7 January 2020

Safestore Holdings plc
("Safestore", "the Company" or "the Group")

Results for the year ended 31 October 2019

A solid financial performance and significant strategic progress

Key measures

	Year Ended 31 October 2019	Year Ended 31 October 2018	Change	Change-CER[1]
Underlying and Operating Metrics- total				
Revenue	£151.8m	£143.9m	5.5%	5.6%
Underlying EBITDA[2]	£87.5m	£82.9m	5.5%	5.4%
Closing Occupancy (let sq ft- million)[3]	4.98	4.69	6.2%	n/a
Closing Occupancy (% of MLA)[4]	77.0%	73.6%	+3.4ppts	n/a
Average Storage Rate[5]	£26.09	£25.90	0.7%	0.8%
Adjusted Diluted EPRA Earnings per Share[6]	28.5p	26.8p	6.3%	n/a
Free Cash Flow[7]	£61.2m	£55.4m	10.5%	n/a
EPRA Basic NAV per Share[13]	£4.52	£4.02	12.4%	n/a
Underlying and Operating Metrics- like-for-like[8]				
Revenue	£149.2m	£142.3m	4.8%	4.8%
Underlying EBITDA[2]	£87.1m	£82.2m	6.0%	6.0%
Closing Occupancy (let sq ft- million)[3]	4.86	4.65	4.5%	n/a
Closing Occupancy (% of MLA)[4]	78.5%	75.1%	+3.4ppts	n/a
Average Occupancy (let sq ft- million)[3]	4.70	4.54	3.5%	n/a
Average Storage Rate[5]	£26.04	£25.78	1.0%	1.0%
Statutory Metrics				
Operating profit[9]	£163.7m	£197.6m	(17.2%)	n/a
Profit before tax[9]	£147.3m	£185.3m	(20.5%)	n/a
Diluted Earnings per Share	62.6p	84.2p	(25.7%)	n/a
Dividend per Share	17.5p	16.25p	7.7%	n/a
Cash inflow from operating activities	£66.6m	£60.6m	9.9%	n/a

Highlights

Solid Financial Performance

- Group revenue for the year up 5.5% (up 5.6% in CER[1])
- Like-for-like[8] Group revenue for the year in CER[1] up 4.8%:
  - UK up 4.7%
  - Paris up 5.6%
- Underlying EBITDA[2] up 5.4% in CER[1] which, combined with a reduced gain on investment properties of £84.2m (FY2018: £122.1m), resulted in statutory operating profit[9] of £163.7m (FY2018: £197.6m)
- Adjusted Diluted EPRA Earnings per Share[6] up 6.3% at 28.5 pence (FY2018: 26.8 pence). Diluted Earnings per Share was 62.6 pence (FY2018: 84.2 pence) largely due to the lower property valuation gain in FY2019

- 7.6% increase in the final dividend to 12.0 pence (FY2018: 11.15 pence) giving a total for the year of 17.5 pence (FY2018: 16.25 pence)

Operational Focus

- Continued balanced approach to revenue management drives returns:
    - Like-for-like[8] closing occupancy of 78.5% up 3.4ppts on 2018 (FY2018: 75.1%)
    - Like-for-like[8] average occupancy for the year up 3.5%
    - Like-for-like[8] average storage rate[5] for the year up 1.0% in CER[1]
    - Total average storage rate[5] up 0.8% in CER[1] reflecting dilutive impact of new store openings
- New stores trading well and in line with business plans

Strategic Progress

- Established joint venture[14] with Carlyle, which acquired M3 Self Storage ("M3") in the Netherlands (six stores in Amsterdam and Haarlem)
- Acquisition of Fort Box Self Storage (two London stores) on 5 November 2019 for £14.3m[10]
- On 30 December 2019 the Group entered the Spanish self-storage market with the acquisition of OMB Self Storage SL trading as OhMyBox (4 stores in Barcelona) for €17.25m
- Acquisition of 34,000 sq ft freehold Heathrow store for £6.6m[10] including acquisition costs
- Freehold site acquired in Sheffield with 47,000 sq ft store to open in H1 2020
- New long leasehold site secured at Gateshead (Newcastle)
- Sites in Peterborough, Birmingham Merry Hill and Pontoise opened in the period
- Four new stores in the pipeline with 175,000 sq ft of new space scheduled to open in London Carshalton, Gateshead, Sheffield and Paris Magenta opening in 2020
- Further development sites acquired in London Bermondsey and London Morden.

Strong and Flexible Balance Sheet

- £125m of new US Private Placement Notes issued to fund medium-term growth
- Effective average interest rate of 2.3% and average tenor increased to 6.3 years
- 11.1% increase in property valuation (including investment properties under construction) in CER[1] driven by the Heathrow acquisition, reduced exit cap rates and revised stabilised occupancy assumptions
- Group loan-to-value ratio ("LTV"[11]) at 31 October 2019 at 31% (31 October 2018: 30%) and interest cover ratio ("ICR"[12]) at 8.9x (31 October 2018: 8.6x)

Succession

- David Hearn joins the Board as Chairman replacing Alan Lewis who has retired after more than 10 years with the Group.

Frederic Vecchioli, Safestore's Chief Executive Officer, commented:

"I am pleased to report another strong performance for the year, with solid trading and significant strategic progress. The Group's outright acquisition of OhMyBox and the investment in M3 through our joint venture with Carlyle represent excellent platforms for entry into the attractive Barcelona and Netherlands self storage markets. In addition to the acquisitions and integration of Fort Box and our Heathrow store, we have also opened new stores in Peterborough and Birmingham Merry Hill in the UK and Pontoise in Paris.

"Further to our successful openings this year, we plan to open new stores in London Carshalton, Gateshead, Sheffield and Paris Magenta (subject to planning) during the 2019/2020 financial year, adding 175,000 sq ft of further capacity to our estate.

"We have extended our financing facilities with the issuance of a further £125m of seven and ten year US Private Placement notes, strengthening our balance sheet and providing us with further flexibility to target selected development and acquisition opportunities as they arise.

"Over the last six years we have grown the occupancy of a same-store portfolio from 63% to 78%. As ever, our top priority remains the significant low cost organic growth opportunity represented by the 1.5m square feet of currently unlet space in our existing fully invested estate. The Company is in a very strong position and we are encouraged by early trading in the new 2019/20 financial year. Our leading market positions in the UK and Paris combined with our resilient business model enable us to look forward to the future with confidence."

Notes

We prepare our financial statements using IFRS. However we also use a number of adjusted measures in assessing and managing the performance of the business. These include like-for-like figures, to aid in the comparability of the underlying business as they exclude the impact on results of purchased, sold, opened or closed stores. These metrics have been disclosed because management review and monitor performance of the business on this basis. We have also included a number of measures defined by EPRA, which are designed to enhance transparency and comparability across the European Real Estate sector, see notes 6 and 13 below and "Non-GAAP financial information" in the notes to the financial statements.

1 – CER is Constant Exchange Rates (Euro denominated results for the current period have been retranslated at the exchange rate effective for the comparative period, in order to present the reported results on a more comparable basis).
2 – Underlying EBITDA is defined as Operating Profit before exceptional items, share-based payments, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties, contingent rent and depreciation. Underlying EBITDA therefore excludes all leasehold rent charges. Underlying profit before tax is defined as underlying EBITDA less leasehold rent, depreciation charged on property, plant and equipment and net finance charges relating to bank loans and cash.
3 – Occupancy excludes offices but includes bulk tenancy. As at 31 October 2019, closing occupancy includes 14,000 sq ft of bulk tenancy (31 October 2018: 26,000 sq ft).
4 – MLA is Maximum Lettable Area. At 31 October 2019, Group MLA was 6.47m sq ft (FY2018: 6.37m sq ft).
5 – Average Storage Rate is calculated as the revenue generated from self storage revenues divided by the average square footage occupied during the period in question.
6 – Adjusted Diluted EPRA EPS is based on the European Public Real Estate Association's definition of Earnings and is defined as profit or loss for the period after tax but excluding corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties and the associated tax impacts. The Company then makes further adjustments for the impact of exceptional items, IFRS 2 share-based payment charges, exceptional tax items, and deferred tax charges. This adjusted earnings is divided by the diluted number of shares. The IFRS 2 cost is excluded as it is written back to distributable reserves and is a non-cash item (with the exception of the associated National Insurance element). Therefore neither the Company's ability to distribute nor pay dividends are impacted (with the exception of the associated National Insurance element). The financial statements will disclose earnings both on a statutory, EPRA and Adjusted Diluted EPRA basis and will provide a full reconciliation of the differences in the financial year in which any LTIP awards may vest.
7 – Free cash flow is defined as cash flow before investing and financing activities but after leasehold rent payments.
8 – Like-for-like adjustments have been made to remove the impact of Heathrow, the 2019 openings of Peterborough, Birmingham Merry Hill and Pontoise, the 2018 openings of Mitcham, Paddington Marble Arch and Poissy and 2018 closures of Leeds Central, Merton and Paddington.
9 – Operating profit decreased by £33.9m to £163.7m (FY2018: £197.6m) principally as a result of a decrease in the gain on Investment properties of £37.9m to £84.2m (FY2018: £122.1m), offset by an increase of £4.6m or 5.5% in Underlying EBITDA as a result of stronger trading performance. Profit before tax additionally included a decrease in the fair value of derivatives of £2.1m (FY2018: net gain £0.5m).
10 – The consideration paid for the Heathrow store on 29 July 2019 was £6.4m plus costs of £0.2m and for Fort Box Self Storage on 5 November 2019 was £13.6m plus costs of approximately £0.7m, both net of cash acquired and both are subject to customary working capital adjustment.
11 – LTV ratio is Loan-to-Value ratio, which is defined as gross debt (excluding finance leases) as a proportion of the valuation of investment properties and investment properties under construction (excluding finance leases).
12 – ICR is interest cover ratio, and is calculated as the ratio of underlying EBITDA after leasehold rent to underlying finance charges.
13 – EPRA basic NAV per share is an industry standard measure recommended by EPRA. The basis of calculation is set out in the "Earnings per share" note to the financial statements.
14 – The joint venture with Carlyle, which represents a 20% investment, has been accounted for as an associate using the equity method of accounting, as described in the "Investment in associates" note to the financial statements.

Summary

In 2019, Safestore delivered 6.3% growth in Adjusted Diluted EPRA earnings per share largely driven by organic growth. Total Group revenue increased by 5.5% (5.6% CER[1]) with a strong performance across the UK (+5.2%) and continued strength in Paris (+6.9%). On a like-for-like[8] basis in CER[1], Group revenue increased by 4.8% with the UK up 4.7% and Paris up 5.6%. The Group's like-for-like[8] closing occupancy increased by 3.4 percentage points ("ppts") to 78.5% with the average storage rate[5] up 1.0% at CER[1].

Our operational performance across the UK has again been solid this year. Strong enquiry generation and conversion, driven by our digital marketing platform and our ongoing commitment to investing in and supporting our people, has resulted in like-for-like[8] closing occupancy in the UK growing by 3.5ppts to 77.1%. Growth in occupancy across the UK has been healthy with the UK regions and London and the South East both performing strongly.

In the UK, we completed the acquisition of Fort Box (two London stores in St John's Wood and Chelsea) in November 2019 and our Heathrow store in July 2019 for £14.3m[10] and £6.6m[10] including costs, respectively. In addition, two new stores in Peterborough and Birmingham Merry Hill were opened on time and on budget in October 2019.

In Paris, our performance has also been strong with like-for-like[8] revenue growing by 5.6%. Average occupancy growth was 5.5% whilst average rate declined by 0.6%, impacted, as expected, by the dilutive effect of our recent suburban openings at Emerainville and Combs-la-Ville. Like-for-like[8] closing occupancy ended the year at 84.4% (FY2018: 81.2%). This is the twenty-first consecutive year of revenue growth in Paris with average growth over the last six years of circa 5%. We opened a new store in Pontoise in August 2019 which is trading in line with its business plan.

In August 2019, the Group invested a 20% stake in a joint venture[14] with Carlyle, which acquired M3 in the Netherlands. M3 has six stores in Amsterdam and Haarlem and the Group will earn management fees and a 20% share of the profits of the joint venture[14] and will be immediately accretive to earnings.

On 30 December 2019, the Group acquired OhMyBox for €17.25m, an implied first year net operating income yield of circa 5.2%. OhMyBox has four leasehold stores in Barcelona (with the right to purchase the freehold on one of the stores) and we expect it to be immediately accretive to earnings.

Group underlying EBITDA[2] of £87.5m increased by 5.4% at CER[1] on the prior year. The Group's EBITDA[2] performance, combined with modest increases in rent, finance costs and taxation, resulted in a 6.3% increase in Adjusted Diluted EPRA EPS[6] in the period to 28.5 pence (FY2018: 26.8 pence). Statutory operating profit decreased by £33.9m to £163.7m (FY2018: £197.6m) principally as a result of a decrease in the gain on investment properties of £37.9m to £84.2m (FY2018: £122.1m), offset by an increase of £4.6m or 5.5% in Underlying EBITDA[2] as a result of stronger trading performance.

Our property portfolio valuation, including investment properties under construction, increased in the year by 11.1% on a constant currency basis, driven by the acquisition of our Heathrow store and revisions to exit cap rates and stabilised occupancy assumptions. After exchange rate movements, the portfolio valuation increased by 10.2% to £1,345.7m with the UK portfolio up £91.7m to a total UK value of £1,012.8m and the French portfolio increasing by €48.9m to €386.1m.

Reflecting the Group's strong trading performance, the Board is pleased to recommend a 7.6% increase in the final dividend to 12.0 pence per share (FY2018: 11.15 pence) resulting in a full year dividend up 7.7% to 17.5 pence per share (FY2018: 16.25 pence).

Outlook

In the last four financial years, Safestore has strengthened its market-leading positions in the UK and Paris with the acquisitions of Space Maker, Alligator, Fort Box and our store at Heathrow, as well as opening twelve new stores and establishing a short term pipeline of a further four new stores. The Group has 1.5m sq ft of fully invested unlet space available, offering significant operational upside in the existing portfolio. We remain focused on further optimising the Group's operational performance whilst our balance sheet strength and flexibility provides us with the opportunity to actively consider

further selective development and acquisition opportunities in our key markets. In addition, our entry into the Netherlands market, via the joint venture[14] with Carlyle, and our OhMyBox acquisition in Barcelona, provide us with platforms for expansion into attractive new geographies.

The strong performance of the final quarter of 2018/19 has continued into the new financial year with LFL Group revenue (CER[1]) up 5.7% for the first two months, and we look forward with confidence to the 2019/20 financial year.

Enquiries

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Instinctif Partners 020 7457 2020

Guy Scarborough

Catherine Wickman

A presentation for analysts will be held at 9.30am today at:

Instinctif Partners, 65 Gresham Street, London EC2V 7NQ

For dial-in details of the presentation please contact:

Guy Scarborough (guy.scarborough@instinctif.com or telephone on 020 7457 2020).

Notes to Editors:

- Safestore is the UK's largest self storage group with 150 stores at 31 October 2019, comprising 122 wholly owned stores in the UK (including 68 in London and the South East with the remainder in key metropolitan areas such as Manchester, Birmingham, Glasgow, Edinburgh, Liverpool and Bristol) and 28 wholly owned stores in the Paris region.

- Safestore operates more self storage sites inside the M25 and in central Paris than any competitor providing more proximity to customers in the wealthiest and densest UK and French markets.

- Safestore was founded in the UK in 1998. It acquired the French business "Une Pièce en Plus" ("UPP") in 2004 which was founded in 1998 by the current Safestore Group CEO Frederic Vecchioli.

- Safestore has been listed on the London Stock Exchange since 2007. It entered the FTSE 250 index in October 2015.

- The Group provides storage to around 60,000 personal and business customers.

- As at 31 October 2019, Safestore had a maximum lettable area ("MLA") of 6.47 million sq ft (excluding the expansion pipeline stores) of which 4.98 million sq ft was occupied.

- Safestore employs around 650 people in the UK and France.

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Chairman's Statement

I am delighted to join the Board of Safestore and am pleased to announce, on behalf of the Board of the Group, a solid set of results for the year ended 31 October 2019.

Our purpose remains simple, to continue to add stakeholder value by developing profitable and sustainable spaces that allow individuals, businesses and local communities to thrive. Our strategy is underpinned by our values, our behaviours and our governance structure which shape our culture and remain central to the way we conduct our business.

Over the past year the Group has made further strong strategic progress. The twelve new stores opened over the last four years are all performing at least in line with their business plans. Fort Box Self Storage and our Heathrow store, acquired in November 2019 and July 2019 respectively, are being integrated into the business and we have a pipeline of four new sites, adding 175,000 sq ft of further capacity, opening over the next twelve months.

Management's priority remains on the existing store portfolio and filling the 1.5m sq ft of available capacity, building on the operational improvements made over the previous six years.

Our new joint venture[14] with Carlyle and our OhMyBox acquisition in Barcelona provide us with exciting platforms for entering into new attractive geographies. M3 in the Netherlands, acquired by the joint venture[14] with Carlyle, is performing well and we expect that Safestore's highly scalable platform will allow us to take advantage of further opportunities in due course. Barcelona and Spain are attractive markets for self-storage and the Group's outright acquisition of OhMyBox on 30 December 2019 is expected to be immediately accretive to earnings.

During the year, our Remuneration Committee has been focusing on the new Remuneration Policy to be put to our Annual General Meeting in March 2020. Details are contained in the Annual Report and I believe the new policy reflects the input and comments from our shareholders.

In addition, corporate and social responsibility ("CSR") remains important to Safestore's business processes and operations. Our CSR agenda developed significantly in the year and is covered in the "Sustainability" section of our Annual Report.

Financial Results

Revenue for the year was £151.8m, 5.5% ahead of last year (FY2018: £143.9m), or 5.6% ahead on a constant currency basis. Like-for-like[8] revenue was up 4.8% in constant currency. This result was driven by a strong performance in the UK which grew like-for-like[8] revenue by 4.7%, combined with another good performance by Une Pièce en Plus, our Parisian business, which grew like-for-like[8] revenue by 5.6%.

Operating profit decreased by £33.9m from £197.6m in 2018 to £163.7m in 2019, reflecting a lower investment property gain in 2019, offset by an increase in underlying EBITDA[2].

Underlying EBITDA[2] increased by 5.4% to £87.5m (FY2018: £82.9m) on a constant currency basis. Underlying EBITDA[2] after rental costs increased by 6.3% to £76.2m (FY2018: £71.7m).

Adjusted Diluted EPRA earnings per share[6] grew by 6.3% to 28.5 pence (FY2018: 26.8 pence). Adjusted Diluted EPRA earnings per share[6] has grown by 17.8 pence or 166% over the last six years. Statutory diluted earnings per share reduced to 62.6 pence (FY2018: 84.2 pence), the increase in Adjusted Diluted EPRA earnings per share[6] being offset by a reduced gain on valuation of investment properties.

Capital Structure

The Group's balance sheet remains robust with a Group LTV[11] ratio of 31% (FY2018: 30%) and an ICR[12] of 8.9x (FY2018: 8.6x). This represents a level of gearing we consider appropriate for the business to enable the Group to increase returns on equity, maintain financial flexibility and to achieve our medium term strategic objectives. During the period the Group extended its borrowing facilities with

the issuance of £125m of new Euro and Sterling denominated 7 and 10 year US Private Placement Notes providing further capacity for medium term growth as well as extending our maturity profile further.

Dividend

Reflecting the Group's strong trading performance, the Board is pleased to recommend a 7.6% increase in the final dividend to 12.0 pence per share (FY2018: 11.15 pence per share) resulting in an increase of 7.7% in the total dividend to 17.5 pence per share for the year (FY2018: 16.25 pence per share). The total dividend for the year is covered 1.63 times by Adjusted EPRA diluted earnings (1.65 times in 2018). The Group's dividend has increased by 204% in the last six years, during which period the Group has returned to shareholders a total of 76.5 pence per share. Shareholders will be asked to approve the dividend at the Company's Annual General Meeting on 18 March 2020 and, if approved, the final dividend will be payable on 9 April 2020 to Shareholders on the register at close of business on 6 March 2020.

The Board remains confident in the prospects for the Group and will continue its progressive dividend policy in 2020 and beyond. In the medium term it is anticipated that the Group's dividend will grow at least in line with Adjusted Diluted EPRA Earnings per Share[6].

Over the last six years, the management and store teams have delivered a Total Shareholder Return of 463.9%, ranking at number one in the property sector and number seven in the FTSE 250, significantly ahead of any other listed self storage operators. Since flotation in 2007, Safestore has also delivered the highest Total Shareholder Return of any UK listed self storage operator.

People

Since joining the Board, I have been impressed by the passion, enthusiasm and knowledge of the store and head office teams. This set of results would not have been possible without the contributions of every member of our excellent, well trained and highly motivated staff.

I would like to take this opportunity to thank all my colleagues throughout the Group for their hard work and dedication this year.

I would also like to take the opportunity to thank my predecessor, Alan Lewis, for his enormous contribution to the recent success of the Group and for his commitment and service over ten years. I look forward to building on Alan's legacy and to working with the management team and Board.

David Hearn
6 January 2020

Our Strategy

The Group's proven strategy has evolved over the year with the creation of our joint venture[14] with Carlyle and our acquisition of OhMyBox in Barcelona, but otherwise remains largely unchanged. We believe that the Group has a well located asset base, management expertise, infrastructure, scale and balance sheet strength to exploit the current healthy self storage industry dynamics. As we look forward, we consider that the Group has the potential to significantly further increase its earnings per share by:

- Optimising the trading performance of the existing portfolio;
- Maintaining a strong and flexible capital structure; and
- Taking advantage of selective portfolio management and expansion opportunities in our existing markets and, if appropriate, in attractive new geographies either through our joint venture[14] with Carlyle or in our own right.

Optimisation of Existing Portfolio

With the opening of twelve new stores since August 2016, and the acquisitions of Space Maker in July 2016, Alligator in November 2017, our Heathrow store and Fort Box in 2019, we have established and strengthened our market-leading portfolio in the UK and Paris and have a high quality, fully invested estate in both geographies. Of our 150 stores as at 31 October 2019, 96 are in London and the South East of England or in Paris with 54 in the other major UK cities. We now operate 45 stores within the M25 which represents a higher number of stores than any other competitor.

Our MLA[4] has increased to 6.47m sq ft at 31 October 2019. At the current occupancy level of 77.0% we have 1.5m sq ft of unoccupied space, of which 1.2m sq ft is in our UK stores and 0.3m sq ft in Paris. In total this unlet space is the equivalent of circa 35 empty stores located across the estate and provides the Company with significant opportunity to grow further. This available space is fully invested and the related operating costs are essentially fixed and already included in the Group cost base. Our continued focus will be on ensuring that we drive occupancy to utilise this capacity at carefully managed rates. Over the last six years, the like-for-like[8] occupancy has increased from 63.1% to 78.5% i.e. an average of 2.6% per year. As of 31 October 2019, the like-for-like[8] closing occupancy was up 3.4ppts year-on-year.

There are three elements that are critical to the optimisation of our existing portfolio:

- Enquiry generation through an effective and efficient marketing operation;
- Strong conversion of enquiries into new lets; and
- Disciplined central revenue management and cost control.

Digital Marketing Expertise

Awareness of self storage is increasing each year but still remains relatively low with 52% (2018: 54%) of the UK population either knowing very little or nothing about self storage (source: 2019 SSA Annual Report). In the UK around 75% of our new customers are using self storage for the first time. It is largely a brand blind purchase. Typically, customers requiring storage start their journey by conducting online research using generic keywords in their locality (e.g. "storage in Borehamwood", "self storage near me") which means that geographic coverage and search engine prominence remain key competitive advantages.

We believe there is a clear benefit of scale in the generation of customer enquiries. The Group has continued to invest in its consumer website as well as in-house expertise which has resulted in the development of a leading digital marketing platform that has generated over 24% enquiry growth for the Group over the last five years. Our increasing in-house expertise and significant annual budget has enabled us to deliver strong results.

Online enquiries now represent 83% of our enquiries in the UK (FY2018: 83%) and 75% in France (FY2018: 74%). 54% of our online enquiries in the UK now originate from a mobile device (excluding

tablets), compared to 50% last year, highlighting the need for continual investment in our responsive web platform for a "mobile-first" world. In addition, changing customer expectations has prompted us to test and deploy a new service channel, LiveChat, during the year. We continue to invest in activities that promote a strong search engine presence to grow enquiry volume whilst managing efficiency in terms of overall cost per enquiry.

During 2019, the Group further developed and successfully executed its ability to integrate newly developed and acquired stores into its marketing platform. The Group acquired three stores in London during the calendar year - Heathrow (acquired July 2019) and Chelsea and St John's Wood (acquired November 2019). All three stores were successfully integrated onto Safestore systems within weeks of completion and rebranding will be complete by early 2020. New build stores at Peterborough and Merry Hill in the UK and Pontoise in Paris have made strong starts in terms of enquiry generation as we refine our approach to new openings. Safestore was also appointed to provide management services to the joint venture[14] created to acquire M3 Self Storage in the Netherlands. These services will include the implementation of the full Safestore marketing platform (including use of the brand). This transition is underway and progressing on schedule.

In 2019, Safestore once again achieved a Feefo customer service rating of 95% based on the customers who rated their experience as "Excellent" or "Good". Having achieved this service level online, in the store and on the phone, Safestore was again recognised with a "Gold Trusted Merchant" award – given to businesses achieving over 95% – for the sixth year running.

Motivated and effective store teams benefiting from investment in training and development

In what is still a relatively immature and poorly understood product, customer service and selling skills at the point of sale remain 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.

Our enthusiastic, well-trained and customer-centric sales team remains a key differentiator and a strength of our business. Understanding the needs of our customer and using this knowledge to develop in-store trusted advisers is a fundamental part of driving revenue growth and market share.

Safestore has been an Investors in People ("IIP") organisation since 2003 and our aim is to be an employer of choice in our sector as we passionately believe that our continued success is dependent on our highly motivated and well-trained colleagues. In April 2018, Safestore was awarded the Gold accreditation under the IIP programme, a significant improvement from the Bronze accreditation awarded in 2015. This puts Safestore as one of the top employers of 14,000 IIP accredited companies. In addition, Safestore was subsequently shortlisted as a finalist for the IIP Gold Employer of the Year in the 250+ employees category, putting us in the top ten of all companies that have achieved Gold accreditation. IIP is the international standard for people management, defining what it takes to lead, support and manage people effectively to achieve sustainable results. Underpinning the Standard is the Investors in People framework, reflecting the latest workplace trends, essential skills and effective structures required to outperform in any industry. Investors in People enables organisations to benchmark against the best in the business on an international scale. We are proud to have our colleagues recognised to such a high standard not only in our industry but across 14,000 organisations in 75 countries.

We are committed to growing and rewarding our people and tailor our development, reward and recognition programs to this end. Our IIP recognised coaching program, launched in 2018, was upgraded in 2019 to reflect the increase in the calibre and performance of our teams and was well received by our colleagues on its launch in January of 2019. Our internal sales training framework also received its 2019 enhancements to reflect the elevated performance of 2018 and target our high expectations of 2019. The program was rolled out in May 2019 in preparation for the third and fourth quarters' selling seasons.

The training and development of our store and customer facing colleagues is an essential part of our daily routines. In 2019, we delivered a further 30,000 hours of training through face-to-face sessions

and via our internally developed online learning tool and we continue to build on this commitment. This Learning Management System also provides the opportunity for team members to receive rigorously enforced health and safety, fire and compliance training, ensuring that our colleagues are up to date in relation to their technical knowledge and continue to operate a safe environment for both our colleagues and customers. These tools, systems and resources have allowed us to effectively communicate changes quickly and manage compliance robustly.

All new recruits to the business benefit from enhanced induction and training tools which have been developed in-house and enable us to quickly identify high potential individuals and increase their speed to competency. They receive individual performance targets within four weeks of joining the business and are placed on the “pay-for-skills” programme which allows accelerated basic pay increases dependent on success in demonstrating specific and defined skills. The key target of our programme remains that close to 100% of our store manager appointments are from within the business via our Store Manager Development programme, and we are pleased with our progress to date.

November 2016 saw the launch of our internal Store Manager Development programme designed to provide the business with its future store managers. The first group of trainees graduated in November 2017 and the second intake of sales consultants at the end of October 2018. We are proud to announce that our third intake of programme delegates have the opportunity to gain a nationally recognised qualification from ILM (Institute of Leadership & Management) at Level 3 and a further 10 new colleagues recently started the 2020 programme.

Our Store Manager Development programme demonstrates the effectiveness of our learning tools. In a spirit of constant improvement our content and delivery process is dynamically enhanced through our 360 degree feedback process utilising the learnings from not only the candidates but also from our training store managers and senior business leaders. This allows our people to be trained with the knowledge and skills to sell effectively in today’s market place. 2019 also saw the inaugural launch of our Senior Manager Development program (“LEAD”) which focuses on developing our high performing middle managers aimed at preparing them for more senior roles within the business. This program is built on the foundations of our Store Manager Development program and includes level 5 accreditation from the Institute of Leadership and Management upon successful completion.

Our performance dashboard allows our store and field teams to focus on the key operating metrics of the business providing an appropriate level of management information to enable swift decision making. Reporting performance down to individual employee level enhances our competitive approach to team and individual performance. We continue to reward our people for their performances with bonuses of up to 50% of basic salary based on their achievements against individual new lets, occupancy, ancillary sales and pricing targets. In addition, a Values and Behaviours framework is overlaid on individuals’ performance in order to assess team members’ performance and development needs on a quarterly basis.

February 2019 saw the launch of our “Make The Difference Forum” when 15 of our colleagues were voted to be the “people champions” and attend our people’s forum.

This new initiative allows our champions to be the representative voice for each of the 12 Regions and Head Office in order to influence change and drive improvement for “Our Business, Our Customers and Our Colleagues”.

People Champions will:

- Consult and collect the views and suggestions of all colleagues that they represent.
- Engage in the bi-annual “Make the Difference Forum”, raising and representing the views of their colleagues.
- Consult with and discuss feedback with management and the leadership team at Safestore.

Our Values and Behaviours framework concentrates our culture on our customers. Customers continue to be at the heart of everything we do. Whether it be in store, online or in their communities. Our Gold standard Feefo customer service score along with our “Excellent” Trustpilot rating, reflects our ongoing commitment to their satisfaction.

Central Revenue Management and Cost Control

We continue to pursue a balanced approach to revenue management. We aim to optimise revenue by improving the utilisation of the available space in our portfolio at carefully managed rates. Our central pricing team is responsible for the management of our dynamic pricing policy, the implementation of promotional offers and the identification of additional ancillary revenue opportunities. Whilst price lists are managed centrally and can be adjusted on a real-time basis when needed, the store sales teams have the ability, in selected stores, to offer a Lowest Price Guarantee in the event that a local competitor is offering a lower price.

Average rates are predominantly influenced by:

- The store location and catchment area;
- The volume of enquiries generated online;
- The store team skills at converting these enquiries into new lets at the expected price; and
- The pricing policy and the confidence provided by analytical capabilities that smaller players may lack.

We believe that Safestore has a very strong proposition in each of these areas.

Costs are managed centrally with a lean structure maintained at the Head Office. Enhancements to cost control are continually considered and the cost base is challenged on an ongoing basis.

Strong and Flexible Capital Structure

Since 2014 we have refinanced the business on four occasions, each time on improved terms, and believe we have maintained a capital structure that is appropriate for our business and which provides us with the flexibility to take advantage of carefully evaluated development and acquisition opportunities.

On 29 October 2019, Safestore extended its borrowing facilities with the issuance of new sterling and Euro-denominated US Private Placement (USPP) notes with the following coupons and tenors:

- €70m 7 year 2026 notes at a coupon of 1.26%.
- £35m 7 year 2026 notes at a coupon of 2.59%.
- £30m 10 year 2029 notes at a coupon of 2.69%.

The USPP notes were issued to a group of institutional investors. The proceeds have been utilised to pay down the revolving credit facility under our bank arrangements, thereby providing further capacity for medium term growth.

The existing USPP notes and banking arrangements remain unchanged and consist of:

- A £250m revolving credit facility of which £97m is drawn. The facility matures in June 2023.
- A €70m revolving credit facility of which €39m is drawn. The facility matures in June 2023.
- €50.9m of 2024 USPP at a coupon of 1.59%.
- €74.1m of 2027 USPP at a coupon of 2.00%.
- £50.5m of 2029 USPP at a coupon of 2.92%.

Including the US Private Placement debt of €195 million (£168.2 million) and £115.5 million, the Group's borrowings totalled £414.3 million before adjustment for unamortised finance costs (FY2018: £370.9 million), the increase in debt of £43.4 million reflecting funding for the acquisition of Salus Services Limited and our store development programme, as well as ensuring cash was available for the Fort Box Self Storage acquisition which completed on 5 November 2019.

The average cost of debt of the Group remains broadly unchanged at c. 2.3% and the average tenor of our facilities has increased from 5.1 years immediately before the new refinancing to 6.3 years as at 31 October 2019. The Group's LTV[11] ratio under the new financing arrangements is 31% as at 31 October 2019.

This LTV[11] and ICR[12] of 8.9x for the rolling twelve month period ended 31 October 2019 provide us with significant headroom compared to our banking covenants. We have £179.7m of available bank facilities at 31 October 2019.

During the year we terminated £80m of our interest rate swaps at a cost of £0.6m. In addition a £55m forward starting swap was put in place for the period from June 2022 to June 2023, ensuring that our interest rate swaps are co-terminous with our bank facilities. Currently, 88% of our drawn debt facilities are either fixed rate or hedged until June 2023.

At 31 October 2019, based on the current level of borrowings and interest swap rates, the Group's weighted average cost of debt is 2.30%. The weighted average maturity of the Group's drawn debt is 6.3 years at the current period end.

Taking into account the improvements we have made in the performance of the business and the reduction in underlying finance charges of c.£10m over the last six years, the Group is capable of generating free cash after dividends sufficient to fund the building of two to three new stores per annum depending on location and availability of land.

The Group evaluates development and acquisition opportunities in a careful and disciplined manner against rigorous investment criteria. Our investment policy requires certain Board-approved hurdle rates to be considered achievable prior to progressing an investment opportunity. In addition, the Group aims to maintain a Group LTV[11] ratio of between 30% and 40% which the Board considers to be appropriate for the Group.

Portfolio Management

Our approach to store development and acquisitions in the UK and Paris continues to be pragmatic, flexible and focused on the return on capital.

Our property teams in both the UK and Paris continue to seek investment opportunities in new sites to add to the store pipeline. However, investments will only be made if they comply with our disciplined and strict investment criteria. Our preference is to acquire sites that are capable of being fully operational within 18- 24 months from completion.

Since 2016, the Group has opened twelve new stores; Chiswick, Wandsworth, Mitcham, Paddington Marble Arch (all in London), Birmingham Central, Birmingham Merry Hill, Altrincham and Peterborough in the UK, and Emerainville, Combs-la-Ville, Poissy and Pontoise in Paris. We have also completed the extensions and refurbishments of our Acton and Longpont (Paris) stores adding a net 29,000 square feet of fully invested space to the estate. All of these stores are performing in line with or ahead of their business plans.

New Stores

In January 2019, we completed the acquisition of a freehold former retail building in Peterborough. The site is one mile east of the city centre. The existing building has been converted into a 42,000 sq ft self storage facility and opened at the beginning of October 2019.

In October 2017, we completed the freehold acquisition of a 1.34 acre industrial site at Merry Hill in Birmingham. The site is about ten miles west of the centre of Birmingham, in a very prominent location close to Merry Hill regional shopping centre. The new purpose-built 55,000 sq ft store opened ahead of schedule in October 2019.

In the second half of 2018, we obtained planning for and completed the acquisition of a site in Carshalton in South London. Construction is underway and we anticipate opening this 40,000 sq ft store in the first calendar quarter of 2020.

In August 2019, we acquired a long leasehold 1.6 acre site with an existing building in Gateshead, North East England. The lease has 130 years remaining. Planning permission has now been granted and we plan to convert the building into a 38,000 sq ft store and anticipate opening the store in summer 2020.

In September 2019, we acquired a freehold 1.5 acre site with an existing warehouse in Sheffield. The site is located in an accessible and prominent position on the northern side of the inner ring road (A61) which is close to the city centre in a densely populated catchment area. The site has planning consent for self storage (the upgrade and refurbishment of the external areas are subject to planning permission). The Group intends to convert the existing building into a 47,000 sq ft store which should open in the second quarter of 2020.

The Group has also acquired two additional sites in the UK in London at Morden and Bermondsey. Morden is a freehold 0.9 acre site in an established industrial location. Planning permission for a 64,000 sq ft self storage facility has been submitted and we expect a decision in 2020. Bermondsey is a 0.5 acre freehold site with income from existing tenants and is adjacent to our existing leasehold store which has 34,000 sq ft of MLA and 78% occupancy at 31 October 2019. Our medium term aim, subject to planning permission, is to extend our existing Bermondsey operations with the addition of a new self storage facility to complement our existing store.

In Paris, where regulatory barriers are likely to continue to restrict meaningful new development inside the city, we will continue our policy of segmenting our demand and encouraging the customers who wish to reduce their storage costs to utilise our second belt stores. We will also manage occupancy and rates upwards in the more central stores and ensure that pricing recognises the value customers place on the convenience of physical proximity. The strong selling organisation and store network established by Une Pièce en Plus in Paris uniquely enables it to implement this commercial policy to complement the strong second belt markets in which we operate.

In June 2018, we exchanged contracts on a freehold 4.2 acre site in Pontoise, North West of Paris and completed the acquisition of the site in December 2018. The existing building was converted into a 65,000 sq ft store opened ahead of schedule in August 2019.

In April 2018, we agreed a lease on a site at Magenta in central Paris. Subject to planning, we aim to open a 50,000 sq ft store here in the 2019/20 financial year.

We believe there will be further opportunities to develop new stores in the outer suburbs of Paris and are actively reviewing the market for new opportunities.

Lease Extensions and Assignments

As part of our ongoing asset management programme, we have now extended the leases on 21 stores or 60% of our leased store portfolio in the UK since 2012 and our average lease length remaining now stands at 13.1 years as compared to 12.5 years at FY2018.

In the year we extended the leases on our Edinburgh Gyle, Portsmouth Fratton and Edinburgh Fort Kinnaird stores.

At Edinburgh Gyle we extended the lease by ten years and secured a six-month rent-free period. The lease now has 17 years remaining and expires in 2036.

At Portsmouth Fratton, we extended the lease to 2042 and agreed a 12-month rent-free period as part of the negotiations.

At Edinburgh Fort Kinnaird, we exercised an existing option to extend the lease by ten years to 2030.

As announced in our 2018 Results, we closed our Merton store in July 2018 and consolidated the majority of customers into our new Mitcham site. The lease on the Merton store was assigned to a third party during the year.

Existing Store Extensions and Refurbishments

In the UK we have been redeveloping a small number of our older stores. Currently, our Leeds Central store is closed as part of this programme and most of the store's customers have been relocated, mainly to our other two Leeds stores. We are also considering options for our Birmingham Sheldon store, as anticipated on acquisition of the Alligator portfolio.

The refurbishment of our Newcastle store is now complete. The store remained open during the course of the works.

During the period, we also received planning permission to extend both our Bedford and Barking stores.

Bedford has an existing MLA of 35,300 sq ft and occupancy peaked at 94% in 2018. We have now started construction of the additional storage building on land already in our ownership adjacent to the existing store. This will provide additional MLA of 26,000 sq ft which we expect to open in early 2020.

Barking currently has an MLA of 47,900 sq ft and its occupancy also peaked at 94% in 2018. The extension, which should be completed early 2020, will add another 5,000 sq ft of MLA. Both stores will remain open during the construction.

We continue to look at opportunities to add additional MLA to existing stores as we seek opportunities to enhance our return on invested capital.

Acquisitions

Fort Box

On 5 November 2019, Safestore acquired 100% of the shares of companies owning Fort Box Self Storage, which comprises two stores in London, for £14.3m[10] including costs.

The stores, in the affluent areas of St John's Wood and Chelsea, have a total of 35,000 sq ft of MLA and are 79% and 69% occupied respectively at acquisition.

St John's Wood is a long leasehold store (999 years remaining) and Chelsea is a leasehold store with 20 years remaining on the lease.

The acquisition will be immediately earnings accretive with the first-year initial yield anticipated at 4.4% rising to c.9% at stabilised occupancy levels.

The Group will rebrand the stores and has taken over operation of the sites with immediate effect.

Heathrow

In July 2019, Safestore acquired Salus Services Ltd, the owner of a 34,000 sq ft MLA freehold store from Rockpool Investments for £6.6m[10] in cash (including costs), funded from the Group's existing resources. The store was previously operated by Ready Steady Store and is located on the Parkway Trading Estate near Heathrow Airport to the west of London.

The store, which opened in 2015, is currently trading at an occupancy of 75%. The Group anticipates that the first year initial yield will be c. 5.5%.

The Group will rebrand the store and has taken over operation of the site with immediate effect.

Joint venture[14] with Carlyle and Investment in M3

In August 2019 Safestore invested in a 20% stake in a joint venture[14] with Carlyle to invest in carefully selected self storage opportunities in Europe. Safestore has developed a highly scalable platform in self storage, built on site identification, disciplined capital allocation and leading marketing and operational expertise. This platform is proven to work across geographies and Safestore sees an opportunity to leverage the platform in regions outside of its existing footprint in the UK and Paris.

Safestore's initial investment in the joint venture[14] was a €3.2m equity investment plus a €2.0m loan. Safestore will also earn a fee for providing management services to the joint venture[14]. The Group expects to earn an initial return on investment of 8% before transaction related costs for the first full year reflecting its share of expected joint venture[14] profits and fees for management services.

M3, which had assets with an unaudited proforma book value of €21.5m at the date of completion, has six prime locations in Amsterdam and Haarlem. The three stores in Haarlem are all freehold whilst two of the Amsterdam stores are subject to perpetual Ground Leases. The third Amsterdam store is a leasehold store with nine years remaining on the lease. The construction of the sixth store has now been finalised and completion of the acquisition of M3 took place on 31 August 2019. The business has 25,700 sq metres (277,000 sq ft) of MLA and an occupancy of 68%.

The Dutch self storage market is the fourth largest in Europe with 303 stores and 9.6m sq ft of MLA. This represents 0.56 sq ft per head of population which compares to 0.68 sq ft per head in the UK, 0.19 sq ft per head in France and 9.4 sq ft per head in the USA.

The Group's investment in the joint venture[14] was immediately accretive to Group earnings per share from completion and will support the Group's future dividend capacity.

OhMyBox

On 30 December 2019 the Group completed the acquisition of OMB Self Storage SL ("OMB"), trading as OhMyBox, for total consideration of €17.25m on a debt-free and cash free basis, funded from the Group's existing debt facilities.

OMB operates four very well located leasehold properties in the centre of Barcelona with an average unexpired lease term of 16 years and one option to purchase the freehold for €4.2m. The company was 30% owned by the current management, who will remain with the business, and 70% by a Spanish family office. The portfolio consists of four locations (Valencia, Calabria, Glorias and Marina) with an MLA totalling 104,000 sq ft. The occupancy of the business, at the end of the 2018 financial year, was 68% with the Marina store having been open for only eighteen months.

Barcelona and Spain are attractive markets for self-storage. Spain has lower penetration of self-storage operators than the majority of European countries and less than half of the penetration of the UK and Barcelona is one of the most densely populated cities in Europe. Only 14% of facilities in the Spanish market are operated by large operators, which presents opportunities for consolidation and growth.

Pro forma first year EBITDA after rent is currently anticipated to be €0.9m on turnover of €2.5m. At the consideration price, the OMB portfolio has an implied first year net operating income yield of circa 5.2% and we expect it to be immediately accretive to earnings.

Whilst our investments in the Netherlands and Spain represent interesting long term growth opportunities, the investment in the two businesses currently represents less than 1.5% of Group assets.

Portfolio Summary

The self storage market has been growing consistently in the last 20 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 inhabitants with a density of 5,200 inhabitants per square mile in the region, 11,000 per square mile in central London and up to 32,000 in the densest boroughs.

The population of the Paris urban area is 10.7 million inhabitants 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 69% of our French stores are located and which has one of the highest population densities in the western world. 85% of the Paris region population live in central parts of the city versus the rest of the urban

area, which compares with 60% in the London region. There are currently circa 245 storage centres within the M25 as compared to only circa 90 in the Paris urban area.

In addition, barriers to entry in these two important 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 73 stores, contributing £87.8m of revenue and £60.3m of Store EBITDA, offer a unique exposure to the two most attractive European self storage markets.

Owned Store Portfolio by Region	**London & South East**	**Rest of UK**	**UK Total**	**Paris**	**Group Total**
Number of Stores	68	54	122	28	150
Let Square Feet (m sq ft)	2.10	1.86	3.96	1.02	4.98
Maximum Lettable Area (m sq ft)	2.67	2.49	5.16	1.31	6.47
Average Let Square Feet per store (k sq ft)	31	34	32	36	33
Average Store Capacity (k sq ft)	39	46	42	47	43
Closing Occupancy %	78.9 %	74.7%	76.9%	77.4%	77.0%
Average Rate (£ per sq ft)	28.84	18.46	23.93	34.36	26.09
Revenue (£'m)	72.0	42.7	114.7	37.1	151.8
Average Revenue per Store (£'m)	1.06	0.79	0.94	1.33	1.01

The reported totals have not been adjusted for the impact of rounding

We have a strong position in both the UK and Paris markets operating 122 stores in the UK, 68 of which are in London and the South East, and 28 stores in Paris.

In the UK, 63% 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 rental rates achieved are materially higher enabling these stores to typically achieve similar or better margins than the larger stores. In London we operate 45 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”). 58% 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, as at 31 October 2019 London, the South East and Paris represent 64% of our stores, 72% of our revenues, as well as 58% 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.

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 (May 2019) confirmed that self storage capacity stands at 0.68 square feet per head of population in the UK and 0.19 square feet per capita in France. Whilst the Paris market density is greater than France, we estimate it to be significantly lower than the UK at around 0.36 square feet per inhabitant. This compares with 9.4 square feet per inhabitant in the USA and 1.8 square feet in Australia. In the UK, in order to reach the US density of supply it would require the addition of around another 17,000 stores as compared to c.1,200 currently. In the Paris region, it would require around 1,800 new facilities versus c.95 currently opened.

While capacity increased significantly between 2007 and 2010 with respondents to the survey opening an average of 32 stores per annum, new additions were limited to an average of 19 stores per annum between 2011 and 2016 (including container storage openings).

The volume of new store openings increased in 2017 and 2018. In 2018, the SSA reported 70 stores as having been opened across the industry in 2017. However, our own analysis of these openings shows that many were container-based operators and only c.30 of the sites represent self storage sites that are comparable with Safestore's own portfolio. In the 2019 SSA Survey, it is estimated that c. 40 traditional self storage stores were opened in 2018 (excluding container storage) with less than half competing directly with Safestore.

The 40 comparable sites represent around 3.4% of the traditional self storage industry in the UK. These figures represent gross openings and do not take into account storage facilities closing or being converted for alternative uses.

The SSA 2019 Survey also reported that operators remain relatively cautious in terms of new store openings and site acquisitions and have revised their estimates down from last year. For 2019, operators are estimating the completion of around 40 developments (last year estimate for 2019 was 47 stores) and around 37 in 2020 (last year estimate was 42 stores). Traditionally, operators have opened or acquired far fewer stores than originally estimated. Based on these estimates, and adjusting for historical inaccuracy, we estimate that around 25-30 stores per annum will be developed over the coming years.

New supply in London and Paris is likely to continue to be limited in the short and medium term as a result of planning restrictions and the availability of suitable land.

The supply in the UK market, according to the SSA survey, remains relatively fragmented despite a number of acquisitions in the sector in the last three years. Safestore is the leader by number of stores with 122 wholly owned sites followed by Big Yellow with 75 wholly owned stores, Access with 57 stores, Lok'n Store with 31 stores, Shurgard with 31 stores and Storage King with 26 stores. In aggregate, the top ten leading operators account for 27% of the UK store portfolio. The remaining c.1,160 self storage outlets (including 381 container-based operations) are independently owned in small chains or single units. In total, there are 765 storage businesses operating in the UK.

Safestore's 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 remains relatively low, providing an opportunity for future industry growth. The SSA survey indicated that 52% (54% in 2018) of consumers either knew nothing about the service offered by self storage operators or had not heard of self storage at all. Over the last 6 years this statistic has only fallen 12 percentage points from 64%. Therefore, the opportunity to grow awareness, combined with limited new industry supply makes for an attractive industry backdrop.

Self storage is a brand-blind product. 57% of respondents were unable to name a self storage business in their local area (2018: 61%). The lack of relevance of brand in the process of purchasing a self

storage product emphasises the need for operators to have a strong online presence. This requirement for a strong online presence was also reiterated by the SSA survey where 72% of those surveyed (67% in 2018) confirmed that an internet search would be their chosen means of finding a self storage unit to contact, whilst knowledge of a physical location of a store as reason for enquiry was only circa 26% of respondents (circa 25% in 2018).

There are numerous drivers of self storage growth. Most private and 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.

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

The Group's 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	Paris
Personal Customers		
Numbers (% of total)	75%	84%
Square feet occupied (% of total)	55%	68%
Average Length of Stay (months)	19.8	26.3
Business Customers		
Numbers (% of total)	25%	16%
Square feet occupied (% of total)	45%	32%
Average Length of Stay (months)	30.1	33.3

Safestore's customer base is resilient and diverse and consists of around 68,000 domestic, business and National Accounts customers across London, Paris and the UK regions.

Business Model

The Group 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 in 2007/08 and the implementation of VAT on self storage in 2012, the industry has been exceptionally resilient. In the context of uncertain economic conditions as the UK approaches Brexit, the industry remains well positioned with limited new supply coming into the self storage market.

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. With 75% of customers travelling for less than 20 minutes to their storage facility (2019 SSA Survey) Safestore's national store footprint represents a competitive advantage.

The Group's capital-efficient portfolio of 150 wholly owned stores in the UK and Paris consists of a mix of freehold and leasehold stores. In order to grow the business and secure the best locations for our facilities we have maintained a flexible approach to leasehold and freehold developments.

Currently, around a third of our stores in the UK are leaseholds with an average remaining lease length at 31 October 2019 of 13.1 years (FY2018: 12.5 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 optimal 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 41% of stores are leaseholds, our leases typically benefit from the well-enshrined Commercial Lease statute that provides that tenants own the commercial property of the premises and that they are entitled to renew their lease at a rent that is indexed to the National Construction Index published by the state. Taking into account this context, the valuer values the French leaseholds based on an indefinite property tenure, similar to freeholds but at a significantly higher exit cap rate.

The Group believes there is an opportunity to leverage its highly scalable marketing and operational expertise in a limited number of new geographies outside the UK and Paris. During 2019, a joint venture[14] was established with Carlyle, which acquired the M3 Self Storage business in the Netherlands which has six stores in Amsterdam and Haarlem. The Group earns a management fee and a share of the profits of the joint venture[14]. It is anticipated that the joint venture[14] will investigate further opportunities in due course.

Our experience is that being flexible in its approach has enabled Safestore to operate from properties and in markets 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 drivers of enquiries. However, the internet is now by far the dominant channel, accounting for 84% (2018: 83%) of our enquiries in the UK and 75% (2018: 75%) in France. Telephone enquiries comprise 11% of the total (16% in France) and 'walk-ins' amount to only 6% (9% in France). This dynamic is a clear benefit to the leading national 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 24% enquiry growth over the last five years. Towards the end of 2015, the Group launched a new dynamic and mobile-friendly UK website, which has achieved its aim of providing the customer with an even clearer, more efficient experience. A similar website was launched in our Paris business at the end of 2016.

Although mostly generated online, our enquiries are predominantly handled directly by the stores and, in the UK, we have a Customer Support Centre ("CSC") which now handles 14% of all enquiries, in particular when the store colleagues are busy handling calls or outside of normal store opening hours.

Our pricing platform provides the store and CSC colleagues with system-generated real-time prices managed by our centrally based yield-management team. Local colleagues 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 very positive. Over the last twelve months, we have achieved over 95% 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 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.

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 45% of our total space let and have an average length of stay of 30 months. Within our business customer category, our National Accounts business represents around 507k sq ft of occupied space (around 13% of the UK's occupancy). Approximately two-thirds of the space occupied by National Accounts customers is outside London, demonstrating the importance and quality of our well invested national estate.

The business now has in excess of 68,000 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, the subsequent amendment and extension of our banking facilities in summer 2015, the refinancing of all facilities in May 2017 and the issuance of a further £125m of US Private Placement Notes in 2019, Safestore has secure financing, a strong balance sheet and significant covenant headroom. This provides the Group with financial flexibility and the ability to grow organically and via carefully selected new development or acquisition opportunities.

At 31 October 2019 we had 1.2m sq ft of unoccupied space in the UK and 0.3m sq ft in France, equivalent to c.35 full new stores. Our main focus is on filling the spare capacity in our stores at optimally yield-managed rates. The operational leverage of our business model will ensure that the bulk of the incremental revenue converts to profit given the relatively fixed nature of our cost base.

Trading Performance

UK – solid like-for-like growth

UK Operating Performance- total	2019	2018	Change
Revenue (£'m)	114.7	109.0	5.2%
Underlying EBITDA (£'m)[2]	64.1	61.1	4.9%
Underlying EBITDA (after leasehold costs) (£'m)	57.4	54.4	5.5%
Closing Occupancy (let sq ft- million)[3]	3.96	3.74	5.9%
Maximum Lettable Area (MLA)[4]	5.15	5.12	0.8%
Closing Occupancy (% of MLA)	76.9%	72.9%	+4.0ppts
Average Storage Rate (£)[5]	23.93	23.66	1.1%

UK Operating Performance- like-for-like[8]	2019	2018	Change
Revenue (£'m)	112.5	107.4	4.7%
Underlying EBITDA (£'m)[2]	63.5	60.3	5.3%
Closing Occupancy (let sq ft- million)[3]	3.88	3.70	4.9%
Closing Occupancy (% of MLA)	77.1%	73.6%	+3.5ppts
Average Occupancy (let sq ft- million)[3]	3.74	3.63	3.0%
Average Storage Rate (£)[5]	23.81	23.49	1.4%

The UK's revenue performance was solid with the business growing total revenue by 5.2% and like-for-like[8] revenue by 4.7%. Performance was strong in Regional UK with like-for-like[8] revenue up 6.4% whilst London and the South East performed solidly with like-for-like[8] revenue up 3.7%.

Over the year, the business added occupancy of 173,000 sq ft on a like-for-like[8] basis excluding Alligator (2018: 132,000 sq ft excluding Alligator). As a result, like-for-like[8] closing occupancy, at 77.1%, increased by 3.5 percentage points compared to the prior year.

Like-for-like[8] average rate in the UK improved by 1.4% over the course of the year.

Total revenue grew by 5.2% for the full year. This includes the newly acquired Heathrow store, management revenue from our Dutch joint venture[14] business and the annualisation of 2018 new store openings in Mitcham and Paddington Marble Arch offset by 2018 closures in Deptford, Merton, Leeds and Paddington. New stores, in the initial period after opening, are dilutive to occupancy and rate. However, all new stores are trading in line or ahead of our business plans.

We remain focused on our cost base. During the year, our UK cost base, on a like-for-like[8] basis, increased by 4.0% or £1.9m. Our total reported UK cost base grew by £2.1m or 5.3% reflecting the acquisition of our Heathrow store and the cost bases relating to newly opened stores.

As a result, underlying EBITDA[2] for the UK business was £64.1m (FY2018: £61.1m), an increase of £3.0m or 4.9%.

Trading in November and December 2019, the first two months of the new financial year, demonstrated good momentum with like-for-like[8] revenue up 5.9%.

Paris – a strong year representing the twenty-first consecutive year of revenue growth

Paris Operating Performance- total	2019	2018	Change
Revenue (€'m)	42.1	39.4	6.9%
Underlying EBITDA (€'m)[2]	26.5	24.6	7.7%
Underlying EBITDA (after leasehold costs) (€'m)	21.3	19.5	9.2%
Closing Occupancy (let sq ft- million)[3]	1.02	0.95	7.4%
Maximum Lettable Area (MLA)[4]	1.31	1.25	4.8%
Closing Occupancy (% of MLA)	77.4%	76.5%	+0.9ppts
Average Storage Rate (€)[5]	38.93	39.44	(1.3%)
Revenue (£'m)	37.1	34.9	6.3%

Paris Operating Performance- like-for-like[8]	2019	2018	Change
Revenue (€'m)	41.6	39.4	5.6%
Underlying EBITDA (€'m)[2]	26.7	24.6	8.5%
Closing Occupancy (let sq ft- million)[3]	0.98	0.95	3.2%
Closing Occupancy (% of MLA)	84.4%	81.2%	+3.2ppts
Average Occupancy (let sq ft- million)[3]	0.96	0.91	5.5%
Average Storage Rate (€)[5]	39.23	39.47	(0.6%)

On a like-for-like[8] basis, the business grew revenue by 5.6% for the full year. This was driven by average occupancy growth of 5.5% for the year.

Like-for-like[8] occupancy grew by 37,000 sq ft for the year (2018: 54,000 sq ft) resulting in closing occupancy of 84.4%, up 3.2 percentage points compared to the prior year.

Like-for-like[8] average rate in Paris was down 0.6% for the year but, excluding the mix effect of our lower priced suburban Emerainville and Combs la Ville stores, which opened in September 2016 and June 2017 respectively, the average rate from the like-for-like[8] stores was up 1.0%.

The impact of the new stores opened in August 2018 at Poissy (80,000 sq ft of MLA) and in August 2019 in Pontoise (65,000 sq ft of MLA) was to dilute rate and occupancy in the initial period after trading commenced. These stores, however, are trading ahead of our business plan.

Over the year, the average Sterling-Euro exchange rate was similar to 2018. As a result, there was minimal foreign exchange impact on the translation of Paris revenues.

The cost base in Paris remained well controlled during the year with like-for-like[8] costs growing by just 0.7% or €0.1m. The total cost base grew by 5.4% or €0.8m reflecting the new store openings which typically make a loss in the first full year of operations. As a result, like-for-like[8] underlying EBITDA[2] in Paris grew by €2.1m and underlying EBITDA[2] also grew by €1.9m to €26.5m (FY2018: €24.6m).

Trading has been positive in first quarter of the new financial year with like-for-like[8] revenue (CER[1]) up 5.0% for the two months to December 2019.

Frederic Vecchioli
6 January 2020

Financial Review

Underlying Income Statement

The table below sets out the Group's underlying results of operations for the year ended 31 October 2019 and the year ended 31 October 2018. To calculate underlying performance metrics, adjustments are made for the impact of exceptional items, share-based payments, corporate transaction costs, change in fair value of derivatives, gain or loss on investment properties and the associated tax impacts as well as exceptional tax items and deferred tax charges. Management considers this presentation of earnings to be representative of the underlying performance of the business, as it removes the income statement impact of items not fully controllable by management, such as the revaluation of derivatives and investment properties, and the impact of exceptional credits, costs and finance charges.

	FY 2019 **£'m**	**FY 2018** **£'m**	**Mvmt** **%**
Revenue	151.8	143.9	*5.5%*
Underlying costs	(64.3)	(61.0)	*5.4%*
Underlying EBITDA	**87.5**	**82.9**	***5.5%***
Leasehold costs	(11.3)	(11.2)	*0.9%*
Underlying EBITDA after leasehold costs	**76.2**	**71.7**	***6.3%***
Depreciation	(0.7)	(0.6)	*16.7%*
Finance charges	(8.6)	(8.4)	*2.4%*
Underlying profit before tax	**66.9**	**62.7**	***6.7%***
Current tax	(5.1)	(4.7)	*8.5%*
Adjusted EPRA earnings	**61.8**	**58.0**	***6.6%***
Share-based payments charge	(5.6)	(5.3)	*5.7%*
EPRA basic earnings	**56.2**	**52.7**	***6.6%***
Average shares in issue (m)	210.2	209.9	
Diluted shares (for ADE EPS) (m)	216.8	216.7	
Adjusted diluted EPRA EPS (pro forma) (p)	**28.5**	**26.8**	***6.3%***

Notes:
1. Adjusted Diluted EPRA EPS is defined in note 1 to the financial statements.

The table below reconciles profit before tax in the income statement to underlying profit before tax in the table above.

	FY 2019 £'m	FY2018 £'m
Profit before tax	147.3	185.3
Adjusted for		
- gain on investment properties	(84.2)	(122.1)
- fair value re-measurement of interest in leasehold properties	(5.4)	(5.2)
- change in fair value of derivatives	2.1	(0.5)
- net exchange loss	0.3	-
- unwinding of discount on Capital Goods Scheme	-	(0.1)
- share-based payments	5.6	5.3
- exceptional items	0.6	-
- exceptional finance costs	0.6	-
Underlying profit before tax	66.9	62.7

Underlying EBITDA increased by 5.5% to £87.5 million (FY2018: £82.9 million), reflecting a 5.5% increase in revenue and a 5.4% increase to the underlying cost base. This performance reflects the contribution of the seven new stores opened and acquired since November 2017, offset by the prior year closures of Merton, Leeds and Paddington.

Leasehold costs increased by 0.9% from £11.2 million to £11.3 million, principally due to our new leasehold store at Paddington Marble Arch.

Underlying finance charges increased by 2.4% from £8.4 million to £8.6 million. This reflects increased charges from the draw-down of debt facilities in the year to fund the Group's acquisition and development activity.

As a result, we achieved a 6.7% increase in underlying profit before tax to £66.9 million (FY2018: £62.7 million). The leading factor in the reduction in profit before tax in the year is the £37.9 million lower investment property gain, due chiefly to the fact that the movements in stabilised occupancy and freehold exit yield assumptions, although positive in both periods, were greater in 2018 than 2019.

Given the Group's REIT status in the UK, tax is normally only payable in France. The underlying tax charge for the year was £5.1 million (FY2018: £4.7 million), calculated by applying the French statutory income tax rate of 33.33% to the taxable profits earned by our Paris business, which results in an effective underlying tax rate of 28%. The Group's share-based payment charge increased £0.3 million to £5.6 million (FY2018: £5.3 million), representing the impact of additional grants in the year.

Management considers that the most representative earnings per share ("EPS") measure is Adjusted Diluted EPRA EPS which has increased by 6.3% to 28.5 pence (FY2018: 26.8 pence).

Reconciliation of Underlying EBITDA

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

	FY 2019 £'m	FY 2018 £'m
Operating profit	163.7	197.6
Adjusted for		
- gain on investment properties	(84.2)	(122.1)
- depreciation	0.7	0.6
- contingent rent	1.1	1.5
- share-based payments	5.6	5.3
Exceptional items		
- costs incurred relating to corporate transactions and exceptional employee costs	0.6	-
Underlying EBITDA	87.5	82.9

The main reconciling items between operating profit and underlying EBITDA are the gain on investment properties as well as adjustments for depreciation, contingent rent and share-based payment charges. The gain on investment properties was £84.2 million, as compared to £122.1 million in 2018 due largely to the fact that the movements in stabilised occupancy and freehold exit yield assumptions, although positive in both periods, were greater in 2018 than 2019. The Group's approach to the valuation of its investment property portfolio at 31 October 2019 is discussed below.

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.

	FY 2019			FY 2018		
	UK	Paris	Total (CER)	UK	Paris	Total (CER)
	£'m	€'m	£'m	£'m	€'m	£'m
Revenue	114.7	42.1	151.9	109.0	39.4	143.9
Underlying cost of sales	(41.7)	(11.8)	(52.1)	(39.6)	(11.3)	(49.6)
Store EBITDA	73.0	30.3	99.8	69.4	28.1	94.3
Store EBITDA margin	*63.6%*	*72.0%*	*65.7%*	*63.7%*	*71.3%*	*65.5%*
LFL Store EBITDA margin	*64.2%*	*73.3%*	*66.4%*	*64.1%*	*71.3%*	*65.9%*
Underlying administrative expenses	(8.9)	(3.8)	(12.4)	(8.3)	(3.5)	(11.4)
Underlying EBITDA	64.1	26.5	87.4	61.1	24.6	82.9
EBITDA margin	*55.9%*	*62.9%*	*57.5%*	*56.1%*	*62.4%*	*57.6%*
LFL EBITDA margin	*56.4%*	*64.2%*	*58.4%*	*56.1%*	*62.4%*	*57.8%*
Leasehold costs	(6.7)	(5.2)	(11.3)	(6.7)	(5.1)	(11.2)
Underlying EBITDA after leasehold costs	57.4	21.3	76.1	54.4	19.5	71.7
EBITDA after leasehold costs margin	*50.0%*	*50.6%*	*50.1%*	*49.9%*	*49.5%*	*49.8%*
	UK	Paris	Total	UK	Paris	Total
	£'m	£'m	£'m	£'m	£'m	£'m
Underlying EBITDA after leasehold costs (CER)	57.4	18.7	76.1	54.4	17.3	71.7
Adjustment to actual exchange rate	-	0.1	0.1	-	-	-
Reported underlying EBITDA after leasehold costs	57.4	18.8	76.2	54.4	17.3	71.7

Note: CER is Constant Exchange Rates (Euro-denominated results for the current period have been retranslated at the exchange rate effective for the comparative period in order to present the reported results on a more comparable basis).

Underlying EBITDA in the UK increased by £3.0 million, or 4.9%, to £64.1 million (FY2018: £61.1 million), underpinned by a 5.2% or £5.7 million increase in revenue, which was driven by occupancy and rate improvements in the established portfolio as well as the impact of the new developing stores opened in Mitcham, Paddington Marble Arch, Birmingham Merry Hill and Peterborough offset by the closures of Leeds Central, Merton and Paddington. Underlying UK EBITDA after leasehold costs increased by 5.5% to £57.4 million (FY2018: £54.4 million).

In Paris, underlying EBITDA increased by €1.9 million, or 7.7%, to €26.5 million (FY2018: €24.6 million), driven by a €2.7 million increase in revenue. Underlying EBITDA after leasehold costs in Paris increased by 9.2% to €21.3 million (FY2018: €19.5 million).

Recently opened or immature stores have a dilutive effect on the Group's reported performance. On a like-for-like basis, adjusting for the dilutive impact of immature stores, Store EBITDA margin in the UK was 64.2% (FY2018: 64.1%) and in France it was 73.3% (FY2018: 71.3%).

The combined results of the UK and Paris delivered a 6.1% increase in underlying EBITDA after leasehold costs at constant exchange rates at Group level. Adjusting for a favourable exchange impact of £0.1 million, the Group's reported underlying EBITDA after leasehold costs increased by 6.3% or £4.5 million to £76.2 million (FY2018: £71.7 million).

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 Paris.

The split of the Group's revenues by geographical segment is set out below for 2019 and 2018.

		FY 2019	% of total	FY 2018	% of total	% change
UK	£'m	114.7	76%	109	76%	5.2%
Paris						
Local currency	€'m	42.1		39.4		6.9%
Average exchange rate	€:£	1.133		1.131		(0.2%)
Paris in Sterling	£'m	37.1	24%	34.9	24%	6.3%
Total revenue		151.8	100%	143.9	100%	5.5%

The Group's revenue increased by 5.5% or £7.9 million in the year. The Group's occupied space was 289,000 sq ft higher at 31 October 2019 (4.98 million sq ft) than at 31 October 2018 (4.69 million sq ft), and the average storage rate per square foot for the Group, affected in the year by the dilutive impact of our lower priced new stores, was, at £26.09, 0.7% higher than in 2018 (£25.90).

Adjusting the Group's revenue to a like-for-like basis (to reflect the opening of four new stores in the UK and two in Paris and the closures of three stores in the UK since November 2017), revenue has increased by 4.8%. There was minimal exchange rate movement in the year so Group like-for-like revenue at constant exchange rates has also increased by 4.8%.

In the UK, revenue grew by £5.7 million or 5.2%, and on a like-for-like basis it increased by 4.7%. Occupancy was 220,000 sq ft higher at 31 October 2019 than at 31 October 2018, at 3.96 million sq ft (FY2018: 3.74 million sq ft) largely reflecting occupancy increases in the established portfolio. The average storage rate for the year grew 1.1%, from £23.66 in 2018 to £23.93 in 2019. On a like-for like basis, the average storage rate in the UK increased by 1.4% to £23.81 (FY2018: £23.49).

In Paris, revenue increased by 5.6% to €41.6 million on a like-for-like basis (FY2018: €39.4 million). However, the 0.2% weakening of the Euro during the financial year had an unfavourable currency impact of approximately £0.1 million on translation, which contributed to a 6.3% increase when reported in Sterling. Closing occupancy grew to 1.02 million sq ft (FY2018: 0.95 million sq ft), and the average storage rate fell by 1.3% to €38.93 for the year (FY2018: €39.44). Adjusting for the impact of immature stores, on a like-for-like basis the average storage rate in France fell 0.6% to €39.23 (FY2018: €39.47) and removing the dilutive mix effect of our lower priced suburban Emerainville and Combs-La-Ville stores, average storage rate would have improved by 1.0% in the year.

Analysis of Cost Base

Cost of sales

The table below details the key movements in cost of sales between 2018 and 2019.

Cost of sales	**FY 2019 £'m**	**FY 2018 £'m**
Reported cost of sales	(53.8)	(51.7)
Adjusted for:		
Depreciation	0.7	0.6
Contingent rent	1.1	1.5
Underlying cost of sales	(52.0)	(49.6)
Underlying cost of sales for FY 2018		(49.6)
Closed and new store cost of sales		1.1
Underlying cost of sales for FY 2018 (Like-for-like)		(48.5)
Volume related cost of sales		(0.5)
Facilities and rates		(0.7)
Other cost of sales and enquiry generation		(0.4)
Underlying cost of sales for FY 2019 (Like-for-like; CER)		(50.1)
Closed and new store cost of sales		(2.0)
Underlying cost of sales for FY 2019 (CER)		(52.1)
Foreign exchange		0.1
Underlying cost of sales for FY 2019		(52.0)

In order to arrive at underlying cost of sales, adjustments are made to remove the impact of depreciation, which does not form part of underlying EBITDA, and contingent rent, which forms part of our leasehold costs in the presentation of our underlying income statement.

Underlying cost of sales increased by £2.4 million in the year, from £49.6 million in 2018 to £52.0 million in 2019. Adjusting for a £0.1 million favourable currency impact, in constant currency underlying cost of sales grew by £2.5 million, which is largely attributable to a £0.9 million increase in costs of sales arising from our recent acquisition, four new stores in the UK and two in Paris, offset by three store closures in the UK. On a like-for-like basis, at constant exchange rates, cost of sales increased by £1.6 million or 3.3%, with £0.7 million from business rates and facilities costs including store maintenance and £0.5 million of volume related costs. The investment in marketing during the year represented 5.2% of revenue (FY2018: 5.4%).

Administrative Expenses

The table below reconciles reported administrative expenses to underlying administrative expenses and details the key movements in underlying administrative expenses between 2018 and 2019.

Administrative expenses	**FY 2019 £'m**	**FY 2018 £'m**
Reported administrative expenses	(18.5)	(16.7)
Adjusted for:		
Share-based payments	5.6	5.3
Exceptional items	0.6	-
Underlying administrative expenses	(12.3)	(11.4)
Underlying administrative expenses for FY 2018		(11.4)
Closed and new store administrative expenses		(0.2)
Underlying administrative expenses for FY 2018 (Like-for-like)		(11.6)
Employee remuneration		(0.4)
Underlying administrative expenses for FY 2019 (Like-for-like; CER)		(12.0)
Closed and new store administrative expenses		(0.4)
Underlying administrative expenses for FY 2019 (CER)		(12.4)
Foreign exchange		0.1
Underlying administrative expenses for FY 2019		(12.3)

In order to arrive at underlying administrative expenses, adjustments are made to remove the impact of exceptional items, share-based payments and other non-underlying items.

Underlying administrative expenses increased by £0.9 million or 7.9% in the year, from £11.4 million in 2018 to £12.3 million in 2019 mainly through a £0.4 million increase in employee remuneration. When adjusting for the £0.2 million net increase in new and closed store costs and the favourable £0.1 million currency impact, like-for-like administrative expenses in constant currency grew by 3.4% to £12.0 million.

Total underlying costs (cost of sales plus administrative expenses) on a like-for-like basis in constant currency have grown by £2.0 million, or 3.3%, to £62.1 million (FY2018: £60.1 million), principally as a result of the increase in cost of sales explained above.

Exceptional items

A net exceptional cost of £0.6 million was incurred in the year, chiefly relating to fees associated with the Group's acquisitions in the year and exceptional legal and employment related costs. In the prior year, a net exceptional cost of zero was incurred. In France, compensation of £0.5 million was received from a landlord in respect of water damage and was offset by £0.5 million of legal and employment related costs in the UK.

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 fair value re-measurement for the interests in leaseholds and other items as detailed below.

	FY 2019 £'m	FY 2018 £'m
Revaluation of investment properties	91.2	124.8
Revaluation of investment properties under construction	(1.6)	2.5
Fair value re-measurement of interest in leasehold properties	(5.4)	(5.2)
Gain on investment properties	84.2	122.1

In the current financial year, including investment properties under construction, the UK business contributed £53.6 million to the positive valuation movement and the Paris business contributed £36.0 million. The gain on investment properties principally reflects the continuing progress in the performance of both businesses, which has driven further positive changes in the cash flow metrics that are used to assess the value of the store portfolio.

Operating Profit

Operating profit decreased by £33.9 million from £197.6 million in 2018 to £163.7 million in 2019, comprising a £4.6 million increase in underlying EBITDA, a £37.9 million lower investment property gain, due chiefly to the fact that the movements in stabilised occupancy and freehold exit yield assumptions, although positive in both periods, were greater in 2018 than 2019, and non-repeating exceptional transactional costs of £0.6 million recognised in the year.

Net finance costs

Net finance costs includes interest payable, interest on obligations under finance leases, fair value movements on derivatives, exchange gains or losses, unwinding of discounts and exceptional refinancing costs. Net finance costs increased by £4.1 million in 2019, to £16.4 million from £12.3 million in 2018, principally due to an unfavourable net fair value movement on derivatives in the year of £2.1 million compared to a net gain of £0.5 million in 2018. The net exceptional finance cost of £0.6 million in the year related to the termination of a portion of our interest rate swaps following the refinancing in October 2019.

	FY 2019 £'m	FY 2018 £'m
Net bank interest payable	(8.5)	(8.3)
Amortisation of debt issuance costs on bank loans	(0.2)	(0.1)
Interest on obligations under finance leases	(4.8)	(4.5)
Fair value movement on derivatives	(2.1)	0.5
Net exchange losses	(0.3)	-
Interest income including unwinding of discount on Capital Goods Scheme receivable	0.1	0.1
Exceptional finance expenses	(0.6)	-
Net finance costs	(16.4)	(12.3)

Underlying finance charge

The underlying finance charge (net bank interest payable reflecting term loan, swap and USPP interest costs) increased by £0.2 million to £8.5 million, principally reflecting the Group's additional borrowings in the year drawn to fund the Group's acquisition and development activity. The underlying finance charge represents the finance expense before exceptional items and changes in fair value of derivatives, amortisation of debt issuance costs and interests on obligations under finance leases and is disclosed because management review and monitor performance of the business on this basis.

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 Revolver	£250.0	£97.0	£55.0	57%	1.25%	0.82%	0.71%	2.02%
UK Revolver- non-utilisation	£153.0	-	-	-	0.50%	-	-	0.50%
Euro Revolver	€70.0	£33.6	£25.9	77%	1.25%	0.16%	(0.42%)	1.28%
Euro Revolver- non-utilisation	€31.0	-	-	-	0.50%	-	-	0.50%
US Private Placement 2024	€50.9	£43.9	£43.9	100%	1.59%	-	-	1.59%
US Private Placement 2027	€74.1	£63.9	£63.9	100%	2.00%	-	-	2.00%
US Private Placement 2029	£50.5	£50.5	£50.5	100%	2.92%	-	-	2.92%
US Private Placement 2026	€70.0	£60.4	£60.4	100%	1.26%	-	-	1.26%
US Private Placement 2026	£35.0	£35.0	£35.0	100%	2.59%	-	-	2.59%
US Private Placement 2029	£30.0	£30.0	£30.0	100%	2.69%	-	-	2.69%
Unamortised finance costs	-	(£1.3)	-	-	-	-	-	-
Total	£594.0	£413.0	£364.6	88%				2.30%

As at 31 October 2019, £97 million of the £250 million UK revolver and €39 million (£33.6 million) of the €70 million Euro revolver were drawn. The drawn amounts attract a bank margin of 1.25%, and the Group pays a non-utilisation fee of 0.50% on the undrawn balances of £153 million and €31 million.

During the year we terminated £80m of our interest rate swaps at a cost of £0.6 million. In addition a £55 million forward-starting swap was put in place for the period from June 2022 to June 2023, ensuring that our interest rate swaps are co-terminus with our bank facilities. Following the termination of the portion of our interest rate swaps and the addition of the new forward-starting swaps in the year, the Group has interest rate hedge agreements in place to June 2023, swapping LIBOR on £55 million at a weighted average effective rate of 0.82% and EURIBOR on €30 million at an effective rate of 0.17%.

The 2024, 2026 and 2027 US Private Placement Notes are denominated in Euros and attract fixed interest rates of 1.59% (on €50.9 million), 1.26% (on €70 million) and 2.00% (on €74.1 million) respectively. The Euro-denominated borrowings provide a natural hedge against the Group's investment in the Paris business.

The 2029 (£50.5 million), 2026 (£35.0 million) and 2029 (£30.0 million) US Private Placement Notes are denominated in Sterling and attract a fixed interest rate of 2.92%, 2.59% and 2.69% respectively.

88% of the Group's drawn debt is effectively at fixed rates of interest, as a result of the hedging arrangements and fixed interest loan notes. Overall, the Group has an effective interest rate on its borrowings of 2.30% at 31 October 2019, compared to 2.28% at the previous year end.

Non-underlying finance charge

Interest on finance leases was £4.8 million (FY2018: £4.5 million) and reflects part of the leasehold costs. The balance of the leasehold payment is charged through the gain or loss on investment properties line and contingent rent in the income statement. Overall, the leasehold costs charge

increased from £11.2 million in 2018 to £11.3 million in 2019, principally reflecting our new leasehold store at Paddington Marble Arch.

Net finance costs includes a £0.3 million exchange loss (FY2018: £nil) arising primarily on retranslation of the Group's US Dollar-denominated borrowings.

A net loss of £2.1 million was recognised on fair valuation of derivatives (FY2018: net gain of £0.5 million). The loss in the year principally comprised a loss of £1.8 million arising on the Sterling interest rate swaps.

Since our refinancing in May 2017, the Group is no longer exposed to exchange movements on US Dollar-denominated borrowings. The Group undertakes net investment hedge accounting for its Euro-denominated loan notes.

Tax

The tax charge for the year is analysed below:

Tax charge	FY 2019 £'m	FY 2018 £'m
Underlying current tax	(5.1)	(4.7)
Current tax charge	(5.1)	(4.7)
Tax on investment properties movement	(10.4)	(7.6)
Tax on revaluation of interest rate swaps	0.1	(0.1)
Impact of tax rate change in France	-	4.0
Adjustment in respect of prior years	-	0.2
Other	0.2	0.1
Deferred tax charge	(10.1)	(3.4)
Net tax charge	(15.2)	(8.1)

The net income tax charge for the year is £15.2 million (FY2018: £8.1 million), which relates solely to the Paris business. In the UK, the Group is a REIT and benefits from a zero rate of tax on its qualifying earnings. The underlying current tax charge relating to Paris amounted to £5.1 million (FY2018: £4.7 million), calculated by applying the French statutory income tax rate of 33.33% to its taxable profits, which results in an effective underlying tax rate of 28%.

The deferred tax charge relating to Paris was £10.1 million (FY2018: £3.4 million charge). In France, the 2018 Finance Bill, which was adopted in December 2017, introduced a reduction in the standard rate of corporate income tax from 33.33% to 25.0%, applicable progressively from 2017 to 2022, extending reductions previously adopted following the 2017 Finance Bill. These reductions are applicable to all companies. As a result of this change, a non-recurring deferred tax credit of £4.0 million was recognised in the prior year.

All deferred tax movements are non-underlying. The deferred tax impact of the revaluation gain on investment properties was a charge of £10.4 million (FY2018: £7.6 million charge).

Earnings per share

As a result of the movements explained above, profit after tax for 2019 was £132.1 million as compared with £177.2 million in 2018. Basic EPS was 62.8 pence (FY2018: 84.4 pence) and diluted EPS was 62.6 pence (FY2018: 84.2 pence).

Adjusted Diluted EPRA EPS is based on the European Public Real Estate Association's definition of earnings and is defined as profit or loss for the period after tax but excluding corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties and the associated tax impacts. The Company then makes further adjustments for the impact of exceptional items, IFRS 2 share-based payment charges, exceptional tax items, and deferred tax charges. This adjusted earnings is divided by the diluted number of shares. The IFRS 2 cost is excluded as it is written back to distributable reserves and is a non-cash item (with the exception of the associated National Insurance element). Therefore neither the Company’s ability to distribute nor pay dividends are impacted (with the exception of the associated National Insurance element). The financial statements disclose earnings

on a statutory, EPRA and Adjusted Diluted EPRA basis and will provide a full reconciliation of the differences in the financial year in which any Long Term Incentive Plan ("LTIP") awards may vest.

Management introduced Adjusted Diluted EPRA EPS as a new measure of EPS following the implementation of the Group's new LTIP scheme in 2017. Management considers that the real cost to existing shareholders is the dilution that they will experience from the new LTIP scheme, therefore earnings has been adjusted for the IFRS 2 share-based payment charge, and the number of shares used in the EPS calculation has been adjusted for the dilutive effect of the new LTIP scheme.

The Group has exposure to the movement in the Euro / Sterling exchange rate. Based on the FY2019 results, for every 10 cents variance to the average exchange rate of 1.1329, there would be an impact of £0.9 million to Adjusted EPRA earnings.

Adjusted Diluted EPRA EPS for the year was 28.5 pence (FY2018: 26.8 pence), calculated on a pro forma basis, as if the dilutive LTIP shares were in issue throughout both the current and prior years, as follows:

		FY 2019			FY 2018	
	Earnings £m	**Shares million**	**Pence per share**	**Earnings £m**	**Shares million**	**Pence per share**
Basic earnings	132.1	210.2	62.8	177.2	209.9	84.4
Adjustments						
Gain on investment properties	(84.2)	-	(40.1)	(122.1)	-	(58.2)
Exceptional items	0.6	-	0.3	-	-	-
Exceptional finance costs	0.6	-	0.3	-	-	-
Unwinding of discount on CGS receivable	-	-	-	(0.1)	-	-
Net exchange loss	0.3	-	0.1	-	-	-
Change in fair value of derivatives	2.1	-	1.0	(0.5)	-	(0.2)
Tax on adjustments	9.4	-	4.5	2.4	-	1.1
Adjusted	**60.9**	**210.2**	**28.9**	**56.9**	**209.9**	**27.1**
EPRA adjusted:						
Depreciation of leasehold properties	(5.4)	-	(2.6)	(5.2)	-	(2.5)
Tax on leasehold depreciation adjustment	0.7	-	0.3	1.0	-	0.5
EPRA basic EPS	56.2	210.2	26.6	52.7	209.9	25.1
Share-based payments charge	5.6	-	2.7	5.3	-	2.5
Dilutive shares	-	6.6	(0.8)	-	6.8	(0.8)
Adjusted Diluted EPRA EPS	61.8	216.8	28.5	58.0	216.7	26.8

Dividends

The Directors are recommending a final dividend of 12.00 pence (FY2018: 11.15 pence) which Shareholders will be asked to approve at the Company's Annual General Meeting on 18 March 2020.

If approved by Shareholders, the final dividend will be payable on 9 April 2020 to Shareholders on the register at close of business on 6 March 2020.

Reflective of the Group's improved performance, the Group's full year dividend of 17.50 pence is 7.7% up on the prior year dividend of 16.25 pence. The Property Income Dividend ("PID") element of the full year dividend is 17.50 pence (FY2018: 13.7 pence).

Property valuation and net asset value ("NAV")

Cushman & Wakefield Debenham Tie Leung Limited LLP ("C&W") has valued the Group's property portfolio. As at 31 October 2019, the total value of the Group's property portfolio was £1,331.8 million (excluding investment properties under construction of £13.9m). This represents an increase of £115.6 million compared with the £1,216.2 million valuation as at 31 October 2018. A reconciliation of the movement is set out below:

	UK	Paris	Total	Paris
	£'m	**£'m**	**£'m**	**€'m**
Value as at 1 November 2018	916.4	299.8	1,216.2	337.2
Currency translation movement	-	(10.1)	(10.1)	-
Additions	11.8	1.9	13.7	2.1
On acquisition of subsidiary	6.4	-	6.4	-
Disposals	-	-	-	-
Reclassifications	9.1	5.3	14.4	6.0
Revaluation	55.2	36.0	91.2	40.8
Value at 31 October 2019	998.9	332.9	1,331.8	386.1

The exchange rate at 31 October 2019 was €1.16:£1 compared with €1.12:£1 at 31 October 2018. This movement in the foreign exchange rate has resulted in a £10.1m unfavourable currency translation movement in the year. This has impacted Group net asset value ("NAV") but had no impact on the loan-to-value ("LTV") covenant as the assets in Paris are tested in Euros.

The value of the UK property portfolio including investment properties under construction has increased by £91.7 million compared with 31 October 2018, including a £53.6 million valuation gain, £6.4m from the acquisition of Salus Services Limited and capital additions (including reclassifications from investment properties under construction) of £31.7 million.

Our pipeline of expansion stores in the UK, comprising sites at Carshalton, Gateshead, Sheffield and Morden, is valued at £13.9 million.

In Paris, the value of the property portfolio increased by €48.9 million, of which €40.8 million was valuation gain and capital additions (including reclassifications from investment properties under construction) were €2.1 million. However, the net increase when translated into Sterling amounted to £33.1 million, reflecting the foreign exchange impact described above.

The Group's freehold exit yield for the valuation at 31 October 2019 reduced to 6.57%, from 6.74% at 31 October 2018, and the weighted average annual discount rate for the whole portfolio has reduced from 10.17% at 31 October 2018 to 9.82% at 31 October 2019.

C&W's valuation report confirms that the properties have been valued individually but that if the portfolio was to be sold as a single lot or in selected groups of properties, the total value could be different. C&W states that in current market conditions it is of the view that there could be a material portfolio premium.

The adjusted EPRA NAV per share, as defined in note 11 of the financial statements, was 452 pence at 31 October 2019, up 12.5% since 31 October 2018, and reported NAV per share was 421 pence (FY2018: 376 pence), reflecting a £97.3 million increase in reported net assets during the year.

Gearing and Capital Structure

The Group's borrowings comprise revolving bank borrowing facilities in the UK and France and a US Private Placement.

Net debt (including finance leases and cash) stood at £443.3 million at 31 October 2019, an increase of £27.8 million from the 2018 position of £415.5 million, reflecting funding for the acquisition of Salus Services Limited and our store development programme. Total capital (net debt plus equity) increased from £1,204.1 million at 31 October 2018 to £1,329.2 million at 31 October 2019. The net impact is that the gearing ratio has decreased from 35% to 33% 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 2019 the Group LTV ratio was 31% as compared to 30% at 31 October 2018. The Board considers the current level of gearing 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.

Borrowings at 31 October 2019

As at 31 October 2019, £97 million of the £250 million UK revolver and €39 million (£33.6 million) of the €70 million Euro revolver were drawn. Including the US Private Placement debt of €195 million (£168.2 million) and £115.5 million, the Group's borrowings totalled £414.3 million (before adjustment for unamortised finance costs).

As at 31 October 2019, the weighted average remaining term for the Group's available borrowing facilities is 5.5 years (FY2018: 5.8 years).

Borrowings under the existing loan facilities are subject to certain financial covenants. The UK bank facilities and the US Private Placement share interest cover and LTV covenants. The interest cover requirement of EBITDA: interest is 2.4:1, where it will remain until the end of the facilities' terms. Interest cover for the year ended 31 October 2019 is 8.9x (FY2018: 8.6x).

The LTV covenant is 60% in both the UK and France, where it will remain until the end of the facilities' terms. As at 31 October 2019, there is significant headroom in both the UK LTV and the French LTV covenant calculations.

The Group is in compliance with its covenants at 31 October 2019 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 underlying cash flow of the business in 2019 and 2018. For statutory reporting purposes, leasehold costs cash flows are allocated between finance costs, principal repayments and contingent rent. However, management considers a presentation of cash flows that reflects leasehold costs as a single line item to be representative of the underlying cash flow performance of the business.

	FY 2019 £'m	FY 2018 £'m
Underlying EBITDA	87.5	82.9
Working capital/exceptionals/other	(0.9)	(1.2)
Adjusted operating cash inflow	86.6	81.7
Interest payments	(8.8)	(8.7)
Leasehold rent payments	(11.3)	(11.2)
Tax payments	(5.3)	(6.4)
Free cash flow (before investing and financing activities)	61.2	55.4
Acquisition of subsidiary, net of cash acquired	(6.4)	(55.9)
Loan to associates	(1.7)	-
Investment in associates	(2.8)	-
Capital expenditure - investment properties	(38.7)	(27.7)
Capital expenditure - property, plant and equipment	(0.9)	(0.8)
Capital Goods Scheme receipt	0.6	1.1
Proceeds from disposal - investment properties	-	-
Adjusted net cash flow after investing activities	11.3	(27.9)
Issue of share capital	0.1	0.1
Dividends paid	(35.0)	(31.3)
Net drawdown of borrowings	47.9	5.0
Debt issuance costs	(0.5)	(1.1)
Net hedge breakage costs	(0.6)	-
Net increase/(decrease) in cash	23.2	(55.2)

The first table below reconciles free cash flow (before investing and financing activities) in the table above to net cash inflow from operating activities in the consolidated cash flow statement. The second table below reconciles adjusted net cash flow after investing activities in the table above to the consolidated cash flow statement.

	FY 2019 £'m	FY 2018 £'m
Free cash flow (before investing and financing activities)	61.2	55.4
Add back: Finance lease principal payments	5.4	5.2
Net cash inflow from operating activities	66.6	60.6

	FY 2019 £'m	FY 2018 £'m
From table above:		
Adjusted net cash flow after investing activities	11.3	(27.9)
Add back finance lease principal payments	5.4	5.2
Net cash outflow after investing activities	16.7	(22.7)
From consolidated cash flow:		
Net cash inflow from operating activities	66.6	60.6
Net cash outflow from investing activities	(49.9)	(83.3)
Net cash outflow after investing activities	16.7	(22.7)

Adjusted operating cash flow increased by £4.9 million in the year, principally due to the £4.6 million improvement in underlying EBITDA. Working capital, exceptional items and other movements resulted in a net £0.9 million outflow (FY2018: £1.2 million outflow) principally relating to exceptional acquisition costs.

Free cash flow (before investing and financing activities) grew by 10.5% to £61.2 million (FY2018: £55.4 million). The free cash flow benefitted from the increase in adjusted operating cash flow, as well as a £1.1 million decrease in tax.

Investing activities experienced a net outflow of £49.9 million (FY2018: £83.3 million outflow), which included £6.4 million relating to the acquisition of Salus Services Limited and in the prior year including the £55.9 million acquisition of Alligator, £38.7 million (FY2018: £27.7 million) of capital expenditure on our investment property portfolio, of which £27.5 million was in respect of our new stores at Pontoise, Peterborough and Merry Hill in Birmingham and our four new pipeline sites at Carshalton, Gateshead, Sheffield.

Adjusted financing activities generated a net cash inflow of £11.9 million (FY2018: £27.3 million outflow). Dividend payments totalled £35.0 million (FY2018: £31.3 million). The net drawdown of

borrowings was £47.9 million (FY2018: £5.0 million), which included the acquisition of Salus Services Limited and development of our pipeline stores. In addition, financing activities included a net outflow of £0.6 million (FY2018: £nil) on breaking a portion of our interest rate swaps as a result of the refinancing in October 2019.

Andy Jones
6 January 2020

Consolidated income statement

for the year ended 31 October 2019

	Notes	Group 2019 £'m	Group 2018 £'m
Revenue	2, 3	**151.8**	143.9
Cost of sales		**(53.8)**	(51.7)
Gross profit		**98.0**	92.2
Administrative expenses		**(18.5)**	(16.7)
Underlying EBITDA		**87.5**	82.9
Exceptional items	4	**(0.6)**	—
Share-based payments		**(5.6)**	(5.3)
Depreciation and contingent rent		**(1.8)**	(2.1)
Operating profit before gains on investment properties		**79.5**	75.5
Gain on investment properties	10	**84.2**	122.1
Operating profit	3	**163.7**	197.6
Finance income	5	**0.1**	0.7
Finance expense	5	**(16.5)**	(13.0)
Profit before income tax		**147.3**	185.3
Income tax charge	6	**(15.2)**	(8.1)
Profit for the year		**132.1**	177.2
Earnings per share for profit attributable to the equity holders			
– basic (pence)	8	**62.8**	84.4
– diluted (pence)	8	**62.6**	84.2

The financial results for both years relate to continuing operations.

Underlying EBITDA is defined as operating profit before exceptional items, share-based payments, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties, contingent rent and depreciation.

Consolidated statement of comprehensive income

for the year ended 31 October 2019

	Group 2019 £'m	Group 2018 £'m
Profit for the year	**132.1**	177.2
Other comprehensive (expense)/income		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**(7.0)**	2.0
Net investment hedge	**3.3**	(1.2)
Other comprehensive (expense)/income, net of tax	**(3.7)**	0.8
Total comprehensive income for the year	**128.4**	178.0

Consolidated balance sheet

as at 31 October 2019

	Notes	Group 2019 £'m	2018 £'m
Assets			
Non-current assets			
Investment in associates	9	**2.8**	-
Investment properties	10	**1,331.8**	1,216.2
Interests in leasehold properties	10	**63.5**	56.1
Investment properties under construction	10	**13.9**	4.7
Property, plant and equipment		**2.4**	2.2
Derivative financial instruments	14	**-**	1.4
Deferred income tax assets		**0.3**	0.2
Other receivables		**0.2**	0.5
		1,414.9	1,281.3
Current assets			
Inventories		**0.3**	0.2
Trade and other receivables		**22.6**	22.5
Cash and cash equivalents	12,18	**33.2**	10.5
		56.1	33.2
Total assets		**1,471.0**	1,314.5
Current liabilities			
Trade and other payables		**(40.6)**	(40.3)
Current income tax liabilities		**(2.7)**	(3.0)
Obligations under finance leases	15	**(9.7)**	(8.9)
		(53.0)	(52.2)
Non-current liabilities			
Financial liabilities			
– bank borrowings	13,18	**(413.0)**	(369.9)
– derivative financial instruments	14	**(0.6)**	(0.2)
Deferred income tax liabilities		**(64.7)**	(56.4)
Obligations under finance leases	15	**(53.8)**	(47.2)
		(532.1)	(473.7)
Total liabilities		**(585.1)**	(525.9)
Net assets		**885.9**	788.6
Equity			
Ordinary shares	16	**2.1**	2.1
Share premium		**60.6**	60.5
Translation reserve		**9.8**	13.5
Retained earnings		**813.4**	712.5
Total equity		**885.9**	788.6

Consolidated statement of changes in shareholders' equity

for the year ended 31 October 2019

	Group				
	Share capital £'m	Share premium £'m	Translation reserve £'m	Retained earnings £'m	Total £'m
Balance at 1 November 2017	2.1	60.4	12.7	562.5	637.7
Comprehensive income					
Profit for the year	—	—	—	177.2	177.2
Other comprehensive income/(expense)					
Currency translation differences	—	—	2.0	—	2.0
Net investment hedge	—	—	(1.2)	—	(1.2)
Total other comprehensive income	—	—	0.8	—	0.8
Total comprehensive income	—	—	0.8	177.2	178.0
Transactions with owners					
Dividends (note 7)	—	—	—	(31.3)	(31.3)
Increase in share capital	—	0.1	—	—	0.1
Employee share options	—	—	—	4.1	4.1
Transactions with owners	—	0.1	—	(27.2)	(27.1)
Balance at 1 November 2018	2.1	60.5	13.5	712.5	788.6
Comprehensive income					
Profit for the year	—	—	—	132.1	132.1
Other comprehensive (expense)/income					
Currency translation differences	—	—	(7.0)	—	(7.0)
Net investment hedge	—	—	3.3	—	3.3
Total other comprehensive expense	—	—	(3.7)	—	(3.7)
Total comprehensive (expense)/income	—	—	(3.7)	132.1	128.4
Transactions with owners					
Dividends (note 7)	—	—	—	(35.0)	(35.0)
Increase in share capital	—	0.1	—	—	0.1
Employee share options	—	—	—	3.8	3.8
Transactions with owners	—	0.1	—	(31.2)	(31.1)
Balance at 31 October 2019	**2.1**	**60.6**	**9.8**	**813.4**	**885.9**

Consolidated cash flow statement

for the year ended 31 October 2019

	Notes	Group 2019 £'m	2018 £'m
Cash flows from operating activities			
Cash generated from operations	17	**85.5**	80.2
Interest received		**0.1**	—
Interest paid		**(13.7)**	(13.2)
Tax paid		**(5.3)**	(6.4)
Net cash inflow from operating activities		**66.6**	60.6
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	23	**(6.4)**	(55.9)
Investment in associates		**(2.8)**	—
Loans to associates		**(1.7)**	—
Expenditure on investment properties and development properties		**(38.7)**	(27.7)
Proceeds in respect of Capital Goods Scheme		**0.6**	1.1
Purchase of property, plant and equipment		**(0.9)**	(0.8)
Net cash outflow from investing activities		**(49.9)**	(83.3)
Cash flows from financing activities			
Issue of share capital		**0.1**	0.1
Equity dividends paid	7	**(35.0)**	(31.3)
Proceeds from borrowings		**173.4**	24.0
Repayment of borrowings		**(125.5)**	(19.0)
Debt issuance costs		**(0.5)**	(1.1)
Hedge breakage costs		**(0.6)**	—
Finance lease principal payments		**(5.4)**	(5.2)
Net cash inflow/(outflow) from financing activities		**6.5**	(32.5)
Net increase/(decrease) in cash and cash equivalents		**23.2**	(55.2)
Exchange (loss)/gain on cash and cash equivalents		**(0.5)**	0.1
Cash and cash equivalents at 1 November		**10.5**	65.6
Cash and cash equivalents at 31 October	12, 18	**33.2**	10.5

Notes to the financial statements

for the year ended 31 October 2019

1. Basis of preparation

The Board approved this preliminary announcement on 6 January 2020.

The financial information included in this preliminary announcement does not constitute the Group's statutory accounts for the years ended 31 October 2018 or 31 October 2019. Statutory accounts for the year ended 31 October 2018 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 31 October 2019 will be delivered to the Registrar of Companies following the Company's annual general meeting.

The auditor has reported on the 2019 and 2018 accounts; their report was unqualified, did not include any references to any matters by way of emphasis and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

These financial statements for the year ended 31 October 2019 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at their fair value: investment property, derivative financial instruments and financial interest in property assets. The accounting policies used are consistent with those contained in the Group's last annual report and accounts for the year ended 31 October 2018, except for items as described below. All amounts are presented in Sterling and are rounded to the nearest £0.1 million, unless otherwise stated.

The financial information included in this preliminary announcement has been prepared in accordance with EU endorsed International Financial Standards ("IFRS"), IFRIC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Directors of Safestore have assessed the viability of the Group over a three-year period to October 2022 and are confident that, on the basis of current financial projections and facilities available, it is appropriate to prepare the financial statements on a going concern basis.

Standards, amendments to standards and interpretations issued and applied

The following new or revised accounting standards or IFRIC interpretations are applicable for the first time in the year ended 31 October 2019:

- IFRS 9 "Financial Instruments"
- IFRS 15 "Revenue from Contracts with Customers"
- Amendments to IFRS 2 clarifying the classification and measurement of share-based payment transactions
- Amendments to IAS 40 relating to the transfer of investment property

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the following new and revised IFRSs that have been issued became effective from 1 November 2019.

- IFRS 16 "Leases"

Certain Standards which had an impact are discussed below.

IFRS 9 "Financial Instruments"

On 1 November 2018, the Group adopted IFRS 9 "Financial Instruments". The standard applies to the classification and measurement of financial assets and liabilities, impairment provisioning and hedge accounting. The standard also introduced an expected credit losses model, which replaced the incurred loss impairment model. The changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. The adoption, however, has not had a material impact on the recognition and measurement of income and costs in the statement of comprehensive income or of assets and liabilities on the balance sheet. The Group has not identified any significant changes in how it accounts for financial assets or liabilities under IFRS 9. The Directors have assessed the impact of impairment losses recognised for trade receivables under IFRS 9 at 31 October 2019 based on actual losses experienced over the past two years and consider the impact to the Group's bad debt provision to be immaterial. The Group has not identified any changes in how it accounts for its effective hedging against foreign exchange movements for its investment in operations in France.

IFRS 15 "Revenue from Contracts with Customers"

On 1 November 2018, the Group adopted IFRS 15 "Revenue from Contracts with Customers". The requirements of the standard have been applied retrospectively to each prior reporting period presented in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

IFRS 15 establishes the principles that the Group applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. Applying IFRS 15, the Group recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Prior to its adoption, and as disclosed in the Group's Annual Report for the year ended 31 October 2018, the Group completed a review of the requirements of IFRS 15 against its current accounting policies. The Group concluded that there was no material change in the amounts and timing of revenue recognised following the adoption of the standard and no transition adjustments have been made. In making this assessment, the Group considered its timing of revenue recognised based on discrete performance obligations, accounting for opening offer discounts and principal versus agent relationships. Each customer contract contains discrete performance obligations and revenue is recognised over the period of the contract. The opening discount offers and principal versus agent relationship were also assessed under IFRS 15 and the accounting for these has remained unchanged. It

was identified that income streams relating to Tenancy and Office Space fall outside the scope of IFRS 15 and fall under IAS 17 "Leases" but this does not impact the accounting treatment.

There have been incremental disclosures included as required by IFRS 15.

IFRS 16 "Leases"
IFRS 16 results in almost all leases being recognised on the balance sheet for a lessee, as the distinction between operating and finance leases is removed. The standard is applicable for financial years commencing on or after 1 January 2019, and hence the year ending 31 October 2020 will be the first applicable year for the Group.

Under the standard an asset, representing the right-to-use the leased item, and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The new standard changes the allocation of the finance lease payments over the length of the lease, resulting in the rental payments paid being more front ended in the statement of comprehensive income. The accounting for lessors will not significantly change.

The Group already classifies its leasehold stores as finance leases. However, as a result of this new standard these leases will be based on actual current cash flows, rather than cash flows at inception of the lease, as is the case currently under IAS 17 "Leases". This will result in an opening transition adjustment to the right of use asset and lease liability, estimated both to be approximately £5.0 million. As these offset, there will be no impact to net assets or the income statement on transition. The Group has identified one operating lease, with non-cancellable annual future lease payments of £0.1 million at 31 October 2019. This will be brought onto the balance sheet on adoption of the standard in the year ending 31 October 2020.

Non-GAAP financial information

The Directors have identified certain measures that they believe will assist the understanding of the performance of the business. The measures are not defined under IFRS and they may not be directly comparable with other companies' adjusted measures. The non-GAAP measures are not intended to be a substitute for, or superior to, any IFRS measures of performance but they have been included as the Directors consider them to be important comparables and key measures used within the business for assessing performance. The following are the key non-GAAP measures identified by the Group:

- 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, in the opinion of the Directors, this enhances the understanding of the Group's financial performance.
- Underlying EBITDA is defined as operating profit before exceptional items, share-based payments, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties, contingent rent and depreciation. Management considers this presentation to be representative of the underlying performance of the business, as it removes the income statement impact of items not fully controllable by management, such as the revaluation of derivatives and investment properties, and the impact of exceptional credits, costs and finance charges. A reconciliation of statutory operating profit to underlying EBITDA can be found in the financial review.
- Adjusted Diluted EPRA EPS is based on the European Public Real Estate Association's definition of earnings and is defined as profit or loss for the period after tax but excluding corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties and the associated tax impacts. The Company then makes further adjustments for the impact of exceptional items, IFRS 2 share-based payment charges, exceptional tax items and deferred tax charges. This adjusted earnings is divided by the diluted number of shares. The IFRS 2 cost is excluded as it is written back to distributable reserves and is a non-cash item (with the exception of the associated National Insurance element). Therefore neither the Company's ability to distribute nor pay dividends are impacted (with the exception of the associated National Insurance element). The financial statements disclose earnings both on a statutory, EPRA and Adjusted Diluted EPRA basis and will provide a full reconciliation of the differences in the financial year in which any LTIP awards may vest. A reconciliation of statutory basic earnings per share to Adjusted Diluted EPRA EPS can be found in note 8.
- EPRA basic net assets per share is an industry standard measure recommended by the European Public Real Estate Association ("EPRA"). The basis of calculation, including a reconciliation to reported net assets, is set out in note 11.

Forward-looking statements

Certain statements in this preliminary announcement are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct.

Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. We undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

2. Revenue

Analysis of Group's operating revenue can be found below:

	2019 £'m	2018 £'m
Self storage income	**122.0**	115.9
Insurance income	**18.6**	17.4
Other non-storage income	**11.2**	10.6
Total revenue	**151.8**	143.9

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 Paris in 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 underlying EBITDA, which is defined as operating profit before exceptional items, share-based payments, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties, contingent rent and depreciation.

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 2019	**UK £'m**	**Paris £'m**	**Group £'m**
Continuing operations			
Revenue	**114.7**	**37.1**	**151.8**
Underlying EBITDA	**64.1**	**23.4**	**87.5**
Exceptional items	**(0.6)**	—	**(0.6)**
Share-based payments	**(5.0)**	**(0.6)**	**(5.6)**
Contingent rent and depreciation	**(1.2)**	**(0.6)**	**(1.8)**
Operating profit before gain on investment properties	**57.3**	**22.2**	**79.5**
Gain on investment properties	**51.0**	**33.2**	**84.2**
Operating profit	**108.3**	**55.4**	**163.7**
Net finance expense	**(14.2)**	**(2.2)**	**(16.4)**
Profit before tax	**94.1**	**53.2**	**147.3**
Total assets	**1,105.4**	**365.6**	**1,471.0**

Year ended 31 October 2018	UK £'m	Paris £'m	Group £'m
Continuing operations			
Revenue	109.0	34.9	143.9
Underlying EBITDA	61.1	21.8	82.9
Exceptional items	(0.5)	0.5	—
Share-based payments	(4.8)	(0.5)	(5.3)
Contingent rent and depreciation	(1.6)	(0.5)	(2.1)
Operating profit before gain on investment properties	54.2	21.3	75.5
Gain on investment properties	99.3	22.8	122.1
Operating profit	153.5	44.1	197.6
Net finance expense	(10.8)	(1.5)	(12.3)
Profit before tax	142.7	42.6	185.3
Total assets	991.5	323.0	1,314.5

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. Exceptional items

	2019 £'m	2018 £'m
Costs relating to corporate transactions and legal and employment proceedings	**(0.6)**	—
Net exceptional cost	**(0.6)**	—

A net exceptional cost of £0.6 million (FY2018: £nil) was incurred in the year, relating to fees associated with the Group's acquisitions in the year and exceptional legal and employment related costs. In the prior year, a net exceptional cost of zero was incurred. In France, compensation of £0.5 million was received from a landlord in respect of water damage and was offset by £0.5 million of legal and employment related costs in the UK.

5. Finance income and costs

	2019 £'m	2018 £'m
Finance income		
Fair value movement of derivatives	**—**	0.6
Interest income including unwinding of discount on Capital Goods Scheme ("CGS") receivable	**0.1**	0.1
Net exchange gains	**—**	—
Total finance income	**0.1**	0.7
Finance costs		
Interest payable on bank loans and overdraft	**(8.5)**	(8.3)
Amortisation of debt issuance costs on bank loan	**(0.2)**	(0.1)
Underlying finance charges	**(8.7)**	(8.4)
Interest on obligations under finance leases	**(4.8)**	(4.5)
Fair value movement of derivatives	**(2.1)**	(0.1)
Net exceptional finance expense	**(0.6)**	—
Net exchange losses	**(0.3)**	—
Total finance costs	**(16.5)**	(13.0)
Net finance costs	**(16.4)**	(12.3)

Included within interest payable of £8.5 million (FY2018: £8.3 million) is £0.4 million (FY2018: £0.4 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 £2.1 million net loss (FY2018: £0.5 million net gain).

Net exceptional finance costs of £0.6 million relating to breaking a portion of the interest rate swaps, following the refinancing in October 2019, were incurred in FY2019 (FY2018: £nil).

6. Income tax charge

Analysis of tax charge in the year:

	2019 £'m	2018 £'m
Current tax:		
– tax in respect of overseas subsidiaries	**5.1**	4.7
	5.1	4.7
Deferred tax:		
– current year	**10.1**	7.6
– prior year	**—**	(0.2)
– impact of tax rate change	**—**	(4.0)
	10.1	3.4
Tax charge	**15.2**	8.1

Reconciliation of income tax charge

The tax for the period is lower (FY2018: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 October 2019 of 19.0% (FY2018: 19.0%). The differences are explained below:

	2019 £'m	2018 £'m
Profit before tax	**147.3**	185.3
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (FY2018: 19.0%)	**28.0**	35.2
Effect of:		
– permanent differences	**—**	—
– profits from the tax exempt business	**(17.9)**	(27.0)
– difference from overseas tax rates	**5.1**	3.9
– impact of tax rate change in France	**—**	(4.0)
Tax charge	**15.2**	8.1

The Group is a real estate investment trust ("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 main rate of corporation tax in the UK is 19.0%. Accordingly the Group's results for this accounting period are taxed at an effective rate of 19.0% (FY2018: 19.0%). Finance (No.2) Act 2015 provides that the rate of corporation tax from 1 April 2020 will be 17%. There will be no deferred taxation impact in respect of the changes in taxation rates.

In France, the 2018 Finance Bill, which was adopted in December 2017, introduced a reduction in the standard rate of corporate income tax from 33.33% to 25.0%, applicable progressively from 2018 to 2022, extending reductions previously adopted following the 2017 Finance Bill. These reductions are applicable to all companies. As a result, the deferred tax charge includes a non-recurring deferred tax credit of £nil (FY2018: £4.0 million) relating to this change.

7. Dividends per share

The dividend paid in 2019 was £35.0 million (16.65 pence per share) (FY2018: £31.3 million (14.9 pence per share)). A final dividend in respect of the year ended 31 October 2019 of 12.00 pence (FY2018: 11.15 pence) per share, amounting to a total final dividend of £25.2 million (FY2018: £23.4 million), is to be proposed at the AGM on 18 March 2020. The ex-dividend date will be 5 March 2020 and the record date will be 6 March 2020 with an intended payment date of 9 April 2020. The final dividend has not been included as a liability at 31 October 2019.

The property income distribution ("PID") element of the final dividend is 12.00 pence (FY2018: 11.15 pence), making the PID payable for the year 17.5 pence (FY2018: 13.7 pence) per share.

8. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year 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 performed 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 2019			Year ended 31 October 2018		
	Earnings £'m	**Shares million**	**Pence per share**	Earnings £'m	Shares million	Pence per share
Basic	**132.1**	**210.2**	**62.8**	177.2	209.9	84.4
Dilutive securities	**—**	**0.7**	**(0.2)**	—	0.6	(0.2)
Diluted	**132.1**	**210.9**	**62.6**	177.2	210.5	84.2

Adjusted earnings per share

Explanations related to the adjusted earnings measures adopted by the Group are set out in note 1 under the heading Non-GAAP financial information. Adjusted earnings per share represents profit after tax adjusted for the valuation movement on investment properties, exceptional items, change in fair value of derivatives, exchange gains/losses, unwinding of the discount on the CGS receivable 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 2019			Year ended 31 October 2018		
	Earnings £'m	**Shares million**	**Pence per share**	Earnings £'m	Shares million	Pence per share
Basic	**132.1**	**210.2**	**62.8**	177.2	209.9	84.4
Adjustments:						
Gain on investment properties	**(84.2)**	**—**	**(40.1)**	(122.1)	—	(58.2)
Exceptional items	**0.6**	**—**	**0.3**	—	—	—
Exceptional finance costs	**0.6**	**—**	**0.3**	—	—	—
Unwinding of discount on CGS receivable	**—**	**—**	**—**	(0.1)	—	—
Net exchange loss	**0.3**	**—**	**0.1**	—	—	—
Change in fair value of derivatives	**2.1**	**—**	**1.0**	(0.5)	—	(0.2)
Tax on adjustments	**9.4**	**—**	**4.5**	2.4	—	1.1
Adjusted	**60.9**	**210.2**	**28.9**	56.9	209.9	27.1
EPRA adjusted:						
Fair value re-measurement of interest in leasehold properties	**(5.4)**	**—**	**(2.6)**	(5.2)	—	(2.5)
Tax on leasehold depreciation adjustment	**0.7**	**—**	**0.3**	1.0	—	0.5
EPRA basic EPS	**56.2**	**210.2**	**26.6**	52.7	209.9	25.1
Share-based payments charge	**5.6**	**—**	**2.7**	5.3	—	2.5
Dilutive shares	**—**	**6.6**	**(0.8)**	—	6.8	(0.8)
Adjusted Diluted EPRA EPS[1]	**61.8**	**216.8**	**28.5**	58.0	216.7	26.8

Note

1 Adjusted Diluted EPRA EPS is based on the European Public Real Estate Association's definition of earnings and is defined as profit or loss for the period after tax but excluding corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties and the associated tax impacts. The Company then makes further adjustments for the impact of exceptional items, IFRS 2 share based payment charges, exceptional tax items, and deferred tax charges. This adjusted earnings is divided by the diluted number of shares. The IFRS 2 cost is excluded as it is written back to distributable reserves and is a non-cash item (with the exception of the associated National Insurance element). Therefore neither the company's ability to distribute nor pay dividends are impacted (with the exception of the associated National Insurance element). The financial statements disclose earnings both on a statutory, EPRA and Adjusted Diluted EPRA basis and will provide a full reconciliation of the differences in the financial year in which any LTIP awards may vest.

Gain on investment properties includes the fair value re-measurement of interest in leasehold properties of £5.4 million (FY2018: £5.2 million) and the related tax thereon of £0.7 million (FY2018: £1.0 million). As an industry standard measure, EPRA earnings is presented. EPRA earnings of £56.2 million (FY2018: £52.7 million) and EPRA earnings per share of 26.6 pence (FY2018: 25.1 pence) are calculated after further adjusting for these items.

EPRA adjusted income statement (non-statutory)	2019 £'m	2018 £'m	Movement %
Revenue	**151.8**	143.9	5.5
Underlying operating expenses (excluding depreciation and contingent rent)	**(64.3)**	(61.0)	5.4
Underlying EBITDA before contingent rent	**87.5**	82.9	5.5
Share-based payments charge	**(5.6)**	(5.3)	5.7
Depreciation and contingent rent	**(1.8)**	(2.1)	(14.3)
Operating profit before depreciation on leasehold properties	**80.1**	75.5	6.1
Fair value re-measurement of interest in leasehold properties	**(5.4)**	(5.2)	3.8
Operating profit	**74.7**	70.3	6.3
Net financing costs	**(13.4)**	(12.9)	3.9
Profit before income tax	**61.3**	57.4	6.8
Income tax	**(5.1)**	(4.7)	8.5
Profit for the year ("EPRA earnings")	**56.2**	52.7	6.6
EPRA basic earnings per share	**26.6 pence**	25.1 pence	6.0
Final dividend per share	**12.00 pence**	11.15 pence	7.6

9. Investment in associates

On 21 August 2019 the Group acquired a 20% interest in CERF Storage JV B.V. ("CERF"), a company registered and operating in the Netherlands. CERF is accounted for using the equity method of accounting. CERF invests in carefully selected self storage opportunities in Europe and currently owns six stores in Amsterdam and Haarlem. The Group will earn a fee for providing management services to CERF. The Group's share of total comprehensive income of associates in the year was £nil. Aggregate carrying value of the Group's interest in the associate was £4.5 million at 31 October 2019, made up of an investment of £2.8 million and a loan to the associate of £1.7 million.

10. 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 2018	**1,216.2**	**56.1**	**4.7**	**1,277.0**
Additions	**13.7**	**14.1**	**25.2**	**53.0**
Acquisition of subsidiary (note 23)	**6.4**	**—**	**—**	**6.4**
Disposals	**—**	**(0.7)**	**—**	**(0.7)**
Reclassifications	**14.4**	**—**	**(14.4)**	**—**
Revaluations	**91.2**	**—**	**(1.6)**	**89.6**
Fair value re-measurement of interest in leasehold properties	**—**	**(5.4)**	**—**	**(5.4)**
Exchange movements	**(10.1)**	**(0.6)**	**—**	**(10.7)**
As at 31 October 2019	**1,331.8**	**63.5**	**13.9**	**1,409.2**

	Investment property £'m	Interests in leasehold properties £'m	Investment property under construction £'m	Total investment properties £'m
As at 1 November 2017	999.2	56.2	7.8	1,063.2
Additions	18.1	3.5	8.8	30.4
Acquisition of subsidiary	56.6	1.4	—	58.0
Reclassifications	14.4	—	(14.4)	—
Revaluations	124.8	—	2.5	127.3
Fair value re-measurement of interest in leasehold properties	—	(5.2)	—	(5.2)
Exchange movements	3.1	0.2	—	3.3
As at 31 October 2018	1,216.2	56.1	4.7	1,277.0

The gain on investment properties comprises:

	2019 £'m	2018 £'m
Revaluations of investment property and property under construction	**89.6**	127.3
Fair value re-measurement of interest in leasehold properties	**(5.4)**	(5.2)
	84.2	122.1

	Cost £'m	Revaluation on cost £'m	Valuation £'m
Freehold stores			
As at 1 November 2018	529.2	473.0	1,002.2
Movement in year	37.2	61.2	98.4
As at 31 October 2019	566.4	534.2	1,100.6
Leasehold stores			
As at 1 November 2018	99.2	114.8	214.0
Movement in year	1.3	15.9	17.2
As at 31 October 2019	100.5	130.7	231.2
All stores			
As at 1 November 2018	628.4	587.8	1,216.2
Movement in year	38.5	77.1	115.6
As at 31 October 2019	666.9	664.9	1,331.8

The valuation of £1,331.8 million (FY2018: £1,216.2 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 2019 was £125.1 million (FY2018: £118.9 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 interests in leasehold properties balance of £63.5 million (FY2018: £56.1 million) is the finance lease asset portion of the leasehold assets relating to individual properties that Safestore leases under operating leases, and that are accounted for as investment properties under IAS 40. The lease cash flows are already included within both the fair value of investment properties and within the finance lease liability. Therefore, to avoid double counting of these lease cash flows, a finance lease asset is included within the total investment properties balance at the same value as the related finance lease liability, i.e. the finance lease liability of £63.5 million (FY2018: £56.1 million) per note 15.

The freehold and leasehold investment properties have been valued as at 31 October 2019 by external valuers, Cushman & Wakefield Debenham Tie Leung Limited ("C&W"). The valuation has been carried out in accordance with the current edition of the RICS Valuation – Global Standards, which incorporates the International Valuation Standards and the RICS Valuation UK National Supplement (the "RICS 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. Two non-trading properties were 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 RICS Red Book. In compliance with the disclosure requirements of the RICS Red Book, C&W has confirmed that:

- the member of the RICS who has been the signatory to the valuations provided to the Group for the same purposes as this valuation has done so since October 2006. The valuations have been reviewed by an internal investment committee comprising two valuation partners and an investment partner, all unconnected with the assignment;
- 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 in the UK since the start of 2016 there have only been 15 transactions involving multiple assets and 14 single asset transactions, and C&W is aware of only two comparable transactions in the Paris market. 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 more active market conditions.

Portfolio premium

C&W's valuation report confirms that the properties have been valued individually but that if the portfolio was to be sold as a single lot or in selected groups of properties, the total value could be different. C&W states that in current market conditions it is of the view that there could be a material portfolio premium.

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 Paris)

The valuation is based on a discounted cash flow of the net operating income over a ten-year period and a 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 2019 averages 86.18% (FY2018: 85.31%). 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 28.16 months (FY2018: 27.23 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 purpose-built 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 mature stores (i.e. excluding those stores categorised as “developing”) is 7.20% (FY2018: 7.54%), rising to a stabilised net yield pre-administration expenses of 8.22% (31 October 2018: 8.47%).
- The weighted average freehold exit yield on UK freeholds is 6.60% (FY2018: 6.79%) and on France freeholds is 6.43% (FY2018: 6.56%). The weighted average freehold exit yield for all freeholds adopted 6.57% (FY2018: 6.74%).
- The future net cash flow projections (including revenue growth and cost inflation) have been discounted at a rate that reflects the risk associated with each asset. The weighted average annual discount rate adopted (for both freeholds and leaseholds) in the UK portfolio is 9.83% (FY2018: 10.15%) and in the France portfolio is 9.80% (FY2018: 10.23%). The weighted average annual discount rate adopted (for both freeholds and all leaseholds) is 9.82% (FY2018: 10.17%).
- Purchaser’s costs in the range of approximately 3.3% to 6.8% for the UK and 7.5% for Paris have been assumed initially, reflecting the progressive SDLT rates brought into force in March 2016 in the UK, and sales plus purchaser’s costs totalling approximately 5.3% to 8.8% (UK) and 9.5% (Paris) 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 12.3 years (FY2018: 12.5 years). The average unexpired term excludes the commercial leases in Paris.

Short leaseholds (Paris)

In relation to the commercial leases in Paris, 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

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.

Immature stores: value uncertainty

C&W has assessed the value of each property individually. However, three 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 three immature stores is greater than in relation to the balance of the properties due to there being even less market evidence than might be available for more mature properties and portfolios.

C&W states that, in practice, if an actual sale of the properties was 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 market place.

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 adjusting for notional purchaser's costs in the range of approximately 2.5% to 6.8% (UK) and 7.5% (Paris), 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 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. A 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 circa 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

As noted in "Key sources of estimation uncertainty", self storage valuations are complex, derived from data which is not widely publicly available and involve a degree of judgement. 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.

There are inter-relationships between the valuation inputs, and they are primarily determined by market conditions. The effect of an increase in more than one input could be to magnify the impact on the valuation. However, the impact on the valuation could be mitigated by the inter-relationship of two inputs moving in opposite directions, e.g. an increase in rent may be offset by a decrease in occupancy, resulting in no net impact on the valuation.

11. Net assets per share

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:

	2019 £'m	2018 £'m
Analysis of net asset value:		
Net assets	**885.9**	788.6
Adjustments to exclude:		
Fair value of derivative financial instruments (net of deferred tax)	**0.5**	(1.2)
Deferred tax liabilities on the revaluation of investment properties	**64.4**	56.0
Adjusted net asset value	**950.8**	843.4
Basic net assets per share (pence)	**421**	376
EPRA basic net assets per share (pence)	**452**	402
Diluted net assets per share (pence)	**420**	374
EPRA diluted net assets per share (pence)	**450**	400

	Number	Number
Shares in issue	**210,381,968**	210,008,901

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 706,231 shares (FY2018: 630,784 shares). EPRA diluted net assets per share excludes 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 £950.8 million (FY2018: £843.4 million), giving EPRA net assets per share of 452 pence (FY2018: 402 pence). The Directors consider that these alternative measures provide useful information on the performance of the Group.

EPRA adjusted balance sheet (non-statutory)

	2019 £'m	2018 £'m
Assets		
Non-current assets	**1,414.9**	1,279.9
Current assets	**56.1**	33.2
Total assets	**1,471.0**	1,313.1
Liabilities		
Current liabilities	**(53.0)**	(52.2)
Non-current liabilities	**(467.2)**	(417.5)
Total liabilities	**(520.1)**	(469.7)
EPRA net asset value	**950.8**	843.4
EPRA net asset value per share	**452 pence**	402 pence

12. Cash and cash equivalents

	2019 £'m	2018 £'m
Cash at bank and in hand	**33.2**	10.5

13. Financial liabilities – bank borrowings and secured notes

Non-current	**2019 £'m**	2018 £'m
Bank loans and secured notes		
Secured	**414.3**	370.9
Debt issue costs	**(1.3)**	(1.0)
	413.0	369.9

The Group's borrowings consist of bank facilities of £250 million and €70 million. Following a loan extension exercise in October 2019 all our facilities now mature in June 2023 (FY2018: £26 million of the £250 million facility ran to June 2022 and £224 million ran to June 2023, and €13.3 million of the €70 million facility ran to June 2022, and €56.7 million ran to June 2023). US private placement notes of €125 million have maturities extending to 2024 and 2027, and £50.5 million maturing in 2029. In October 2019 additional US private placements notes were issued, €70 million and £35 million maturing in 2026 and £30 million in 2029. The blended cost of interest on the overall debt at 31 October 2019 was 2.30% per annum.

The bank facilities attract a margin over LIBOR/EURIBOR. The margin ratchets between 1.25% and 2.50%, by reference to the Group's performance against its interest cover covenant. Approximately 62% of the drawn bank facilities have been hedged at an effective rate of 0.8152% (LIBOR) or 0.1656% (EURIBOR).

The Company also has in issue €50.9 million (FY2018: €50.9 million) 1.59% Series A Senior Secured Notes due 2024, €74.1 million (FY2018: €74.1 million) 2.00% Series B Senior Secured Notes due 2027 and £50.5 million (FY2018: £50.5 million) 2.92% Series C Senior Secured Notes due 2029. In October 2019 the Company issued an additional €70.0 million 1.26% Series A Senior Secured Notes due 2026, £35.0 million 2.59% Series B Senior Secured Notes due 2026 and £30.0 million 2.69% Series C Senior Secured Notes due 2029. The €195.0 million of Euro-denominated borrowings provides a natural hedge against the Group's investment in the Paris business, so the Group has applied net investment hedge accounting and the retranslation of these borrowings is recognised directly in the translation reserve.

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 has entered into several interest rate swap contracts, details of which are shown in note 14.

Bank loans and secured notes are stated before unamortised issue costs of £1.3 million (FY2018: £1.0 million).

Bank loans and secured notes are repayable as follows:

	Group	
	2019 £'m	2018 £'m
Between two and five years	**174.5**	209.2
After more than five years	**239.8**	161.7
Bank loans and secured notes	**414.3**	370.9
Unamortised debt issue costs	**(1.3)**	(1.0)
	413.0	369.9

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

	2019	2018
Bank loans (UK loan facility)	**Quarterly or monthly LIBOR plus 1.25%**	Quarterly or monthly LIBOR plus 1.25%
Bank loans (Euro loan facility)	**Quarterly EURIBOR plus 1.25%**	Quarterly EURIBOR plus 1.25%
Private placement notes (Euro)	**Weighted average rate of 1.63%**	Weighted average rate of 1.83%
Private placement notes (Sterling)	**Weighted average rate of 2.76%**	2.92%

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	
	2019 £'m	2018 £'m
Expiring beyond one year	**179.7**	103.0

As described above the Group's bank facilities mature in June 2023.

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

	2019 £'m	2018 £'m
Sterling	**212.5**	221.5
Euro	**201.8**	149.4
	414.3	370.9

14. Financial instruments

Financial instruments disclosures are set out below:

	2019		2018	
	Asset £'m	**Liability £'m**	Asset £'m	Liability £'m
Interest rate swaps	—	**(0.6)**	1.4	(0.2)

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 which are set out below. The fair value of secured loan notes is determined using a discounted cash flow, while the fair value of bank loans drawn from the Group's bank facilities equates to book value. 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 bank loans is calculated as:

	2019		2018	
	Book value £'m	**Fair value £'m**	Book value £'m	Fair value £'m
Bank loans	**413.0**	**457.6**	369.9	376.5

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:

Assets per the balance sheet	**2019 £'m**	2018 £'m
Derivative financial instruments – Level 2	**—**	1.4
Amounts due from associates – Level 2	**1.9**	—

Liabilities per the balance sheet	**2019 £'m**	2018 £'m
Derivative financial instruments – Level 2	**0.6**	0.2
Bank loans – Level 2	**457.6**	376.5

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 2019 were £55 million and €30 million (FY2018: £135 million and €30 million). At 31 October 2019 the weighted average fixed interest rates were Sterling at 0.8152% and Euro at 0.1656% (FY2018: Sterling at 0.9382% and Euro at 0.1635%) and floating rates are at quarterly LIBOR and quarterly EURIBOR. The £55.0 million LIBOR swaps and the EURIBOR swaps expire in June 2022, whilst a further £55.0 million LIBOR forward-starting swaps become effective in June 2022 and expire in June 2023 and have a fixed interest rate of 0.6885%. The movement in fair value recognised in the income statement was a net loss of £2.1 million (FY2018: £0.5 million net gain).

Financial instruments by category

Assets per the balance sheet	Financial assets at amortised cost £'m	Assets at fair value through profit and loss £'m	Total £'m
Trade receivables and other receivables excluding prepayments	14.3	—	14.3
Amounts due from associates	1.9	—	1.9
Derivative financial instruments	—	—	—
Cash and cash equivalents	33.2	—	33.2
As at 31 October 2019	**49.4**	—	**49.4**

Liabilities per the balance sheet	Liabilities at fair value through profit and loss £'m	Other financial liabilities at amortised cost £'m	Total £'m
Borrowings (excluding finance lease liabilities)	—	413.0	413.0
Finance lease liabilities	—	63.5	63.5
Derivative financial instruments	0.6	—	0.6
Payables and accruals	—	26.0	26.0
As at 31 October 2019	**0.6**	**502.5**	**503.1**

Assets per the balance sheet	Loans and receivables £'m	Assets at fair value through profit and loss £'m	Total £'m
Trade receivables and other receivables excluding prepayments	16.4	—	16.4
Derivative financial instruments	—	1.4	1.4
Cash and cash equivalents	10.5	—	10.5
As at 31 October 2018	26.9	1.4	28.3

Liabilities per the balance sheet	Liabilities at fair value through profit and loss £'m	Other financial liabilities at amortised cost £'m	Total £'m
Borrowings (excluding finance lease liabilities)	—	369.9	369.9
Finance lease liabilities	—	56.1	56.1
Derivative financial instruments	0.2	—	0.2
Payables and accruals	—	26.3	26.3
As at 31 October 2018	0.2	452.3	452.5

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

	2019			2018		
	Floating rate £'m	**Fixed rate £'m**	**Total £'m**	Floating rate £'m	Fixed rate £'m	Total £'m
Borrowings	**48.4**	**364.6**	**413.0**	46.5	323.4	369.9

The weighted average interest rate of the fixed rate financial borrowing was 2.04% (FY2018: 2.12%) and the weighted average remaining period for which the rate is fixed was seven years (FY2018: six years).

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
2019				
Borrowings	**9.0**	**9.0**	**197.4**	**258.2**
Derivative financial instruments	**0.8**	**0.8**	**1.3**	**—**
Contractual interest payments and finance lease charges	**10.2**	**10.1**	**27.1**	**50.8**
Payables and accruals	**26.0**	**—**	**—**	**—**
	46.0	**19.9**	**225.8**	**309.0**
2018				
Borrowings	7.9	7.9	231.6	176.5
Derivative financial instruments	1.6	1.6	2.6	—
Contractual interest payments and finance lease charges	9.4	8.3	23.5	48.2
Payables and accruals	26.3	—	—	—
	45.2	17.8	257.7	224.7

15. Obligations under finance leases

The Group leases certain of its investment properties under finance leases. The average remaining lease term is 10.9 years (FY2018: 10.4 years).

	Minimum lease payments		Present value of minimum lease payments	
	2019 £'m	2018 £'m	**2019 £'m**	2018 £'m
Within one year	**10.2**	9.4	**9.7**	8.9
Within two to five years	**37.2**	31.8	**29.7**	25.3
Greater than five years	**50.8**	48.2	**24.1**	21.9
	98.2	89.4	**63.5**	56.1
Less: future finance charges on finance leases	**(34.7)**	(33.3)	—	—
Present value of finance lease obligations	**63.5**	56.1	**63.5**	56.1

	2019 £'m	2018 £'m
Current	**9.7**	8.9
Non-current	**53.8**	47.2
	63.5	56.1

16. Called up share capital

	2019 £'m	2018 £'m
Called up, allotted and fully paid		
210,420,424 (FY2018: 210,011,217) ordinary shares of 1 pence each	**2.1**	2.1

17. Cash flow from operating activities

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

Cash generated from continuing operations	Notes	2019 £'m	2018 £'m
Profit before income tax		**147.3**	185.3
Gain on investment properties	10	**(84.2)**	(122.1)
Depreciation		**0.7**	0.6
Net finance expense	5	**16.4**	12.3
Employee share options		**3.8**	4.1
Changes in working capital:			
Increase in trade and other receivables		**0.9**	1.5
Increase/(decrease) in trade and other payables		**0.6**	(1.5)
Cash generated from continuing operations		**85.5**	80.2

18. Analysis of movement in net debt

	2018 £'m	Cash flows £'m	Non-cash movements £'m	2019 £'m
Bank loans	(369.9)	(47.3)	4.2	**(413.0)**
Finance leases	(56.1)	5.4	(12.8)	**(63.5)**
Total gross debt	(426.0)	(41.9)	(8.6)	**(476.5)**
Cash in hand	10.5	23.2	(0.5)	**33.2**
Total net debt	(415.5)	(18.7)	(9.1)	**(443.3)**

The table above details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

The cash flows from bank loans make up the net amount of proceeds from borrowings, repayment of borrowings and debt issuance costs.

Non-cash movements relate to the amortisation of debt issue costs, £0.2 million (FY2018: £0.8 million), foreign exchange movements, £3.9 million (FY2018: £1.6 million) and unwinding of discount including adjustments to finance leases, £12.8 million (FY2018: £5.1 million).

19. Contingent liabilities

As part of the Group banking facility, the Company has guaranteed the borrowings totalling £414.3 million (FY2018: £370.9 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.

Following tax audits carried out on the Group's operations in Paris, elements of tax were challenged by the French Tax Administration ("FTA") for financial years 2011 to 2013 and 2016 to 2019. Similar challenges from the FTA have also been made to other operators within the self-storage industry. The Company and its legal advisers are of the opinion that there are no valid grounds for these challenges and are in the process of contesting the findings of the FTA through the French courts. The duration and outcome of this dispute cannot be anticipated at this stage of the proceedings. Based on our analysis of the relevant information, the maximum potential exposure in relation to the tax audit issues at 31 October 2019 is £2.3 million. No provision for any potential exposure has been recorded in the consolidated financial statements since the Group believes it is more likely than not that a successful outcome will be achieved resulting in no eventual additional liabilities. Bank guarantees to cover any potential additional tax assessment are currently being put in place, of which guarantees totalling £0.4 million have been put in place as at 31 October 2019.

20. Capital commitments

The Group had £59.7 million of capital commitments as at 31 October 2019 (FY2018: £11.1 million).

21. Related party transactions

The Group's shares are widely held. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions with CERF Storage JV B.V.

As described in note 9, the Group has a 20% interest in CERF Storage JV B.V. ("CERF"), and entered into transactions with CERF. During the year the Group recharged £0.2 million to CERF for costs paid on behalf of CERF, and loaned £1.7 million for operational and set-up costs. Amounts due from CERF as at 31 October 2019 amounted to £1.9 million (FY2018: £nil).

22. Post balance sheet events

On 5 November 2019, the Group completed the acquisitions of Fortbox Self Storage Limited and Walnut Tree Self Storage Limited which include properties located in Central London.

On 30 December 2019, the Group completed the acquisition of OMB Self Storage SL which include properties located in Central Barcelona.

23. Business combination

On 29 July 2019, the Group completed the acquisition of Salus Services Limited ("SSL") trading as Ready Steady Store, a company controlled by a private equity group, for a cash consideration of £6.4 million. The acquisition has complemented the Group's strategy of strengthening its market-leading portfolio. Final fair values of assets and liabilities have been determined following finalisation of working capital balances, resulting in no goodwill being recognised on acquisition due to the consideration paid being equal to the fair value of the identifiable net assets. £0.2 million of transaction related costs were reported as an exceptional item within administrative expenses for the year ended 31 October 2019.

The fair value of the assets and liabilities of SSL recognised at the date of acquisition is set out in the table below:

	£'m
Assets	
Investment properties (note 10)	6.4
Inventories	—
Trade and other receivables	0.2
Total assets	**6.6**
Liabilities	
Trade and other payables	(0.2)
Total liabilities	**(0.2)**
Net assets	**6.4**
Gross consideration	**6.4**
Less cash acquired	—
Net Consideration paid	**6.4**

Since the date of the acquisition, SSL has contributed £0.2 million to the revenue of the Group and £0.1 million to the profit after tax for the Group.