safestore self storage

WE KNOW THE VALUE OF SPACE

safestore™ self storage

WE KNOW THE VALUE OF SPACE

Annual Report and Financial Statements

FOR THE YEAR ENDED 31 OCTOBER 2009

Safestore Holdings plc – Annual Report 2009

Contents

Certain statements in this annual report are forward looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties or assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this annual report regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this annual report. Except as required by law, the Company is under no obligation to update or keep current the forward-looking statements contained in this annual report or to correct any inaccuracies which may become apparent in such forward-looking statements.

Financial highlights

Revenue	+1.9%	Revenue has increased from £82.9 million to £84.4 million. Like for like revenue decreased marginally from £79.3 million to £79.0 million
Ancillary revenue	+4.8%	Ancillary revenue has increased from £10.9 million to £11.5 million
Closing occupancy	+2.1%	Closing occupancy increased by 57,000 sq ft from 2.72 million sq ft to 2.77 million sq ft
Average rate per sq ft	+4.9%	Average rate per sq ft increased from £24.06 to £25.24
Underlying EBITDA*	+1.3%	Underlying EBITDA* increased from £45.1 million to £45.7 million

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

Directors and Advisors

Directors

R S Grainger	(Non-Executive Chairman)
S W Williams	(Chief Executive Officer)
R D Hodsden	(Chief Financial Officer)
R W Carey	(Non-Executive Director)
A H Martin	(Non-Executive Director)
A S Lewis	(Non-Executive Director)
K G Edelman	(Non-Executive Director)

Company secretary

S Ahmed

Registered office

Brittanic House
Stirling Way
Borehamwood
Hertfordshire, WD6 2BT

Registered company number

4726380

Websites

www.safestore.co.uk
www.safestore.com

Principal bankers

National Westminster Bank Plc
HSBC Bank Plc
The Governor and Company of the Bank of Ireland

Legal advisors

Clifford Chance LLP
10 Upper Bank Street
London
E14 5JJ

Eversheds LLP
115 Colmore Row
Birmingham, B3 3AL

Travers Smith LLP
10 Snow Hill
London
EC1A 2AL

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Cornwall Court
19 Cornwall Street
Birmingham, B3 2DT

Shareholder information

Registrars

Capita Registrars

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Web: www.capitashareportal.com

Share Portal (www.capitashareportal.com)

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


www.safestore.co.uk
self storage
0141 647 8844

"The robust performance of Safestore in the year reflects the operational experience of the executive team and its understanding of the self storage market."

Chairman's statement

As Chairman of Safestore Holdings plc, the largest self storage retailer in the UK and Paris, I am pleased to announce another encouraging set of results for the year ended 31 October 2009. We have continued to grow the business in terms of revenues, despite the macro economic conditions and weak housing market.

We opened five new stores in the year and now trade from 117 facilities with a further six sites in the expansion pipeline; firmly consolidating Safestore's position as the market leader in both the UK and central Paris.

We have confidence in the resilience of our business model which has held up well with both domestic and business customers and has continued to produce strong cash flows in what is still an immature market in the UK and Europe.

Financial results

Turnover for the year of £84.4 million was 1.9% higher than last year (FY2008: £82.9 million). Further details on the results for the Financial Year 2009 ("FY2009") and Financial Year 2008 ("FY2008") are included in the Financial Review on pages 14 to 19.

The key drivers for revenue growth, and hence Earnings Before Interest, Taxation, Depreciation and Amortisation (before exceptional items, change in fair value of derivatives and loss on investment properties) ("Underlying EBITDA") continue to be movements in rate per square foot ("sq ft"), occupancy and ancillary revenues. The average rate per sq ft increased by 4.9% to £25.24 (FY2008: £24.06); closing occupancy increased by 57,000 sq ft or 2.1% to 2.77 million sq ft (FY2008: 2.72 million) and ancillary revenues were up 4.8% to £11.5 million (FY2008: £10.9 million). Underlying EBITDA is £0.6 million or 1.3% higher at £45.7 million (FY2008: £45.1 million). Underlying EBITDA margins have also remained broadly flat with last year at 54.2% (FY2008: 54.5%).

In terms of the financial strength of the Group, I am pleased to report that our prudent control of capital outlay and discretionary expenditure during the year combined with strong operational cash flows has left the Group in a solid position with which to meet its current commitments.

Property Valuation

As at 31 October 2009, the total value of the Group's property portfolio was £647.8 million, up £9.1 million from £638.7 million at 31 October 2008 and up £7.4 million from the half year valuation of £640.4 million at 30 April 2009. The valuation uplift seen during the year is due to the opening of five new stores in the year and the financial out-performance of the existing trading stores in Paris which has offset the value reduction in the UK like for like store portfolio.

Dividend

The Board are pleased to recommend a final dividend of 3.0 pence per share bringing the total dividend to 4.65 pence per share for the year. We consider the level of dividend recommended represents the right balance between shareholder return and the requirement of capital to fund new store organic growth and it further demonstrates the Board's confidence in the prospects of the Group.

People

The Board recognises the significant role our people play in the success of the business and we remain committed to the training and development of our staff as we strongly believe

Battersea

Bedford

that it is our strength in this area that sets Safestore apart from its competition. I would like to take this opportunity to thank all my colleagues throughout the business for their hard work and dedication this year.

During the period Vince Gwilliam retired as a non executive director and Roger Carey has informed the Board of his intention to retire as a non executive director at the end of the Annual General Meeting. I would like to thank Vince and Roger for all their efforts on behalf of the Group during their six years and three years respectively. Vince has been replaced on the Board by Alan Lewis. In addition to welcoming Alan to the Board, I would also like to welcome Keith Edelman who has recently joined the Board as an additional non-executive director.

Outlook

The robust performance of Safestore in the year reflects the operational experience of the executive team and its understanding of the self storage market. The resilience of the Group's performance, despite the prevailing macro-economic conditions, is underpinned by our diverse cross section of both domestic and business customers.

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

We will continue to manage the business on a conservative basis but with the flexibility to respond in line with any recovery in the wider market. New store openings remain on schedule and we continue to invest and acquire new stores in first class locations. We aim to acquire and open around four to seven new stores annually for the next two years but can increase or decrease the number of openings in line with the Group's performance and the wider macro economic climate.

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

The Board believes that Safestore, with its strong cash flow characteristics and flexible business model, operating expertise and market leading position, is ideally placed to exploit potential opportunities within the market.

Richard Grainger
Chairman
29 January 2010

"We have a diverse set of domestic customers with a wide cross section of uses for self storage."

Chief Executive's review

Introduction

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

Revenues for the year ended 31 October 2009 rose by 1.9% to £84.4 million (FY2008: £82.9 million) although like-for-like store revenue decreased marginally by £0.3 million or 0.4% to £79.0 million (FY2008: £79.3 million). During the year we benefitted from foreign exchange gains the details of which are outlined in the Financial Review on pages 14 to 19.

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

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

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

Operating review

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

Rate per sq ft

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

Occupancy

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

During the period under review we have seen continuing uncertainty in the economic environment. This was particularly prevalent during the first half of our financial year when we experienced a moribund housing market and a difficult trading climate for small businesses. Continued low interest rates and the partial return of bank lending during the second half of our financial year has resulted in some positive movement in the housing market albeit, off a very low base.

Bristol, Ashton

Cardiff, Newport Road

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

We have continued to see good levels of enquiries and new lets from business customers and have seen this customer category remain stable accounting for 31.4% of our total customer base and 56.8% of our occupied space. We believe that this stability is due to a combination of factors including the flexible solution that self storage provides along with the relatively low entry costs, the ability to upsize and downsize the unit in line with their business demand, not having to commit to long lease terms and Safestore's ability to offer a truly national service.

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

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

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

Ancillary revenues

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

Retail store portfolio

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

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

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

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

Chief Executive's review continued

New store openings

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

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

All of the expansion stores are freehold/long leasehold, have planning permission and all will be new purpose built facilities. These expansion stores will deliver approximately 0.3 million sq ft of additional net lettable space, representing over 5% of the overall portfolio of approximately 5.4 million sq ft when fully fitted out.

We aim to maintain our market leadership by a measured approach to organic growth maintaining an opening programme of new stores in priority locations with strong projected returns. Our aim is to acquire and open between four and seven new stores annually over the next two years, however the pipeline can be tailored to the Group's performance and the wider macro economic climate. We believe this strikes the right balance between growing the business and prudently managing our capital expenditure. This is underpinned by our policy of remaining flexible in terms of size of store and tenure; which we believe gives us competitive advantage. This further has the benefit of reducing the level of capital expenditure required. While organic new store openings remain our priority, the Group will continue to consider and review any acquisition opportunities as they arise provided they meet our strategic objectives and represent the appropriate return on investment.

Geographic spread

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

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

Maximum lettable area ("MLA") and occupancy

	As at 31 October 2009		
	Group Sq Ft	UK Sq Ft	France Sq Ft
MLA	5.17 million	4.26 million	0.91 million
Occupied	2.77 million	2.13 million	0.64 million
Occupancy %	53.4%	49.8%	70.3%

Clichy, Paris

Coventry

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

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

Tenure

Safestore operates a mix of freehold and leasehold stores. The Group's approach provides the twin advantages of Safestore being able to extend its offering in areas where freeholds are not available while providing flexibility in terms of competing for new sites. As an operational cash flow business the model works equally well for both freehold and leasehold tenure although at a corporate level we seek to maintain an approximate two third freehold to one third leasehold balance in the UK.

Estate and asset management

We manage the estate in-house supported by external property expertise when required. We actively manage the portfolio with a view to enhancing value through more intense use of the property and also look at ways to create value through development potential. We continue to review opportunities to buy the freehold of leasehold stores or to extend leases where appropriate and prudent.

Property - net asset value

At 31 October 2009 Cushman & Wakefield LLP ("C&W") has valued the portfolio at £647.8 million, a year on year increase of £9.1 million (+1.4%) and £7.4 million (+1.2%) up from the half year valuation dated 30 April 2009.

The properties are valued on the basis of market value as fully equipped operational entities having regard to trading potential. The valuation is carried out on a discounted cash flow basis. Freeholds, long leaseholds and the French commercial leasehold stores are assessed on the basis of 10 years' trading and then disposal, the disposal price based on projected net operating income at Year 10 capitalised at the projected exit yield. Short leasehold stores in the UK and France are valued on the basis of the value of the net operating income for the remaining life of the lease.

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

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

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

* Short leaseholds in the UK are stores with leases of 25 years or less. The average remaining tenure is 13.6 years and we have three leases due for renewal in the next five years, two of which are targeted for relocation.

Chief Executive's review continued

Retail and operational focus

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

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

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

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

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

Marketing

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

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

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

Chingford

Glasgow Rutherglen

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

The self storage market is still very immature and recognition is still very low. During the year we have seen recognition of the Safestore brand name growing by a significant margin but realise we still have some way to go to achieve brand leadership alongside our market leadership. Our overall investment in resource and expenditure will be increased during 2010 with approximately 4.5% of Group revenue budgeted for marketing activities in the financial year.

Real Estate Investment Trusts ("REITs")

We continue to examine the possibility of converting our business into a REIT, but as we have previously highlighted, we currently benefit from carried forward tax losses, and, whilst we can utilise the tax losses and claim capital allowances with the business still growing and expanding there is no benefit from conversion at this time. We will continue to monitor and review the position.

Security

Safestore customers see security of their goods and possessions as high on their list of priorities when taking storage. We are firmly focused on protecting their valuables within our care.

We work actively to provide the highest levels of security and health and safety for customers and employees alike by constantly reviewing processes, policies and procedures as a crucial element of the service to our customers and also to protect the assets of the business.

Safestore invest considerably in security technology both in new stores and the existing estate, with state of the art intruder alarm systems with 24 hour remotely monitored CCTV systems, automated swipe card entry systems, storage unit alarm systems and 24 hour monitored fire alarm systems.

We have a strict policy when accepting new customers ensuring proper identification is taken and that customers are made aware of all restrictions on what cannot be stored within the buildings by prominent signage on every unit and within customer areas. Safestore liaise closely with law enforcement agencies and authorities.

Systems

We place the highest value on having strong business procedures and supporting IT systems. In leading the sector in this area we benefit from significant competitive advantage. This year we have continued to develop our systems, particularly in support of pricing, purchasing and payment management. We now manage all pricing centrally and store orders are placed and receipted directly into our accounting system, automatically updating our main trading system. These improvements, together with upgrades to our database have significantly improved our operating efficiency and enable us to further improve the customer experience. We continue to adopt new technology where this adds value. This year we have developed a digital media system that displays key brand messages and advertising in 17 of our newest stores and we continue to trial free Wi-Fi access for customers in a number of our flagship locations.

2009 NATIONAL CUSTOMER SERVICE AWARDS
Finalist 2009

ICS National Customer Service Week 2009

Chief Executive's review continued

Corporate and social responsibility

We are committed to meeting the highest ethical and social standards in operating our business and have clear corporate social responsibility objectives on which the Group Board and Senior Management take an active lead. This year we are delighted to have our success recognised by achieving membership of the FTSE4Good Index. We demand that our corporate social responsibility objectives bring real benefit in the following four areas:

Our marketplace

We are committed to providing an excellent service to our customers, shareholders and bankers who make up our Marketplace and who are critical to the future success of our business. This year we are delighted to have our passion for customer service recognised at the National Customer Service Awards. We were finalists in the 'Contact Centre of the Year – up to 100 seats' category. We continue to participate in National Customer Service week with our 'Make a Difference' initiative. Listening to and learning from our customers remains at the centre of ensuring we continue our objective of providing the best customer service in the industry.

Ensuring we communicate effectively and regularly with our financial stakeholders is vital to what we do and our dedicated investor relations web site and quarterly updates help us achieve our objective

Our colleagues

We place enormous emphasis on growing and developing our people and see this as central to our continued success. As Investors in People we are committed to delivering tailored training and development relevant to our business objectives and our employees' needs. During the year our achievements were recognised externally where we obtained a number of awards including the Training Journal Awards for 'Special Achievement' and 'Best Change Management Programme'.

Effective communication across the business with two-way feedback is central to the way we ensure that our people are fully briefed on Group objectives, initiatives and successes building commitment and knowledge across the business.

Our environment

At Safestore our ethos is to challenge the way we do business to ensure we play our part in responding to the environmental agenda. Our Green Plan is aimed at providing sustainable business methods that minimise the consumption of scarce resources. During the period we have introduced eco bubble in a bio degradable bag, extended our commitment to greentricity to 89% of our estate and continued with our 'Box for Life' scheme. We are delighted with the success of our 'Store Waste Recycling Scheme' which has prevented approximately 149 tonnes of cardboard waste from going to landfill.

We remain committed to supporting the local communities where we operate and this year we have partnered 'Trees for Cities' in supporting their work in active tree planting in urban areas.

Our community

We were particularly delighted to launch our first ever 'Charity of the Year' through our partnership with Scope. We support Scope in a number of fund raising events as well as providing free space at our stores which has allowed Scope to redeploy the cost savings to the benefit of the charity.

In addition we have supported a number of local charities in the communities in which we operate and throughout the year we have continued with our 'Charity Room in Every Store' programme supporting a wide range of worthy causes in our store localities.

Harlow

Hayes

People

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

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

The Group is pleased to announce that during the year Safestore won a number of nationally recognised training awards which reflects the hard work and commitment of our employees. Safestore is recognised as an ‘Investor in People’ employer.

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

Going forward

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

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

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

S W Williams
Chief Executive Officer
29 January 2010

Financial review

International Financial Reporting Standards ("IFRS")

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

Results of operations

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

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

Ipswich

Ivry Paris

Revenue

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

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

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

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

Cost of sales

Cost of sales principally consists of staff salaries, business rates, utilities, insurance and repairs and renewals. The Group's cost of sales increased by £1.0 million or 3.8% from £25.6 million in FY2008 to £26.6 million in FY2009. The main reasons for the increase in the year are additional costs relating to the new stores opened in the year and the full year impact of stores opened in the second half of last year together with the impact of the exchange movement in the Euro and general inflationary pressure. £0.7 million of the increase in cost of sales in the year is directly attributable to the impact of foreign exchange movements.

Administrative expenses

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

Financial review continued

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

Underlying EBITDA is calculated as follows for FY2009 and FY2008:

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

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

Exceptional items

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

Loss on investment properties

The loss on investment properties consists of the fair value revaluation gains and losses with respect to the investment properties under IAS40 and finance lease depreciation for the interests in leaseholds. The Group's loss on investment properties was £41.6 million in FY2009 comprising a loss of £36.3 million for revaluations and finance lease depreciation of £5.3 million, compared to a loss of £8.3 million in FY2008 comprising a loss of £4.3 million for revaluations and £4.0 million for finance lease depreciation. The movement reflects the combination of yield movements within the valuations together with the impact of changes in the cash flow metrics of each store. The key variables in the valuations are rate per sq ft, stabilised occupancy, number of months to reach stabilised occupancy and the yields applied. The valuation of investment properties is covered in more detail in the property section below.

Operating profit

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

Net Finance Costs

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

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

Leicester

Manchester Old Trafford

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

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

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

The interest on obligations under finance leases reflects part of the costs of the property rental payments traditionally charged to cost of sales under UK GAAP. The total charge for rent under UK GAAP re-classed under IFRS in FY2009 was £11,640,000 (FY2008: £10,682,000). The balance of £5,326,000 (FY2008: 3,991,000) is included in the loss on investment properties.

The Group has a £237 million senior debt facility provided by a syndicate of six banks: a £60 million capex facility which is provided jointly by Royal Bank of Scotland and HSBC and a £5 million working capital facility provided by National Westminster Bank. At 31 October 2009, the Group had drawn the senior facility in full, £45.0 million of the capex facility and none of the working capital facility. The Group has sufficient operating cash flow and available facilities to meet its development pipeline commitments.

Under the terms of the facility documents, Safestore pays interest at LIBOR plus a margin. The Group has taken out an interest rate hedge swapping LIBOR on £178 million of the debt at 5.24% which runs until June 2011. The Group pays a margin ratchet between 90 basis points and 125 basis points dependent upon the Interest Cover Ratio.

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

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

Gearing

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

Dividend

Given the strong cash flow characteristics of the business model, our robust funding and future commitments, the Board is pleased to recommend a final dividend of 3.00 pence per share bringing the total dividend to 4.65 pence per share for the year. We consider the level of dividend recommended represents the right balance between dividend growth and new store organic growth and it further demonstrates the Board's confidence in the prospects of the Group.

Income tax

Income tax for FY2009 was a credit of £9.2 million against an expense of £2.4 million for FY2008. The income tax credit for FY2009 includes an exceptional tax credit of £5.5m arising on the recognition of tax losses in France at 31 October 2009 based on an improved outlook on projected utilisation together with a further tax credit arising in respect of the net reduction in the market value of investment properties at 31 October 2009. Actual tax paid in each period was insignificant due to the availability of carried forward tax losses and capital allowances in both the United Kingdom and France. Further details are given in note 7.

Financial review continued

Profit for the year ("Earnings")

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

Adjusted earnings, which is the earnings figure above with loss on investment properties, exceptional items, the recycling of foreign exchange gains and the tax thereon added back decreased by £0.5 million or 2.7% to £17.9 million for FY2009 from £18.4 million for FY2008. Further details of this are given in note 9.

Property valuation

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

This represents an increase of £9.1 million (1.4%) over the £638.7 million valuation as at 31 October 2008. Of this overall increase in value, £32.9 million derives from the addition of five new stores in the year which is reduced by £23.8 million being derived from the existing store portfolio.

There are several factors influencing the year on year valuation movement of the existing store portfolio and, as such, we should consider the UK and France separately:

- Taking the UK first, the existing store valuation shows a £46.3 million valuation reduction compared to October 2008. We estimate that capital movements account for around £18.3 million of this reduction with operational/cash flow movements accounting for the remaining £28.0 million.
- Around £13.1 million is directly attributable to foreign exchange movements translating the UPP valuations at the respective year ends.
- The French existing store valuation shows a same currency, year on year increase of €10.5 million, or £9.4 million. We estimate that capital movements account for around £2.0m of this increase with operational/cash flow movements accounting for the remaining £7.4 million.
- The valuation at 31 October 2009 is £7.4 million up on 30 April 2009. New stores have delivered around £14.2 million of additional value in the second half of the year with the like for like portfolio therefore delivering a valuation decrease of around £6.8 million (-3.1%). The existing UK store portfolio has delivered a reduction of £18.4 million (-3.5%) in the second half of the year which is partly offset by an £7.7 million gain in France. There has been very little exchange impact in the second half of the financial year.

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

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

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

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

In their report to us our valuer has drawn attention to valuation uncertainty resulting from exceptional volatility in the financial markets and a lack of transactions in the property investment market. Please see note 10 for further details.

Newcastle Central

Newcastle Walls End

Cash flows

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

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

Net cash inflow from operational activities

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

Net cash outflow from investing activities

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

Net cash inflow from financing activities

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

Future liquidity and capital resources

The Group anticipates funding any future small to medium acquisitions or new store developments from available cash and borrowings. Borrowings under the existing bank facilities are subject to certain financial covenants and the Group is comfortably in compliance with its covenants at 31 October 2009, and based on forecast projections, for a period in excess of 12 months thereafter.

Annual General Meeting

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

R D Hodsden
Chief Financial Officer
29 January 2010

Risk management

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

Self storage market risk

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

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

Furthermore, the UK self storage market is still very immature, therefore, although awareness is now starting to grow rapidly there is very little risk of supply outstripping demand in the medium term. The fundamentals for people requiring self storage are also unlikely to change in spite of the threat of an economic downturn. The number of new customers using self storage tends to be lower during a housing downturn as does the number of vacates leading to less churn and volatility. Our current customers have an average length of stay of 91 weeks and are spread between domestic customers and business customers. Whilst a large proportion of domestic customers' storage requirements are related to a house move it is evident by the length of stay and the large number of long term customers that there are other drivers for people to seek a self storage solution.

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

Property risk

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

We have a prudent approach to acquisitions and regularly review the hurdle rates in line with current and forecast market trends, therefore our exposure is limited to any corrections in commercial property values.

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

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

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

Treasury risk

The Group borrows in Sterling and Euros and has an interest hedge swap which effectively, until June 2011, fixes LIBOR on £178m of borrowings at 5.24% and EURIBOR on €24m of borrowings at 2.25%. The interest hedge swaps cover approximately 65% of our net debt. The balance is currently being rolled on a monthly basis to take advantage of the historically low interest rates. We will continue to keep the risk and reward on the floating element of the debt of the Group.

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

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

There is exposure to exchange rates as we have a business in France that trades in Euros. This exposure is increasing annually as the size of the French business grows. We have looked to mitigate part of the exchange rate risk through the income statement by effectively swapping the first €4 million of profit in each of the next two financial years at a rate of around €1.25:£1. In addition to this, the introduction of Euro denominated debt provides a natural balance sheet hedge against movements in the Euro.

For the purposes of Section 417(5)(c) of the Companies Act 2006, the Facility Agreements with the Group's bankers are the only contracts or arrangements which the Board considers essential to its business.

Taxation risk

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

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

Liquidity risk

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

Remuneration Report

Introduction

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

The Report has been prepared in accordance with the Companies Act 2006, Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Listing Rules of the Financial Services Authority. This Report has been divided into separate sections for audited and unaudited information.

A resolution to approve this Report will be proposed at the Annual General Meeting ("AGM") to be held on 24 March 2010.

Unaudited information

Remuneration Committee

The Remuneration Committee (the "Committee") comprised two independent Non-Executive Directors and the Group Chairman throughout the year ended 31 October 2009, namely:

- Roger Carey (Committee Chairman)
- Richard Grainger
- Adrian Martin

Following a Nomination Committee meeting on 11 December 2009 which reviewed the composition of Board committees, Adrian Martin will step down from the Committee and Keith Edelman will be appointed.

No member of the Committee has any personal financial interest (other than as shareholders), conflicts of interest arising from cross directorships or day to day involvement in running the business. No director plays a part in any discussion about his own remuneration. The remit of the Committee is limited to consideration of the remuneration of the Group Chairman (with the Group Chairman absent from such discussions), Executive Directors and certain members of the senior management team and to approve the long-term incentive awards granted under the schemes operated by the Group. The Committee's terms of reference are available on the Group's website at www.safestore.com.

The Committee received advice from Hewitt New Bridge Street ("HNBS") during the year. Terms of reference for HNBS, which provided no other services to the Company, are available on request from the Company Secretary.

Remuneration policy

The Board recognises that the directors' remuneration is of legitimate concern to shareholders and is committed to following current best practice. The Group operates within a competitive environment; performance depends on the individual contributions of the directors and employees and the Group believes in rewarding vision and innovation.

When setting Executive Directors' remuneration, the Committee endeavours to ensure that all directors are provided with appropriate performance related and non-performance related pay to encourage enhanced performance and that they are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group. The Committee also considers pay and conditions elsewhere in the Group, environmental, social and governance issues and risk when reviewing executive pay quantum and structure.

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain directors of the calibre necessary to maintain and improve the Group's profitability and effectiveness and to reward them for enhancing shareholder value and return. To do this, it aims to provide a market competitive (but not excessive) package of pay and benefits. The Group's general policy is to continue to move basic salaries towards the median of market rates and set performance pay levels which are at the upper quartile of market practice but with stretching goals which accords with the Group's general policy of seeking to make bonuses self-financing wherever possible. Remuneration packages will also reflect the director's responsibilities and contain incentives to deliver the Group's objectives.

Oldbury

Orpington

Basic salary and benefits

Basic salary is determined with reference to an appropriate comparator group of Real Estate and similarly sized pan-sector companies and to the individual's experience, performance and responsibility.

The Committee reviewed basic salary levels during the year. Current basic salary levels for Executive Directors effective 1 November 2009 and prior year salaries are presented below

	From 1 Nov 2009	From 1 Nov 2008
SW Williams Chief Executive Officer	£300,000	£275,000
RD Hodsden Chief Financial Officer	£200,000	£183,333

The increases to base salaries (9.1% for both the Chief Executive Officer and Chief Financial Officer) were arrived at after careful consideration by the Committee of the stated remuneration policy (i.e. to move basic salaries towards the median of market rates over time), salary positioning against relevant market data and both Group and individual performance over the past year. Prior to these increases, Executive Directors had not received an increase in base salary levels for two years.

Taxable benefits comprise a car allowance, life insurance, private medical and dental insurance.

Annual bonus

The Committee operated an annual bonus plan for Executive Directors during FY2009. The maximum bonus was set at 100% of basic salary (reduced from the 120% set for FY2008) with measurement based upon sliding scale Earnings Before Interest, Taxation, Depreciation and Amortisation ("EBITDA") and personal objectives (usually set at the start of each financial year), as set out below:

Measures	% of bonus potential
EBITDA	80%
Personal Objectives	20%

Details of actual amounts paid to Executive Directors for the year ended 31 October 2009 are presented within the emoluments table on page 26.

The FY2010 annual bonus plan for Executive Directors will be similar in design to the plan for FY2009, based on a combination of EBITDA and personal objectives in the ratio of 80:20. However, following a review of the arrangements operated in FY2009, the Committee has introduced a further performance condition, requiring EBITDA for FY2010 to be greater than FY2009 for any bonus to be payable. The maximum bonus will remain at 100% of basic salary. Specific targets have not been disclosed as they are considered to be commercially sensitive although the Committee is satisfied that they will be demanding and require performance significantly better than budget for full payout.

Performance Share Plan

The 2009 Performance Share Plan ("PSP") was approved by shareholders at the 2009 AGM and is the Group's primary long-term incentive arrangement. The key terms of the PSP are as follows:

- The PSP has a normal maximum annual limit of 150% of basic salary, with a 200% of basic salary annual limit in exceptional circumstances (such as recruitment or retention);
- As per the initial awards granted in March 2009, it is intended that annual awards granted to Executive Directors will be made over shares worth 125% of basic salary;
- Participants benefit from the value of dividends paid over the vesting period to the extent that awards vest. This benefit is delivered in the form of cash or additional shares at the time that awards vest;
- The initial awards granted in FY2009 are subject to a total shareholder return ("TSR") condition (which applies to 1/3rd of each award) and a range of profit before tax earnings per share ("PBT-EPS") growth targets (which applies to 2/3rds of each award), each measured over a three-year period.
- Two thirds of initial awards are subject to the PBT-EPS condition. 25% of this part of an award vests for PBT-EPS growth of RPI+3% p.a. with full vesting of this part of an award for PBT-EPS growth of RPI+8% p.a. A sliding scale operates between these points.

Remuneration Report continued

- The remaining one third of initial awards is subject to the TSR condition based on the Group's performance against other FTSE SmallCap companies (excluding investment trusts) as at the date of grant. 25% of this part of an award vests if Safestore's TSR is at a median of the ranking of the TSRs of the comparator group, with full vesting of this part of an award for upper quartile performance. A sliding scale operates between these points. In addition to the above, no part of the TSR awards will vest unless the Committee is also satisfied that the TSR performance of the Group is reflective of the Group's underlying performance.
- It is envisaged that similar performance targets will apply to awards granted in FY2010.

The Remuneration Committee is satisfied that the combination of PBT-EPS and TSR targets provides an appropriate balance between: (i) incentivising and rewarding strong financial performance; and (ii) providing a strong and direct alignment with the interests of institutional shareholders by rewarding relative stock market performance.

Claw-back

If at any time following the payment of a bonus or vesting of PSP awards it becomes apparent to the Committee that the calculation of amounts paid or the calculation of the level of vesting was manifestly inaccurate, the Committee may require an individual to repay such amounts as the Committee considers to be appropriate to redress any overpayments made.

Shareholding guidelines

Consistent with best practice, the Committee operates shareholding guidelines for Executive Directors at a level equal to 100% of basic salary. Until such time as this level of shareholding is achieved, 50% of the net of tax value of awards which vest under the PSP will be required to be retained.

Sharesave scheme

A Sharesave scheme is open to all employees (including Executive Directors) with a minimum of one year's service. The Sharesave scheme meets HM Revenue & Customs approval requirements, thereby giving all eligible employees the opportunity to acquire shares in the Company in a tax efficient manner.

Pension arrangements

The Committee reviews the pension arrangements for the Executive Directors to ensure that the benefits provided are consistent with those provided by other similar companies.

The Group does not offer a defined benefit pension scheme and instead it makes contributions to an approved personal pension scheme of the Executive Director's choice. The Group contributes 15% of basic salary to the personal pension schemes of SW Williams and RD Hodsden.

Service contracts

Each of the Executive Directors has a service contract with the Company, dated 9 March 2007, with a notice period of one year. There are no contractual termination payments.

Outside appointments

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

SW Williams is a Non-Executive Director of Self Storage Association Limited but did not receive a fee for his services in either the current or previous financial year.

Non-Executive Directors

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

Non-Executive Directors receive fixed fees agreed by the Executive Directors after reference to similar roles in an appropriate comparator group of companies and reimbursement of expenses incurred in attending Board and other meetings. It is the Board's policy for Non-Executive Directors to be paid a level of fee that reflects the time commitment and responsibilities of the role and is sufficient to attract individuals with appropriate knowledge and experience. Non-Executive Directors do not receive an annual

Pentonville Road London

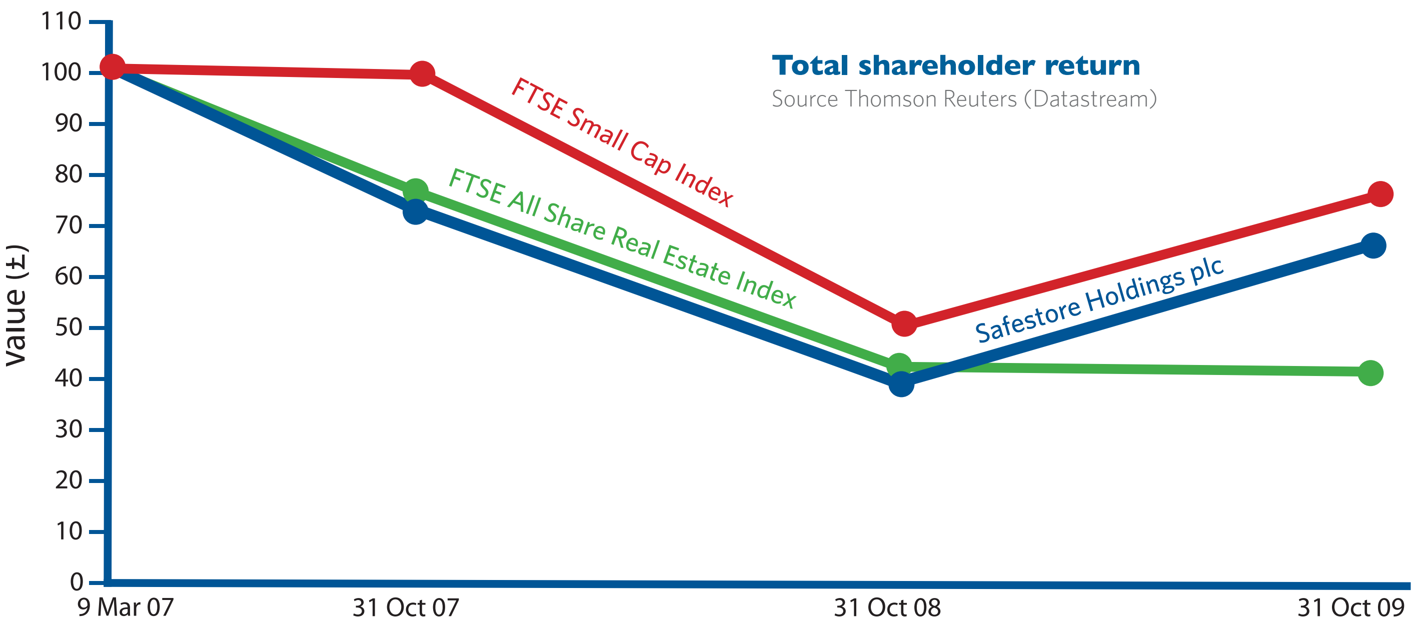
Portsmouth

bonus, but may receive additional remuneration where the time commitment required due to unusual circumstances exceeds the normal commitments and responsibilities. The Non-Executive Directors received no other benefits in the year ending 31 October 2009 (2008: £nil).

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

Performance graph

As the Company is listed in the FTSE SmallCap Index and FTSE Real Estate sector, the graph sets out a comparison of the Company's Total Shareholder Return (i.e. share price movement plus dividends reinvested on the ex-dividend date) against the SmallCap and Real Estate Sector indexes since flotation.



This graph shows the value by October 2009, of £100 invested in Safestore Holdings plc on 9 March 2007 (the company's flotation date) compared with the value of £100 invested in the FTSE Small Cap Index and the FTSE All Share Real Estate Index. The other points plotted are the values at intervening financial year ends.

Remuneration Report continued

Audited information - Directors' remuneration

	Notes	Salary and fees	Annual bonus	Benefits £'000	Total 2009	Total 2008
SW Williams	1	275	151	18	444	366
RD Hodsden	2	183	101	16	300	236
Non – executive directors						
RS Grainger		85	-	-	85	68
RW Carey		45	-	-	45	45
AH Martin	3	45	-	-	45	8
AS Lewis	4	8	-	-	8	-
KG Edelman	5	4	-	-	4	-
Former directors						
VML Gwilliam	6	17	-	-	17	25
JA von Spreckelsen	7	-	-	-	-	25
Total emoluments		662	252	34	948	773

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

	Pensions 2009	Pensions 2008
SW Williams	41	41
RD Hodsden	28	30
	69	71

Notes:

1. SW Williams received a bonus of £151,250 for the year ended 31 October 2009, comprising £96,250 in respect of performance against Underlying EBITDA measures and £55,000 in respect of performance against personal objectives.
2. RD Hodsden received a bonus of £100,833 for the year ended 31 October 2009, comprising £64,167 in respect of performance against Underlying EBITDA measures and £36,666 in respect of performance against personal objectives.
3. AH Martin was appointed as a Director on 15 September 2008.
4. AS Lewis was appointed as a Director on 30 June 2009. Mr Lewis' fees were paid to Bridgepoint Capital Limited.
5. KG Edelman was appointed as a Director on 22 September 2009.
6. VML Gwilliam retired as a Director on 30 June 2009. Mr Gwilliam's fees were paid to Bridgepoint Capital Limited for both 2008 and 2009.
7. JA von Spreckelsen retired as a Director on 27 March 2008.

Performance Share Plan

As at 31 October 2009, Executive Directors' interests under the PSP were as follows:

	Notes	Date of grant	Share price on grant	As at 1 Nov 2008	PSP awards granted	As at 31 October 2009	Vesting date
SW Williams	1	27 March 2009	£0.55	-	608,407	608,407	27 March 2012
RD Hodsden	1	27 March 2009	£0.55	-	405,603	405,603	27 March 2012

Notes:

1. March 2009 PSP awards are subject to continued service over three years and the following performance targets. Two thirds of an award is subject to a PBT-EPS condition. 25% of this part of an award vests for PBT-EPS growth of RPI+3% p.a. with full vesting of this part of an award for PBT-EPS growth of RPI+8% p.a. A sliding scale operates between these points. The remaining one third of an award is subject to the TSR condition based on the Group's performance against other FTSE SmallCap companies (excluding investment trusts) as at the date of grant. 25% of this part of an award vests if Safestore's TSR is at a median of the ranking of the TSRs of the comparator group, with full vesting of this part of an award for upper quartile performance. A sliding scale operates between these points. In addition to the above, no part of the TSR awards will vest unless the Committee is also satisfied that the TSR performance of the Group is reflective of the Group's underlying performance.

Safestore Bonus Share Plan

The first and only grant under the SBSP was made in January 2008. As at 31 October 2009, Executive Directors' interests under matching shares awarded under the SBSP were as follows:

	As at 1 November 2009	Shares granted	As at 31 October 2009	Vesting date
SW Williams	171,779	-	171,779	31 January 2011
RD Hodsden	89,979	-	89,979	31 January 2011

The vesting of matching shares presented above is dependent upon continued service and the average PBT-EPS for the three financial years following the bonus year being not less than the PBT-EPS of the bonus year.

Sharesave

	Sharesave options at 31 October 2008	Sharesave options granted during the year	Sharesave options at 31 October 2009	Exercise price	Exercise pric period
SW Williams	13,745	-	13,745	118.4p	1.9.2013 to 28.2.2014
RD Hodsden	11,139	-	11,139	147p	1.9.2012 to 28.2.2013

No consideration was payable in respect of the grant of options under the Sharesave Scheme. Options expire at the end of the exercise period shown in the table above.

No options held by Executive Directors were exercised or expired during the financial year ended 31 October 2009.

The mid-market price of the shares at 31 October 2009 was 141.75p and the range during the year was 38p to 161p.

Remuneration Report continued

Interests in shares

The interests of the directors in the shares of the Company were:

	28 January 2010	31 October 2009	31 October 2008
The Company - ordinary shares 1p	Number	Number	Number
Executive directors			
SW Williams	8,427,579	8,427,579	8,327,579
RD Hodsden	3,364,988	3,364,988	3,344,988
Non - Executive Directors			
RS Grainger	100,833	100,833	20,833
RW Carey	20,833	20,833	20,833
AH Martin	20,000	20,000	-

All directors' interests are beneficially held.

This Report was approved by the Remuneration Committee and signed on its behalf by;

Roger Carey
Chairman of the Remuneration Committee
29 January 2010

Audit Committee Report

The Audit Committee comprises Adrian Martin (chairman), Roger Carey and Keith Edelman. Richard Grainger stepped down from the Committee during the year. Meetings of the Audit Committee are also attended when appropriate by the Chief Executive and the Group Chief Financial Officer as well as the Group's external auditors.

The Board has satisfied itself that at least one member of the Committee has recent and relevant financial experience and is confident that the collective experience of Committee members enables it to be effective.

The Audit Committee's principal responsibilities are:

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

The full terms of reference of the Audit Committee, which comply with the Combined Code on Corporate Governance (2006), are available on the Group's website at www.safestore.com.

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

During the period under review, the Audit Committee has:

- assessed the qualifications, expertise and resources of the external auditors and their objectivity and independence and the relationship with the external auditor as a whole, including the provision of any non-audit services;
- assessed the effectiveness of the external audit process;
- considered whether it was appropriate to establish an internal audit function;
- considered the Group's procedures by which employees may, in confidence, raise concerns about improprieties in matters of financial reporting or other matters; and
- reviewed announcements relating to the Group's financial performance during the financial year;

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

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

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

PricewaterhouseCoopers LLP have been the Company's auditors since 2003. The Audit Committee considers that the relationship with the auditors is working well and remains satisfied with their effectiveness and hence has recommended to the Board that they are proposed for reappointment. Accordingly, it has not considered it necessary to date to require the firm to tender for the audit work. There are no contractual obligations restricting the Company's choice of external auditor.

In respect of the year ended 31 October 2009, the auditors' remuneration comprised £248,000 for audit work and £14,000 for other work, principally relating to taxation compliance.

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

Adrian Martin
Chairman of the Audit Committee
29 January 2010

Nomination Committee Report

The Nomination Committee comprises Richard Grainger (chairman), Roger Carey and Adrian Martin. Following a Nomination Committee meeting on 11 December 2009 which reviewed the composition of Board committees, Roger Carey will step down from the Committee and Steve Williams will be appointed.

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

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

During the year under review, the Committee held four formal meetings. In addition a number of informal meetings and discussions took place.

The Committee considered the appointment of Alan Lewis, an advisory partner at Bridgepoint Capital, as a Non-Executive Director along with the notification received from Vincent Gwilliam of his intention to retire from the Board. The Committee recommended the appointment and following unanimous agreement from Board members, Alan Lewis joined the Board as a Non-Executive Director on 30 June 2009 when Vincent Gwilliam retired from the Board. Both Vincent Gwilliam and Alan Lewis did not hold any membership of Board Committees.

At its meeting in March 2009, the Committee recommended the appointment of a further Non-Executive Director and specialist recruitment consultants were engaged to undertake a search and selection process. A short-list of candidates was prepared and discussed by the Committee, which recommended to the Board that Keith Edelman should be appointed as an additional Non-Executive Director. The Board agreed with this recommendation and Keith Edelman joined the Board on 22 September 2009.

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

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

Richard Grainger
Chairman of the Nomination Committee
29 January 2010

Corporate Governance

Combined Code - Statement of Compliance

The Group recognises the importance of, and is committed to, high standards of corporate governance. These are set out in the Combined Code on corporate governance published by the Financial Reporting Council in June 2008 (the "Combined Code"). The Board is accountable to the Company's shareholders for good governance and this report describes how the Board has applied the main principles of good governance set out in the Combined Code during the year under review.

Throughout the year the Company has complied with the provisions set out in Section 1 of the Combined Code (as they apply to a smaller company outside the FTSE 350).

The Board

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

Vincent Gwilliam, who retired from the Board on 30 June 2009, and Alan Lewis are deemed by the Board not to be independent under the Combined Code. Both Mr Gwilliam and Mr Lewis were deemed not to be independent by virtue of their position at Bridgepoint, a major shareholder in the Company. Roger Carey is the Senior Independent Director. Keith Edelman was appointed to the Board on 22 September 2009 and is deemed to be independent.

The Board recognises the extensive relevant experience of Alan Lewis and Keith Edelman and has recommended a resolution for shareholders to re-appoint them both to the Board at the forthcoming Annual General Meeting. Also, the performance of Richard Grainger continues to be effective and demonstrates commitment and a resolution for his re-appointment as a director is being proposed at the Annual General Meeting. Roger Carey will retire from the Board at the forthcoming Annual General Meeting.

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

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

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

Board process

The Board normally schedules at least 10 meetings throughout the year, including an extended strategy review. Additional meetings are held, as and when required.

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

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

The services of the Company Secretary are available to all members of the Board. The Directors are entitled to take independent legal advice if they consider it appropriate and, if the Board is informed in advance, the cost of the advice will be reimbursed by the Group. In the event that a Non-Executive Director deems it appropriate, upon resignation, to provide a written statement to the Chairman, this would be circulated to the Board.

Board papers are normally issued one week before Board meetings and the quality of content is reviewed continuously. Board minutes are circulated to all Board members. There is also regular informal contact between Executive and Non-Executive Directors to deal with important matters that arise between scheduled Board meetings. A separate meeting for Non-Executive Directors only is held at least once in every year.

Board committees

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

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

Audit committee

The Audit Committee comprises Adrian Martin (chairman), Roger Carey, and Keith Edelman

The Audit Committee's report is set out on page 29.

Remuneration committee

The Remuneration Committee comprises Roger Carey (chairman), Keith Edelman and Richard Grainger. The responsibilities of the Remuneration Committee are set out in the Remuneration Report on pages 22 to 28.

Nomination committee

The Nomination Committee comprises Richard Grainger (chairman), Adrian Martin and Steve Williams. The Nomination Committee's Report is set out on page 30.

Attendance at Board/Committee Meetings

The following table shows the number of Board and Committee meetings held during the year ended 31 October 2009 and details of attendance at those meetings.

A summary of the principal risks and uncertainties within the business are set out on pages 20 and 21.

*Mr Lewis did not attend one Board meeting in September 2009 due to prior commitments notified to the Board on his appointment.

**Mr Edelman attended both of the Board meetings held following his appointment.

***Mr Gwilliam was unable to attend one Board meeting in June 2009 prior to his retirement from the Board.

Performance evaluation

During the year, the Board carried out a performance evaluation of the Board and its principal committees: the audit, nomination and remuneration committees. The process was led by the Chairman, supported by the Company Secretary and an external evaluator. Directors completed detailed questionnaires and provided feedback to the external evaluator. Once completed, a report (including recommended actions) was circulated to all Directors and discussed at a meeting of the Board.

Recommendations which were agreed by the Board were implemented as soon as practicable and progress will be monitored at the time of the next performance evaluation being undertaken during FY2010.

The review also involves an assessment by the Chairman of individual directors' own performance. The Chairman's own performance is assessed by the Senior Independent Director.

Number of meetings attended/(held)	Board (10 meetings)	Audit committee (4 meetings)	Nomination committee (3 meetings)	Remuneration committee (3 meetings)
SW Williams	10	-	-	-
RD Hodsden	10	-	-	-
RS Grainger	10	2	3	3
RW Carey	8	4	3	3
AH Martin	10	4	3	3
AS Lewis*	2	-	-	-
KG Edelman**	2	-	-	1
VML Gwilliam***	5	-	-	-

Slough

Sunderland

Board appointments

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

The service agreements of the Executive Directors and the letters of appointment of the Non-Executive Directors are available for inspection at the registered office of the Company during normal business hours, including the 15 minutes immediately prior to the Annual General Meeting. The letters of appointment for Non-Executive Directors are in line with the provisions of A.4.4 of the Combined Code relating to expected time commitment.

Re-election of Directors

The Company's Articles of Association provide that one third of the Directors retire by rotation each year and that each Director will seek re-election by the shareholders at the Annual General Meeting at least once every three years. Additionally, new Directors are subject to election by shareholders at the first opportunity after their appointment. Details of the Directors seeking re-election at the 2009 Annual General Meeting are given in the Notice of Meeting.

Relations with shareholders

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

The Board considers the Annual Report and Financial Statements and the Annual General Meeting to be the primary vehicles for communication with private investors. Resolutions are proposed on each substantially separate issue and the Company indicates the level of proxy voting lodged in respect of each. The Annual General Meeting gives all shareholders who are able to attend (especially private shareholders) the opportunity to hear about the general development of the business. It also provides an opportunity for shareholders to ask questions of the full Board of Directors, including the chairmen of the audit, nomination and remuneration committees.

Risk management

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

Internal control

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

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

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

Corporate Governance continued

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

The directors believe that the system of internal control is appropriate for the Group. The Group does not have a separate internal audit function although the Board periodically reviews the need for establishing one in addition to the existing store assurance team. The Group currently employ a risk manager supported by two store auditors who are responsible for reviewing operational and financial control at store level. The risk manager reports to the Chief Operations Officer and also has direct access to the Chief Executive and Chief Financial Officer.

A summary of the principal risks and uncertainties within the business are set out on pages 20 and 21.

Corporate Social Responsibility ("CSR")

Overview

Safestore is committed to operating in an ethical and socially responsible manner. Throughout FY2009 we have continued to evolve our stakeholder engagement programme based on our commitment to sustainable business practice.

We are diligent in our approach ensuring that initiatives introduced deliver an overall net gain to our four key stakeholder groups whilst meeting legislative requirements and remaining committed to the highest standards of corporate governance.

Our CSR policy provides a framework that goes beyond legislative compliance ensuring that the strategic objectives of our business are aligned with practices that are sustainable, ethical and socially responsible. The policy is chaired by our Chief Operating Officer who holds quarterly reviews with regular updates provided to the Board.

The day to day management of our policy is driven forward by our experienced senior management teams who coordinate all aspects of activity across our UK wide estate resulting in a consistent approach.

During FY2009 we successfully met the corporate responsibility inclusion criteria for the FTSE4Good Index becoming a valued member of the FTSE4Good Index series – the leading global responsible investment index. The Group was delighted to see our continued efforts in delivering responsible business practices being recognised by the FTSE4Good policy committee.

Engaging with our market place

Stakeholder communication

We strive to provide easily accessible management information to all parties who are involved in business with us including investors and shareholders, customers, employees, suppliers and third party advisors. We are committed to the development of ethical and sustainable practices within the self storage sector as a whole and we are active members of the Self Storage Association.

"We are delighted with the acceptance of Safestore into the FTSE4Good Index. Investors are becoming increasingly concerned with the management of social and environmental risks in their portfolios. Membership in the index highlights our commitment to responsible business practice and demonstrates that we have the policies and management systems in place to help address corporate responsibility risks." – Steve Williams, Chief Executive Officer

Expansion programme

Despite the economic climate the success of our expansion programme resulted in the creation of 12 jobs bringing additional employment, growth and regeneration to the local communities in which we operate. We have worked proactively with local planners delivering on our commitment to renewable energy sources.

Highlights for the year include;

- All new stores were fitted with photo cell sensors minimising our requirement for illuminated signage
- Internal sensor lighting as standard within our storage centres

Customer engagement

We continue to strive to deliver the highest standards of customer service and throughout the year we have built on the success of our customer engagement programme. Our customers generally live within the locality of their nearest store choosing to enquire and do business with us through web, telephone and email channels as well as by visiting the store direct.

This year saw the launch of our new website including a virtual tour and tutorial section catering for customers who are new to self storage. We have also relaunched our customer facing materials and introduced a range of strategic alliances that provide a straight forward one stop shop storage solution. We recognise that the telephone is a key communication tool and we were delighted to become finalists' in the Customer Service Contact Centre of the Year (up to 100 seats) category of the 2009 National Customer Service Awards.

Corporate Social Responsibility ("CSR")

For the second year running we supported National Customer Service Week and our 'Make a Difference' campaign saw both stores and Head Office participating in a wide range of activities.

We seek customer feedback as part of our communication programme and this continues to be pivotal in shaping the future direction of our business. For FY2009 we were delighted to achieve a score of 97% for customer satisfaction with our service overall.

Supporting our people

The role our people play in creating a customer driven business is fundamental to our continual success and we are passionate about building and developing our people's skills. As an Investor in People we strive to support all employees with relevant training, professional development and career planning which is closely aligned to business goals and employee aspirations. Truly engaging people and delivering highly effective teams is vital for our operational and business success and we were delighted for FY2009 to promote 37 of our staff to a more senior position; an increase of 42% on the previous year.

This year the quality of our training was recognised externally through our attainment of two Training Journal Awards for Special Achievement and Best Change Management Programme with Safestore being the overall winner of all categories. In addition, we were also highly commended in the HR Excellence awards and finalists in the World of Learning awards for our employee development programme.

Equality and diversity

Safestore is an equal opportunities employer and we maintain appropriate policies and practices to ensure all employees and job applicants are treated equally regardless of ethnicity, gender, sexual orientation, age, religion or belief, marital status or disability. Decisions regarding employment and promotion are based strictly on a person's ability and aptitude and our competency based framework ensures consistency of approach.

Health and well being

We seek to ensure a healthy and safe environment for all our employees and stakeholders and fully comply with Health and Safety legislation and local regulations. Our Heath and Safety policy outlines our commitment and our Health and Safety Committee, chaired by our Chief Operating Officer, meets on a quarterly basis addressing potential risk areas ensuring appropriate practices are in place. All employees complete Health and Safety training as part of our induction programme supported by an exam based assessment. In addition specific training on fork lift operation, fire safety and first aid is also provided as appropriate. FY2009 has seen us maintain our commitment to supporting our staff achieve a healthy work life balance, for example through Busy bees childcare vouchers and our cycle to work scheme. Benefits such as death in service, contributory pension scheme and employee discounts are provided as standard.

Employee engagement

Throughout the year we have continued with our Career store development programme and introduced this to our Head Office for staff working in a variety of departmental roles. We recognise the importance of professional development for our staff and support further training as relevant to the individual's role.

Our board sponsored senior management development programme develops individual leadership competencies for our future business leaders and provides a base for cross functional networking.

With stores throughout the UK it is essential to us that we maintain a vibrant communication platform.

Six monthly road shows delivered by our Chief Operating Officer set the scene on business direction and our weekly news bulletin communicates day to day matters. Open forums and staff suggestion schemes are actively in place and encourage innovation in the workplace.

Staff support many different initiatives in their immediate locality benefiting a range of community groups such as local charities and schools. We also participated in Comic Relief and Children in Need charity fun days truly engaging our people and raising funds for a worthy cause. Further, we continue to be awarded the payroll giving Bronze award in recognition of our payroll giving scheme.

Longpont Paris

Green plan

Our green plan underpins our commitment to minimising the impact of our activities, delivering sustainable solutions that make a positive difference environmentally. This makes sense from both an environmental and economic perspective. We also strive to reduce our consumption of scarce resources by deploying a range of monitoring and management techniques.

Highlights for FY2009 are;

- Increasing our commitment to greentricity which is now deployed across 89% of our estate.
- The introduction of PV panels at our Clapham site.

Challenging our carbon footprint

We continually challenge the way we operate within the Group to generate efficiency in carbon usage. For example;

95% of our customers select a non postal invoice solution saving over half a million pieces of paper from consumption. In addition we have increased our usage of telephone conferencing by 30% year on year reducing the need for business travel.

Recycling

For some aspects of our business reducing scarce resource consumption is not practical. In these circumstances we strive to seek a recycled alternative. Throughout FY2009 our recycling schemes have gone from strength to strength as we continue to seek out 'closed loop' channels.

One of our key successes is cardboard waste recycling which is in operation throughout our Estate. For FY2009 this saved more than 149 tonnes of waste from going into landfill, the equivalent to approximately 3500 trees from being felled.

Caring for the environment

The Group is committed to working closely with our suppliers to achieve a sustainable environment for the future. This year we were delighted to participate in a joint initiative working with trees for cities supporting tree planting projects in urban areas.

Enhancing communities

Our over riding goal is to efficiently use resources that are directly available to us to provide far reaching benefit to the communities where we operate.

Charity room

We support a wide range of community initiatives at group level through our charity of the year and at local level through the provision of our charity room in every store scheme.

Charity of the year

This year we were delighted to launch our partnership with Scope as our charity of the year where we donated gift-in-kind support for the charity's archive storage needs, saving Scope an estimated £17,000 per year. This donation has helped Scope provide vital services for people with cerebral palsy. Throughout the year we have offered further support for example by funding an outdoor learning space at Craig Y Parc School and by supporting their Sporting Inspirations event.

"We'd like to thank Safestore for their generous and kind support. Safestore is using their core business to best meet our needs and help us save some valuable funds. In the current economic climate, this is certainly an innovative approach to a corporate partnership."

Jason Suckley, Director of Fundraising at Scope

Community based support

Our community support helps local communities with far reaching, often international benefits. Many of our staff are involved with their communities helping schools, charities and many other groups in a range of capacities. For FY2009 we have also supported fund raising event days such as Comic Relief and Children in Need which saw our staff participating in a range of activities.

Trees for Cities

Kisses 4 Kids

action for children

Little Havens Children's Hospice

Directors' report

The directors present their Annual Report and the audited consolidated financial statements for the year ended 31 October 2009.

Principal activities

The Group provides individual, secure self-storage space and related services for business and residential customers in the UK and France. The majority of revenue is generated from the provision of self-storage. However, ancillary products, including insurance and storage accessories, e.g. bubble wrap, boxes and padlocks, provide a rapidly growing, high margin secondary revenue stream.

Business review

The information that fulfils the requirements of the Business review can be found in the following sections, which are incorporated into this report by reference:

- The Chairman's statement and the Chief Executive's Review on pages 4 to 13 contain a review of the business of the Group, the development and performance of the Group during the year and at the year end and of its strategy and prospects, including an analysis using Key Performance indicators.
- The Financial Review can be found on pages 14 to 19.
- The principal risks and uncertainties within the business are set out in the Risk Management section on pages 20 and 21 including an assessment of the requirements of Section 417(5)(c) of the Companies Act 2006 on information about persons with whom the Group has contractual or other arrangements which are essential to the business of the Group.
- The Group's Corporate Social Responsibility commitment and information in respect of environmental matters, employees, and social and community issues can be found on pages 35 to 37.

Further information on the Group's operations and financial affairs that are in addition to the requirements of the Business review are set out on pages 1 to 41 of this report.

Key performance indicators

The directors are required to comment upon the Group's key performance indicators. These are reported within the Financial Review on pages 14 to 19, and in the Chief Executive's Review on page 4 to 13 for customer enquiries, new lets, vacates, length of stay, and other non-financial key performance indicators.

Results and dividends

The results for the year are set out on page 45. The directors recommend a final dividend of 3.0p per ordinary share (2008: 3.0p) totalling £5,624,000 (2008: £5,624,000) to be paid on 1 April 2010 to shareholders whose names appear on the register at the close of business on 5 March 2010. An interim dividend of 1.65p was paid in the year (2008:1.65p) totalling £3,093,000 (2008: £3,093,000).

Directors

Details of the directors who served during the year are set out below:

R S Grainger	Chairman
SW Williams	Chief Executive Officer
R D Hodsden	Chief Financial Officer
R W Carey	Non-Executive Director
A H Martin	Non-Executive Director
A S Lewis	Non Executive Director (appointed 30 June 2009)
K G Edelman	Non-Executive Director (appointed 22 September 2009)
V M L Gwilliam	Non-Executive Director (retired 30 June 2009)

Details of the interests of the directors in the shares of the company are set out in the Remuneration Report on pages 22 to 28.

The Company's Articles of Association provide that a director may be appointed by an ordinary resolution of the shareholders or by the existing directors, either to fill a vacancy or as an additional director. Further information on the Company's internal procedures for the appointment of directors is given in the Corporate Governance section on pages 31 to 34.

The Company's Articles of Association require that one-third of directors retire by rotation each year and that each director must retire at intervals of not more than three years. Non-executive directors must retire annually once they have been in office for a period of more than eight years. In accordance with these provisions, Richard Grainger will retire at the forthcoming Annual General Meeting and, being eligible, offer himself for re-election. Roger Carey will retire from the Board at the forthcoming Annual General Meeting.

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

The directors have (and during the year ended 31 October 2009 had) the benefit of the qualifying third party indemnity provision contained in the Company's Articles of Association which provides a limited indemnity in respect of liabilities incurred as a director or other officer of the Company.

Share capital

The authorised share capital of the Company as at 31 October 2009 was £3.15 million divided into 315 million ordinary shares of 1 pence of which 188.1 million were in issue.

The rights and obligations attaching to the Company's shares, as well as the powers of the Company's directors, are set out in the Company's Articles of Association, a copy of which can be viewed on the Company's website at www.safestore.co.uk.

The Company's Articles of Association can only be amended by special resolution of the shareholders.

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

At the Annual General Meeting held on 26 March 2009 the Company was authorised to purchase up to 18,813,508 of its own shares. This authority was not exercised during the year ended 31 October 2009 and will expire at the conclusion of the forthcoming Annual General Meeting. A resolution will be proposed at the Annual General Meeting to renew this authority along with the Directors' authority to allot relevant securities pursuant to section 551 of the Companies Act 2006 and the power to disapply pre-emption rights pursuant to section 570 of the Companies Act 2006. For further details on these resolutions please refer to the Notice of Annual General Meeting on page 93.

Change of control

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

Substantial shareholdings

The following substantial shareholdings have been notified to the Company:

	At 29 January 2010	
	Number	**%**
Bridgepoint Capital Limited	65,684,247	35
Schroder Investment Management	13,646,048	7
ING Clarion	11,543,332	6
Morgan Stanley Investment Management	9,610,576	5
Fortis Investments	6,826,526	4
Legal & General Investment Management	5,994,113	3
SW Williams	8,427,579	4

Own Shares - Employee Benefit Trust

On 31 January 2008, the Company allotted 1,051,755 ordinary shares of 1p each at par to the Safestore Employee Benefit Trust in satisfaction of awards under the Group's Long Term Incentive Plan. The Employee Benefit Trust retains 639,740 ordinary shares (2008: 663,740 ordinary shares) with a cost of £6,397 (2008 and on issue: £6,637), in respect of matching share awards which vest on 31 January 2011 if average performance criteria are achieved over the three year vesting period. This represents 0.34% (2008: 0.35%) of the total issued share capital of the Company.

Financial risk management

Information on risk management is provided on pages 20 and 21.

Employees

The Group places great value in its employees and their involvement in the business. The Group recognises the importance of good communication with its staff and has designed internal communications channels to ensure that all employees are well informed about the business of the Group. The Group considers the views of employees in its decisions. The Group aims to achieve a common awareness of financial and economic factors that affect the performance of the Group. These include training and staff briefings. It is Group policy to give equal opportunity of employment to disabled and able persons according to their suitability to perform the work required. The services of existing employees who are or who become disabled are retained wherever practicable and the Group is committed to applying the provisions of the Disability Discrimination Act 1995.

Employee incentive arrangements are normally reviewed on an annual basis. Annual bonus payments are triggered on the satisfactory achievement of pre-agreed personal objectives and the financial performance of the business.

Political and charitable contributions

The Group made no political or charitable donations during the year (2008: £nil). The Corporate Responsibility Report provides details of the Group's charity room in every store commitment.

Creditor payment policy

The Company is a holding company with very few suppliers. The Group aims to pay all its suppliers within the payment terms negotiated with each individual supplier. The Group had 37 days' purchases (2008: 36 days' purchases) outstanding at 31 October 2009, based on the average daily amount invoiced by suppliers during the year ended 31 October 2009.

Going concern

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

Registered company number

4726380

Disclosure of information to auditors

In the case of each of the persons who are directors at the time when the report is approved under section 418 of the Companies Act 2006 the following applies:

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

Independent auditors

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

Annual General Meeting

The Annual General Meeting will be held at the Company's registered office at Brittanic House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT on 24 March 2010 at 12 noon.

Shareholders are encouraged to use their vote at this years' Annual General Meeting either by attending the meeting in person or by completing and returning the enclosed form of proxy in accordance with the instructions set out in the form. Completing and returning the form of proxy will not prevent shareholders from attending and voting at the meeting.

At this year's Annual General Meeting, we are proposing a resolution to adopt new Articles of Association (the "New Articles") in order to update the Company's current Articles of Association (the "Current Articles") primarily to take account of the implementation on 1 October 2009 of the last parts of the Companies Act 2006 and also the coming into force of The Companies (Shareholders' Rights) Regulations 2009. Generally, the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles with that used in the model articles for public companies set out in secondary legislation. The Notice of Annual General Meeting on page 93 sets out details of the business to be considered at the Annual General Meeting and contains explanatory notes on such business.

By order of the Board:

S Ahmed
Company secretary
29 January 2010

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Each of the directors, whose names and functions are listed in the Directors' report confirm that, to the best of their knowledge:

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

By order of the board:

S Ahmed
Company secretary
29 January 2010

Auditors' report

We have audited the group financial statements of Safestore Holdings plc for the year ended 31 October 2009 which comprise Consolidated income statement, the Consolidated statement of recognised income and expense, the Consolidated balance sheet, the Consolidated cash flow statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 42, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Sections 495 and 496 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 October 2009 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements; and

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 40, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matter

We have reported separately on the parent company financial statements of Safestore Holdings Plc for the year ended 31 October 2009 and on the information in the Remuneration Report that is described as having been audited.

Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

29 January 2010

Consolidated income statement
for the year ended 31 October 2009

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

The financial results for both years relate to continuing activities.

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

The notes on pages 48 to 84 are an integral part of these consolidated financial statements.

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

	Notes	Group 2009 £'000	Group 2008 £'000
Currency translation difference net of tax	25	**12,128**	8,240
Cash flow hedges net of tax	25	**(4,383)**	(4,661)
Net gain recognised directly in equity		**7,745**	3,579
Transferred to the income statement from translation reserve	3	**(6,607)**	–
		1,138	3,579
(Loss)/profit for the financial year		**(265)**	12,513
Total recognised income for the year		**873**	16,092

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

Consolidated balance sheet
as at 31 October 2009

	Notes	Group 2009 £'000	Group 2008 £'000
Assets			
Non-current assets			
Investment properties	10	**646,778**	637,656
Interests in leasehold properties	10	**71,954**	75,218
Development properties	10	**12,641**	31,483
Property, plant & equipment	11	**1,739**	1,692
Deferred income tax assets	22	**11,449**	5,495
		744,561	751,544
Current assets			
Inventories	13	**228**	258
Trade and other receivables	14	**13,739**	12,800
Other financial assets	15	**–**	1,561
Derivative financial instruments	19	**–**	190
Cash and cash equivalents	15	**26,352**	11,143
		40,319	25,952
Total assets		**784,880**	777,496
Current liabilities			
Financial liabilities			
– Bank borrowings	18	**(2,485)**	(3,040)
– Derivative financial instruments	19	**(13,578)**	(3,647)
Trade and other payables	16	**(31,106)**	(38,726)
Obligations under finance leases	20	**(10,301)**	(10,610)
		(57,470)	(56,023)
Non-current liabilities			
Bank borrowings	18	**(295,900)**	(276,527)
Trade and other payables	16	**(896)**	(1,333)
Deferred income tax liabilities	22	**(120,257)**	(123,070)
Obligations under finance leases	20	**(61,653)**	(64,608)
Provisions	21	**(109)**	(109)
		(478,815)	(465,647)
Total liabilities		**(536,285)**	(521,670)
Net assets		**248,595**	255,826
Equity			
Ordinary shares	23,25	**1,881**	1,881
Share premium	25	**28,349**	28,349
Other reserves	25	**6,785**	5,647
Retained earnings	24, 25	**211,580**	219,949
Total equity	25	**248,595**	255,826

These financial statements on pages 45 to 84 were authorised for issue by the Board of Directors on 29 January 2010 and signed on its behalf by:

RD Hodsden
Director

SW Williams
Director

Consolidated cash flow statement
for the year ended 31 October 2009

	Notes	Group 2009 £'000	Group 2008 £'000
Cash flows from operating activities			
Cash generated from operations	26	**45,348**	45,597
Interest paid		**(21,206)**	(24,451)
Interest received		**913**	477
Tax paid		**(58)**	(28)
Net cash inflow from operating activities		**24,997**	21,595
Cash flows from investing activities			
Expenditure on investment properties and development properties		**(16,219)**	(50,280)
Net proceeds from disposal of investment properties		**–**	17
Net proceeds from disposal of development properties		**1,188**	–
Purchase of property, plant and equipment		**(215)**	(357)
Sale/(purchase) of available for sale financial assets		**1,561**	(1,561)
Net cash outflow from investing activities		**(13,685)**	(52,181)
Cash flows from financing activities			
Equity dividends paid	8	**(8,717)**	(8,717)
Net proceeds from issue of new borrowings		**25,464**	43,854
Finance lease principal payments		**(5,326)**	(3,991)
Repayment of borrowings		**(8,000)**	(8,000)
Net cash inflow from financing activities		**3,421**	23,146
Net increase/(decrease) in cash and cash equivalents		**14,733**	(7,440)
Exchange gains on cash and cash equivalents		**476**	–
Cash and cash equivalents at 1 November		**11,143**	18,583
Cash and cash equivalents at 31 October	15,27	**26,352**	11,143

Notes

1 Accounting policies

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

Basis of preparation

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

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

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

Key judgements include the estimation of fair values of investment properties, interests in leasehold properties and recognition of deferred tax assets.

The interest cost of finance leases of £6,691,000 in the prior year has been represented in the cash flow statement from financing activities to operating activities based on industry best practice.

Standards, amendments to standards and interpretations issued and applied

During the year ended 31 October 2009 the Group adopted the following standards, amendments to standards and interpretations;

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

Amendment to IFRIC 9 and IAS 39 regarding embedded derivatives

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

IFRIC 13 'Customer loyalty programmes'.

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

Basis of consolidation

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

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

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

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

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

1 Accounting policies (continued)

Segmental reporting

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

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

Revenue recognition

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

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

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

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

Exceptional items

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

Foreign currency translation

– Functional and presentation currency

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

– Transactions and balances

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

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

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

Borrowing costs

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

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

Investment properties and interests in leasehold properties

Investment properties are those properties owned by the Group that are held to earn rentals. Investment properties are initially measured at cost, including related transaction costs and borrowing costs. Borrowing costs are incurred for the purpose of acquiring, constructing or producing a qualifying investment property and are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended. After initial recognition investment properties are held at fair value based on a market valuation by professionally qualified external valuers at each balance sheet date.

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

For investment properties held under leases that are classified as finance leases, the properties are recognised at the lower of fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognised as a finance lease liability. After initial recognition, leasehold properties classified as investment property are held at fair value. If a valuation obtained for a property held under a lease is net of all payments expected to be made, any related lease liability recognised separately in the balance sheet is added back to arrive at the carrying value of the investment property for accounting purposes. Depreciation is provided on the minimum lease payment valuation over the lease term.

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

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

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

Development properties

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

Property, plant and equipment

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

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

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

Owner occupied over the shorter of the remaining lease period and occupied period	2% per annum
Motor vehicles	25% per annum
Fixtures, fittings, signs and partitioning	6.66% – 10% per annum

1 Accounting policies (continued)

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

Intangible assets

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

Computer software

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

Impairment of tangible and intangible assets (excluding property)

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

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

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

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

Inventories

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

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

Trade and other receivables

Trade and other receivables are stated at fair value, being cost less provision for impairment where there is evidence that not all amounts will be collectable under the original terms of the receivable. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 28 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'cost of sales'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Cash and cash equivalents

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

Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequently they are measured at amortised cost using the effective interest rate method.

Leases

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

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

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

Borrowings

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

Financial instruments

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

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

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

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

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

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

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument

1 Accounting policies (continued)

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

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

Provisions

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

Taxation including deferred tax

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

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

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

Employee benefit costs

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

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

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

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

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

Share capital
Ordinary shares are classified as equity.

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

Treasury shares
Safestore Holdings plc shares which have been purchased and not cancelled are held as treasury shares and deducted from shareholders' equity, within retained earnings.

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

Critical accounting judgements and key sources of estimation uncertainty
Critical judgements in applying the Group's accounting policies

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

a) Estimate of fair value of investment properties

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

b) Development property

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

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

Treasury activities are managed centrally under a framework of policies and procedures approved by and monitored by the Board. These objectives are to

1 Accounting policies (continued)

protect the assets of the Group and to identify and then manage financial risk. In applying these policies, the Group will utilise derivative instruments, but only for risk management purposes.

The principal risk facing are described below:

Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group borrows in sterling at floating rates and, where necessary, uses interest rate swaps into fixed rates (see note 19) to generate the preferred interest rate profile and to manage its exposure to interest rate fluctuations. A 1% change in interest rates would have a £1.1 million impact on net interest. This sensitivity impact has been prepared by determining average floating interest rates and flexing these against average floating rate deposits and borrowings by major currency area over the course of the year.

Liquidity risk

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

Credit risk

Credit risk arises on financial instruments such as trade receivables and short-term bank deposits. Policies and procedures exist to ensure that customers have an appropriate credit history and account customers are given credit limits that are monitored. Short-term bank deposits are executed only with A-rated authorised counter parties based on ratings issued by the major rating agencies. Counter party exposure positions are monitored regularly so that credit exposures to any one counter party are within predetermined limits. Overall, the Group considers that it is not exposed to a significant amount of credit risk. The amount of trade receivables outstanding at the year end does not represent the maximum exposure to operational credit risk due to the normal patterns of supply and payment over the course of a year. Based on management information collected as at month ends the maximum level of trade receivables at any one point during the year was £6.4 million (2008: £5.7 million).

Price risk

The Group is not exposed to significant price risk.

Foreign exchange risk

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

To manage foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group use forward contracts. The Group's treasury risk management policy is to enter into forward contracts for between 60% and 70% of anticipated revenues in Euros for the subsequent 24 months.

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

At 31 October 2009, if Sterling had weakened by 10% against the Euro with all other variables held constant, post-tax loss for the year would have been £2.0m (2008: £1.7m) higher, mainly as a result of foreign exchange gains/losses on translation of Euro trade receivables and financial assets at fair value through profit or loss.

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

Hedge risk

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

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

Cash flow hedges

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

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

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

Hedges of a net investment

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

Capital risk

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

1 Accounting policies (continued)

During 2009, the Group's strategy, which was unchanged from 2008, was to maintain the gearing ratio within 50% to 70% and a Dunn & Bradstreet 5A1 credit rating. The gearing ratios at 31 October 2009 and 2008 were as follows;

	2009 £'000	2008 £'000
Total borrowings	**370,339**	354,785
Less; cash and cash equivalents (note 15)	**(26,352)**	(11,143)
Net debt	**343,987**	343,642
Total equity	**248,595**	255,826
Total capital	**592,582**	599,468
Gearing ratio	**58%**	57%

Standards, amendments to standards and interpretations issued but not applied

The following standards and interpretations had no material impact on the Group's results, assets or liabilities or were not relevant:

IFRS 4 'Insurance contracts'.

IFRIC 7 'Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies'.

IFRIC 8 'Scope of IFRS 2'.

IFRIC 9 'Reassessment of Embedded Derivatives'.

IFRIC 12 'Service concession arrangements'.

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 November 2009 or later periods, but the Group has not early adopted them:

IFRS 8, 'Operating segments' is applicable for financial years commencing on or after 1 January 2009. IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 November 2009, subject to endorsement by the EU. The impact of adoption of this standard is still being assessed in detail by management.

IAS 40 (revised), 'Investment property' is applicable for financial years commencing on or after 1 January 2009. The Directors have considered the revised standard and decided not to adopt it early, and the Group will apply IAS 40 (revised) for the year ending 31 October 2010 onwards, including in the interim at 30 April 2010. The revised standard requires properties under construction or development for future use as investment properties to be measured in the same way as other investment properties recognised by the Group, which is at its fair value, unless it is not possible to reliably estimate a fair value, rather than at cost as currently applied. Management consider that the impact of adoption of this standard in 2010 is unlikely to be material to the Group.

Amendment to IFRS 2 'Share-based payment' is applicable for financial years commencing on or after 1 January 2009. This amendment clarifies that vesting conditions are service conditions and performance conditions only. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The impact of adoption of this standard is still being assessed in detail by management.

IFRS 3 (revised) 'Business Combinations' and amendment to IAS 27 'Consolidated and Separate Financial Statements' is applicable for financial years commencing on or after 1 July 2009. These amendments make a number of changes to the method of accounting for business combinations, including a requirement to expense acquisition costs and to measure contingent consideration at fair value at the acquisition date, and then record subsequent changes to the estimate in the income statement. The impact of adoption will only be on future acquisitions of the Group.

IAS 1 (revised) 'Presentation of financial statements' is applicable for financial years commencing on or after 1 January 2009. This amendment requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The impact of adoption of this standard is still being assessed in detail by management.

IFRIC 16 'Hedges of a net investment in a foreign operation' is applicable for financial years commencing on or after 1 July 2009. IFRIC 16 provides guidance on identifying the foreign currency risks that qualify as a hedged risk in the hedge of a net investment in a foreign operation; where, within a group, hedging instruments that are hedges of a net investment in a foreign operation can be held to qualify for hedge accounting; and how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. The impact of adoption of this standard is still being assessed in detail by management.

IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations' is applicable for financial years commencing on or after 1 January 2009. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The impact of adoption of this standard is still being assessed in detail by management.

IAS 1 (amendment), 'Presentation of financial statements' is applicable for financial years commencing on or after 1 January 2009. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of a current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The impact of adoption of this standard is still being assessed in detail by management.

IFRS 2 (amendments), 'Group cash-settled share-based payment transaction' is applicable for financial years commencing on or after 1 January 2009. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The impact of adoption of this standard is still being assessed in detail by management.

The following amendments to standards and interpretations are unlikely to have a material impact on the Group's results, assets or liabilities or are not relevant:

IFRIC 15 'Agreements for the construction of real estate'.
IFRIC 16 'Hedges of a net investment in a foreign operation'.

IFRIC 17, 'Distribution of non-cash assets to owners'.

IFRIC 18, 'Transfers of assets from customers'.

IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments'.

2 Segmental analysis

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

The operating profits, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items principally comprise interest bearing loans and deferred taxation.

Year ended 31 October 2009	UK £'000	France £'000	Group £'000
Continuing operations			
Revenue	63,017	21,416	84,433
Operating profit before loss on investment properties	32,325	14,894	47,219
(Loss)/profit on investment properties	(46,505)	4,895	(41,610)
Operating (loss)/profit	(14,180)	19,789	5,609
Finance expense	(18,650)	(3,328)	(21,978)
Finance income	173	171	344
Recycling of foreign exchange gains	6,607	–	6,607
(Loss)/profit before tax	(26,050)	16,632	(9,418)
Income tax credit			9,153
Loss for the year			(265)
Segment assets	615,337	158,094	773,431
Unallocated assets			
– tax asset			11,449
Total assets			784,880
Segment liabilities	(95,290)	(22,353)	(117,643)
Unallocated liabilities:			
– group borrowings			(298,385)
– tax liabilities			(120,257)
Total liabilities			(536,285)
Net assets			248,595
Other segment items:			
Capital expenditure			
– development properties (note 10)	(9,706)	(1,568)	(11,274)
– property, plant and equipment (note 11)	(180)	(35)	(215)
Depreciation (note 5)	(150)	(18)	(168)
Impairment of trade receivables (note 14)	(308)	(55)	(363)

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

2 Segmental analysis (continued)

Year ended 31 October 2008	UK £'000	France £'000	Group £'000
Continuing operations			
Revenue	65,723	17,152	82,875
Operating profit before loss on investment properties	35,486	9,516	45,002
(Loss)/profit on investment properties	(17,061)	8,748	(8,313)
Operating profit	18,425	18,264	36,689
Finance expense	(20,809)	(1,780)	(22,589)
Finance income	783	44	827
(Loss)/profit before tax	(1,601)	16,528	14,927
Income tax expense			(2,414)
Profit for the year			12,513
Segment assets	645,420	126,391	771,811
Unallocated assets			
– derivatives			190
– tax asset			5,495
Total assets			777,496
Segment liabilities	(96,678)	(22,355)	(119,033)
Unallocated liabilities:			
– group borrowings			(279,567)
– tax liabilities			(123,070)
Total liabilities			(521,670)
Net assets			255,826
Other segment items:			
Capital expenditure			
– development properties (note 10)	(17,984)	(3,464)	(21,448)
– property, plant and equipment (note 11)	(358)	–	(358)
Depreciation (note 5)	(125)	(18)	(143)
Impairment of trade receivables (note 14)	(230)	(494)	(724)

3 Finance income and costs

	2009 £'000	2008 £'000
Finance costs:		
Interest payable on bank loans and overdraft	(14,896)	(16,685)
Amortisation of debt issue costs on bank loan (note 18)	(1,468)	(830)
Interest payable on other loans	(17)	(53)
Interest on obligations under finance leases	(6,314)	(6,691)
Capitalised interest	717	1,670
Total finance cost	(21,978)	(22,589)
Finance income:		
Interest receivable from bank deposits	344	827
Exceptional item recycled foreign currency translation gains from the translation reserve (note 25)	6,607	–
Net finance costs	(15,027)	(21,762)

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

The exceptional item of £6.6m within finance income arises in respect of recycled foreign currency translation gains from the translation reserve which are now realised (see note 25).

4 Exceptional items

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

5 Operating profit

The following items have been charged in arriving at operating profit:

	2009 £'000	2008 £'000
Staff costs (see note 28)	**14,581**	14,069
Inventories		
– cost of inventories recognised as an expense (included in cost of sales) (note 13)	**1,173**	1,115
Depreciation on property, plant and equipment:		
– Owned assets (note 11)	**168**	143
Loss on investment properties (note 10)	**41,610**	8,313
Rentals under operating leases – Plant and machinery	**72**	69
Repairs and maintenance expenditure on Investment properties	**1,249**	1,666
Trade receivables impairment (note 14)	**363**	724

6 Fees paid to auditors

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

	2009 £'000	2008 £'000
Audit services		
Fees payable to Company's auditor for the audit of the parent Company and consolidated financial statements	**40**	40
Fees for other services		
Fees payable to Company's auditor for the audit of the Company's subsidiaries pursuant to legislation	**139**	114
Fees payable to Company's auditor for other services pursuant to legislation	**32**	32
Statutory audit for overseas entities	**37**	25
Tax compliance	**14**	38
REIT conversion project	**–**	80
Total	**262**	329

7 Income tax (credit)/expense

Analysis of tax credit/(expense) in the year

	2009 £'000	2008 £'000
Current tax:		
UK Corporation tax charge	**(15)**	(24)
Deferred tax (note 22)		
– Current year, including exceptional credit of £5,524,000 (2008: £nil)	**11,050**	(3,609)
– Adjustment in respect of prior year	**(1,882)**	1,219
Tax credit/(expense)	**9,153**	(2,414)

Reconciliation of income tax credit/(expense)

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

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

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

8 Dividends per share

The dividend paid in 2009 was £8,717,000 (4.65p per share) (2008: £8,717,000 (4.65p per share)). A dividend in respect of the year ended 31 October 2009 of 3.0p (2008: 3.0p) per share, amounting to a dividend payment of £5,624,000 (2008: £5,624,000), is to be proposed at the Annual General Meeting on 24 March 2010. The ex-dividend date will be 3 March 2010 and the record date 5 March 2010, with an intended payment date of 1 April 2010. The final dividend has not been included as a liability at 31 October 2009.

9 (Loss)/earnings per share

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

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

As the Basic EPS in the current year is a loss per share, the above adjustments would not be dilutive.

Adjusted earnings per share

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

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

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

10 Investment properties, development properties and interests in leasehold properties

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

	Investment property £'000	Interests in leasehold properties £'000	Total investment properties £'000	Development properties £'000
As at 1 November 2007	582,738	64,393	647,131	31,867
Additions	28,103	13,335	41,438	21,448
Reclassifications	22,448	(1,029)	21,419	(22,448)
Revaluations	(4,322)	–	(4,322)	–
Depreciation	–	(3,991)	(3,991)	
Disposals	(17)	–	(17)	–
Exchange movements	8,706	2,510	11,216	616
As at 31 October 2008	**637,656**	**75,218**	**712,874**	**31,483**

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

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

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

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

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

The freehold and leasehold investment properties have been valued as at 31 October 2009 by external valuers, Cushman & Wakefield LLP ("C&W"). The valuation has been carried out in accordance with the RICS Valuation Standards published by The Royal Institution of Chartered Surveyors ("the Red Book"). The valuation of each of the investment properties has been prepared on the basis of market value as a fully equipped operational entity, having regard to trading potential. The valuation has been provided for accounts purposes and as such, is a regulated purpose valuation as defined in the Red Book. In compliance with the disclosure requirements of the Red Book, C&W have confirmed that:

- The members of the RICS who have been the signatories to the valuations provided to the Group for the same purposes as this valuation have been so since October 2006.
- C&W do not provide other significant professional or agency services to the Group.
- In relation to the preceding financial year of C&W, the proportion of total fees payable by the Group to the total fee income of the firm is less than 5%.
- C&W have continuously been carrying out bi-annual valuations for accounts purposes on behalf of the Group since October 2006.

Market uncertainty

C&W's valuation report comments on valuation uncertainty resulting from exceptional volatility in the financial markets and a lack of transactions in the property investment market. C&W note that although there were a number of self storage transactions in 2007, the only significant transaction in 2008 was the sale of 51% in Shurgard Europe which was announced in January 2008 and completed on 31 March 2008. There have been no transactions in the current year. C&W observe that in order to provide a rational opinion of value at the present time it is necessary to assume that the property market will continue to trade in an orderly fashion. They have assumed that the self storage sector will continue to perform in a way not greatly different from that being anticipated prior to the 'credit crunch', however they have reflected negative sentiment in their capitalisation rates and they have reflected the current trading conditions in their cash flow projections for each property. C&W state that there is therefore greater uncertainty attached to their opinion of value than would be anticipated during normal market conditions.

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

Valuation method and assumptions

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

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

Freehold (UK and France)

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

Leasehold (UK)

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

Leasehold (France)

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

Prudent lotting

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

11 Property, plant and equipment

	Owner occupied buildings £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 November 2008	1,000	324	831	2,155
Additions	–	–	215	215
Disposals	–	(52)	–	(52)
At 31 October 2009	**1,000**	**272**	**1,046**	**2,318**
Accumulated depreciation				
At 1 November 2008	52	201	210	463
Charge for the year	13	21	134	168
Disposals	–	(52)	–	(52)
At 31 October 2009	**65**	**170**	**344**	**579**
Net book value				
At 31 October 2009	**935**	**102**	**702**	**1,739**
At 31 October 2008	948	123	621	1,692

	Owner occupied buildings £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 November 2007	1,000	244	562	1,806
Additions	–	89	269	358
Disposals	–	(9)	–	(9)
At 31 October 2008	**1,000**	**324**	**831**	**2,155**
Accumulated depreciation				
At 1 November 2007	39	156	134	329
Charge for the year	13	54	76	143
Disposals	–	(9)	–	(9)
At 31 October 2008	**52**	**201**	**210**	**463**
Net book value				
At 31 October 2008	**948**	**123**	**621**	**1,692**
At 31 October 2007	961	88	428	1,477

12 Adjusted net assets per share

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

Basic net assets per share are shareholders' funds divided by the number of shares at the year end. Diluted net assets per share are shareholders' funds divided by the number of shares at the year end, adjusted for dilutive share options. Adjusted net assets per share excludes deferred tax on the revaluation uplift on freehold and leasehold properties. The EPRA net asset value, which further excludes fair value adjustments for debt and related derivatives net of tax, was £378.4 million (2008: £382.0 million) giving EPRA net assets per share of 201.8 pence (2008: 204.0 pence). The directors consider that these alternative measures provide useful information on the performance of the Group.

13 Inventories

	2009 £'000	2008 £'000
Finished goods and goods held for resale	**341**	328
Less: provisions for impairment of inventories	**(113)**	(70)
	228	258

The Group consumed £1,173,000 (2008: £1,115,000) of inventories during the year. Inventory write downs were £nil for both the financial years ending 31 October 2009 and 31 October 2008.

Inventories of £228,000 (2008: £258,000) are carried at fair value less costs to sell. Provisions are made against slow moving and obsolete stock lines where considered appropriate.

14 Trade and other receivables

	2009 £'000	2008 £'000
Current:		
Trade receivables	**7,013**	5,637
Less: provision for impairment of receivables	**(1,026)**	(943)
Trade receivables – net	**5,987**	4,694
Other receivables	**1,993**	1,450
Prepayments and accrued income	**5,759**	6,656
	13,739	12,800

14 Trade and other receivables (continued)

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

	2009 £'000	2008 £'000
Provisions for doubtful debts against trade receivables:		
At 1 November	**943**	865
Provision for receivables impairment	**363**	724
Receivables written off during the year as uncollectible	**(280)**	(646)
At 31 October	**1,026**	943

The creation and release of provision for impaired receivables have been included in 'cost of sales' in the income statement.

Trade receivables that are less than 28 days overdue are not considered impaired. As of 31 October 2009, trade receivables of £167,000 (2008: £107,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2009 £'000	2008 £'000
Up to 28 days overdue	**167**	107

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

As of 31 October 2009, trade receivables of £1,026,000 (2008: £943,000) were impaired and provided for in full. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

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

	2009 £'000	2008 £'000
UK pound	**8,568**	8,989
Euros	**5,171**	3,811
	13,739	12,800

15 Cash and cash equivalents

	2009 £'000	2008 £'000
Cash at bank and in hand	**26,352**	11,143

The effective interest rate on short-term deposits for both financial years was 0.25% below monthly LIBOR and these deposits have an average maturity of 1 day (2008: 1 day).

Other financial assets comprise £nil (2008: £1,561,000) of deposits held in a solicitor's client account. As this is not readily available it is not classified as cash.

16 Trade and other payables

	2009 £'000	2008 £'000
Current:		
Trade payables	**4,921**	8,498
Other taxes and social security payable	**532**	657
Other payables	**8,408**	8,858
Accruals and deferred income	**17,245**	20,713
	31,106	38,726
Non-current		
Other payables	**896**	1,333

Current income tax of £nil (2008: £43,000) is included within the other payables of £8,408,000 (2008: £8,858,000) shown above.

17 Current income tax liabilities

	2009 £'000	2008 £'000
Current income tax liability	**–**	43

18 Financial liabilities – bank borrowings

Current	2009 £'000	2008 £'000
Bank loans and overdrafts due within one year or on demand:		
Secured – bank loan[1]	**4,000**	4,000
Debt issue costs	**(1,515)**	(960)
	2,485	3,040

Non-current	2009 £'000	2008 £'000
Bank loans:		
Secured	**296,874**	278,000
Debt issue costs	**(974)**	(1,473)
	295,900	276,527

£274m of the Group's borrowings are denominated in Sterling and £26.9m are denominated in Euros (2008: All of the Group's borrowings were denominated in Sterling).

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

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

18 Financial liabilities – bank borrowings (continued)

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

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

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

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

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

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

Borrowing facilities

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

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

19 Financial instruments

Numerical financial instruments disclosures are set out below. Additional disclosures are set out in the Financial Review on pages 14 to 19.

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

All financial instruments are current.

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

Net fair values of derivative financial instruments

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

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

Interest rate swap

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

Basis swap

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

Foreign exchange swap

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

19 Financial instruments (continued)

Fair values of non-derivative financial assets and financial liabilities

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

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

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

Financial instruments by category

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

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

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

19 Financial instruments (continued)

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

20 Obligations under finance leases

	Minimum lease payments 2009 £'000	Minimum lease payments 2008 £'000	Present value of minimum lease payments 2009 £'000	Present value of minimum lease payments 2008 £'000
Within one year	**10,890**	10,945	**10,301**	10,610
Within two to five years	**36,856**	37,496	**29,384**	29,853
Greater than five years	**66,057**	73,179	**32,269**	34,755
	113,803	121,620	**71,954**	75,218
Less: future finance charges on finance leases	**(41,849)**	(46,402)	**–**	–
Present value of finance lease obligations	**71,954**	75,218	**71,954**	75,218

All lease obligations are denominated in sterling.

	2009 £'000	2008 £'000
Current	**10,301**	10,610
Non-current	**61,653**	64,608
	71,954	75,218

21 Provisions

	Dilapidations provision £'000
At 1 November 2008 and 31 October 2009	109

Provisions have been analysed between current and non-current as follows:

	2009 £'000	2008 £'000
Current	**–**	–
Non-current	**109**	109
	109	109

Dilapidation provision

The provision relates to anticipated future costs at two stores that are expected to be incurred between 1-3 years (2008: 1-3 years).

22 Deferred income tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2008: 28%) for the UK and 33.3% (2008: 33.3%) for France. The movement on the deferred tax account is as shown below:

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

	2009 £'000	2008 £'000
At 1 November	**117,575**	115,642
Profit and loss (credit)/charge (note 7)	**(9,168)**	2,390
Released to equity	**(1,727)**	(1,812)
Exchange differences	**2,128**	1,355
At 31 October	**108,808**	117,575

At 31 October 2009, the Group had capital losses of £2.6 million (2008: £2.6 million).

Deferred tax assets have been recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets where it is considered probable that these assets will be recovered in the foreseeable future. At 31 October 2009, the Group has unrecognised tax losses of £nil (2008: £15.9m).

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

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

Deferred tax liability	Revaluation of investment properties £'000	Interest swap £'000	Other timing differences £'000	Total £'000
At 1 November 2007	121,357	745	1,947	124,049
Reclassifications	–	(745)	–	(745)
Released to profit and loss account	(1,355)	–	(650)	(2,005)
Exchange differences	1,771	–	–	1,771
At 31 October 2008	121,773	–	1,297	123,070
At 1 November 2008	121,773	–	1,297	123,070
Reclassifications	(215)	–	215	–
Released to profit and loss account	(4,964)	–	(325)	(5,289)
Exchange differences	2,476	–	–	2,476
At 31 October 2009	119,070	–	1,187	120,257

Deferred tax asset	Tax losses £'000	Interest swap £'000	Total £'000
At 1 November 2007	8,407	–	8,407
Reclassifications	–	(745)	(745)
Charged to profit and loss account	(4,395)	–	(4,395)
Released to equity	–	1,812	1,812
Exchange differences	416	–	416
At 31 October 2008	4,428	1,067	5,495
At 1 November 2008	4,428	1,067	5,495
Released to profit and loss account	3,879	–	3,879
Released to equity	–	1,727	1,727
Exchange differences	348	–	348
At 31 October 2009	8,655	2,794	11,449

The deferred tax liability due after more than one year is £120.3 million (2008: £123.1 million).

23 Called up share capital

	2009 £'000	2008 £'000
Authorised		
315,000,000 (2008: 300,000,000) ordinary shares of 1 p each	**3,150**	3,000
Called up, allotted and fully paid		
188,135,088 (2008: 188,135,088) ordinary shares of 1p each	**1,881**	1,881

Ordinary shares

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

Following the passing of the resolution at the AGM on 26 March 2009, the authorised share capital was increased by £150,000 to £3,150,000 by the creation of 15,000,000 ordinary shares of 1p each. The revised authorised number of shares is 315,000,000.

In the prior year, the Company allotted 1,051,755 ordinary shares of 1p each at par to the Safestore Employee Benefit Trust in satisfaction of awards under the Group's Long Term Incentive Plan. The Employee Benefit Trust retains 639,740 (2008: 663,740) ordinary shares in respect of matching share awards which vest on 31 January 2011 if average performance criteria are achieved over the three year vesting period. This represents 0.35% of the total issued share capital of the Company.

Safestore Holdings plc Sharesave Scheme

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

Grant date	9 August 2007 (UK 3 years)	9 August 2007 (UK 5 years)/ (France)	9 August 2007 (France 4 years)	14 August 2008 (UK 3 years)	14 August 2008 (UK 5 years)
Number of options granted	211,079	150,369	27,217	130,350	136,955
Share price at grant date	186p	186p	186p	141p	141p
Exercise price	147p	147p	176.5p	118.4p	118.4p
Risk free rate of interest	5.50%pa	5.40%pa	5.44%pa	4.50%pa	4.55%pa
Expected volatility	35%pa	35%pa	35%pa	40%pa	40%pa
Expected dividend yield	2.40%pa	2.40%pa	2.40%pa	3.0%pa	3.0%pa
Expected term to exercise	3 years	5 years	4 years	3 years	5 years
Value per option	66p	74p	59p	47p	53p

23 Called up share capital (continued)

Safestore 2009 Performance Share Plan

The fair values of the awards were assessed by an independent actuary using a Monte-Carlo model based on the assumptions set out in the table below. In determining an appropriate assumption for expected future volatility, the historical volatility of the share price of Safestore Holdings plc has been considered and, as the Company only listed relatively recently, the historical volatility of a comparator company, Big Yellow Group plc, has also been considered.

Grant date	27 March 2009 (PBT-EPS Part)	27 March 2009 (TSR Part)	27 March 2009 (Special awards)
Number of options granted	1,732,816	866,408	100,000
Share price at grant date	56.6p	56.5p	56.5p
Exercise price	0p	0p	0p
Risk free rate of interest	n/a%	2.2%pa	n/a
Expected volatility	n/a	50%pa	n/a
Expected term to exercise	n/a	3.5years	n/a
Value per option	56.50p	40p	56.5p

At 31 October 2009, options over 269,695 ordinary shares were outstanding under the Sharesave scheme.

In addition, 2,699,224 awards were granted under the Safestore 2009 Performance Share Plan on 27 March 2009. Of these 103,539 share option awards have lapsed and 2,595,685 awards remained unvested at the end of the accounting year. The outstanding share option awards represent 1.38% of the issued share capital of the Company.

Details of the awards outstanding under all of the Group's share schemes over the accounting years are set out below:

Date of grant	At 1 November 2007	Granted	Exercised/ vested	Forfeits	At 31 October 2008	Exercise price	Expiry date
Safestore Holdings plc Sharesave Scheme							
9/8/2007	211,079	–	–	118,784	92,295	147p	9/2/2011
9/8/2007	27,217	–	–	–	27,217	176.5p	9/2/2012
9/8/2007	150,369	–	–	114,727	35,642	147p	9/2/2013
14/8/2008	–	130,350	–	–	130,350	118.4p	14/2/2012
14/8/2008	–	136,955	–	–	136,955	118.4p	14/2/2014
	388,665	267,305	–	233,511	422,459		

Date of grant	At 1 November 2008	Granted	Exercised/ vested	Lapses	At 31 October 2009	Exercise price	Expiry date
Safestore Holdings plc Sharesave Scheme							
9/8/2007	92,295	–	–	48,591	43,704	147p	9/2/2011
9/8/2007	27,217	–	–	19,794	7,423	176.5p	9/2/2012
9/8/2007	35,642	–	–	8,019	27,623	147p	9/2/2013
14/8/2008	130,350	–	–	31,276	99,074	118.4p	14/2/2012
14/8/2008	136,955	–	–	45,084	91,871	118.4p	14/2/2014
	422,459		–	152,764	269,695		
Safestore 2009 Performance Share Plan							
27/3/2009	–	2,699,224	–	103,539	2,595,685	0.0p	27/3/2013
	–	2,699,224	–	103,539	2,595,685		

24 Retained earnings

	£'000
Balance at 1 November 2007	215,594
Profit for the year	12,513
Dividend payment (note 8)	(8,717)
Long term incentive plan share awards[1]	566
Own shares[1]	(7)
Balance at 1 November 2008	**219,949**
Loss for the year	(265)
Dividend payment (note 8)	(8,717)
Employee share options	613
Balance at 31 October 2009	**211,580**

Included within retained earnings are treasury shares with a nominal value of £6,397 (2008: £6,637).

1 The prior year comparatives for 'Long term incentive plan share awards' and 'Own shares' have been restated by £967,000 to reflect the cost of treasury share on issue. This has no effect on retained earnings at 1 November 2008.

25 Statement of changes in shareholders' equity

	Share capital £'000	Share premium £'000	Translation reserve £'000	Hedge reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 November 2007	1,871	28,410	152	1,916	215,594	247,943
Profit for the year	–	–	–	–	12,513	12,513
Dividends (note 8)	–	–	–	–	(8,717)	(8,717)
Exchange differences on translation of foreign operations	–	–	8,240	–	–	8,240
Long term incentive plan share awards[1]	10	–	–	–	566	576
Own shares[1]	–	–	–	–	(7)	(7)
Adjustment in respect of share issue	–	(61)	–	–	–	(61)
Cash flow hedge	–	–	–	(4,661)	–	(4,661)
Balance at 1 November 2008	**1,881**	**28,349**	**8,392**	**(2,745)**	**219,949**	**255,826**
Loss for the year	–	–	–	–	(265)	(265)
Dividends (note 8)	–	–	–	–	(8,717)	(8,717)
Exchange differences on translation of foreign operations	–	–	12,128	–	–	12,128
Employee share options	–	–	–	–	613	613
Recycling of balances in the translation reserve to finance income in the income statement (note 3)	–	–	(6,607)	–	–	(6,607)
Cash flow hedge	–	–	–	(4,383)	–	(4,383)
Balance at 31 October 2009	**1,881**	**28,349**	**13,913**	**(7,128)**	**211,580**	**248,595**

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

1 The prior year comparatives for 'Long term incentive plan share awards' and 'Own shares' have been restated by £967,000 to reflect the cost of treasury share on issue. This has no effect on retained earnings at 1 November 2008.

26 Cash flow from operating activities

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

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

27 Analysis of movement in net debt

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

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

28 Employees and directors

Staff costs (including Directors) for the Group during the year	2009 £'000	2008 £'000
Wages and salaries	**11,818**	11,665
Social security costs	**1,777**	1,783
Other pension costs	**373**	343
Share based payments	**613**	278
	14,581	14,069

During the period ended 31 October 2009 the Company's equity-settled share-based payment arrangements comprised the Safestore Holdings plc Sharesave Scheme and the Safestore 2009 Performance Share Plan. New awards were only granted under the Safestore 2009 Performance Share Plan during the year. The number of awards made under each scheme are detailed in note 23. No options have been modified since grant under any of the schemes.

Average monthly number of people (including executive directors) employed:	2009 Number	2008 Number
Sales	**420**	435
Administration	**66**	59
	486	494

Key management compensation	2009 £'000	2008 £'000
Wages and salaries	**2,185**	1,980
Social security costs	**351**	369
Post-employment benefits	**122**	155
Share based payments	**594**	–
	3,252	2,504

The key management figures given above include directors.

Directors	2009 £'000	2008 £'000
Aggregate emoluments	**948**	773
Company contributions paid to money purchase pension schemes	**69**	71
	1,017	844

There were two directors (2008: two) accruing benefits under a money purchase scheme.

Fees of £25,000 (2008: £25,000) were paid to Bridgepoint Capital Limited for the services provided during the year by Vincent Gwilliam and Alan Lewis.

Remuneration of highest paid director:	2009 £'000	2008 £'000
Aggregate emoluments	**444**	366
Company contributions paid to money purchase pension scheme	**41**	41
	485	407

29 Retirement benefit obligations

As part of the acquisition of Mentmore plc in June 2004, the acquired Group had a defined benefit scheme in the UK which offered both pensions in retirement and death benefits to members. The defined benefit scheme has had no active members since March 2004. From 1 April 2007, the Group ceased paying contributions to the Scheme and the Scheme commenced winding-up with effect from 1 November 2007.

Defined benefit scheme

A full actuarial valuation was carried out at 31 October 2009 by a qualified independent actuary. All liabilities were transferred to Legal & General in June 2008. The principal assumptions used by the actuary were (in absolute terms) as follows:

	2009	2008
Rate of increase in salaries	–	–
Rate of increase in pensions in payment	–	–
Discount rate	–	–
Inflation assumption	–	–

The assumptions used by the actuary are best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

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

	2009 £'000	2008 £'000
Present value of funded obligations	–	–
Fair value of plan assets	–	(90)
Unrecognised surplus	–	90
Net pension asset	–	–

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

	2009 %	2008 %
Bonds	–	100

The amounts recognised in the consolidated income statement are as follows:

	2009 £'000	2008 £'000
Interest cost	–	8
Expected return on plan assets	21	(15)
Settlements and curtailments	–	64
Total included within staff costs	21	57

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

	2009 £'000	2008 £'000
Present value of obligation, 1 November	**–**	329
Interest cost	**–**	8
Benefits paid	**–**	(392)
Actuarial gains recognised in the year	**–**	(9)
Settlements and curtailments	**–**	64
Present value of the obligation, 31 October	**–**	–

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

	2009 £'000	2008 £'000
Fair value of plan assets, 1 November	**90**	476
Expected return on plan assets	**(21)**	15
Contributions by employer	**(69)**	–
Benefits paid	**–**	(392)
Actuarial losses on plan assets	**–**	(9)
Fair value of plan assets, 31 October	**–**	90

Analysis of movement in the balance sheet	2009 £'000	2008 £'000
At 1 November	**–**	–
Total interest expense as above	**–**	(7)
Settlements and curtailments	**–**	64
Irrecoverable surplus	**–**	(57)
At 31 October	**–**	–

Cumulative actuarial gains and losses recognised in equity	2009 £'000	2008 £'000
At 1 November and 31 October	**–**	–

History of experience gains and losses	2009	2008	2007
Experience adjustment arising on scheme assets	–	(9)	(78)
Amount (£'000)			
% of plan assets	–	(10%)	(16%)
Experience adjustment arising on scheme liabilities	–	(9)	(38)
Amount (£'000)	–	N/A	(12%)
% of plan liabilities			
Present value of scheme liabilities (£'000)	–	–	(329)
Fair value of scheme assets (£'000)	–	90	476
Surplus (£'000)	–	90	147

30 Operating lease commitments - minimum lease payments

Total commitments under non-cancellable operating leases:

	Vehicles, plant and equipment 2009 £'000	Vehicles, plant and equipment 2008 £'000
Within one year	**19**	17
Later than one year and less than five years	**–**	–
After five years	**–**	–
	19	17

31 Contingent liabilities

As part of the Group banking, the Company has guaranteed the borrowings totalling £300.9 million (2008: £282.0 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.

32 Capital commitments

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

33 Related party transactions

The Group's shares are widely held with funds managed by Bridgepoint Capital (Nominees) Limited being the majority shareholder with a holding of 35% at 31 October 2009 (2008: 35%). The ultimate parent company of the Group is Safestore Holdings plc.

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

Bridgepoint Capital	2009 £'000	2008 £'000
Bridgepoint - director fees	**25**	25

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

	2009 £'000	2008 £'000
Trade payables	**2**	2

34 Parent company

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

We have audited the parent company financial statements of Safestore Holdings plc for the year ended 31 October 2009 which comprise the Parent Company Balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 42, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Sections 495 to 497 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2009;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the group financial statements of Safestore Holdings Plc for the year ended 31 October 2009.

Matthew Mullins (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Birmingham

29 January 2010

Company balance sheet as at 31 October 2009

	Note	Company 2009 £'000	2008 £'000
Fixed assets			
Tangible fixed assets	5	**63**	92
Fixed asset investments	6	**979**	979
		1,042	1,071
Current assets			
Debtors: amounts falling due within one year	7	**103**	142
Debtors: amounts falling due after more than one year	7	**41,956**	42,062
Cash at bank and in hand		**221**	16
		42,280	42,220
Creditors: amounts falling due within one year	8	**(631)**	(612)
Net current assets		**41,649**	41,608
Total assets less current liabilities		**42,691**	42,679
Net assets		**42,691**	42,679
Capital and reserves			
Called up share capital	9	**1,881**	1,881
Share premium account	10	**28,349**	28,349
Profit and loss reserve	10	**12,461**	12,449
Total shareholders' funds	11	**42,691**	42,679

The Company financial statements on pages 87 to 91 were approved by the Board of Directors on 29 January 2010 and signed on its behalf by:

RD Hodsden
Director

SW Williams
Director

1 Accounting policies and basis of preparation

The financial statements are prepared in accordance with applicable accounting standards in the UK and the Companies Act 2006. The particular accounting policies adopted are described below. The financial statements are prepared on a going concern basis under the historical cost convention.

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

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

Investments

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

Tangible fixed assets

Fixtures and fittings are stated at historic purchase cost less accumulated depreciation. Costs are all directly attributable costs in bringing the asset into working condition for its intended use. Depreciation has been charged at the rate of 15% per annum on a straight line basis.

Cash flow statement

The Company has taken advantage of the exemption given in FRS1 and has consequently not prepared a cash flow statement.

Deferred taxation

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

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

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

Share based payments

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

Profit and loss account

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

Dividends

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

2 Results of parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent Company is not presented as part of these financial statements. The parent Company's profit for the financial year amounted to £8,116,000 (2008: £19,465,000).

3 Directors' emoluments

The directors' emoluments are disclosed in note 28 of the Annual Report and Accounts of the Group.

4 Operating profit

The Company does not have any employees (2008: none). Auditors' remuneration for the year ended 31 October 2009 was £10,000 (2008: £10,000). There were no non-audit services (2008: none) provided by the auditors.

5 Tangible fixed assets – fixtures and fittings

	£'000
Cost	
As at 31 October 2008 and at 31 October 2009	**196**
Accumulated depreciation	
As at 1 November 2008	**104**
Charge for the year	**29**
At 31 October 2009	**133**
Net book amount	
At 31 October 2009	**63**
At 31 October 2008	**92**

6 Fixed asset investments

	£'000
Cost and net book value	
At 31 October 2008 and 31 October 2009	**979**

Investments in Group undertakings are stated at cost. The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. A list of principal subsidiary undertakings is given below. A full list of subsidiary undertakings at 31 October 2009 will be annexed to the Company's next annual return. The directors believe that the carrying value of the investments is supported by their underlying net assets.

6 Fixed asset investments (continued)

Interests in subsidiary undertakings:

The Company has the following wholly owned subsidiaries, unless stated otherwise:

Subsidiary	Country of incorporation	Principal activity	Proportion of ordinary shares held (%)	Note
Safestore Group Limited	England and Wales	Holding company	100	
Safestore Acquisition Limited	England and Wales	Holding company	100	1
Safestore Limited	England and Wales	Provision of self storage	100	2
Spaces Personal Storage Limited	England and Wales	Holding company	100	2
Mentmore Limited	England and Wales	Holding company	100	3
Safestore Properties Limited	England and Wales	Holding company	100	4
Une Pièce En Plus SAS	France	Provision of self storage	100	5
Access Storage Holdings (France) S.a.r.l	Luxembourg	Holding company	100	5

Note

1 Safestore Acquisition Limited is a 100% subsidiary of Safestore Group Limited.

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

3 Mentmore Limited is a 100% subsidiary of Safestore Acquisition Limited.

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

5 Une Pièce En Plus SAS and Access Storage Holdings (France) S.a.r.l are both 100% subsidiaries of Mentmore Limited.

7 Debtors

	2009 £'000	2008 £'000
		£'000
Debtors (including £41,956 (2008: £42,062) due after more than one year)	**42,059**	42,204

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

8 Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Trade payables	**53**	72
Other taxes and social security	**286**	286
Accruals and deferred income	**292**	254
	631	612

9 Called up share capital

	2009 £'000	2008 £'000
Authorised		
315,000,000 (2008: 300,000,000) ordinary shares of 1p each	**3,150**	3,000
Allotted and fully paid		
188,135,088 (2008: 188,135,088) ordinary shares of 1p	**1,881**	1,881
At 31 October	**1,881**	1,881

Ordinary shares

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

Following the passing of the resolution at the AGM on 26 March 2009, the authorised share capital was increased by £150,000 to £3,150,000 by the creation of 15,000,000 ordinary shares of 1p each. The revised authorised number of shares is 315,000,000.

For details of share options see note 23 in the Group Financial Statements.

10 Reserves

	Share premium account £'000	Profit and loss reserve £'000
At 1 November 2008	28,349	12,449
Profit for the year	–	8,116
Employee share options	–	613
Dividends paid	–	(8,717)
At 31 October 2009	**28,349**	**12,461**

For details of the dividend paid in the year see note 8 in the Group Financial Statements.

11 Reconciliation of movements in shareholders' funds

	2009 £'000	2008 £'000
Profit for the year	**8,116**	19,465
Dividends paid	**(8,717)**	(8,717)
Long term incentive plan share awards[1]	**–**	576
Employee share options	**613**	–
Own shares[1]	**–**	(7)
Adjustment in respect of share issue	**–**	(61)
At 1 November 2008/2007	**42,679**	31,423
At 31 October 2009/2008	**42,691**	42.679

1 The prior year comparatives for 'Long term incentive plan share awards' and 'Own shares' have been restated by £967,000 to reflect the cost of treasury share on issue. This has no effect on retained earnings at 1 November 2008.

12 Related party transactions

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

Board

Richard Grainger, Non-Executive Chairman

Richard Grainger joined the Board in February 2007 as a non-executive director and was appointed Chairman in March 2008. After graduating from Oxford University, Richard qualified as a chartered accountant at Price Waterhouse. He started at Hill Samuel Bank Limited in 1987 and subsequently joined Close Brothers Corporate Finance Limited ("CBCF") in 1996. In 2001, Richard was appointed Chief Executive of CBCF having previously run the Leisure and Retail team and founded Close Brothers Corporate Finance's Corporate Restructuring Group. He departed from CBCF as Chairman in June 2009 having also been a member of the Management Board of Close Brothers Group plc for six years. Richard is an Associate Member of the Institute of Chartered Accountants in England and Wales.

Stephen Williams, Chief Executive Officer

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

Richard Hodsden, Chief Financial Officer

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

Roger Carey, Non-Executive Director

Roger Carey joined the Board in February 2007 as a non-executive director. He was a director of Slough Estates plc from 1983 to 1996 and was chief executive of Saville Gordon Estates plc from 1997, leading a management buyout in 2002. The company, renamed Industrious, was subsequently sold to Brixton plc in 2005. Roger was a non-executive director of TR Property Unit Trust from 1993 to 2002, and Mapeley Ltd from 2005 to 2009. He is a Past President of the British Property Federation and a Fellow of The Royal Institution of Chartered Surveyors.

Adrian Martin, Non-Executive Director

Adrian Martin joined the Board in September 2008 as a non-executive director and Chairman of the Audit Committee. Adrian is a Fellow of the Institute of Chartered Accountants in England and Wales. He is currently a non-executive director of M&C Saatchi plc, Morgan Sindall plc, and Tenon Group plc. Since 2001, Adrian has been Hon. Treasurer of the Disasters Emergency Committee, the UK national charity that unites humanitarian agencies to provide emergency relief to major overseas disasters. He is also a consultant to the law firm Reynolds Porter Chamberlain LLP where he was previously chief executive. He worked at BDO Stoy Hayward for 30 years and was managing partner from 1991 to 2000. Adrian was a non-executive director of Carphone Warehouse Group plc for 8 years until July 2008.

Alan Lewis, Non-Executive Director

Alan Lewis joined the Board in June 2009 as a non-executive director. Other corporate positions include being an advisory partner at Bridgepoint Capital, a private equity provider and Non-Executive Chairman of both Leeds Bradford International Airport Limited and Porterbrook, a train leasing business. He is also on the board of National Friendly, a mutual society involved with medical insurance and savings plans. Alan is a graduate of Liverpool University and an MBA from Manchester Business School.

Keith Edelman, Non-Executive Director

Keith Edelman joined the Board in September 2009 as a non-executive director. He is currently Chairman of Metroracing Limited and NIRAH Holdings Limited and a Non-Executive Director of Beale Plc and Arnotts Limited. From 2000 to 2008, he was Managing Director of Arsenal Holdings Plc and was responsible for the £435 million development and operation of the Emirates Stadium and the £350million residential development at Highbury Square. Prior to this, he was the chief executive of Storehouse Plc, managing director of Carlton Communications Plc and corporate planning director of Ladbroke Plc. Keith was previously a non-executive director of Eurotunnel Plc and non-executive Chairman of Glenmorangie Public Limited Company.

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

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

SAFESTORE HOLDINGS PLC
NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of Safestore Holdings plc (the "**Company**") will be held at Brittanic House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT on 24 March 2010 at 12:00 noon for the following purposes:

ORDINARY BUSINESS

As ordinary business, to consider, and if thought fit, pass the following resolutions of which numbers 1 to 8 will be proposed as ordinary resolutions:

1. To receive the Company's annual accounts for the financial year ended 31 October 2009, together with the directors' report, the directors' remuneration report, and the auditors' report on those accounts and on the auditable part of the directors' remuneration report.

2. To re-appoint PricewaterhouseCoopers LLP as auditors to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which accounts are laid.

3. To authorise the directors to determine the auditors' remuneration.

4. To declare a final dividend for the year ended 31 October 2009 of 3.0 pence per ordinary share payable to shareholders on the register at the close of business on 5 March 2010.

5. To re-appoint Alan Lewis as a director of the Company in accordance with the Company's Articles of Association.

6. To re-appoint Keith Edelman as a director of the Company in accordance with the Company's Articles of Association.

7. To re-appoint Richard Grainger as a director of the Company in accordance with the Company's Articles of Association.

8. To approve the directors' remuneration report for the financial year ended 31 October 2009.

SPECIAL BUSINESS

As special business, to consider and, if thought fit, pass the following resolutions of which resolutions 9 and 10 will be proposed as ordinary resolutions and resolutions 11, 12 and 13 will be proposed as special resolutions.

Ordinary Resolutions

9. To authorise the Company and all companies that are its subsidiaries at any time during the period for which this resolution has effect for the purposes of section 366 of the Companies Act 2006 (the "**Act**") to:

   (a) make political donations to political parties or independent election candidates (as such terms are defined in sections 363 and 364 of the Act), not exceeding £100,000 in aggregate;

   (b) make political donations to political organisations other than political parties (as such terms are defined in sections 363 and 364 of the Act), not exceeding £100,000 in aggregate;

   (c) incur political expenditure (as such term is defined in section 365 of the Act), not exceeding £100,000 in aggregate, during the period beginning with the date of the passing of this resolution and ending at the conclusion of the Company's next Annual General Meeting after the date of the passing of this resolution provided that the maximum amounts referred to in (a), (b) and (c) may comprise sums in different currencies which shall be converted at such rate as the directors may in their absolute discretion determine to be appropriate.

10. THAT for the purposes of section 551 of the Act (and so that expressions used in this resolution shall bear the same meanings as in the said section 551):

10.1 the directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares and to grant such subscription and conversion rights as are contemplated by sections 551(1)(a) and (b) of the Act respectively up to a maximum nominal amount of £636,668 to such persons and at such times and on such terms as they think proper during the period expiring at the end of the next Annual General Meeting of the Company (unless previously revoked or varied by the Company in general meeting); and further

10.2 the directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot equity securities (as defined in section 560 of the Act) in connection with a rights issue in favour of the holders of equity securities and any other persons entitled to participate in such issue where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as maybe) to the respective number of equity securities held by them up to an aggregate nominal amount of £627,117 during the period expiring at the end of the Annual General Meeting of the Company after the passing of this resolution subject only to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and

10.3 the Company be and is hereby authorised to make prior to the expiry of such period any offer or agreement which would or might require such shares or rights to be allotted or granted after the expiry of the said period and the directors may allot such shares or grant such rights in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution;

so that all previous authorities of the directors pursuant to section 80 of the Companies Act 1985 be and are hereby revoked.

Special Resolutions

11. THAT, subject to the passing of resolution 10 set out in the Notice convening this Meeting, the directors be and are empowered in accordance with section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash, pursuant to the authority conferred on them to allot such shares or grant such rights by that resolution as if section 561(1) and sub-sections (1) - (6) of section 562 of the Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to:

11.1 the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities (but in the case of the authority granted under resolution 10.2 by way of a rights issue only) and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by or deemed to be held by them on the record date of such allotment, subject only to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and

11.2 the allotment (otherwise than pursuant to paragraph 11.1 above) of equity securities up to an aggregate nominal value not exceeding £94,067;

and this power, unless renewed, shall expire at the end of the next Annual General Meeting of the Company after the passing of this resolution but shall extend to the making, before such expiry, of an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

12. THAT the Articles of Association produced to the meeting and initialled by the chairman of the Meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the Articles of Association of the Company as deemed to be altered by virtue of section 28 of the Act.

13. THAT a general meeting of the Company other than an Annual General Meeting may be called on not less than 14 clear days' notice, provided that this authority expires at the conclusion of the Company's next Annual General Meeting after the date of the passing of this resolution.

By Order of The Board

S AHMED
Company Secretary

Dated: 19 February 2010

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

Notes to Notice

(i) A member entitled to attend and vote at the Meeting convened by the above Notice is entitled to appoint a proxy to exercise all or any of the rights of the member to attend and speak and vote on his behalf. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. The right to appoint a proxy does not apply to any person to whom this Notice is sent who is a person nominated under section 146 of the Act to enjoy information rights (a "**Nominated Person**").

(ii) To appoint a proxy you may:

(a) use the Form of Proxy enclosed with this Notice of Annual General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be received by post or (during normal business hours only) by hand at Capita Registrars PXS 34 Beckenham Road, Beckenham, Kent BR3 4TU at www.capitashareportal.com, in each case no later than 12 noon on 22 March 2010 or not later than 48 hours before the time fixed for any adjourned meeting; or

(b) if you hold your shares in uncertificated form, use the CREST electronic proxy appointment service as described in Notes (vi), (vii) and (viii) below.

Completion of the Form of Proxy or appointment of a proxy through CREST will not prevent a member from attending and voting in person.

You may submit your vote electronically at www.capitashareportal.com not later than 48 hours before the time fixed for the Annual General Meeting or adjourned meeting at which your proxy proposes to vote.

(iii) Any member or his proxy attending the Meeting has the right to ask any question at the Meeting relating to the business of the Meeting.

(iv) Pursuant to section 360B of the Act and Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only shareholders registered in the register of members of the Company as at 5.30p.m. on 22 March 2010 shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at such time. If the Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned Meeting is 12 noon on the day preceding the date fixed for the adjourned Meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

(v) In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

(vi) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.

(vii) In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with the specifications of Euroclear UK & Ireland Limited ("**Euroclear UK & Ireland**") and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

(viii) CREST members and, where applicable, their CREST sponsors and voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

(ix) The following documents are available for inspection at the registered office of the Company, Brittanic House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice until the conclusion of the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the Meeting:

(a) copies of the terms and conditions of appointment of the non-executive directors; and

(b) the existing Articles of Association of the Company and the prepared new Articles of Association of the Company;

(x) As at 18 February 2010 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 188,135,088 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 15 February 2010 are 188,135,088.

(xi) The information required to be published by s.311(A) of the Act (information about the contents of this Notice and numbers of shares in the Company and voting rights exercisable at the meeting and details of any members' statements, members' resolutions and members' items of business received after the date of this Notice) may be found at www.safestore.com.

(xii) Members representing 5% or more of the total voting rights of all the members or at least 100 persons (being either members who have a right to vote at the Meeting and hold shares on which there has been paid up an average sum, per member, of £100 or persons satisfying the requirements set out in s.153(2) of the Act) may require the Company, under s.527 of the Act to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.

(xiii) A Nominated Person may under an agreement between him/her and the member who nominated him/her, have a right to be appointed (or to have someone else appointed) as a proxy entitled to attend and speak and vote at the Meeting. Nominated Persons are advised to contact the member who nominated them for further information on this and the procedure for appointing any such proxy.

(xiv) If a Nominated Person does not have a right to be appointed, or to have someone else appointed, as a proxy for the Meeting, or does not wish to exercise such a right, he/she may still have the right under an agreement between himself/herself and the member who nominated him/her to give instructions to the member as to the exercise of voting rights at the Meeting. Such Nominated Persons are advised to contact the members who nominated them for further information on this.

Explanatory Notes to Resolutions

Resolutions 5, 6 and 7 – Re-election of Alan Lewis, Keith Edelman and Richard Grainger as directors (Ordinary Resolution)

Under the Company's Articles of Association, one-third of the directors who are subject to retire by rotation are obliged to retire from office at each Annual General Meeting. Roger Carey and Richard Grainger, whose biographical details are set out in the directors' biographies, will retire by rotation this year in accordance with the Articles of Association. Richard Grainger is proposed for re-election through a separate resolution numbered 7 above. Roger Carey does not wish to offer himself for re-election.

Alan Lewis and Keith Edelman, whose biographical details are set out in the directors' biographies, were appointed as non-executive directors of the Company on 30 June 2009 and 22 September 2009 respectively. In accordance with the Company's Articles of Association, they are proposed for re-election through the separate resolutions numbered 5 and 6 above.

Resolution 9 – Political donations and political expenditure (Ordinary Resolution)

Resolution 9 seeks to renew the authority granted at last year's Annual General Meeting for the Company to make political donations to political parties, to other political organisations and to independent election candidates or to incur political expenditure.

It is not the policy of the Company to make political donations of this type and the directors have no intention of changing that policy. However, as a result of the wide definitions in the Act of matters constituting political donations, normal expenditure (such as expenditure on organisations concerned with matters of public policy, law reform and representation of the business community) and business activities (such as communicating with the Government and political parties at local, national and European level) might be construed as political expenditure or as a donation to a political party or other political organisation and fall within the restrictions of the Act.

This resolution does not purport to authorise any particular donation or expenditure but is expressed in general terms as required by the Act and is intended to authorise normal donations and expenditure. If passed, resolution 9 would allow the Company and its subsidiaries:

(i) to make donations to political parties or independent election candidates up to an aggregate limit of £100,000;

(ii) to make donations to other political organisations up to an aggregate limit of £100,000; and

(iii) to incur political expenditure (as defined in the Act) up to an aggregate limit of £100,000,

during the period up to the conclusion of the next Annual General Meeting of the Company whilst avoiding inadvertent infringement of the statute. Any political donation made or political expenditure incurred which is in excess of £200 will be disclosed in the Company's Annual Report for next year, as required by the Act. The authority will not be used to make political donations within the normal meaning of that expression.

Resolution 10 – Director's authority to allot shares or grant subscription or conversion rights (Ordinary Resolution)
The resolution asks shareholders to grant the directors authority under section 551 of the Act to allot shares or grant such subscription or conversion rights as are contemplated by sections 551(1)(a) and (b) respectively of the Act up to a maximum aggregate nominal value of £1,263,785, being approximately 66% of the nominal value of the issued ordinary share capital of the Company as at 18 February 2010 plus the nominal value of outstanding options over shares in the Company. As at 18 February 2010, the Company did not hold any treasury shares. £627,117 of this authority is reserved for a fully pre-emptive rights issue. This is the maximum permitted amount under best practice corporate governance guidelines. The authority will expire at the next Annual General Meeting. The directors have no present intention of exercising such authority. The resolution replaces a similar resolution passed at the Annual General Meeting of the Company held on 26 March 2009

Resolution 11 – Disapplication of pre-emption rights (Special Resolution)
If the directors wish to allot unissued shares or other equity securities for cash, the Act requires that such shares or other equity securities are offered first to existing shareholders in proportion to their existing holding. Resolution 11 asks shareholders to grant the directors authority to allot equity securities or sell treasury shares for cash up to an aggregate nominal value of £94,067 (being 5% of the Company's issued ordinary share capital as at 18 February 2010) without first offering the securities to existing shareholders. The resolution also disapplies the statutory pre-emption provisions in connection with a rights issue, and allows the directors, in the case of a rights issue, to make appropriate arrangements in relation to fractional entitlements or other legal or practical problems which might arise. The authority will expire at the next Annual General Meeting. The resolution replaces a similar resolution passed at the Annual General Meeting of the Company held on 26 March 2009.

Resolution 12 – Adoption of new Articles of Association of the Company (Special Resolution)
It is proposed in resolution 12 to adopt new Articles of Association (the "**New Articles**") in order to update the Company's current Articles of Association (the "**Current Articles**") primarily to take account of the implementation on 1 October 2009 of the last parts of the Act and also the coming into force of The Companies (Shareholders' Rights) Regulations 2009. Generally, the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles with that used in the model articles for public companies set out in secondary legislation. In addition, the following changes have been made:

The Company's objects
Prior to 1 October 2009, the provisions regulating the operations of the Company were set out in the Company's memorandum and the Current Articles. The Company's memorandum contained, among other things, the objects clause which set out the scope of the activities the Company was authorised to undertake. This was drafted to give a wide scope.

The Act has significantly reduced the constitutional significance of a company's memorandum and provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Act for companies existing at 1 October 2009, the objects clause and all other provisions which were contained in a company's memorandum have, since that date, been deemed to be contained in that company's articles of association. However, a company can remove some of these provisions by special resolution.

The Act states that unless a company's articles of association provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause which, by virtue of the Act, is to be treated as forming part of the Current Articles. Resolution 12 confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statements imported from the Company's memorandum of association regarding limited liability and the location of the Company's registered office, the New Articles also contain express provisions reflecting these statements.

Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the Act are in the main to be removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution.

Change of name

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Act a company will be able to change its name by other means provided for by its articles of association. To take advantage of this provision, the New Articles enable the Directors to pass a resolution to change the Company's name.

Authorised share capital and unissued shares

The Act abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. The directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Act, save in respect of employee share schemes.

Redeemable shares

Under the Companies Act 1985 if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The Act enables directors to determine such matters instead provided they are so authorised by the articles of association. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way.

Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Under the Companies Act 1985 a company required specific enabling provisions in its articles of association to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the Act a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles of association to contain enabling provisions. Accordingly, the relevant enabling provisions have been removed in the New Articles.

Use of seals and execution of documents

Under the Companies Act 1985 a company required authority in its articles to have an official seal for use abroad. Under the Companies Act 2006 such authority will no longer be required. Accordingly, the relevant authorisation has been removed in the New Articles.

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a director and the secretary or two directors or such other person or persons as the directors may approve.

Suspension of registration of share transfers

The Current Articles permit the directors to suspend the registration of transfers. Under the Act share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the New Articles.

Vacation of office by directors

The Current Articles specify the circumstances in which a director must vacate office. The New Articles update these provisions to reflect the approach taken on mental and physical incapacity in the model articles for public companies set out in secondary legislation.

Voting by proxies on a show of hands

The Shareholders' Rights Regulations have amended the Act so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member, in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The New Articles reflect these changes.

Voting by corporate representatives

The Shareholders' Rights Regulations have amended the Act in order to enable multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and a poll. The New Articles contain provisions which reflect these amendments.

Adjournments for lack of quorum

Under the Act, as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The Current Articles have been changed to reflect this requirement.

Resolution 13 – Calling of general meetings (Special resolution)

Resolution 13 to be proposed at the Annual General Meeting seeks authority from shareholders to hold general meetings (other than Annual General Meetings) on 14 days' clear notice. This is permissible under the Existing Articles and the Act. However, pursuant to the EU Shareholders' Rights Directive and in accordance with published guidance from the Department of Business, Enterprise and Regulatory Reform, specific shareholder approval is required annually in order to retain this ability. The directors believe that there may be circumstances in which it will be important for the Company to be able to call meetings at such short notice. Accordingly, the directors believe that it is important for the Company to retain this flexibility.

Market purchases of ordinary shares in the capital of the Company

Because Bridgepoint Capital Limited holds approximately 35% of the issued ordinary shares of the Company, if the Company were to seek to renew the authority to make market purchases of ordinary shares granted at the 2009 Annual General Meeting, the Takeover Panel would require the Company to obtain a whitewash under Rule 9 of the City Code on Takeovers and Mergers. As the Company currently does not expect to make market purchases of ordinary shares in the capital of the Company, the board of directors does not intend to seek renewal of such authority at the Annual General Meeting. Should the position change, the Company will seek the necessary authority and seek a whitewash under Rule 9 of the City Code at the appropriate time.

Directors' recommendation

The directors consider that each of the resolutions being proposed at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole. Accordingly, the directors unanimously recommend that shareholders vote in favour of the resolutions as they intend to do in respect of their own beneficial shareholdings.

Safestore Holdings plc

PROXY FORM

safestore™ self storage

I/We, ______________________, of ______________________, being (a) member(s) of the above-named Company hereby appoint the Chairman of the Meeting or ____________________________ as my/our proxy to vote in my/our name(s) and on my/our behalf at the Annual General Meeting of the Company to be held on 24 March 2010, and at any adjournment thereof.

This form is to be used in respect of the resolutions mentioned below as follows:

Ordinary Resolutions	**for**	**against**	**vote withheld**
1. To receive the Company's annual accounts and reports for the year ended 31 October 2009	☐	☐	☐
2. To re-appoint the Company's auditors	☐	☐	☐
3. To authorise the directors to determine the auditors' remuneration	☐	☐	☐
4. To declare a final dividend for the year ended 31 October 2009	☐	☐	☐
5. To appoint Alan Lewis as a director of the Company	☐	☐	☐
6. To re-appoint Keith Edelman as a director of the Company	☐	☐	☐
7. To re-appoint Richard Grainger as a director of the Company	☐	☐	☐
8. To approve the directors' remuneration report for the year ended 31 October 2009	☐	☐	☐
9. To authorise the Company to make political donations and incur political expenditure	☐	☐	☐
10. To authorise the directors to allot relevant securities	☐	☐	☐
Special Resolutions			
11. To authorise the disapplication of pre-emption rights	☐	☐	☐
12. To adopt new articles of association	☐	☐	☐
13. To authorise general meetings other than annual general meetings to be called on not less than 14 clear days' notice	☐	☐	☐

Dated ______________________ Signed ______________________

Please return this Form of Proxy to Capita Registrars PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive by 12 noon on 22 March 2010. Alternatively, if you hold your shares in uncertificated form, you may appoint a proxy using the CREST electronic proxy appointment service, details of which are set out in notes vi, vii and viii to the Notice of Annual General Meeting. You may submit your proxy electronically at www.capitashareportal.com.

Notes

1. A member of the Company is entitled to appoint a proxy to exercise all or any of his or her rights to attend, speak and vote at a general meeting of the Company. A member of the Company may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares. To appoint more than one proxy, you should contact Capita Registrars at the address stated in the information included with this proxy form.
2. A member is entitled to appoint a proxy of his own choice. The Chairman of the meeting will act as proxy unless another proxy is chosen. If any other proxy is preferred please delete the words "the Chairman of the Meeting or" and insert the name of the proxy you wish to appoint and initial the alteration. A proxy need not be a member of the Company but must attend the Meeting in person.
3. In the case of an individual, this form of proxy should be signed by the appointer. In the case of a corporation, this form of proxy must be executed under its common seal or under the hand of an officer, attorney or other person duly authorised.
4. In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy in respect of the holding will be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names appear in the Register of Members in respect of the joint holding.
5. Please insert a cross ("X") in the appropriate box to indicate how you wish your vote to be cast in respect of each resolution. To abstain from voting on a resolution, select the relevant "vote withheld" box. A vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes for and against a resolution. In the absence of an indication as to how to vote, your proxy will exercise his or her discretion as to whether, and if so how, he or she votes.
6. The proxy will act in his/her discretion in relation to any business other than the above at the Meeting (including any resolution to amend a resolution or to adjourn the Meeting).
7. To be effective, the proxy form and any authority under which it is executed (or a notarially certified copy of such authority) must be deposited with Capita Registrars at Capita Registrars PXS 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time for holding the meeting. Completion and return of the proxy form will not prevent shareholders from attending and voting in person at the meeting.
8. Completion and return of this Form of Proxy will not prevent a member from attending and voting at the Annual General Meeting.
9. Any alteration or deletion must be signed or initialled.
10. Any electronic communication sent by a shareholder to the Company or Capita Registrars which is found to contain a computer virus will not be accepted.

Third Fold (Tuck in)

BUSINESS REPLY
Licence No. RSBH-UXKS-LRBC

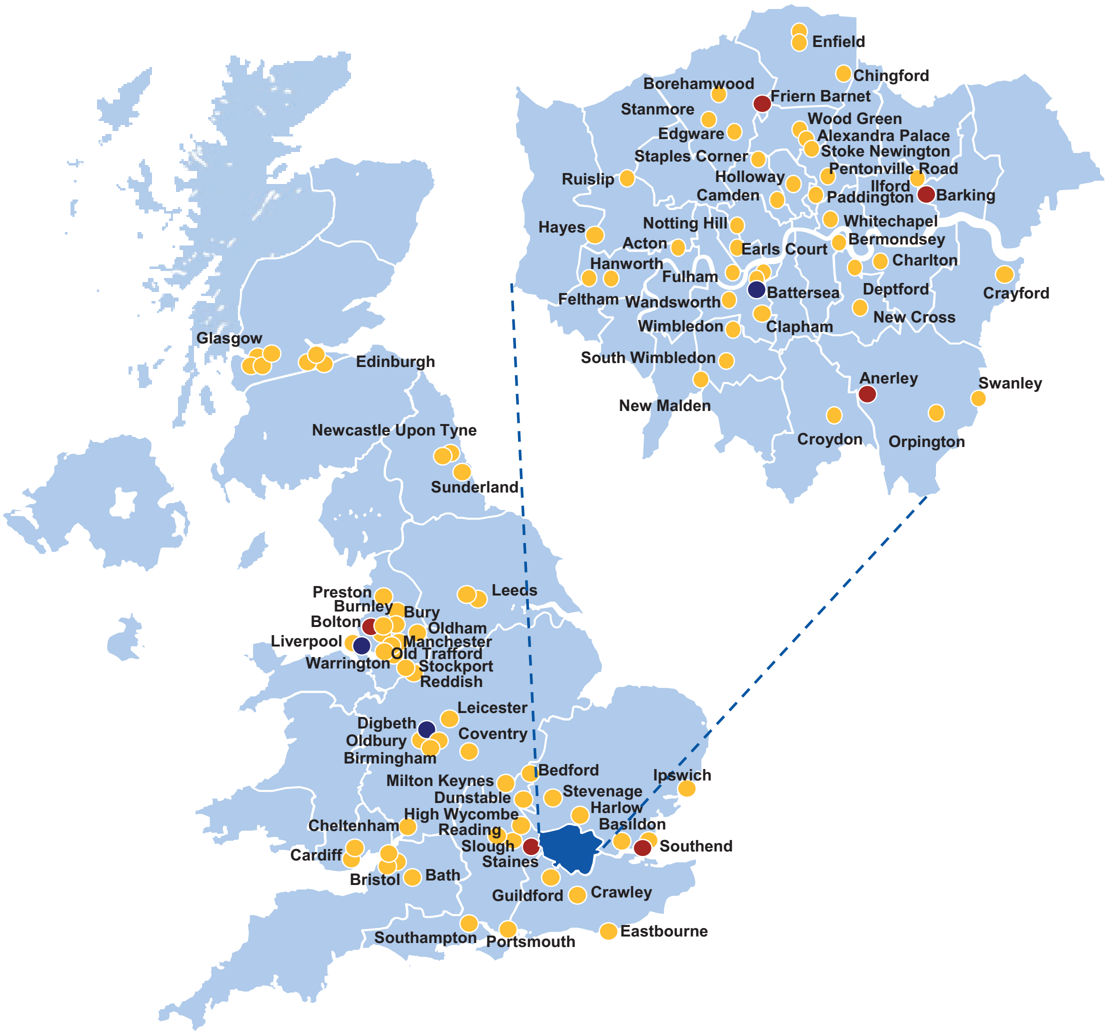
1

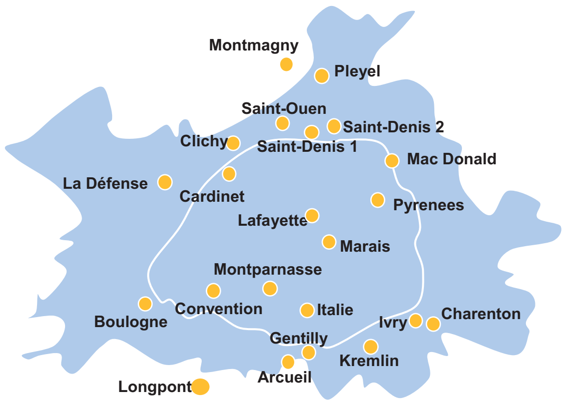
PXS
34 Beckenham Road
Beckenham
Kent
BR3 4TU

First FOLD

Second FOLD

Store locations





As at 31 October 2009:

- 114 Current stores
- 3 Current Business Centres
- 6 Expansion stores

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