 (as amended).

Notes to Notice continued

- (ix) Copies of the terms and conditions of appointment of the Non-Executive Directors are available for inspection at the registered office of the Company, Brittanica House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT, during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice until the conclusion of the Meeting and will be available for inspection at the place of the Meeting for at least 15 minutes prior to and during the Meeting.
- (x) As at 13 February 2015 (being the last business day prior to the publication of this Notice) the Company's issued share capital consisted of 207,134,266 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 13 February 2015 were 207,134,266.
- (xi) The information required to be published by Section 311(A) of the Act (information about the contents of this Notice and numbers of shares in the Company and voting rights exercisable at the Meeting and details of any members' statements, members' resolutions and members' items of business received after the date of this notice) may be found at www.safestore.com.
- (xii) Members representing 5% or more of the total voting rights of all the members or at least 100 persons (being either members who have a right to vote at the Meeting and hold shares on which there has been paid up an average sum, per member, of £100 or persons satisfying the requirements set out in Section 153(2) of the Act) may require the Company, under Section 527 of the Act, to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the Auditors' report and the conduct of the audit) that are to be laid before the Meeting; or (ii) any circumstance connected with the auditors of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Act. The business which may be dealt with at the Meeting includes any statement that the Company has been required under Section 527 of the Act to publish on a website.
- (xiii) A Nominated Person may, under an agreement between him/her and the member who nominated him/her, have a right to be appointed (or to have someone else appointed) as a proxy entitled to attend and speak and vote at the Meeting. Nominated Persons are advised to contact the member who nominated them for further information on this and the procedure for appointing any such proxy.
- (xiv) If a Nominated Person does not have a right to be appointed, or to have someone else appointed, as a proxy for the Meeting, or does not wish to exercise such a right, he/she may still have the right under an agreement between himself/herself and the member who nominated him/her to give instructions to the member as to the exercise of voting rights at the Meeting. Such Nominated Persons are advised to contact the members who nominated them for further information on this.

Explanatory notes to resolutions

Resolution 3 – Confirmation of Deloitte LLP as auditors

In accordance with best practice, the Audit Committee undertook a competitive tender process for the audit of the Company and its subsidiaries for the year ending 31 October 2014. Since the resignation of PricewaterhouseCoopers LLP, Deloitte LLP has filled a casual vacancy in the office of auditor under Section 489 of the Companies Act 2006 (the “Act”). The Directors propose the appointment of Deloitte LLP at the Annual General Meeting (the “Meeting”) until the conclusion of the next general meeting at which accounts are laid.

Resolutions 6–11 – Re-election of Alan Lewis, Keith Edelman, Frederic Vecchioli, Andy Jones and Ian Krieger and the election of Joanne Kenrick as a Director (ordinary resolutions)

Adrian Martin will be retiring at the end of the Meeting and is, therefore, not standing for re-election. The UK Corporate Governance Code and the Company’s Articles of Association require that a Director appointed during the preceding year should be subject to election at the Company’s next Annual General Meeting. Accordingly, Joanne Kenrick is standing for election as a Director at the Meeting. In addition, under the Company’s Articles of Association, one-third of the Directors (other than newly appointed Directors) are to retire from office and offer themselves for re-election. Further, notwithstanding the fact that the Company is not a FTSE 350 company, for this Annual General Meeting, for the sake of good corporate governance, it has been decided that the entire Board (and not just one-third of the Board) will be put up for re-election and therefore Alan Lewis, Keith Edelman, Frederic Vecchioli, Andy Jones and Ian Krieger will stand for re-election to the Board. Resolutions 6–11 (inclusive) propose their re-election and Joanne Kenrick’s election as Directors. The election and re-election of Directors will take effect at the conclusion of the Meeting.

Resolution 12 – Political donations and political expenditure (ordinary resolution)

Resolution 12 seeks to renew the authority granted at last year’s Annual General Meeting for the Company to make political donations to political parties, to other political organisations and to independent election candidates or to incur political expenditure.

It is not the policy of the Company or its subsidiaries to make political donations of this type and the Directors have no intention of changing that policy. However, as a result of the wide definitions in the Act of matters constituting political donations, 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 Act.

This resolution does not purport to authorise any particular donation or expenditure but is expressed in general terms as required by the Act and is intended to authorise normal donations and expenditure. If passed, resolution 12 would allow the Company and its subsidiaries:

- (i) to make donations to political parties and/or independent election candidates up to an aggregate limit of £100,000;
- (ii) to make donations to other political organisations up to an aggregate limit of £100,000; and
- (iii) to incur political expenditure (as defined in the Act) up to an aggregate limit of £100,000,

during the period up to the conclusion of the next Annual General Meeting of the Company whilst avoiding inadvertent infringement of the statute. Any political donation made or political expenditure incurred which is in excess of £2,000 will be disclosed in the Company’s Annual Report for next year, as required by the Act. The authority will not be used to make political donations within the normal meaning of that expression.

Resolution 12 replaces a similar authority put in place at the Annual General Meeting held on 19 March 2014. No payments were made under this authority.

Resolution 13 – Directors’ authority to allot shares or grant subscription or conversion rights (ordinary resolution)

The resolution asks shareholders to grant the Directors authority under Section 551 of the Act to allot shares or grant such subscription or conversion rights as are contemplated by Sections 551(1)(a) and (b) respectively of the Act up to a maximum aggregate nominal value of £1,380,894, being approximately two-thirds of the nominal value of the issued ordinary share capital of the Company as at 13 February 2015. As at 13 February 2015, the Company did not hold any treasury shares. £690,447 of this authority is reserved for a fully pre-emptive rights issue. This is the maximum permitted amount under best practice corporate governance guidelines. The Directors consider it important to have the maximum ability and flexibility commensurate with good corporate governance guidelines to raise finance to enable the Company to respond to market developments and conditions. The Directors have no present intention of exercising such authority. The authority will expire at the next Annual General Meeting. The resolution replaces a similar resolution passed at the Annual General Meeting of the Company held on 19 March 2014.

Explanatory notes to resolutions continued

Resolution 14 – Disapplication of pre-emption rights (special resolution)

If the Directors wish to allot new shares or other equity securities for cash, the Act requires that such shares or other equity securities are offered first to existing shareholders in proportion to their existing holding. The allotment of equity securities as referred to in this resolution includes the sale of any shares which the Company holds in treasury following a purchase of its own shares. Resolution 14 asks shareholders to grant the Directors authority to allot equity securities for cash up to an aggregate nominal value of £103,567 (being 5% of the Company's issued ordinary share capital as at 13 February 2015) without first offering the securities to existing shareholders. The Directors confirm that equity securities in excess of 7.5% of the Company's issued ordinary share capital will not be issued for cash on a non pre-emptive basis over a rolling three year period without suitable advance consultation with shareholders. The resolution also disapplies the statutory pre-emption provisions in connection with a rights issue and allows the Directors, in the case of a rights issue, to make appropriate arrangements in relation to treasury shares, fractional entitlements or other legal or practical problems which might arise. The authority will expire at the next Annual General Meeting. The resolution replaces a similar resolution passed at the Annual General Meeting of the Company held on 19 March 2014.

Resolution 15 – Purchase of own shares by the Company (special resolution)

Resolution 15 to be proposed at the Annual General Meeting seeks authority from shareholders for the Company to make market purchases of its own ordinary shares of 1 pence each ("Ordinary Shares"), such authority being limited to the purchase of 10% of the Ordinary Shares in issue as at 13 February 2015. The maximum price payable for the purchase by the Company of its own Ordinary Shares will be limited to the higher of 5% above the average of the middle market quotations of the Company's Ordinary Shares, as derived from The Daily Official List of the London Stock Exchange, for the five business days prior to the purchase and the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System. The minimum price payable by the Company for the purchase of its own Ordinary Shares will be 1 pence per Ordinary Share (being the amount equal to the nominal value of an Ordinary Share). The authority to purchase the Company's own Ordinary Shares will only be exercised if the Directors consider that there is likely to be a beneficial impact on earnings per Ordinary Share and that it is in the best interests of the Company at the time. The resolution renews a similar resolution passed at the Annual General Meeting of the Company held on 19 March 2014. The Company will be able to hold the Ordinary Shares which have been repurchased as treasury shares and re-sell them for cash, cancel them or use them in connection with certain of its share schemes.

Options to subscribe for up to 3,079,372 Ordinary Shares have been granted and are outstanding as at 13 February 2015 (being the latest practicable date prior to publication of this document) representing 1.49% of the issued ordinary share capital at that date (excluding shares held in treasury). If the Directors were to exercise in full the power for which they are seeking authority under resolution 15, the options outstanding as at 13 February 2015 would represent 1.65% of the ordinary share capital (excluding shares held in treasury) in issue following such exercise.

Resolution 16 – Calling of general meetings (special resolution)

Resolution 16 to be proposed at the Meeting seeks authority from shareholders to hold general meetings (other than Annual General Meetings) on 14 days' clear notice. This is permissible under the existing articles of association of the Company and the Act. However, pursuant to the EU Shareholders' Rights Directive, the Company must offer the facility, accessible to all shareholders, to vote by electronic means and must obtain specific shareholder approval annually in order to retain this ability. The Directors believe that there may be circumstances in which it will be important for the Company to be able to call meetings at such short notice. The shorter notice would not be used as a matter of course, but only where it is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole. Accordingly, the Directors believe that it is important for the Company to retain this flexibility.

Directors' recommendation

The Board of Directors considers that each of the resolutions being proposed at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole. Accordingly, the Directors unanimously recommend that shareholders vote in favour of the resolutions as they intend to do in respect of their own beneficial shareholdings.

Safestore Holdings plc

Proxy form

For the 2015 Annual General Meeting to be held at 12.00 noon on Thursday 19 March 2015

I/We the undersigned, being a holder of ordinary shares of 1 pence each of the capital of Safestore Holdings plc (the "Company"), hereby appoint the duly appointed Chairman of the meeting (see note 1 below) or

--

(BLOCK CAPITALS PLEASE)

to act as my/our proxy at the Annual General Meeting of the Company to be held at 12.00 noon on 19 March 2015 at Brittanica House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT and at any adjournment thereof and to vote on my/our behalf as directed below.

Please tick here if this proxy appointment is one of multiple appointments being made.

Please indicate with an "X" in the spaces provided how you wish your votes to be cast on a poll. Should this card be returned duly signed, but without specific direction, the proxy will vote or abstain at his/her discretion.

Ordinary resolutions	For	Against	Vote withheld
1. To receive and adopt the Annual Report and Accounts for the year ended 31 October 2014			
2. To approve the Directors' remuneration report for the year ended 31 October 2014			
3. To appoint Deloitte LLP as auditors			
4. To authorise the Directors to determine the auditors' remuneration			
5. To declare a final dividend of 5.30 pence per ordinary share for the year ended 31 October 2014			
6. To re-elect Alan Lewis as a Director of the Company			
7. To re-elect Keith Edelman as a Director of the Company			
8. To re-elect Frederic Vecchioli as a Director of the Company			
9. To re-elect Andy Jones as a Director of the Company			
10. To re-elect Ian Krieger as a Director of the Company			
11. To elect Joanne Kenrick as a Director of the Company			
12. To authorise political donations and political expenditure			
13. To authorise the Directors to allot shares subject to the restrictions set out in the resolution			
Special resolutions			
14. To authorise the disapplication of pre-emption rights subject to the limits set out in the resolution			
15. To authorise market purchases of ordinary shares up to a specified amount			
16. To reduce the notice period for general meetings other than an Annual General Meeting			

Unless otherwise instructed, the proxy may vote as he/she thinks fit or abstain from voting in respect of the resolutions specified and also on any other business (including amendments to resolutions) that may properly come before the meeting.

Signature	Dated
Full name of registered holder(s)	
Address	
	Postcode

Please return this proxy form to Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive by 12.00 noon on 17 March 2015.

As an alternative to completing your hard-copy proxy form, you can appoint a proxy electronically at www.capitashareportal.com.

For an electronic proxy appointment to be valid, your appointment must be received by no later than 12.00 noon on 17 March 2015. You will be asked to enter the investor code shown on your share certificate or dividend tax voucher and agree to certain terms and conditions.

If you hold your shares in uncertificated form, you may appoint a proxy using the CREST electronic proxy appointment service, details of which are set out in notes vi, vii and viii to the Notice of Annual General Meeting.

Notes

1. A member of the Company is entitled to appoint a proxy to exercise all or any of his/her rights to attend, speak and vote at a general meeting of the Company.

A member of the Company may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares. When two or more valid but differing appointments of proxy are delivered or received for the same share for use at the same meeting, the one which is last validly delivered or received (regardless of its date or the date of its execution) shall be treated as replacing and revoking the other or others as regards that share. If the Company is unable to determine which appointment was last validly delivered or received, none of them shall be treated as valid in respect of that share. To appoint more than one proxy, you should contact Capita Asset Services at the address stated in the information included with this proxy form.
2. A member is entitled to appoint a proxy of his or her own choice. The Chairman of the meeting will act as proxy unless another proxy is chosen. A proxy need not be a member of the Company but must attend the meeting in person.
3. In the case of an individual, this proxy form should be signed by the appointer. In the case of a corporation, this proxy form must be executed under its common seal or under the hand of an officer, attorney or other person duly authorised.
4. In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy in respect of the holding will be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names appear in the Register of Members in respect of the joint holding.
5. Please indicate with a cross in the appropriate box how you wish your votes to be cast. In the absence of any specific direction, the proxy will vote (or abstain from voting) at his or her discretion. The proxy will act in his/her discretion in relation to any other business at the meeting (including any resolution to amend a resolution or to adjourn the meeting).
6. To be effective, the proxy form and any authority under which it is executed (or a certified copy of such authority) must be deposited with Capita Asset Services at Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time for holding the meeting.
7. Completion and return of this proxy form will not prevent a member from attending and voting at the Annual General Meeting.
8. Any alteration or deletion must be signed or initialled.

Directors and advisers

Directors

A S Lewis	(Non-Executive Chairman)
F Vecchioli	(Chief Executive Officer)
A B Jones	(Chief Financial Officer)
A H Martin	(Non-Executive Director)
K G Edelman	(Non-Executive Director)
I S Krieger	(Non-Executive Director)
J L Kenrick	(Non-Executive Director)

Company Secretary

S Ahmed

Registered office

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Registered company number

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www.safestore.com

Bankers

National Westminster Bank
HSBC Bank
Lloyds Bank
Abbey National Treasury Services
BRED Banque Populaire
Bank of Taiwan
Chang Hwa Commercial Bank

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Chartered Accountants and Statutory Auditors
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Legal advisers

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London EC1A 2AL

Eversheds LLP
115 Colmore Row
Birmingham B3 3AL

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London EC2V 7QP

Citigroup Global Markets Limited
Citigroup Centre
33 Canada Square
London E14 5LB

Financial PR advisers

Instinctif Partners
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E-mail: ssd@capitaregistrars.com

Web: www.capitashareportal.com

Share Portal: www.capitashareportal.com

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

Please visit our investor relations website

All the latest news and updates for investors at www.safestore.com.



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