14 January 2021

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

Results for the year ended 31 October 2020

A strong performance for the year demonstrating resilience of business model

Key measures

	Year Ended 31 October 2020	Year Ended 31 October 2019	Change	Change-CER[1]
Underlying and Operating Metrics- total				
Revenue	£162.3m	£151.8m	6.9%	7.0%
Underlying EBITDA[2]	£93.9m	£87.5m	7.3%	7.4%
Closing Occupancy (let sq ft- million)[3]	5.454	4.978	9.6%	n/a
Closing Occupancy (% of MLA)[4]	79.5%	77.0%	+2.5ppts	n/a
Average Storage Rate[5]	£26.44	£26.09	1.3%	1.4%
Adjusted Diluted EPRA Earnings per Share[6]	30.2p	28.5p	6.0%	n/a
Free Cash Flow[7]	£68.8m	£61.2m	12.4%	n/a
EPRA Basic NAV per Share[13]	£5.32	£4.52	17.7%	n/a
Underlying and Operating Metrics- like-for-like[8]				
Storage Revenue	£129.1m	£123.8m	4.3%	4.3%
Ancillary Revenues	£27.3m	£27.4m	-0.4%	-0.4%
Revenue	£156.4m	£151.2m	3.4%	3.4%
Underlying EBITDA[2]	£91.8m	£87.9m	4.4%	4.4%
Closing Occupancy (let sq ft- million)[3]	5.171	4.940	4.7%	n/a
Closing Occupancy (% of MLA)[4]	80.8%	77.6%	+3.2ppts	n/a
Average Occupancy (let sq ft- million)[3]	4.854	4.743	2.3%	n/a
Average Storage Rate[5]	£26.61	£26.10	2.0%	2.0%
Statutory Metrics				
Operating profit[9]	£212.2m	£163.7m	29.6%	n/a
Profit before tax[9]	£197.9m	£147.3m	34.4%	n/a
Diluted Earnings per Share	84.0p	62.6p	34.2%	n/a
Dividend per Share	18.6p	17.5p	6.3%	n/a
Cash inflow from operating activities	£75.7m	£66.6m	13.7%	n/a

Highlights

Covid-19

- Health, safety and wellbeing of our employees and customers of paramount importance
- UK government's Covid-19 related support schemes not accessed
- Stores operating normally with full observation of social distancing rules and protective personal equipment provided to employees

Robust Financial Performance

Despite the challenges of operating within the pandemic and the effects of various lockdowns, the business has performed robustly. Specifically, the highlights were:

- Group revenue for the year up 6.9% (up 7.0% in CER[1])

- Like-for-like[8] Group revenue for the year in CER[1] up 3.4%:
    - UK up 3.3%
    - Paris up 3.8%
- Underlying EBITDA[2] up 7.4% in CER[1] which, combined with an increased gain on investment properties of £126.5m (FY2019: £84.2m), resulted in statutory operating profit[9] of £212.2m (FY2019: £163.7m)
- Adjusted Diluted EPRA Earnings per Share[6] up 6.0% at 30.2 pence (FY2019: 28.5 pence). Diluted Earnings per Share was 84.0 pence (FY2019: 62.6 pence) largely due to the higher property valuation gain in FY2020
- 5.8% increase in the final dividend to 12.7 pence (FY2019: 12.0 pence) giving a total for the year of 18.6 pence (FY2019: 17.5 pence)

Operational Focus

- Continued balanced approach to revenue management and efficient marketing platform driving returns:
    - Like-for-like[8] closing occupancy of 80.8% up 3.2ppts on 2019 (FY2019: 77.6%)
    - Like-for-like[8] average occupancy for the year up 2.3%
    - Like-for-like[8] average storage rate[5] for the year up 2.0% in CER[1]
    - Total average storage rate[5] up 1.4% in CER[1] reflecting dilutive impact of new store openings
- New stores trading well and in line with business plans

Strategic Progress

- 125,000 sq ft of new MLA added in the UK with openings in London Carshalton, Gateshead and Sheffield
- Further new store openings scheduled at Paris-Magenta and Birmingham-Middleway in 2021
- Freehold interest of existing Basildon store acquired
- New 15-year lease signed on Notting Hill store
- Extensions of Bedford, Barking and Chingford stores, adding 37,000 sq ft
- Development sites London-Bermondsey and London-Park West Place acquired in the period
- Acquisition of Fort Box Self Storage (two London stores) on 5 November 2019 for £14.3m[10]
- On 30 December 2019 the Group entered the Spanish self storage market with the acquisition of OMB Self Storage SL trading as OhMyBox! (4 stores in Barcelona) for €17.25m[10]
- Joint venture[14] with Carlyle acquired Lokabox in Belgium (six prime locations in Brussels (2), Liege (2), Charleroi and Nivelles) in June 2020 and Opslag XL in the Netherlands (two freehold locations in The Hague and Hilversum, and one short leasehold in Amsterdam) in December 2020
- Continued development of Corporate and social responsibility ("CSR") agenda illustrated by a **GRESB "A" rating** to go alongside the EPRA Silver and Most Improved Awards for the 2019 disclosures

Strong and Flexible Balance Sheet

- Group loan-to-value ratio ("LTV"[11]) at 29% (31 October 2019: 31%) and interest cover ratio ("ICR"[12]) at 9.0x (31 October 2019: 8.9x)
- Unutilised bank facilities of £148m at October 2020 and no borrowings to refinance before June 2023
- 16.8% increase in property valuation (including investment properties under construction) driven by the acquisitions of Fort Box and OhMyBox! ("OMB") in Spain[10], new stores, revisions to exit cap rates, stabilised occupancy assumptions and FX.

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

"Through much of the year, the Covid-19 pandemic has presented unprecedented challenges and I would like to thank our staff for the tremendous effort and commitment demonstrated over recent months, allowing the business to react positively to the Covid-19 crisis. As we navigate through the current Covid-19 restrictions, I am confident that the business will continue to respond well to the challenge.

Despite the pandemic, the Group's business model demonstrated its resilience resulting in another strong performance for the year. All geographies have performed well and the UK business has shown particularly pleasing momentum, growing like-for-like occupancy by 4.2ppts to 81.0% at the end of the year.

The Group has also made significant strategic progress during the year successfully expanding into three new countries in the last 18 months. After last year's acquisition of M3 in the Netherlands, through our joint venture14 with Carlyle, the Group entered the Spanish market with the acquisition of four stores in Barcelona early in the year[10]. This was followed by entry into the Belgian market with the acquisition of six stores, also through our joint venture with Carlyle. All new geographies are currently performing ahead of their business plans. The acquisition of Fort Box[10] brought another two London stores into the portfolio and, further to our successful openings this year in Carshalton, Gateshead and Sheffield, we plan to open new stores in Birmingham-Middleway and Paris Magenta during the 2020/21 financial year.

We believe the resilient characteristics of the self storage industry, together with our leading market positions across the UK and Paris, place the business in a strong position to withstand the economic uncertainty arising from Covid-19. Safestore's increasing scale allows us to invest in our digital marketing platforms and service proposition, and this remains a key competitive advantage in a fragmented industry.

Our efficient balance sheet remains strong, with a low cost of debt, £148m of available bank facilities, significant covenant headroom and no imminent refinancing required. This financing capacity, combined with the strong free cash generation of the business, allows us to continue to target selected development and acquisition opportunities.

"Since 2013, we have added 19.5ppts of occupancy to the 113 stores still in the Group today, which now have an occupancy of 82.6% (an average increase of 2.8ppts per annum). Over that period the same stores have grown average rate by 13.6% (a CAGR of 1.8% per annum).

Despite ending the year with record levels of occupancy, the business still has 1.4m square feet of currently unlet space in our existing fully invested estate, representing a significant organic growth opportunity. Our leading market positions in the UK and Paris, in addition to our presence in Spain and, through our joint venture, in Netherlands and Belgium, combined with our balance sheet strength and resilient business model, leave us well positioned for the future.

Pleasingly, the strong performance of the final quarter has continued into the first two months of the new financial year. Whilst acknowledging the potential for disruption arising from current Covid restrictions, the inherent resilience of our business model as well as our recent and current trading allow me to look forward with confidence to the 2020/21 financial year."

Notes

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

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

2 – Underlying EBITDA is defined as Operating Profit before exceptional items, share-based payments, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties, variable lease payments, depreciation payments and the share of associate's depreciation, interest and tax. Underlying EBITDA therefore excludes all leasehold rent charges. Underlying profit before tax is defined as underlying EBITDA less leasehold rent, depreciation charged on property, plant and equipment and net finance charges relating to bank loans and cash.

3 – Occupancy excludes offices but includes bulk tenancy. As at 31 October 2020, closing occupancy includes 14,000 sq ft of bulk tenancy (31 October 2019: 14,000 sq ft).

4 – MLA is Maximum Lettable Area. At 31 October 2020, Group MLA was 6.86m sq ft (FY2019: 6.47m sq ft).

5 – Average Storage Rate is calculated as the revenue generated from self storage revenues divided by the average square footage occupied during the period in question.

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

7 – Free cash flow is defined as cash flow before investing and financing activities but after leasehold rent payments.

8 – Like-for-like adjustments have been made to remove the impact of the acquisition of Valencia, Calabria, Glories and Marina in Barcelona, the acquisition of Chelsea and St John's Wood in London, the 2020 openings of Carshalton, Sheffield and Gateshead, the 2019 acquisition of Heathrow, and the 2019 openings of Peterborough, Birmingham-Merry Hill and Pontoise.

9 – Operating profit increased by £48.5m to £212.2m (FY2019: £163.7m) principally as a result of an increase in the gain on Investment properties of £42.3m to £126.5m (FY2019: £84.2m), as well as an increase of £6.4m or 7.3% in Underlying EBITDA as a result of stronger trading performance. Profit before tax additionally included an increase in the fair value of derivatives of £0.2m (FY2019: net loss £2.1m).

10 – The consideration paid for OMB on 30 December 2019 was £14.3m net of cash acquired plus costs of approximately £0.3m and for Fort Box Self Storage on 5 November 2019 was £13.6m plus costs of approximately £0.7m, both net of cash acquired and both are subject to customary working capital adjustment.

11 – LTV ratio is Loan-to-Value ratio, which is defined as gross debt (excluding lease liabilities) as a proportion of the valuation of investment properties and investment properties under construction (excluding lease liabilities).

12 – ICR is interest cover ratio, and is calculated as the ratio of underlying EBITDA after leasehold rent to underlying finance charges.

13 – EPRA basic NAV per share is an industry standard measure recommended by EPRA. The basis of calculation is set out in the "Earnings per share" note to the financial statements.

14 – The joint venture with Carlyle, which represents a 20% investment, has been accounted for as an associate using the equity method of accounting, as described in the "Investment in associates" note to the financial statements.

Summary

Despite the impact of the Covid-19 pandemic, the Group has delivered a strong performance in 2020.

In 2020, the Group delivered 6.0% growth in Adjusted Diluted EPRA earnings per share largely driven by organic growth. Total Group revenue increased by 6.9% (7.0% CER[1]) with a strong performance in the UK (+5.8%) and continued strength in Paris (+4.8%). In addition, the newly acquired Spanish business contributed £2.2m of revenue. On a like-for-like[8] basis in CER[1], Group revenue increased by 3.4% with the UK up 3.3% and Paris up 3.8%. The Group's like-for-like[8] closing occupancy increased by 3.2 percentage points ("ppts") to a record 80.8% with the like-for-like average storage rate[5] up 2.0% at CER[1].

Prior to the spring 2020 Covid-19 lockdown, the Group was trading very strongly. It recovered over the summer as lockdowns were relaxed and again performed strongly in the fourth quarter. Excellent enquiry generation and conversion, driven by our digital marketing platform and our ongoing commitment to investing in and supporting our staff, has resulted in like-for-like[8] closing occupancy in the UK growing by 4.2ppts to 81.0%. Growth in occupancy across the UK has been healthy with the UK regions and London and the South East all performing well.

In the UK, we completed the acquisition of Fort Box (two London stores in St John's Wood and Chelsea) in November 2019 for £14.3m[10] including costs. In addition, three new stores in London-Carshalton, Gateshead and Sheffield were opened in the period.

In Paris, our performance has also been strong with like-for-like[8] revenue growing by 3.8% driven by a like-for-like growth in average storage rate of 3.0% combined with a like-for-like average occupancy growth of 1.0%. Like-for-like[8] closing occupancy ended the year at 80.1% (FY2019: 80.7%). This is the 22nd consecutive year of revenue growth in Paris with average growth over the last six years of approximately 5%.

In June 2020, the Group's joint venture[14] with Carlyle acquired Lokabox in Belgium which has six stores in Brussels, Liege, Charleroi and Nivelles. The Group earns management fees and a 20% share of the profits of the joint venture[14] which are immediately accretive to earnings.

On 30 December 2019, the Group acquired OMB for €17.25m, an implied first year net operating income yield of 5.2%. OMB had four leasehold stores in Barcelona and the option to acquire the freehold of one of the stores was exercised in September 2020. The business has been trading in line with its business case.

Group underlying EBITDA[2] of £93.9m increased by 7.4% at CER[1] on the prior year. The Group's EBITDA[2] performance, combined with modest increases in leasehold rent and finance costs, resulted in a 6.0% increase in Adjusted Diluted EPRA EPS[6] in the period to 30.2 pence (FY2019: 28.5 pence). Statutory operating profit increased by £48.5m to £212.2m (FY2019: £163.7m) principally as a result of an increase in the gain on investment properties of £42.3m to £126.5m (FY2019: £84.2m), along with an increase of £6.4m or 7.3% in Underlying EBITDA[2] as a result of stronger trading performance.

Our property portfolio valuation, including investment properties under construction, increased in the year by 16.8%, driven by the acquisitions of Fort Box[10] and OMB in Spain[10], new stores, revisions to exit cap rates, stabilised occupancy assumptions and FX. After exchange rate movements, the portfolio valuation increased to £1,571.5m with the UK portfolio up £134.1m to a total UK value of £1,146.9m and the French portfolio increasing by €61.8m to €447.9m.

Reflecting the Group's strong trading performance, the Board is pleased to recommend a 5.8% increase in the final dividend to 12.7 pence per share (FY2019: 12.0 pence) resulting in a full year dividend up 6.3% to 18.6 pence per share (FY2019: 17.5 pence). Over the last seven years, the Group has grown the dividend by 223% or 12.85 pence per share.

Outlook

Covid-19 continues to create uncertainty but we believe that the performance of the business through the crisis to date demonstrates the business model's resilience and we anticipate that the Group is in a good position to withstand any ongoing challenges presented by the crisis.

In the last five financial years, Safestore has strengthened its market-leading positions in the UK and Paris with the acquisitions of Space Maker, Alligator, Fort Box and our store at Heathrow, as well as opening fifteen new stores and establishing a short term pipeline of a further five new stores. In addition, the Group has entered new markets in Spain together with Belgium and the Netherlands through our joint venture with Carlyle. Excluding the joint venture, there is 1.4m sq ft of fully invested unlet space available, offering significant operational upside in the existing portfolio. We remain focused on further optimising the Group's operational performance whilst our balance sheet strength and flexibility provide us with the opportunity to consider further selective development and acquisition opportunities in our key markets.

The strong performance of the final quarter of 2019/20 has continued into the new financial year with like-for-like Group revenue (CER[1]) up 6.4% for the first two months. Although current Covid restrictions have the potential for disruption, the aforementioned inherent resilience of our business model, combined with encouraging current trading, means that we look forward to the 2020/21 financial year with confidence.

Enquiries

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A conference call for analysts will be held at 09:30am today.

For dial-in details of the presentation please contact:

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Notes to Editors:

- Safestore is the UK's largest self storage group with 159 stores at 31 October 2020, comprising 127 wholly owned stores in the UK (including 71 in London and the South East with the remainder in key metropolitan areas such as Manchester, Birmingham, Glasgow, Edinburgh, Liverpool, Sheffield, Leeds, Newcastle and Bristol) and 28 wholly owned stores in the Paris region and recently acquired 4 stores in Barcelona. In addition, the Group operates 6 stores in the Netherlands and 6 stores in Belgium under a joint venture agreement with Carlyle.

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

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

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

- The Group provides storage to around 75,000 personal and business customers.

- As at 31 October 2020, Safestore had a maximum lettable area ("MLA") of 6.862 million sq ft (excluding the expansion pipeline stores, and the Carlyle Joint Venture) of which 5.454 million sq ft was occupied.

- Safestore employs around 660 people in the UK, Paris and Barcelona.

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Chairman's Statement

Covid-19

A large part of the last year has involved dealing with the unprecedented challenges presented by the Covid-19 pandemic. Our priority throughout the crisis has been, and will continue to be, the safety and wellbeing of our staff and customers. The Group has taken measures to make our stores and Head Office Covid-secure, equipping them with Perspex screens, visors, face masks, hand sanitiser and ensuring social distancing measures are implemented.

After a year in the role, I continue to be impressed by the passion, enthusiasm and knowledge of the store and Head Office teams. In addition, the last year has demonstrated a commitment and resilience that has enabled the continued operation of the stores throughout the crisis and which has delivered such a robust set of results.

I would like to take this opportunity to thank all my colleagues throughout the Group for their exceptional contributions this year.

Financial and Strategic Progress

The challenges of the last year have demonstrated the resilience of the business model at Safestore and I am delighted to announce, on behalf of the Board of the Group, a strong set of results for the year ended 31 October 2020.

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

Over the past year the Group has continued to make strategic progress. The Group has now opened fifteen stores over the last five years and all are performing well. Fort Box Self Storage and OMB in Barcelona, acquired in November 2019 and December 2019 respectively, have been fully integrated into the business and we currently have two additional new sites opening over the next twelve months.

Management's first priority remains to maximise the economic return on our existing store portfolio and its 1.4m sq ft of fully invested unlet space, building on the operational improvements made over the previous six years.

Our joint venture[14] with Carlyle and our OMB acquisition in Barcelona provide us with exciting platforms for entering into new attractive geographies. Lokabox in Belgium, acquired by the joint venture[14] with Carlyle, is performing strongly and complements the joint venture's previous acquisition of M3 in the Netherlands. Safestore's highly scalable platform will allow us to take advantage of further opportunities in due course.

Corporate and social responsibility ("CSR") remains important to Safestore's business processes and operations. Our CSR agenda developed significantly in the year and is covered in the "Sustainability" section of our Annual Report. I believe the Group has made significant progress in this area, illustrated by a **GRESB "A" rating** to go alongside the EPRA Silver and Most Improved Awards for the 2019 disclosures.

This year's performance comes on the back of a sustained period of excellent performance by the company. Over the last seven years, the management and store teams have delivered a Total Shareholder Return of 661.3%, ranking at number one in the property sector. Since flotation in 2007, Safestore has also delivered the highest Total Shareholder Return of any UK listed self storage operator.

Financial Results

Revenue for the year was £162.3m, 6.9% ahead of last year (FY2019: £151.8m), or 7.0% ahead on a constant currency basis. Like-for-like[8] revenue was up 3.4% in constant currency. This result was driven by a good performance in the UK which grew like-for-like[8] revenue by 3.3%, combined with another strong performance by Une Pièce en Plus, our Parisian business, which grew like-for-like[8] revenue by 3.8%.

Underlying EBITDA[2] increased by 7.4% to £94.0m (FY2019: £87.5m) on a constant currency basis. Underlying EBITDA[2] after rental costs increased by 6.4% to £81.1m (FY2019: £76.2m).

Operating profit increased by £48.5m from £163.7m in 2019 to £212.2m in 2020, reflecting a higher investment property gain in 2020, combined with an increase in underlying EBITDA[2].

Adjusted Diluted EPRA earnings per share[6] grew by 6.0% to 30.2 pence (FY2019: 28.5 pence). Adjusted Diluted EPRA earnings per share[6] has grown by 19.5 pence or 182% over the last seven years. Statutory diluted earnings per share increased to 84.0 pence (FY2019: 62.6 pence) as a result of the increase in Adjusted Diluted EPRA earnings per share[6] combined with an increased gain on valuation of investment properties.

Capital Structure

The Group's balance sheet remains robust with a Group LTV[11] ratio of 29% (FY2019: 30%) and an ICR[12] of 9.0x (FY2019: 8.9x). This represents a level of gearing we consider appropriate for the business to enable the Group to increase returns on equity, maintain financial flexibility and achieve our medium term strategic objectives.

Dividend

Reflecting the Group's strong trading performance, the Board is pleased to recommend a 5.8% increase in the final dividend to 12.7 pence per share (FY2019: 12.0 pence per share) resulting in an increase of 6.3% in the total dividend to 18.6 pence per share for the year (FY2019: 17.5 pence per share). The total dividend for the year is covered 1.62 times by Adjusted EPRA diluted earnings (1.63 times in 2019). The Group's dividend has increased by 223% in the last seven years, during which period the Group has returned to shareholders a total of 95.1 pence per share. Shareholders will be asked to approve the dividend at the Company's Annual General Meeting on 17 March 2021 and, if approved, the final dividend will be payable on 8 April 2021 to Shareholders on the register at close of business on 5 March 2021.

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

David Hearn
13 January 2021

Covid-19

At Safestore, the health and wellbeing of our customers and colleagues is our absolute priority. Throughout the various stages of the pandemic, we implemented strict safeguarding measures across our portfolio, in line with government guidance in each geography, to maintain social distancing and ensure we can operate safely, protect our staff, and allow necessary access for our customers.

All our stores in the UK, Paris, Barcelona and the Netherlands remained open or accessible during the first lockdowns but the reception areas were closed, the staffing and opening hours were reduced and we removed the provision of services that involve person-to-person contact. Access to our stores is largely automated and, in general, the premises have relatively low footfall. We supported our employees with alternative means of transport to work where public transport continues to be a challenge.

The process for new enquiries remained unchanged with customers able to enquire via our website or phone, and we adjusted the new let process so that contracts were concluded electronically. In addition, we intensified the daily cleaning levels of our stores, especially commonly touched areas.

Safestore paid all our employees' salaries throughout the crisis and did not access any of the UK government's support measures.

In line with UK government guidance relating to storage and points of delivery facilities, our UK stores remained open as they provide important support to small business customers and companies engaged in key supply chains including healthcare, food industry suppliers and infrastructure support such as electrical and mechanical repair providers.

As lockdowns were gradually relaxed across our geographies in early Summer 2020, operational processes reverted to more normal practices. Employees were provided with personal protective equipment ("PPE") and adhered to the social distancing rules required in each geography.

During the second phase of restrictions and lockdowns, stores remained open in all geographies with all reception areas adapted to become Covid-secure environments with Perspex screens, personal protective equipment and hand sanitiser provided whilst ensuring social distancing measures were maintained. It is planned that this approach will continue in the current third UK lockdown.

While Covid-19 continues to create uncertainty, we are monitoring developments daily to ensure we adhere to government advice in each of our geographies and continue to ensure the safety of our staff and customers.

Operational action taken across the Group in relation to Covid-19

Throughout the Covid-19 pandemic the safety of our colleagues and our customers has been paramount.

We have carefully considered the mental and financial wellbeing of our colleagues across all geographies at this time:

- All colleagues have received full salaries, even where their hours have been reduced.
- All operational colleagues who worked through the initial twelve-12 week lockdown have received a recognition bonus.
- All colleagues who have been identified as vulnerable and are unable to work due to a requirement to "shield" have been fully supported by Safestore continuing to offer full pay throughout the twelve-week shielding period.

In February 2020, we established a Covid Action Group consisting of eight key leaders across all geographies, meeting regularly to discuss updated government advice and agree internal actions, prioritising the safety of our colleagues, including:

- Regular communication to colleagues of support and hygiene measures;

- Supply of hand sanitiser gels and antibacterial spray to all sites from February 2020;
- Temporary closure of the Head Office site with all Head Office colleagues working from home;
- Temporary closure of store reception areas to minimise customer contact and reduction of colleagues in store to one per site;
- Covid-19 risk assessments in all stores;
- Further enhanced cleaning schedules of high touch areas;
- Additional stocks of PPE for every store, including masks, visors, gloves and hand sanitizer;
- Installation of protective screens and 2 metre social distancing floor markers and signage for all stores across the estate;
- Provision of disposable gloves for customer use;
- Introduction of electronic customer contracts and contact-free payment methods;
- Continuing to encourage home working where possible for Head Office employees; and
- Covid-19 risk assessment of the Head Office site to identify appropriate measures required to facilitate a safe reopening. In line with Government recommendations, we introduced a flexible controlled approach to office based working, including implementation of screens and social distancing protocols being put in place with the Covid Action Group continuing to meet on a regular basis to review these guidelines.

Our Strategy

The Group's proven strategy has evolved over the last year with the creation of our joint venture[14] with Carlyle and our acquisition of OMB[10] in Barcelona, but otherwise remains largely unchanged. We believe that the Group has a well-located asset base, management expertise, infrastructure, scale and balance sheet strength and, as we look forward, we consider that the Group has the potential to further increase its earnings per share and dividends by:

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

Optimisation of Existing Portfolio

With the opening of fifteen new stores since August 2016, and the acquisitions of 31 stores through the purchases of Space Maker in July 2016, Alligator in November 2017, our Heathrow store, Fort Box in London and OMB in Barcelona in 2019, we have established and strengthened our market-leading portfolio in the UK and Paris and have entered the Spanish market. We have a high quality, fully invested estate in all geographies and, of our 159 stores as at 31 October 2020, 99 are in London and the South East of England or in Paris with 56 in the other major UK cities and four in Barcelona. We now operate 48 stores within the M25 which represents a higher number of stores than any other competitor.

Our MLA[4] has increased to 6.86m sq ft at 31 October 2020 (FY2019: 6.47m sq ft) and has grown by 35% since 2013. At the current occupancy level of 79.5% we have 1.4m sq ft of unoccupied space, of which 1.1m sq ft is in our UK stores and 0.3m sq ft is in Paris and Spain. In total this unlet space is the equivalent of c.35 empty stores located across the estate and provides the Company with significant opportunity to grow further. This available space is fully invested and the related operating costs are essentially fixed and already included in the Group cost base. Our continued focus will be on ensuring that we drive occupancy to utilise this capacity at carefully managed rates. Between the full financial years 2013 and 2020, like-for-like[8] occupancy has increased from 63.1% to 82.6%, i.e. an average of 2.8ppts per year.

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

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

Digital Marketing Expertise

Awareness of self storage remains relatively low with 52% (FY2019: 52%) of the UK population either knowing very little or nothing about self storage (source: 2020 SSA Annual Report). In the UK, many of our new customers are using self storage for the first time. It is largely a brand blind purchase. Typically, customers requiring storage start their journey by conducting online research using generic keywords in their locality (e.g. “storage in Borehamwood”, “self storage near me”) which means that geographic coverage and search engine prominence remain key competitive advantages.

We believe there is a clear benefit of scale in the generation of customer enquiries. The Group has continued to invest in its consumer website as well as in-house expertise which has resulted in the development of a leading digital marketing platform that has generated over 35% enquiry growth for the Group over the last five years. Our increasing in-house expertise and significant annual budget have enabled us to deliver strong results.

The Group’s online strength came to the fore during the Covid-19 lockdowns. Online enquiries rose to 88% of our enquiries in the UK (FY2019: 83%) and 79% in France (FY2019: 75%). Approximately 60% of our online enquiries in the UK now originate from a mobile device (excluding tablets), compared to c.55% last year, highlighting the need for continual investment in our responsive web platform for a “mobile-first” world. We continue to invest in activities that promote a strong search engine presence to grow enquiry volume whilst managing efficiency in terms of overall cost per enquiry.

During the year, the Group further developed and successfully executed its ability to integrate newly developed and acquired stores into its marketing platform. The Group acquired two stores in London during the financial year (Chelsea and St John’s Wood in November 2019) and the stores were successfully integrated onto Safestore systems within weeks of completion. Newly developed stores at Peterborough, Birmingham-Merry Hill, London-Carshalton, Sheffield and Gateshead in the UK have made strong starts in terms of enquiry generation. The Group has also commenced the integration of OMB (Spain, acquired January 2020) onto the Safestore platform with uplifts seen in both enquiry generation and marketing efficiency despite the impact of the pandemic. Safestore was also appointed to provide management services to the joint venture14 created to acquire M3 Self Storage in the Netherlands and Lokabox in Belgium. These services include the implementation of the full Safestore marketing platform (including use of the brand). Both businesses are now fully operational on the Safestore platform and physical rebranding of the properties is underway.

In 2020, Safestore UK won the Feefo Platinum Trusted Service award given to businesses who have achieved Gold standard for three consecutive years. It is an independent mark of excellence that recognises businesses for delivering exceptional experiences, as rated by real customers. In addition to using Feefo, Safestore invites customers to leave a review on a number of review platforms, including Google and Trustpilot. This way, wherever customers look for trust and reputational signals about Safestore, they will see an impartial view of our excellent customer satisfaction. In France, Une Pièce en Plus uses Trustpilot to obtain independent customer reviews. In 2020, 93% of customers rated their service experience as “Excellent” or “Great” resulting in a TrustScore of 4.6 out of 5. In Spain, OMB collects customer feedback via Google reviews and has maintained a score of at least 4.8 out of 5.

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

In what is still a relatively immature and poorly understood product, customer service and selling skills at the point of sale remain essential in earning the trust of the customer and in driving the appropriate balance of volumes and unit price in order to optimise revenue growth in each store.

The impact of the Covid-19 pandemic has been fast moving and uncertain but our teams created and implemented our plans quickly. The health, safety and wellbeing of our colleagues and customers is of paramount importance and all sites were operated in accordance with UK government guidelines in providing a Covid-secure workplace. We consulted our colleagues about managing risks associated with Covid-19, which included collaborating with them about key decisions we made during this time. The decision was taken not to access the UK government’s Covid-19 related support schemes including the job retention scheme. Our colleagues received their full salary entitlement, irrespective of whether they were working reduced hours or were unable to work because they were self-isolating.

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

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

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

The training and development of our store and customer-facing colleagues is an essential part of our daily routines. Due to the restrictions created by the Covid-19 pandemic, our learning and development portfolio was predominantly delivered online via our Learning Management System and use of digital platforms. This allowed us the flexibility to continue with high-quality delivery of our core sales and development modules without the need to meet face to face. This Learning Management System also provides the opportunity for team members to receive rigorously enforced health and safety, fire and compliance training, ensuring that our colleagues are up to date in relation to their technical knowledge and continue to operate a safe environment for both our colleagues and customers. These tools, systems and resources have allowed us to effectively communicate changes quickly and manage compliance robustly. The onset of a national lockdown in March 2020 did not stop the continued development and training of our colleagues. Our training, developmental, welfare and compliance training modules can all be remotely accessed. Along with our online-learning portal and the adaptation of our face-to-face training programmes into a video-linked Microsoft Teams format, we delivered a continuous seamless learning experience for all of our colleagues. Whilst overall training hours were reduced compared to 2019, in excess of 20,000 hours were still delivered.

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

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

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

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

February 2019 saw the launch of our "Make The Difference" forum" when 14 of our colleagues were voted to be the "People Champions" and attend our people's forum.

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

People Champions:

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

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

Central Revenue Management and Cost Control

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

Average rates are predominantly influenced by:

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

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

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

Strong and Flexible Capital Structure

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

At 31 October 2020, based on the current level of borrowings and interest swap rates, the Group's weighted average cost of debt was 2.13% and 82% of our debt facilities are at fixed rate or hedged. The weighted average maturity of the Group's drawn debt is 5.1 years at the current period end and the Group's LTV ratio is 29% as at 31 October 2020.

This LTV and interest cover ratio of 9.0x for the rolling twelve-month period ended 31 October 2020 provide us with significant headroom compared to our banking covenants. We had £148m of undrawn bank facilities at 31 October 2020.

During the first half of the year, the Group took out average rate FX forward contracts to hedge the majority of the Group's exposure to the translation of Euro denominated earnings for the next three years. The value of the contracts were €6.5m for the second half of the 2020 financial year, €14.5m and €16m for the 2021 and 2022 financial years respectively and €8.5m for the first half of the 2023 financial year. This has the effect of fixing the rate at which Euro earnings are translated to the rate of €1.0751 to £1, up to the value of the contract.

Taking into account the improvements we have made in the performance of the business and the reduction in underlying finance charges of c.£9.3m over the last seven years, the Group is capable of generating free cash after dividends sufficient to fund the building of two to three new stores per annum depending on location and availability of land.

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

Portfolio Management

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

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

Since 2016, the Group has opened 15 new stores: Chiswick, Wandsworth, Mitcham, Paddington Marble Arch, Carshalton (all in London), Birmingham-Central, Birmingham-Merry Hill, Altrincham, Peterborough, Gateshead and Sheffield in the UK, and Emerainville, Combs-la-Ville, Poissy and Pontoise in Paris, adding 762,000 sq ft. of MLA.

We have also completed the extensions and refurbishments of our Acton, Barking, Bedford, Chingford and Longpont (Paris) stores adding a net 65,000 sq ft of fully invested space to the estate. All of these stores are performing in line with or ahead of their business plans.

New Stores

In the second half of 2018, we obtained planning for and completed the acquisition of a site in Carshalton in South London. This 40,000 sq ft freehold store opened in the first quarter of 2020.

In August 2019, we acquired a long leasehold 1.6-acre site with an existing building in Gateshead, North East England. The lease has 130 years remaining. Planning permission was obtained to convert the building into a 42,000 sq ft store and the store opened ahead of schedule in March 2020.

In September 2019, we acquired a freehold 1.5-acre site with an existing warehouse in Sheffield. The site is located in an accessible and prominent position on the northern side of the inner ring road (A61) which is close to the city centre in a densely populated catchment area. The Group was close to finalising the conversion of the existing building into a 47,000 sq ft store when the UK Covid-19 lockdown commenced. As a result, construction was paused but subsequently recommenced and the store opened in June 2020, a delay of two months.

In July 2020, the Group completed the acquisition of a freehold 2.17-acre site including an existing warehouse in Birmingham. The site is located on the southern side of the inner A4540 ring road. It is anticipated that the existing warehouse will be converted to a 58,500 sq ft storage facility. Planning permission has now been granted and we anticipate opening the new store in the second quarter of 2021 and intend to relocate our existing Digbeth store (MLA 44,500 sq ft) to the new site.

The Group has also acquired two additional sites in the UK in London at Morden and Bermondsey. Morden is a freehold 0.9-acre site in an established industrial location. Planning permission for a 52,000 sq ft self storage facility has now been granted and we are considering the appropriate time to commence construction on this site. Bermondsey is a 0.5-acre freehold site with income from existing tenants and is adjacent to our existing leasehold store. Our medium term aim, subject to planning permission, is to extend our existing Bermondsey operations with the addition of a new self storage facility to complement our existing store.

In November 2020, the Group acquired a long leasehold (84 years) site in London at Park West Place. The site is 150 metres from our Paddington Marble Arch store and is currently operating as a car park. The existing tenants will remain for 24 months after which the site will be converted into a 13,000 sq ft MLA self storage facility. The store will operate as a satellite to our Paddington Marble Arch store resulting in operating cost efficiencies.

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

In April 2018, we agreed a lease on a site at Magenta in central Paris. Planning permission has been granted for a 50,000 sq ft store and construction had commenced prior to the Covid-19 lockdown. During the lockdown construction was temporarily paused but has now recommenced and we anticipate the store opening in early 2021, a delay of around two months.

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

Lease Extensions and Assignments

As part of our ongoing asset management programme, we have now extended the leases on 22 stores or 63% of our leased store portfolio in the UK since 2012 and our average lease length remaining now stands at 12.5 years as compared to 13.1 years at FY2019.

In the period, we signed a new 15-year lease on our Notting Hill store in London expiring in March 2035. A three-month rent-free period was granted as part of the new lease.

Existing Store Extensions and Refurbishments

During the period, three store extensions, at Bedford, Barking and Chingford, have been completed.

Bedford has an existing MLA of 35,300 sq ft and occupancy peaked at 94% in 2018. An additional storage building on land already in our ownership adjacent to the existing store was completed in June 2020 providing additional MLA of 26,000 sq ft.

Barking currently has an MLA of 47,900 sq ft and its occupancy also peaked at 94% in 2018. The extension, which was completed in August 2020, has added another 5,000 sq ft of MLA.

Chingford had an existing MLA of 42,500 sq ft freehold store which was at 85% in November 2020. We have now added an additional 5,800 sq ft of MLA to this store. The existing store remained open throughout construction.

In September 2020 the Group received planning permission to extend its Southend store by 8,600 sq ft. The existing store has an MLA of 49,400 sq ft and was 86% occupied at the end of September 2020. It is anticipated that the extension will be open in the second calendar quarter of 2021 and that there will be minimal impact on day-to-day operations of the store during construction.

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

Freehold Acquisition- Basildon

In July 2020 the Group acquired the freehold interest in its Basildon store for £4.95m. The store had just over six years remaining on its lease and a rent review was due in September 2021. The store has an MLA of 41,600 sq ft and is currently 73% occupied. The annual rent on the store was £210,000.

Acquisitions

Fort Box

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

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

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

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

The Group has rebranded the stores and, since acquiring the business, the stores have been trading in line with expectations.

OhMyBox!

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

OMB operated four very well located leasehold properties in the centre of Barcelona with an average unexpired lease term of 16 years and one option to purchase the freehold interest. The company was 30% owned by the current management, which remains with the business, and 70% by a Spanish family office. The portfolio consists of four locations (Valencia, Calabria, Glories and Marina) with an MLA totalling 104,000 sq ft. The occupancy of the business, at the end of April 2020, was 89%.

The aforementioned option was exercised in September 2020. In addition, a further 3,000 sq ft of MLA and a number of car parking spaces were acquired over and above the parameters of the original option. The total investment was €5.8m.

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

At acquisition, pro forma first-year EBITDA after rent was anticipated to be €0.9m on turnover of €2.5m. The business is trading in line with these expectations. At the consideration price, the OMB portfolio has an implied first year net operating income yield of c.5.2% and was immediately accretive to earnings.

Joint Venture[14] with Carlyle and Investment in Lokabox

In June 2020, the Group's joint venture with Carlyle, established in August 2019, acquired the six-store portfolio of Lokabox. Safestore's equity investment in the joint venture, relating to Lokabox, was c.€2.8m funded from the Group's existing resources. Safestore also earns a fee for providing management services to the joint venture. The Group expects to earn an initial return on investment of 12% before transaction related costs for the first full year reflecting its share of expected joint venture profits and fees for management services.

Lokabox has six prime locations in Brussels (2), Liege (2), Charleroi and Nivelles. All six stores are freehold, with the two Brussels stores having opened in the last nine months. The business had 20,600 sq metres (222,000 sq ft) of MLA and an occupancy of 63%. This acquisition complements the six stores in Amsterdam and Haarlem in the Netherlands acquired in August 2019.

The Belgian self storage market is the seventh largest in Europe with 90 stores and 2.2m sq ft of MLA. This represents 0.19 sq ft per head of population, which compares to 0.73 sq ft per head in the UK, 0.20 sq ft per head in France and 9.44 sq ft per head in the USA.

The Group's investment in the joint venture was immediately accretive to Group earnings per share from completion.

Whilst our investments in the Netherlands, Belgium and Spain represent interesting long-term growth opportunities, the investment in the three businesses currently represents less than 2% of Group assets.

Joint Venture[14] with Carlyle- Investment in Opslag XL

In December 2020, the Group's joint venture with Carlyle acquired the three-store portfolio of Opslag XL in the Netherlands. Safestore's equity investment in the joint venture, relating to Opslag XL, was c.€0.9m funded from the Group's existing resources. Safestore also earns a fee for providing management services to the joint venture. Safestore expects to earn an initial return on investment of 12% before transaction related costs for the first full year reflecting its share of expected joint venture profits and fees for management services.

Opslag XL has three locations in The Hague, Hilversum and Amsterdam. The Hague and Hilversum are freehold; the Amsterdam store is a short leasehold (December 2021). The business had 7,000 sq metres (75,000 sq ft) of MLA and an occupancy of 58%. This acquisition complements the six stores in Amsterdam and Haarlem in the Netherlands acquired in August 2019. In total the joint venture will own stores with 53,300 sq metres (574,000 sq ft) of MLA.

The Group's further investment in the joint venture is expected to be immediately accretive to Group earnings per share from completion and will support the Group's future dividend capacity.

Our joint venture provides an earnings-accretive opportunity to gain detailed operational exposure to new markets while carefully managing the investment risk. The Group's leading digital platform has already delivered substantial marketing benefits both in terms of costs and volume of enquiries. The operational integration has been completed in an efficient manner, leveraging the skills and capacities of our existing Head Offices in the UK and Paris.

Our local property development team also enables us to further our understanding of local property markets, which will allow the Group to allocate equity investment efficiently with a risk/reward profile similar to that of our historical core markets.

Portfolio Summary

The self storage market has been growing consistently for over 20 years across many European countries but few regions offer the unique characteristic of London and Paris, both of which consist of large, wealthy and densely populated markets. In the London region, the population is 13 million inhabitants with a density of 5,200 inhabitants per square mile in the region, 11,000 per square mile in central London and up to 32,000 per square mile in the densest boroughs.

The population of the Paris urban area is 10.7 million inhabitants with a density of 9,300 inhabitants per square mile in the urban area but 54,000 per square mile in the City of Paris and first belt, where 69% of our French stores are located and which has one of the highest population densities in the western world. 85% of the Paris region population live in central parts of the city versus the rest of the urban area, which compares with 60% in the London region. There are currently c.245 storage centres within the M25 as compared to only c.95 in the Paris urban area.

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

Our combined operations in London and Paris, with 76 stores, contributing £93.9m of revenue and £64.3m of Store EBITDA, offer a unique exposure to the two most attractive European self storage markets.

Owned Store Portfolio by Region	**London & South East**	**Rest of UK**	**UK Total**	**Paris**	**Spain**	**Group Total**
Number of Stores	71	56	127	28	4	159
Let Square Feet (m sq ft)	2.24	2.08	4.32	1.03	0.10	5.45
Maximum Lettable Area (m sq ft)	2.77	2.67	5.44	1.31	0.11	6.86
Average Let Square Feet per store (k sq ft)	32	37	34	37	24	34
Average Store Capacity (k sq ft)	39	48	43	47	27	43
Closing Occupancy %	80.9%	77.9%	79.4%	78.8%	90.0%	79.5%
Average Rate (£ per sq ft)	29.44	18.66	24.37	34.91	26.70	26.44
Revenue (£'m)	76.8	44.5	121.3	38.8	2.2	162.3
Average Revenue per Store (£'m)	1.08	0.79	0.96	1.39	0.55	1.02

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

We have a strong position in both the UK and Paris markets operating 127 stores in the UK, 71 of which are in London and the South East, and 28 stores in Paris.

In the UK, 63% of our revenue is generated by our stores in London and the South East. On average, our stores in London and the South East are smaller than in the rest of the UK but the rental rates achieved are materially higher, enabling these stores to typically achieve similar or better margins than the larger stores. In London, we operate 48 stores within the M25, more than any other competitor.

In France, we have a leading position in the heart of the affluent City of Paris market with eight stores branded as Une Pièce en Plus ("UPP") ("a spare room"). 58% of the UPP stores are located in a cluster within a five-mile radius of the city centre, which facilitates strong operational and marketing synergies as well as options to differentiate and channel customers to the right store subject to their preference for convenience or price affordability. The Parisian market has attractive socio-demographic characteristics for self storage and we believe that UPP enjoys unique strategic strength in such an attractive market.

Together, as at 31 October 2020 London, the South East and Paris represent, 62% of our stores, 71% of our revenues, as well as 57% of our available capacity.

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

Our portfolio of four stores in Barcelona, along with the experienced local management team, gives the Group a profitable platform for expansion into attractive urban conurbations in Spain.

Market

The SSA stated in its 2020 report, issued in May 2020, that the self storage industry "had a generally positive outlook" prior to the Covid-19 pandemic arriving in Europe. However, it also reported that most operators were seeing reductions in enquiry levels of between 30% and 50% in the early weeks of the lockdown. Looking forward, the report points out that previous downturns have presented opportunities for self storage and speculates that increased working from home and online retailing as well as a potentially greater tendency for home improvements may complement the already broad range of demand drivers.

In November 2020, the SSA gave an update as to how the self storage industry had reacted to the pandemic in which it highlighted the diversity of the customer base of the self storage industry, the Covid-secure measures taken by industry participants and the fact that trading performance across the industry had, in general, been resilient.

The self storage market in the UK and France remains relatively immature compared to geographies such as the USA and Australia. The Self Storage Association ("SSA") Annual Survey (May 2020) confirmed that self storage capacity stands at 0.73 sq ft per head of population in the UK and 0.20 sq ft per capita in France. Whilst the Paris market density is greater than France, we estimate it to be significantly lower than the UK at around 0.36 sq ft per inhabitant. This compares with 9.44 sq ft per inhabitant in the USA and 1.89 sq ft in Australia. In the UK, in order to reach the US density of supply, it would require the addition of around another 17,000 stores as compared to c.1,400 currently. In the Paris region, it would require around 2,400 new facilities versus c.95 currently opened.

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

The volume of new store openings increased in 2017 and 2018. In 2018, the SSA reported 70 stores as having been opened across the industry in 2017. However, our own analysis of these openings shows that many were container-based operators and only c.30 of the sites represent self storage sites that are comparable with Safestore's own portfolio. In the 2019 SSA Survey, it was estimated that c.40 traditional self storage stores were opened in 2018 (excluding container storage) with less than half competing directly with Safestore. The 2020 report does not give indications of the level of openings in 2019 but own estimates are that also around 40 were opened in the period.

The 40 comparable sites represent around 2.9% of the traditional self storage industry in the UK. These figures represent gross openings and do not take into account storage facilities closing or being converted for alternative uses. We estimate that around 25% of these sites compete with existing Safestore stores.

The SSA 2020 Survey also reported that operators' expectations in terms of new store openings and site acquisitions remained relatively consistent with previous years. For 2020, operators are estimating the completion of around 44 developments and around 48 in 2021. Traditionally, operators have opened or acquired far fewer stores than originally estimated. Based on these estimates, and adjusting for historical inaccuracy, we estimate that around 20-25 stores per annum will be developed over the coming years. If that supply is not within a relatively narrow radius of a Safestore store, it does not represent a competitive threat.

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

The supply in the UK market, according to the SSA Survey, remains relatively fragmented despite a number of acquisitions in the sector in the last four years. The SSA's estimates of the scale of the UK industry are finessed each year and changes from one year to the next represent improved data rather than new supply. In the 2020 report the SSA estimates that 1,900 self storage facilities exist in the UK market including around 563 container-based operations. Safestore is the industry leader by number of stores with 126 wholly owned sites followed by Big Yellow with 75 wholly owned stores (103 including Armadillo), Access with 58 stores, Lok'n Store with 34 stores, Shurgard with 31 stores and Storage King with 28 stores. In aggregate, the top ten leading operators account for 23% of the UK store portfolio. The remaining c.1,459 self storage outlets (including 563 container-based operations) are independently owned in small chains or single units. In total there are 972 storage brands operating in the UK.

Safestore's French business, UPP, is mainly present in the core wealthier and more densely populated inner Paris and first belt areas, whereas our two main competitors, Shurgard and Homebox, have a greater presence in the outskirts and second belt of Paris.

Consumer awareness of self storage is increasing but remains relatively low, providing an opportunity for future industry growth. The SSA survey indicated that 52% (52% in 2019) of consumers either knew nothing about the service offered by self storage operators or had not heard of self storage at all. Over the last seven years this statistic has only fallen 12ppts from 64%. Therefore, the opportunity to grow awareness, combined with limited new industry supply, makes for an attractive industry backdrop.

Self storage is a brand-blind product. 64% of respondents were unable to name a self storage business in their local area (FY2019: 57%). The lack of relevance of brand in the process of purchasing a self storage product emphasises the need for operators to have a strong online presence. This requirement for a strong online presence was also reiterated by the SSA Survey where 73% of those surveyed (67% in 2014) confirmed that an internet search would be their chosen means of finding a self storage unit to contact, whilst knowledge of a physical location of a store as reason for enquiry was only c.26% of respondents (c.25% in 2014).

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

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

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

Business and Personal Customers	UK	Paris
Personal Customers		
Numbers (% of total)	76%	84%
Square feet occupied (% of total)	57%	69%
Average Length of Stay (months)	19.8	27.7
Business Customers		
Numbers (% of total)	24%	16%
Square feet occupied (% of total)	43%	31%
Average Length of Stay (months)	29.9	34.7

Safestore's customer base is resilient and diverse and consists of around 75,000 domestic, business and National Accounts customers across London, Paris and the UK regions.

Business Model

The Group operates in a market with relatively low consumer awareness. It is anticipated that this will increase over time as the industry matures. To date, despite the financial crisis in 2007/08 and the implementation of VAT on self storage in 2012, the industry has been exceptionally resilient. In the context of uncertain economic conditions, driven by the Covid-19 pandemic and Brexit, the industry remains well positioned with limited new supply coming into the self storage market.

With more stores inside London's M25 than any other operator and a strong position in central Paris, Safestore has leading positions in the two most important and demographically favourable markets in Europe. In addition, our regional presence in the UK is unsurpassed and contributes to the success of our industry-leading National Accounts business. In the UK, Safestore is the leading operator by number of wholly owned stores. With 86% of customers travelling for less than 30 minutes to their storage facility (2020 SSA Survey) Safestore's national store footprint represents a competitive advantage.

The Group's capital-efficient portfolio of 159 wholly owned stores in the UK, Paris and Barcelona consists of a mix of freehold and leasehold stores. In order to grow the business and secure the best locations for our facilities we have maintained a flexible approach to leasehold and freehold developments.

Currently, around a third of our stores in the UK are leaseholds with an average remaining lease length at 30 October 2020 of 12.5 years (FY2019: 13.1 years). Although our property valuation for leaseholds is conservatively based on future cash flows until the next contractual lease renewal date, Safestore has a demonstrable track record of successfully re-gearing leases several years before renewal whilst at the same time achieving concessions from landlords.

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

In Paris, where 39% of stores are leaseholds, our leases typically benefit from the well-enshrined Commercial Lease statute that provides that tenants own the commercial property of the premises and that they are entitled to renew their lease at a rent that is indexed to the National Construction Index published by the state. Taking into account this context, the valuer values the French leaseholds based on an indefinite property tenure, similar to freeholds but at a significantly higher exit cap rate.

The Group believes there is an opportunity to leverage its highly scalable marketing and operational expertise in new geographies outside the UK and Paris. During 2019, a joint venture[14] was established with Carlyle, which acquired the M3 Self Storage business in the Netherlands which has six stores in Amsterdam and Haarlem. In June 2020, the joint venture[14] added the Lokabox business, a portfolio of six stores in Brussels (2), Liege (2), Charleroi and Nivelles. In December 2020, the joint venture[14] acquired the Opslag XL portfolio adding a further three stores in Amsterdam, The Hague and Hilversum. The Group earns a management fee and a share of the profits of the joint venture[14]. It is anticipated that the joint venture[14] will investigate further opportunities in due course.

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

Safestore excels in the generation of customer enquiries which are received through a variety of channels including the internet, telephone and "walk-ins". In the early days of the industry, local directories and store visibility were key drivers of enquiries. However, the internet is now by far the dominant channel, accounting for 88% (2019: 83%) of our enquiries in the UK and 79% (2019: 75%) in France. This dynamic is a clear benefit to the leading national operators that possess the budget and the management skills necessary to invest in leading digital platforms and generate a commanding presence in the major search engines and Safestore has developed a digital marketing platform that has generated 35% enquiry growth over the last five years.

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

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

Customer service standards are high and customer satisfaction feedback is consistently very positive. We have achieved over 96% customer satisfaction, based on "excellent" or "good" ratings as collected by Feefo via our customer website.

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

We remain focused on business as well as domestic customers. Our national network means that we are uniquely placed to further grow the business customer market and in particular National Accounts. Business customers in the UK now constitute 43% of our total space let and have an average length of stay of 30 months. Within our business customer category, our National Accounts business represents around 507k sq ft of occupied space (around 12% of the UK's occupancy). Approximately two-thirds of the space occupied by National Accounts customers is outside London, demonstrating the importance and quality of our well invested national estate.

The business now has in excess of c.75,000 business and domestic customers with an average length of stay of 31 months and 22 months respectively.

The cost base of the business is relatively fixed. Each store typically employs three staff. Our Group Head Office comprises business support functions such as Yield-Management, Property, Marketing, HR, IT and Finance.

Since the completion of the rebalancing of our capital structure in early 2014, the subsequent amendment and extension of our banking facilities in summer 2015, the refinancing of all facilities in May 2017 and the issuance of a further £125m of US Private Placement Notes in 2019, Safestore has secure financing, a strong balance sheet and significant covenant headroom. This provides the Group with financial flexibility and the ability to grow organically and via carefully selected new development or acquisition opportunities.

At 31 October 2020 we had 1.1m sq ft of unoccupied space in the UK and 0.3m sq ft in France, equivalent to c.35 full new stores. Our main focus is on filling the spare capacity in our stores at optimally yield-managed rates. The operational leverage of our business model will ensure that the bulk of the incremental revenue converts to profit given the relatively fixed nature of our cost base.

Trading Performance

UK – a robust performance

UK Operating Performance- total	2020	2019	Change
Revenue (£'m)	121.3	114.7	5.8%
Underlying EBITDA (£'m)[2]	67.2	64.1	4.8%
Underlying EBITDA (after leasehold costs) (£'m)	59.6	57.4	3.8%
Closing Occupancy (let sq ft - million)[3]	4.325	3.963	9.1%
Maximum Lettable Area (MLA)[4]	5.44	5.16	5.4%
Closing Occupancy (% of MLA)	79.4%	76.9%	+2.5ppts
Average Storage Rate (£)[5]	24.37	23.93	1.8%

UK Operating Performance- like-for-like[8]	2020	2019	Change
Storage Revenue (£'m)	94.1	90.1	4.4%
Ancillary Revenues (£'m)	23.9	24.1	-0.8%
Revenue (£'m)	118.0	114.2	3.3%
Underlying EBITDA (£'m)[2]	66.8	64.4	3.7%
Closing Occupancy (let sq ft- million)[3]	4.172	3.934	6.0%
Closing Occupancy (% of MLA)	81.0%	76.8%	+4.2ppts
Average Occupancy (let sq ft- million)[3]	3.863	3.762	2.7%
Average Storage Rate (£)[5]	24.37	23.94	1.8%

The UK's revenue performance was robust in the year with the business growing total revenue by 5.8% and like-for-like[8] revenue by 3.3%. Performance was consistently strong in Regional UK with like-for-like[8] revenue up 2.8% as well as London and the South East where like-for-like[8] revenue was up 3.6%.

Prior to the UK's first lockdown in March 2020, like-for-like revenue growth was very strong. As a result of the lockdown this subsequently slowed but over Q3 and Q4 trading strengthened again and the business finished the year strongly with October 2020 like-for-like storage revenues up 7.7% compared to October 2019.

Ancillary revenues were impacted by the March 2020 lockdown but have been recovering in the subsequent period. Like-for-like ancillary revenues were down just 0.6% in October 2020 compared to October 2019.

Over the year, the business added occupancy of 238,000 sq ft on a like-for-like[8] basis (FY2019: 211,000 sq ft). This included a record fourth quarter performance in which 228,000 sq ft of occupancy was added (Q4 2019: 5,000 sq ft). As a result, like-for-like[8] closing occupancy, at 81.0%, increased by 4.2ppts compared to the prior year.

Like-for-like[8] average rate in the UK improved by 1.8% over the course of the year.

Total revenue grew by 5.8% for the full year. This includes the newly acquired Fort Box portfolio, management revenue from our joint venture[14] businesses, new store openings in London-Carshalton, Gateshead and Sheffield and the annualisation of 2019 new store openings or acquisitions in Peterborough, Birmingham-Merry Hill and London-Heathrow. New stores, in the initial period after opening, are dilutive to occupancy and rate. However, all new stores are trading in line or ahead of our business plans.

During the Covid-19 lockdown in March to July of this year, our stores stayed open with fewer staff and with reception areas closed. Since the first lockdown ended all stores were made Covid-secure with social distancing measures in place, Perspex screens and hand sanitiser in reception areas and staff wearing personal protective equipment. Stores are all currently open and reception areas operational under the aforementioned Covid-secure procedures.

Since the March 2020 lockdown, revenue collections have been largely unaffected by the Covid-19 pandemic. For the final quarter, 98.1% of revenues were collected within 30 days of the period end (FY2019: 97.8%). Since the end of the financial year, the positive collections trend has continued with 97.9% of November revenue collected within 30 days of the period end (FY20: 97.4%) and 79.1% of December revenues collected within the period (FY20: 73.4%).

We remain focused on our cost base. During the year, our UK cost base, on a like-for-like[8] basis, increased by 2.8% or £1.4m. Our total reported UK cost base grew by £3.5m or 6.9% reflecting the acquisition of our Fort Box portfolio and the cost bases relating to newly and recently opened stores.

As a result, underlying EBITDA[2] for the UK business was £67.2m (FY2019: £64.1m), an increase of £3.1m or 4.8%.

For the two months to December 2020 trading has been strong. Like-for-like occupancy was up 6.7ppts at 80.5% (December 2019: 73.9%) and like-for-like average rate was up 0.2% which resulted in a 7.8% increase in like-for-like revenue. Total revenue for the two month period was up 10.5%.

Paris – a good year representing the 22nd consecutive year of revenue growth

Paris Operating Performance- total	**2020**	**2019**	**Change**
Revenue (€'m)	44.1	42.1	4.8%
Underlying EBITDA (€'m)[2]	28.5	26.5	7.5%
Underlying EBITDA (after leasehold costs) (€'m)	23.2	21.3	8.9%
Closing Occupancy (let sq ft - million)[3]	1.034	1.015	1.9%
Maximum Lettable Area (MLA)[4]	1.31	1.31	-%
Closing Occupancy (% of MLA)	78.8%	77.4%	+1.9ppts
Average Storage Rate (€)[5]	39.64	38.93	1.8%
Revenue (£'m)	38.8	37.1	4.3%

Paris Operating Performance- like-for-like[8]	**2020**	**2019**	**Change**
Storage Revenue (€'m)	39.78	38.22	4.1%
Ancillary Revenues (€'m)	3.76	3.74	0.5%
Revenue (€'m)	43.54	41.96	3.8%
Underlying EBITDA (€'m)[2]	28.2	26.7	5.6%
Closing Occupancy (let sq ft- million)[3]	0.999	1.006	-0.7%
Closing Occupancy (% of MLA)	80.1%	80.7%	-0.6ppts
Average Occupancy (let sq ft- million)[3]	0.991	0.981	1.0%
Average Storage Rate (€)[5]	40.13	38.96	3.0%

On a like-for-like[8] basis, the business grew revenue by 3.8% for the full year. This was driven by average occupancy growth of 1.0% for the year combined with average rate growth of 3.0%.

Like-for-like[8] occupancy reduced by 7,000 sq ft for the year (FY2019: increase of 52,000 sq ft) resulting in closing occupancy of 80.1%, down 0.6ppts compared to the prior year.

The impact of the new store opened in August 2019 in Pontoise (65,000 sq ft of MLA) was to dilute rate and occupancy in the initial period after trading commenced. This store, however, is trading ahead of our business plan.

Over the year, the Sterling-Euro exchange rate was 1.1356, marginally stronger than the prior year (FY2019: 1.1329). As a result, there was minimal foreign exchange impact on the translation of Paris revenues.

The cost base in Paris remained well controlled during the year with both like-for-like[8] costs and total costs flat compared to the prior year in local currency. As a result, like-for-like[8] underlying EBITDA[2] in Paris grew by €1.5m and underlying EBITDA[2] grew by €2.0m to €28.5m (FY2019: €26.5m).

Similarly to the UK, during the Covid-19 lockdown in March to May of this year, our stores stayed open with fewer staff and with reception areas closed. Since the first lockdown ended all stores were made Covid-secure with social distancing measures in place, Perspex screens and hand sanitiser in reception areas and staff wearing personal protective equipment. Stores are all currently open and reception areas operational under the aforementioned Covid-secure procedures.

Recent revenue collections in Paris have also been largely unimpacted by the Covid-19 pandemic. For the final quarter, 86.2% of revenues were collected within 30 days of the period end (2019: 83.0%).Since the end of the financial year, the positive collections trend has continued with 87.7% of November revenue collected within 30 days of the period end (FY20: 84.8%) and 75.1% of December revenues collected within the period (FY20: 67.8%).

For the two months to December 2020 trading has been robust. Like-for-like occupancy was up 3.0ppts at 79.6% (December 2019: 76.6%) and like-for-like average rate was down 1.3%, which resulted in a 1.8% increase in like-for-like revenue. Total revenue for the two month period was also up 1.8%.

Spain Trading Performance

OMB was acquired on 30 December 2019 so has contributed ten months of trading to the Group's results. In that period the business delivered €2.5m of revenue.

In Q4, as expected, the business saw a modest seasonal outflow of occupancy and ended the quarter at a closing occupancy of 90.0%. However, the average rate grew by 2.2% compared to the third quarter. The impact of the Covid-19 lockdown on the trading of the business between mid-March 2020 and the end of April 2020 was minimal.

Frederic Vecchioli
13 January 2021

Financial Review

Underlying Income Statement

The table below sets out the Group's underlying results of operations for the year ended 31 October 2020 and the year ended 31 October 2019. To calculate underlying performance metrics, adjustments are made for the impact of exceptional items, share-based payments, corporate transaction costs, change in fair value of derivatives, gain or loss on investment properties and the associated tax impacts as well as exceptional tax items and deferred tax charges. Management considers this presentation of earnings to be representative of the underlying performance of the business, as it removes the income statement impact of items not fully controllable by management, such as the revaluation of derivatives and investment properties, and the impact of exceptional credits, costs and finance charges.

	FY 2020 £'m	FY 2019 £'m	Mvmt %
Revenue	162.3	151.8	*6.9%*
Underlying costs	(68.7)	(64.3)	*6.8%*
Share of associate's underlying EBITDA	0.3	-	-
Underlying EBITDA	**93.9**	**87.5**	***7.3%***
Leasehold costs	(12.8)	(11.3)	*13.3%*
Underlying EBITDA after leasehold costs	**81.1**	**76.2**	***6.4%***
Depreciation	(0.9)	(0.7)	*28.6%*
Finance charges	(9.1)	(8.6)	*5.8%*
Share of associate's finance charges	(0.2)	-	-
Underlying profit before tax	**70.9**	**66.9**	***6.0%***
Current tax	(5.2)	(5.1)	*2.0%*
Share of associate's tax	(0.1)	-	-
Adjusted EPRA earnings	**65.6**	**61.8**	***6.1%***
Share-based payments charge	(6.5)	(5.6)	*16.1%*
EPRA basic earnings	**59.1**	**56.2**	***5.2%***
Average shares in issue (m)	210.4	210.2	
Diluted shares (for ADE EPS) (m)	217.2	216.8	
Adjusted diluted EPRA EPS[1] (pro forma) (p)	**30.2**	**28.5**	***6.0%***

1. Adjusted EPRA earnings excludes share-based payment charges and, accordingly, the underlying EBITDA, underlying EBITDA after leasehold rent and underlying profit before tax measures have been restated to exclude share-based payment charges for consistency.

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

	FY 2020 £'m	FY2019 £'m
Profit before tax	197.9	147.3
Adjusted for		
- gain on investment properties and investment property under construction	(133.4)	(89.6)
- change in fair value of derivatives	(0.2)	2.1
- net exchange (gain)/ loss	(0.2)	0.3
- share of associate's tax	0.1	-
- share-based payments	6.5	5.6
- exceptional items	0.2	0.6
- exceptional finance costs	-	0.6
Underlying profit before tax	70.9	66.9

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

Underlying EBITDA increased by 7.3% to £93.9 million (FY2019: £87.5 million), reflecting a 6.9% increase in revenue and a 6.8% increase to the underlying cost base. This performance reflects the contribution of the twelve new stores opened and acquired since November 2018.

Leasehold costs increased by 13.3% from £11.3 million to £12.8 million, principally due to our new leasehold stores in Valencia, Calabria and Marina through our recent acquisition in Spain and in Chelsea through our acquisition of Fort Box.

Underlying finance charges increased by 5.8% from £8.6 million to £9.1 million. This reflects increased interest charges from drawdowns in the year to fund the Group's acquisition and development activity.

As a result, we achieved a 6.0% increase in underlying profit before tax of £70.9 million (FY2019: £66.9 million). The main additional factor in the increase in statutory profit before tax in the year is the £43.8 million increase in the gain on investment and development property, due primarily to the fact that the movements in stabilised occupancy, time to stabilised occupancy and freehold exit yield assumptions, although positive in both periods, were greater in 2020 than 2019.

Given the Group's REIT status in the UK, tax is normally only payable in France. The underlying tax charge for the year was £5.2 million (FY2019: £5.1 million), calculated by applying the French statutory income tax rate of 31.0% to the taxable profits earned by our Paris business, which results in an effective underlying tax rate of 25.7%. The Group's share-based payment charge increased £0.9 million to £6.5 million (FY2019: £5.6 million), representing the impact of additional grants in the year.

As explained in note 2 to the financial statements, management considers that the most representative earnings per share ("EPS") measure is Adjusted Diluted EPRA EPS which has increased by 6.0% to 30.2 pence (FY2019: 28.5 pence).

Reconciliation of Underlying EBITDA

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

	FY 2020 £'m	FY 2019 £'m
Operating profit	212.2	163.7
Adjusted for		
- gain on investment properties	(126.5)	(84.2)
- share of associate's underlying EDITDA	0.3	-
- depreciation	0.9	0.7
- variable lease payments	0.3	1.1
- share-based payments	6.5	5.6
Exceptional items		
- costs incurred relating to corporate transactions and exceptional employee costs	0.2	0.6
Underlying EBITDA	93.9	87.5

The main reconciling items between operating profit and underlying EBITDA are the gain on investment properties as well as adjustments for depreciation, variable lease payments and share-based payment charges. The gain on investment properties was £126.5 million, as compared to £84.2 million in 2019 due largely to the fact that the movements in stabilised occupancy and freehold exit yield assumptions, although positive in both periods, were greater in 2020 than 2019. The Group's approach to the valuation of its investment property portfolio at 31 October 2020 is discussed below.

Underlying Profit by Geographical Region

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

	FY 2020				FY 2019		
	UK	Paris	Spain	Total (CER)	UK	Paris	Total (CER)
	£'m	€'m	€'m	£'m	£'m	€'m	£'m
Revenue	121.3	44.1	2.5	162.4	114.7	42.1	151.8
Underlying cost of sales	(44.3)	(11.8)	(0.5)	(55.1)	(41.7)	(11.8)	(52.0)
Store EBITDA	77.0	32.3	2.0	107.3	73.0	30.3	99.8
Store EBITDA margin	*63.5%*	*73.2%*	*80.0%*	*66.1%*	*63.6%*	*72.0%*	*65.7%*
LFL Store EBITDA margin	*64.1%*	*73.6%*		*66.4%*	*64.0%*	*72.6%*	*66.1%*
Underlying administrative expenses	(9.8)	(3.8)	(0.5)	(13.6)	(8.9)	(3.8)	(12.3)
Underlying EBITDA	67.2	28.5	1.5	93.7	64.1	26.5	87.5
EBITDA margin	*55.4%*	*64.6%*	*60.0%*	*57.7%*	*55.9%*	*62.9%*	*57.6%*
LFL EBITDA margin	*56.6%*	*64.8%*		*58.7%*	*56.4%*	*63.6%*	*58.1%*
Leasehold costs	(7.6)	(5.3)	(0.5)	(12.8)	(6.7)	(5.2)	(11.3)
Underlying EBITDA after leasehold costs	59.6	23.2	1.0	80.9	57.4	21.3	76.2
EBITDA after leasehold costs margin	*49.1%*	*52.6%*	*40.0%*	*49.8%*	*50.0%*	*50.6%*	*50.2%*
	UK	Paris	Spain	Total	UK	Paris	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Underlying EBITDA after leasehold costs (CER)	59.6	20.4	0.9	80.9	57.4	18.8	76.2
Adjustment to actual exchange rate	-	(0.1)	-	(0.1)	-	-	-
Reported underlying EBITDA after leasehold costs	59.6	20.3	0.9	80.8	57.4	18.8	76.2

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

Underlying EBITDA in the UK increased by £3.1 million, or 4.8%, to £67.2 million (FY2019: £64.1 million), underpinned by a 5.8% or £6.6 million increase in revenue, which was driven by occupancy and rate improvements in the established portfolio as well as the impact of the new developing stores opened in Birmingham-Merry Hill, London-Carshalton, Peterborough, Sheffield and Gateshead and the contribution from the recent acquisitions of Heathrow, Chelsea and St John's Wood. Underlying UK EBITDA after leasehold costs increased by 3.8% to £59.6 million (FY2019: £57.4 million).

In Paris, underlying EBITDA increased by €2.0 million, or 7.5%, to €28.5 million (FY2019: €26.5 million), driven by a €2.0 million increase in revenue. Underlying EBITDA after leasehold costs in Paris increased by 8.9% to €23.2 million (FY2019: €21.3 million).

On 30 December 2019, Safestore purchased OhMyBox! in Spain. For the ten months since acquisition, OhMyBox! contributed £0.9 million (€1.0 million) of underlying EBITDA after leasehold costs.

Recently opened or immature stores have a dilutive effect on the Group's reported performance. On a like-for-like basis, adjusting for the dilutive impact of immature stores, store EBITDA margin in the UK was 64.1% (FY2019: 64.0%) and in France it was 73.6% (FY2019: 72.6%).

The combined results of the UK, Paris and Spain delivered a 6.2% increase in underlying EBITDA after leasehold costs at constant exchange rates at Group level. Adjusting for an unfavourable exchange impact of £0.1 million, the combined results of the UK, Paris and Spain reported an underlying EBITDA after leasehold costs increase of 6.0% or £4.6 million to £80.8 million (FY2019: £76.2 million).

Revenue

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

The split of the Group's revenues by geographical segment is set out below for 2020 and 2019.

		FY 2020	**% of total**	**FY 2019**	**% of total**	**% change**
UK	£'m	121.3	75%	114.7	76%	5.8%
Paris						
Local currency	€'m	44.1		42.1		4.8%
Average exchange rate	€:£	1.136		1.133		(0.3%)
Paris in Sterling	£'m	38.8	24%	37.1	24%	4.6%
Spain						
Local currency	€'m	2.5		-		
Average exchange rate	€:£	1.136		-		
Spain in Sterling	£'m	2.2	1%	-		
Total revenue		162.3	100%	151.8	100%	6.9%

The Group's revenue increased by 6.9% or £10.5 million in the year. The Group's occupied space was 476,000 sq ft higher at 31 October 2020 (5.5 million sq ft) than at 31 October 2019 (5.0 million sq ft), and the average storage rate per square foot for the Group, affected in the year by the dilutive impact of our lower priced new stores, was, at £26.44, 1.3% higher than in 2019 (£26.09).

Adjusting the Group's revenue to a like-for-like basis (to reflect the opening of five new stores in the UK and one in Paris and the acquisition of Heathrow, Chelsea and St John's Wood and the OhMyBox! portfolio), revenue has increased by 3.4%. There was minimal exchange rate movement in the year so Group like-for-like revenue at constant exchange rates has increased by 3.4%.

In the UK, revenue grew by £6.6 million or 5.8%, and on a like-for-like basis it increased by 3.3%. Occupancy was 362,000 sq ft higher at 31 October 2020 than at 31 October 2019, at 4.32 million sq ft (FY2019: 3.96 million sq ft) largely reflecting occupancy increases in the established portfolio. The average storage rate for the year grew 1.8%, from £23.93 in 2019 to £24.37 in 2020. On a like-for-like basis, the average storage rate in the UK also increased by 1.8% to £24.37 (FY2019: £23.94).

In Paris, revenue increased by 3.8% to €43.54 million on a like-for-like basis (FY2019: €41.96 million). Closing occupancy grew to 1.03 million sq ft (FY2019: 1.02 million sq ft), and the average storage rate increased by 1.8% to €39.64 for the year (FY2019: €38.93). Adjusting for the impact of immature stores, on a like-for-like basis the average storage rate in France increased 3.0% to €40.13 (FY2019: €38.96).

For Spain, revenue was €2.5 million with a closing occupancy of 0.95 million sq ft (90.0%).

Analysis of Cost Base

Cost of sales

The table below details the key movements in cost of sales between 2019 and 2020.

Cost of sales	FY 2020 £'m	FY 2019 £'m
Reported cost of sales	(56.3)	(53.8)
Adjusted for:		
Depreciation	0.9	0.7
Variable lease payments	0.3	1.1
Underlying cost of sales	(55.1)	(52.0)
Underlying cost of sales for FY 2019		(52.0)
New developments cost of sales		0.7
Underlying cost of sales for FY 2019 (Like-for-like)		(51.3)
Volume related cost of sales		(0.5)
Facilities and rates		(1.3)
Enquiry generation savings		0.6
Underlying cost of sales for FY 2020 (Like-for-like; CER)		(52.5)
New developments cost of sales		(2.6)
Underlying cost of sales for FY 2020 (CER)		(55.1)
Foreign exchange		-
Underlying cost of sales for FY 2020		(55.1)

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

Underlying cost of sales increased by £3.1 million in the year, from £52.0 million in 2019 to £55.1 million in 2020 on both an absolute and constant currency basis. The 6.0% increase is largely attributable to an increase in costs of sales arising from our acquisitions of OhMyBox! in Spain, the acquisition of Fort Box in the UK, and the opening of three new stores in the UK and one in Paris. On a like-for-like basis, cost of sales increased by £1.2 million or 2.3%, with £1.3 million from business rates and facilities costs including store maintenance and £0.5 million of volume related costs including debt and merchandise cost of sales, offset by savings in enquiry generation. The investment in marketing during the year represented 4.5% of revenue (FY2019: 5.2%).

Administrative Expenses

The table below reconciles reported administrative expenses to underlying administrative expenses and details the key movements in underlying administrative expenses between 2019 and 2020.

Administrative expenses	FY 2020 £'m	FY 2019 £'m
Reported administrative expenses	(20.3)	(18.5)
Adjusted for:		
Share-based payments	6.5	5.6
Exceptional items	0.2	0.6
Underlying administrative expenses	(13.6)	(12.3)
Underlying administrative expenses for FY 2019		(12.3)
New developments administration costs		0.3
Underlying administrative expenses for FY 2019 (Like-for-like)		(12.0)
Employee remuneration		(0.2)
Professional fees and administration costs		0.1
Underlying administrative expenses for FY 2020 (Like-for-like; CER)		(12.1)
New developments administration costs		(1.5)
Underlying administrative expenses for FY 2020 (CER)		(13.6)
Foreign exchange		-
Underlying administrative expenses for FY 2020		(13.6)

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

Underlying administrative expenses increased by £1.3 million or 10.5% in the year, from £12.3 million in 2019 to £13.6 million in 2020 mainly through costs related to the newly acquired OhMyBox! and Fort Box stores and the costs attributed to the development of our joint venture operations in Belgium and the Netherlands. When adjusting for the £1.2 million net increase in new development administration costs, like-for-like administrative expenses in absolute and constant currencies grew by 0.8% to £12.1 million.

Total underlying costs (cost of sales plus administrative expenses) on a like-for-like basis in constant currency have grown by £1.3 million, or 2.1%, to £64.6 million (FY2019: £63.3 million), principally as a result of the increase in cost of sales explained above.

Exceptional Items

A net exceptional cost of £0.2 million was incurred in the year, primarily relating to fees associated with the Group's acquisitions in the year. In the prior year, a net exceptional cost of £0.6 million was incurred relating to fees associated with the Group's acquisitions in the year and exceptional legal and employment related costs.

Gain on Investment Properties

The gain on investment properties consists of the revaluation gains and losses with respect to investment properties under IAS 40 and the fair value re-measurement of lease liabilities add back and other items as detailed below.

	FY 2020 £'m	FY 2019 £'m
Revaluation of investment properties	137.7	91.2
Revaluation of investment properties under construction	(4.3)	(1.6)
Fair value re-measurement of lease liabilities add back	(6.9)	(5.4)
Gain on investment properties	126.5	84.2

In the current financial year, including investment properties under construction, the UK business contributed £83.2 million to the positive valuation movement and the Paris business contributed £50.1 million with the remaining £0.1million in Spain. The gain on investment properties principally reflects the continuing progress in the performance of both businesses, which has driven further positive changes in the cash flow metrics that are used to assess the value of the store portfolio.

Operating Profit

Operating profit increased by £48.5 million from £163.7 million in 2019 to £212.2 million in 2020, comprising a £6.4 million increase in underlying EBITDA, a £42.3 million higher investment property gain primarily due to the fact that movements in stabilised occupancy and freehold exit yield assumptions, although positive in both periods, were greater in 2020 than 2019, and non-repeating exceptional transactional costs of £0.2 million recognised in the year.

Net Finance Costs

Net finance costs include interest payable, interest on obligations under lease liabilities, fair value movements on derivatives, exchange gains or losses, unwinding of discounts and exceptional refinancing costs. Net finance costs decreased by £2.1 million in 2020, to £14.3 million from £16.4 million in 2019, principally due to a favourable net fair value movement on derivatives in the year of £0.2 million compared to a net loss of £2.1 million in 2019. The net exceptional finance cost of £0.6 million in 2019 related to the termination of a portion of our interest rate swaps following the refinancing in October 2019.

	FY 2020 £'m	FY 2019 £'m
Net bank interest payable	(9.1)	(8.5)
Amortisation of debt issuance costs on bank loans	(0.3)	(0.2)
Interest on obligations under lease liabilities	(5.6)	(4.8)
Fair value movement on derivatives	0.2	(2.1)
Net exchange gains/(losses)	0.2	(0.3)
Interest income including unwinding of discount on Capital Goods Scheme receivable	-	0.1
Interest from loan to associates	0.1	-
Financial instruments income	0.2	-
Exceptional finance expenses	-	(0.6)
Net finance costs	(14.3)	(16.4)

Underlying finance charge

The underlying finance charge (net bank interest payable reflecting term loan, swap and USPP interest costs) increased by £0.6 million to £9.1 million, principally reflecting the Group's additional borrowings in the year drawn to fund the Group's acquisition and development activity. The underlying finance charge represents the finance expense before exceptional items and changes in fair value of derivatives, amortisation of debt issuance costs and interest on obligations under lease liabilities and is disclosed because management reviews and monitors performance of the business on this basis.

Financial instruments income in the year of £0.2 million (FY2019: £nil) related to the gain made on the expiration of average rate forwards which matured in October 2020.

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

	Facility £/€'m	Drawn £'m	Hedged £'m	Hedged %	Bank Margin	Hedged Rate	Floating Rate	Total Rate
UK Revolver	£250.0	£138.0	£55.0	40%	1.25%	0.82%	0.04%	1.60%
UK Revolver- non-utilisation	£112.0	-	-	-	0.50%	-	-	0.50%
Euro Revolver	€70.0	£27.0	£27.0	100%	1.25%	0.17%	(0.52%)	1.42%
Euro Revolver- non-utilisation	€40.0	-	-	-	0.50%	-	-	0.50%
US Private Placement 2024	€50.9	£45.8	£45.8	100%	1.59%	-	-	1.59%
US Private Placement 2027	€74.1	£66.7	£66.7	100%	2.00%	-	-	2.00%
US Private Placement 2029	£50.5	£50.5	£50.5	100%	2.92%	-	-	2.92%
US Private Placement 2026	€70.0	£63.0	£63.0	100%	1.26%	-	-	1.26%
US Private Placement 2026	£35.0	£35.0	£35.0	100%	2.59%	-	-	2.59%
US Private Placement 2029	£30.0	£30.0	£30.0	100%	2.69%	-	-	2.69%
Unamortised finance costs	-	(£1.5)	-	-	-	-	-	-
Total	£604.0	£454.5	£373.0	82%				2.13%

As at 31 October 2020, £138.0 million of the £250 million UK Revolver and €30.0 million (£27.0 million) of the €70 million Euro Revolver were drawn. The drawn amounts attract a bank margin of 1.25%, and the Group pays a non-utilisation fee of 0.50% on the undrawn balances of £112.0 million and €40.0 million.

The Group has interest rate hedge agreements in place to June 2023, swapping LIBOR on £55 million at a weighted average effective rate of 0.82% and EURIBOR on €30 million at an effective rate of 0.17%.

The 2024, 2026 and 2027 US Private Placement Notes are denominated in Euros and attract fixed interest rates of 1.59% (on €50.9 million), 2.00% (on €74.1 million) and 1.26% (on €70.0 million) respectively. The Euro denominated borrowings provide a natural hedge against the Group's investment in the Paris and Spain businesses.

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

82% of the Group's drawn debt is effectively at fixed rates of interest, as a result of the hedging arrangements and fixed interest loan notes. Overall, the Group has an effective interest rate on its borrowings of 2.13% at 31 October 2020, compared to 2.30% at the previous year end.

Non-underlying finance charge

Interest on obligations under lease liabilities was £5.6 million (FY2019: £4.8 million) and reflects part of the leasehold costs. The balance of the leasehold payment is charged through the gain or loss on investment properties line and variable lease payments in the income statement. Overall, the leasehold costs charge increased from £11.3 million in 2019 to £12.8 million in 2020, principally reflecting our newly acquired leasehold stores at Chelsea and Barcelona.

Net finance costs include a £0.2 million exchange gain (FY2019: £0.3 million loss) arising primarily on retranslation of the Group's Euro denominated borrowings.

A net gain of £0.2 million was recognised on fair valuation of derivatives (FY2019: net loss of £2.1 million).

The Group undertakes net investment hedge accounting for its Euro denominated loan notes.

Tax

The tax charge for the year is analysed below:

Tax charge	FY 2020 £'m	FY 2019 £'m
Underlying current tax	(5.2)	(5.1)
Prior year - exceptional	2.4	-
Current tax charge	(2.8)	(5.1)
Tax on investment properties movement	(17.1)	(10.3)
Tax on revaluation of interest rate swaps	-	0.1
Other	-	0.1
Deferred tax charge	(17.1)	(10.1)
Net tax charge	(19.9)	(15.2)

The net income tax charge for the year is £19.9 million (FY2019: £15.2 million), which relates solely to the Group's non-UK European businesses. In the UK, the Group is a REIT and benefits from a zero rate of tax on its qualifying earnings. The underlying current tax charge relating to the European businesses amounted to £5.2 million (FY2019: £5.1 million), calculated by applying the statutory income tax rate of each country to the taxable profits arising there, which results in an effective overall underlying tax rate of 25.7% for the European businesses.

The deferred tax charge relating to Paris and Spain was £17.1 million (FY2019: £10.1 million charge).

An exceptional prior year current tax credit of £2.4 million arose during the year as a result of confirmation of loss claims made in 2015 and 2016 by an overseas subsidiary following the expiry of the statutory limitation period allowed for challenging the utilisation of these losses on 31 December 2019.

All deferred tax movements are non-underlying. The deferred tax impact of the revaluation gain on investment properties was a charge of £17.1 million (FY2019: £10.3 million charge).

Earnings per Share

As a result of the movements explained above, profit after tax for 2020 was £178.0 million as compared with £132.1 million in 2019. Basic EPS was 84.6 pence (FY2019: 62.8 pence) and diluted EPS was 84.0 pence (FY2019: 62.6 pence).

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

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

The Group has exposure to the movement in the Euro/Sterling exchange rate. Based on the FY2020 results, for every 10 cents variance to the average exchange rate of 1.1356, there would be an impact of £1.2 million to Adjusted EPRA earnings.

Adjusted Diluted EPRA EPS for the year was 30.2 pence (FY2019: 28.5 pence), calculated on a pro forma basis, as if the dilutive LTIP shares were in issue throughout both the current and prior years, as follows:

	FY 2020			FY 2019		
	Earnings £m	**Shares million**	**Pence per share**	**Earnings £m**	**Shares million**	**Pence per share**
Basic earnings	178.0	210.4	84.6	132.1	210.2	62.8
Adjustments						
Gain on investment properties	(126.5)	-	(60.1)	(84.2)	-	(40.1)
Exceptional items	0.2	-	0.1	0.6	-	0.3
Exceptional finance costs	-	-	-	0.6	-	0.3
Net exchange (gain)/loss	(0.2)	-	(0.1)	0.3	-	0.1
Change in fair value of derivatives	(0.2)	-	(0.1)	2.1	-	1.0
Tax on adjustments/exceptional tax	13.9	-	6.6	9.4	-	4.5
Adjusted	**65.2**	**210.4**	**31.0**	**60.9**	**210.2**	**28.9**
EPRA adjusted:						
Fair value re-measurement of lease labilities add back	(6.9)	-	(3.3)	(5.4)	-	(2.6)
Tax on lease liabilities add back adjustment	0.8	-	0.4	0.7	-	0.3
EPRA basic EPS	59.1	210.4	28.1	56.2	210.2	26.6
Share-based payments charge	6.5	-	3.1	5.6	-	2.7
Dilutive shares	-	6.8	(1.0)	-	6.6	(0.8)
Adjusted Diluted EPRA EPS	65.6	217.2	30.2	61.8	216.8	28.5

Dividends

The Directors are recommending a final dividend of 12.7 pence (FY2019: 12.0 pence) which Shareholders will be asked to approve at the Company's Annual General Meeting on 17 March 2021. If approved by Shareholders, the final dividend will be payable on 8 April 2021 to Shareholders on the register at close of business on 5 March 2021.

Reflective of the Group's improved performance, the Group's full year dividend of 18.6 pence is 6.3% up on the prior year dividend of 17.5 pence. The Property Income Dividend ("PID") element of the full year dividend is 18.6 pence (FY2019: 17.5 pence).

Property Valuation and Net Asset Value ("NAV")

Cushman & Wakefield Debenham Tie Leung Limited LLP ("C&W") has valued the Group's property portfolio. As at 31 October 2020, the total value of the Group's property portfolio was £1,557.5 million (excluding investment properties under construction of £14.0 million and net of lease liabilities of £76.9m). This represents an increase of £225.7 million compared with the £1,331.8 million valuation as at 31 October 2019. A reconciliation of the movement is set out below:

	UK £'m	Paris £'m	Spain £'m	Total £'m	Paris €'m	Spain €'m
Value as at 1 November 2019	998.9	332.9	-	1,331.8	386.1	-
Currency translation movement	-	15.7	1.0	16.7	-	-
Additions	38.7	2.2	5.7	46.6	2.5	6.5
On acquisition of subsidiary	-	-	14.6	14.6	-	17.2
Disposals	-	-	-	-	-	-
Reclassifications	10.1	-	-	10.1	-	-
Revaluation	87.5	50.1	0.1	137.7	56.8	0.1
Value at 31 October 2020	1,135.2	400.9	21.4	1,557.5	445.4	23.8

The exchange rate at 31 October 2020 was €1.11:£1 compared with €1.16:£1 at 31 October 2019. This movement in the foreign exchange rate has resulted in a £16.7m favourable currency translation movement in the year. This has improved the Group net asset value ("NAV") but had no impact on the loan-to-value ("LTV") covenant as the assets in Paris are tested in Euros.

The value of the UK property portfolio including investment properties under construction has increased by £134.1 million compared with 31 October 2019, including a £83.2 million valuation gain and capital additions (including reclassifications from investment properties under construction) of £50.9 million.

Our pipeline of expansion stores in the UK, comprising sites at Bermondsey, Morden and Birmingham-Middleway, is valued at £11.7 million.

In Paris, the value of the property portfolio including investment properties under construction increased by €61.8 million, of which €56.8 million was valuation gain and capital additions (including our pipeline store at Paris-Magenta) were €5.0 million. The net increase when translated into Sterling amounted to £70.3 million, reflecting the foreign exchange impact described above.

The Group's freehold exit yield for the valuation at 31 October 2020 reduced to 6.37%, from 6.57% at 31 October 2019, and the weighted average annual discount rate for the whole portfolio has reduced from 9.82% at 31 October 2019 to 9.45% at 31 October 2020.

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

The adjusted EPRA NAV per share, as defined in note 11 of the financial statements, was 532 pence at 31 October 2020, up 17.8% since 31 October 2019, and reported NAV per share was 492 pence (FY2019: 421 pence), reflecting a £149.7 million increase in reported net assets during the year.

Gearing and Capital Structure

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

Net debt (including lease liabilities and cash) stood at £512.1 million at 31 October 2020, an increase of £68.8 million from the 2019 position of £443.3 million, reflecting funding for the acquisition of OhMyBox! and the continued expansion of the Group portfolio. Total capital (net debt plus equity) increased from £1,329.2 million at 31 October 2019 to £1,547.7 million at 31 October 2020. The net impact is that the gearing ratio has decreased from 33.4% to 33.1% in the year.

Management also measures gearing with reference to its loan-to-value ("LTV") ratio defined as gross debt (excluding lease liabilities) as a proportion of the valuation of investment properties and investment properties under construction (excluding lease liabilities). At 31 October 2020 the Group LTV ratio was 29% as compared to 31% at 31 October 2019. The Board considers the current level of gearing is appropriate for the business to enable the Group to increase returns on equity, maintain financial flexibility and to achieve our medium term strategic objectives.

Borrowings at 31 October 2020

As at 31 October 2020, £138.0 million of the £250 million UK Revolver and €30.0 million (£27.0 million) of the €70 million Euro revolver were drawn. Including the US Private Placement debt of €195 million (£175.5 million) and £115.5 million, the Group's borrowings totalled £456.0 million (before adjustment for unamortised finance costs).

As at 31 October 2020, the weighted average remaining term for the Group's available borrowing facilities is 4.5 years (FY2019: 5.5 years).

Borrowings under the existing loan facilities are subject to certain financial covenants. The UK bank facilities and the US Private Placement share interest cover and LTV covenants. The interest cover requirement of EBITDA: interest is 2.4:1, where it will remain until the end of the facilities' terms. Interest cover for the year ended 31 October 2020 is 9.0x (FY2019: 8.9x).

The LTV covenant is 60% in both the UK and France, where it will remain until the end of the facilities' terms. As at 31 October 2020, there is significant headroom in both the UK LTV and the French LTV covenant calculations.

The Group is in compliance with its covenants at 31 October 2020 and, based on forecast projections, is expected to be in compliance for a period in excess of twelve months from the date of this report.

Cash Flow

The table below sets out the underlying cash flow of the business in 2020 and 2019. For statutory reporting purposes, leasehold costs cash flows are allocated between finance costs, principal repayments and variable lease payments. However, management considers a presentation of cash flows that reflects leasehold costs as a single line item to be representative of the underlying cash flow performance of the business.

	FY 2020 £'m	FY 2019 £'m
Underlying EBITDA	93.9	87.5
Working capital/exceptionals/other	1.9	(0.9)
Adjusted operating cash inflow	95.8	86.6
Interest payments	(8.9)	(8.8)
Leasehold rent payments	(12.8)	(11.3)
Tax payments	(5.3)	(5.2)
Free cash flow (before investing and financing activities)	68.8	61.2
Acquisition of subsidiary, net of cash acquired	(14.3)	(6.4)
Loan to associates	-	(1.7)
Investment in associates	(2.5)	(2.8)
Capital expenditure - investment properties	(59.9)	(38.7)
Capital expenditure - property, plant and equipment	(1.3)	(0.9)
Capital Goods Scheme receipt	0.3	0.6
Proceeds from disposal - property, plant and equipment	0.1	-
Net cash flow after investing activities	(8.8)	11.3
Issue of share capital	-	0.1
Dividends paid	(37.7)	(35.0)
Net drawdown of borrowings	33.1	47.9
Debt issuance costs	(0.5)	(0.5)
Net hedge breakage costs	-	(0.6)
Net (decrease)/increase in cash	(13.9)	23.2

Note: Free cash flow is a non-GAAP measure, defined as cash flow before investing and financing activities but after leasehold rent payments.

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

	FY 2020 £'m	FY 2019 £'m
Free cash flow (before investing and financing activities)	68.8	61.2
Add back: principal payment of lease liabilities	6.9	5.4
Net cash flow from operating activities	75.7	66.6

	FY 2020 £'m	FY 2019 £'m
From table above:		
Adjusted net cash flow after investing activities	(8.8)	11.3
Add back: principal payment of lease liabilities	6.9	5.4
Net cash flow after investing activities	(1.9)	16.7
From consolidated cash flow:		
Net cash inflow from operating activities	75.7	66.6
Net cash outflow from investing activities	(77.6)	(49.9)
Net cash flow after investing activities	(1.9)	16.7

Adjusted operating cash flow increased by £9.2 million in the year, principally due to the £6.4 million improvement in underlying EBITDA. Working capital, exceptional items and other movements resulted in a net £1.9 million inflow (FY2019: £0.9 million outflow) principally relating to increases in trade payables relating to our ongoing portfolio development.

Free cash flow (before investing and financing activities) grew by 12.4% to £68.8 million (FY2019: £61.2 million). The free cash flow benefited from the increase in underlying EBITDA and the increase in adjusted operating cash flow.

Investing activities experienced a net outflow of £77.6 million (FY2019: £49.9 million outflow), which included £14.3 million relating to the acquisition of OhMyBox! (the prior year included the £6.4 million acquisition of Salus Services Limited), and £59.9 million (FY2019: £38.7 million) of capital expenditure on our investment property portfolio in respect of our new stores at London-Carshalton, Gateshead, Sheffield and Paris-Magenta; store extensions in Barking, Bedford and Chingford; the asset acquisition of Fort Box; pipeline sites at London-Bermondsey and Birmingham-Middleway and the acquisitions of the freehold interests in our Basildon and Barcelona-Glories sites.

Adjusted financing activities generated a net cash outflow of £5.1 million (FY2019: £11.9 million inflow). Dividend payments totalled £37.7 million (FY2019: £35.0 million). The net drawdown of borrowings was £33.1 million (FY2019: £47.9 million), which included the acquisition of OhMyBox! and development of our pipeline stores. In addition, financing activities included a net outflow of £0.6 million in the prior year on breaking a portion of our interest rate swaps as a result of the refinancing in October 2019.

Andy Jones
13 January 2021

Consolidated income statement
for the year ended 31 October 2020

	Notes	Group 2020 £'m	Group 2019 £'m
Revenue	2, 3	**162.3**	151.8
Cost of sales		**(56.3)**	(53.8)
Gross profit		**106.0**	98.0
Administrative expenses		**(20.3)**	(18.5)
Share of profit in associate	9	**—**	—
Underlying EBITDA		**93.9**	87.5
Exceptional items	4	**(0.2)**	(0.6)
Share-based payments		**(6.5)**	(5.6)
Depreciation and variable lease payments		**(1.2)**	(1.8)
Share of associate's depreciation, interest and tax		**(0.3)**	—
Operating profit before gains on investment properties		**85.7**	79.5
Gain on investment properties	10	**126.5**	84.2
Operating profit	3	**212.2**	163.7
Finance income	5	**0.5**	0.1
Finance expense	5	**(14.8)**	(16.5)
Profit before income tax		**197.9**	147.3
Income tax charge	6	**(19.9)**	(15.2)
Profit for the year		**178.0**	132.1
Earnings per Share for profit attributable to the equity holders			
– basic (pence)	8	**84.6**	62.8
– diluted (pence)	8	**84.0**	62.6

The financial results for both years relate to continuing operations.

Underlying EBITDA is defined as operating profit before exceptional items, share-based payments, corporate transaction costs, gain/loss on investment properties, depreciation and variable lease payments and the share of associate's depreciation, interest and tax.

Consolidated statement of comprehensive income
for the year ended 31 October 2020

	Group 2020 £'m	Group 2019 £'m
Profit for the year	**178.0**	132.1
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**12.1**	(7.0)
Net investment hedge	**(7.4)**	3.3
Other comprehensive income/(expense), net of tax	**4.7**	(3.7)
Total comprehensive income for the year	**182.7**	128.4

Consolidated balance sheet

as at 31 October 2020

	Notes	Group 2020 £'m	Group 2019 £'m
Assets			
Non-current assets			
Investment in associates	9	**5.3**	2.8
External valuation of investment properties, net of lease liabilities		**1,557.5**	1,331.8
Add back of lease liabilities		**76.9**	63.5
Investment properties under construction		**14.0**	13.9
Total investment properties	10	**1,648.4**	1,409.2
Property, plant and equipment		**3.2**	2.4
Derivative financial instruments	14	**0.5**	—
Deferred income tax assets		**0.2**	0.3
Other receivables		**—**	0.2
		1,657.6	1,414.9
Current assets			
Inventories		**0.3**	0.3
Derivative financial instruments	14	**0.4**	—
Trade and other receivables		**23.2**	22.6
Cash and cash equivalents	12,18	**19.6**	33.2
		43.5	56.1
Total assets		**1,701.1**	1,471.0
Current liabilities			
Trade and other payables		**(47.2)**	(40.6)
Current income tax liabilities		**(0.2)**	(2.7)
Obligations under lease liabilities	15	**(12.3)**	(9.7)
		(59.7)	(53.0)
Non-current liabilities			
Financial liabilities			
– bank borrowings	13,18	**(454.5)**	(413.0)
– derivative financial instruments	14	**(1.4)**	(0.6)
Deferred income tax liabilities		**(85.0)**	(64.7)
Obligations under lease liabilities	15	**(64.9)**	(53.8)
		(605.8)	(532.1)
Total liabilities		**(665.5)**	(585.1)
Net assets		**1,035.6**	885.9
Equity			
Ordinary shares	16	**2.1**	2.1
Share premium		**60.6**	60.6
Translation reserve		**14.5**	9.8
Retained earnings		**958.4**	813.4
Total equity		**1,035.6**	885.9

These financial statements were authorised for issue by the Board of Directors on 13 January 2021 and signed on its behalf by:

A Jones — ***Chief Financial Officer***

F Vecchioli — ***Chief Executive Officer***

Company registration number: 4726380

Consolidated statement of changes in shareholders' equity
for the year ended 31 October 2020

	Group				
	Share capital £'m	Share premium £'m	Translation reserve £'m	Retained earnings £'m	Total £'m
Balance at 1 November 2018	2.1	60.5	13.5	712.5	788.6
Comprehensive income					
Profit for the year	—	—	—	132.1	132.1
Other comprehensive (expense)/income					
Currency translation differences	—	—	(7.0)	—	(7.0)
Net investment hedge	—	—	3.3	—	3.3
Total other comprehensive expense	—	—	(3.7)	—	(3.7)
Total comprehensive (expense)/income	—	—	(3.7)	132.1	128.4
Transactions with owners					
Dividends (note 7)	—	—	—	(35.0)	(35.0)
Increase in share capital	—	0.1	—	—	0.1
Employee share options	—	—	—	3.8	3.8
Transactions with owners	—	0.1	—	(31.2)	(31.1)
Balance at 1 November 2019	2.1	60.6	9.8	813.4	885.9
Comprehensive income					
Profit for the year	—	—	—	178.0	178.0
Other comprehensive income/(expense)					
Currency translation differences	—	—	12.1	—	12.1
Net investment hedge	—	—	(7.4)	—	(7.4)
Total other comprehensive income	—	—	4.7	—	4.7
Total comprehensive income	—	—	4.7	178.0	182.7
Transactions with owners					
Dividends (note 7)	—	—	—	(37.7)	(37.7)
Increase in share capital	—	—	—	—	—
Employee share options	—	—	—	4.7	4.7
Transactions with owners	—	—	—	(33.0)	(33.0)
Balance at 31 October 2020	**2.1**	**60.6**	**14.5**	**958.4**	**1,035.6**

Consolidated cash flow statement

for the year ended 31 October 2020

	Notes	Group 2020 £'m	2019 £'m
Cash flows from operating activities			
Cash generated from operations	17	**95.5**	85.5
Interest received		**0.2**	0.1
Interest paid		**(14.7)**	(13.7)
Tax paid		**(5.3)**	(5.3)
Net cash inflow from operating activities		**75.7**	66.6
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	22	**(14.3)**	(6.4)
Investment in associates		**(2.5)**	(2.8)
Loans to associates		**—**	(1.7)
Expenditure on investment properties and development properties		**(59.9)**	(38.7)
Proceeds in respect of Capital Goods Scheme		**0.3**	0.6
Purchase of property, plant and equipment		**(1.3)**	(0.9)
Proceeds from sale of property, plant and equipment		**0.1**	—
Net cash outflow from investing activities		**(77.6)**	(49.9)
Cash flows from financing activities			
Issue of share capital		**—**	0.1
Equity dividends paid	7	**(37.7)**	(35.0)
Proceeds from borrowings		**57.5**	173.4
Repayment of borrowings		**(24.4)**	(125.5)
Debt issuance costs		**(0.5)**	(0.5)
Hedge breakage costs		**—**	(0.6)
Principal payment of lease liabilities		**(6.9)**	(5.4)
Net cash (outflow)/inflow from financing activities		**(12.0)**	6.5
Net (decrease)/increase in cash and cash equivalents		**(13.9)**	23.2
Exchange gain/(loss) on cash and cash equivalents		**0.3**	(0.5)
Cash and cash equivalents at 1 November		**33.2**	10.5
Cash and cash equivalents at 31 October	12, 18	**19.6**	33.2

Notes to the financial statements
for the year ended 31 October 2020

1. Basis of preparation
The Board approved this preliminary announcement on 13 January 2021.

The financial information included in this preliminary announcement does not constitute the Group's statutory accounts for the years ended 31 October 2019 or 31 October 2020. Statutory accounts for the year ended 31 October 2019 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 31 October 2020 will be delivered to the Registrar of Companies following the Company's annual general meeting.

The auditor has reported on the 2020 and 2019 accounts; their report was unqualified, did not include any references to any matters by way of emphasis and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

These financial statements for the year ended 31 October 2020 have been prepared under the historical cost convention except for the following assets and liabilities, which are stated at their fair value: investment property, derivative financial instruments and financial interest in property assets. The accounting policies used are consistent with those contained in the Group's last annual report and accounts for the year ended 31 October 2019, except for items as described below. All amounts are presented in Sterling and are rounded to the nearest £0.1 million, unless otherwise stated.

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

After making enquiries, the Directors of Safestore are confident that, on the basis of current financial projections and facilities available and after considering sensitivities, the Group has sufficient resources for its operational needs and to enable the Group to remain in compliance with the financial covenants in its bank facilities for the foreseeable future, a period of not less than twelve months. In assessing the Group's going concern position as at 31 October 2020, the Directors have considered a number of factors, including the current balance sheet position, the principal and emerging risks which could impact the performance of the Group and the Group's strategic and financial plan. Consideration has been given to compliance with borrowing covenants along with the uncertainty inherent in future financial forecasts. In addition, in relation to the potential ongoing impact of Covid-19, various scenarios and stress tests have been modelled including sensitivities relating to the potential impact on performance due to possible changes in lockdown durations and post-lockdown demand levels. This included the potential impact on performance due to possible changes in the levels of demand, customer churn, sales performance and rate growth. The Group is a profitable provider of self storage with a strong balance sheet, significant liquidity and considerable headroom compared to its banking covenants. The financial position of the Group, including details of its financing and capital structure, is set out in the financial review section of this announcement. The Directors have assessed Safestore's viability over a three-year period to October 2023. This is based on three years of the strategic plan, which gives greater certainty over the forecasting assumptions used. The potential ongoing impact of Covid-19 is discussed further within the front section of this announcement.

Standards, amendments to standards and interpretations issued and applied

The following new or revised accounting standards or IFRIC interpretations are applicable for the first time in the year ended 31 October 2020:

- IFRS 16 "Leases" (see below)
- IFRIC 23 "Uncertainty over Income Tax Treatments"
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"
- Annual Improvements to the IFRS Standards 2015-2017 Cycle
- Amendments to IFRS 9 "Financial Instruments"
- Amendments to IAS 19 "Employee Benefits"

The adoption of the Standards and Interpretations has not significantly impacted these financial statements and any changes to our accounting policies as a result of their adoption have been reflected in this note.

IFRS 16 "Leases"

This is the Group's first set of financial statements where IFRS 16 "Leases" has been applied. There have been no retrospective adjustments made to the prior year figures. The impact on the results on adoption of this standard is set out below:

- IFRS 16 replaces IAS 17 "Leases" and requires all operating leases in excess of one year, where the Group is the lessee, to be included on the Group's balance sheet, and the recognition of a right-of-use asset and a related lease liability representing the obligation to make lease payments. The right-of-use asset is assessed for impairment annually (incorporating any onerous lease assessments) and amortised on a straight-line basis, with the lease liability being amortised using the effective interest method. The Group's only significant lease commitment, which is not classified as part of its investment property portfolio, relates to its French Head Office.
- The Group has applied IFRS 16 using the modified retrospective approach and has not restated comparative information. The transition date of initial application of IFRS 16 for the Group was 1 November 2019. The Group already classified its leasehold stores as lease liabilities. However, as a result of IFRS 16, these leases are now based on actual current rent payable, rather than rent payable at inception of the lease, as was the case under IAS 17 "Leases", with the difference previously being treated

as variable lease payments (previously classified as contingent rent). This resulted in an opening transition adjustment to the right-of-use asset and lease liability of £9.4 million. As these offset, there will be no impact to net assets or the income statement on transition.

- The fair value of investment property held by the Group as a right-of-use asset reflects expected cash flows (including rent reviews settled that are expected to become payable). Accordingly, if a valuation obtained for a property is net of all payments expected to be made, it will be necessary to add back any recognised lease liability, to arrive at the carrying amount of the investment property using the fair value model, resulting in an opening IFRS 16 transition adjustment.
- For investment properties held under leases that are classified as lease liabilities, the properties are initially recognised at the lower of fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognised as a lease liability. After initial recognition, leasehold properties classified as investment properties are held at fair value, and the obligation to the lessor is included in the balance sheet at the present value of the minimum lease payments. The minimum lease payment valuation is re-measured at each balance sheet date and the value of the Group's right-of-use asset is adjusted accordingly over the lease term.
- In the prior year, the Group had one operating lease, with non-cancellable future lease payments of £0.4 million. After discounting the future lease payments under IFRS 16, the liability on transition remained at £0.4 million. The Group recognised a right-of-use asset of £0.4 million in property, plant and equipment and a lease liability of £0.4 million at the transition date. The impact at the transition date on the opening retained earnings is £nil. As at 31 October 2020, the net carrying value of the right-of-use asset was £0.3 million and lease liability was £0.3 million. The additional depreciation charge for the right-of-use asset recognised during the year was £0.1 million. The reduction in the lease liability in respect of principal repayments and interest was £0.1 million. Therefore, the recognition of this operating lease has had no impact to net assets or the income statement.
- When measuring the lease liabilities for leases that were classified as operating leases, new lease liabilities acquired and lease extensions, the Group discounted lease payments using an incremental borrowing rate specific for each asset based on what the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group has followed industry practice, utilising a stepped approach to determine the incremental cost of borrowing by determining the risk-free rate, the risk premium and making any lease-specific adjustments. To ensure the incremental borrowing rates calculated were reasonable, appropriate and did not create a material misstatement, sensitivity analysis was undertaken to determine the impact of alternative measures of the rate through use of various metrics, such as the weighted average cost of capital (5%) and the Group's blended rate of interest on the overall debt at 31 October 2019 (2.13%).

The reconciliation of the balance sheet movement is shown in the table below:

	Pre-transition 1 November 2019 £'m	**IFRS 16 adoption 1 November 2019 £'m**	**Post-transition 1 November 2019 £'m**
Add back of lease liabilities	63.5	9.4	72.9
Property, plant and equipment	—	0.4	0.4
Obligations under lease liabilities (current)	(9.7)	(1.7)	(11.4)
Obligations under lease liabilities (non-current)	(53.8)	(8.1)	(61.9)

Policy applicable from 1 November 2019

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Leasehold properties that are classified as right-of-use assets within investment properties are included in the balance sheet at fair value.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

Where the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Policy applicable before 1 November 2019

In the comparative period, leases were only classified as operating leases when they did not meet the definition of finance leases under IAS 17 “Leases”. Rentals payable under these leases were charged to the statement of comprehensive income on a straight-line basis over the term of the relevant lease. In the event that lease incentives were received to enter into operating leases, such incentives were recognised as a liability. The aggregate benefit of incentives was recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis was more representative of the time pattern in which economic benefits from the leased asset were consumed.

Key sources of estimation uncertainty

The following key estimate has significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the consolidated financial statements:

Estimate of fair value of investment properties and investment properties under construction

The Group values its investment properties using a discounted cash flow methodology, which is based on projections of net operating income. Principal assumptions and management’s underlying estimation of the fair value of those relate to: stabilised occupancy levels; expected future growth in storage rental income and operating costs; maintenance requirements; capitalisation rate; and discount rates. There are inter-relationships between the valuation inputs, and they are primarily determined by market conditions. The effect of an increase in more than one input could be to magnify the impact on the valuation. However, the impact on the valuation could be mitigated by the inter-relationship of two inputs moving in opposite directions, e.g. an increase in rent may be offset by a decrease in occupancy, resulting in no net impact on the valuation. For immature stores, these underlying estimates hold a higher risk of uncertainty, due to the unproven nature of its cash flows. A more detailed explanation of the background, methodology and judgements made by management is adopted in the valuation of the investment properties and is set out in note 10.

Judgement of business combinations

The Directors assess whether the acquisition of property through the purchase of a corporate vehicle should be accounted for as an asset purchase or a business combination. Where the acquired vehicle is an integrated set of activities and assets that is capable of being conducted and managed to provide a return to investors, the transaction is accounted for as a business combination. Where this is not the case, the transaction is treated as an asset purchase. The Directors assess when the risks and rewards associated with an acquisition or disposal have transferred. All business combinations have been disclosed in note 22.

Non-GAAP financial information

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

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

Forward-looking statements

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

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

2. Revenue

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

	2020 £'m	2019 £'m
Self storage income	**132.2**	122.0
Insurance income	**19.4**	18.6
Other non-storage income	**10.7**	11.2
Total revenue	**162.3**	151.8

3. Segmental analysis

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

Safestore is organised and managed in three operating segments, based on geographical areas, being the United Kingdom, Paris in France and Barcelona in Spain.

The chief operating decision maker, being the Executive Directors, identified in accordance with the requirements of IFRS 8, assesses the performance of the operating segments on the basis of Underlying EBITDA, which is defined as operating profit before exceptional items, share-based payments, corporate transaction costs, gain/loss on investment properties, variable lease payments and depreciation.

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

Year ended 31 October 2020	**UK £'m**	**Paris £'m**	**Spain £'m**	**Group £'m**
Continuing operations				
Revenue	**121.3**	**38.8**	**2.2**	**162.3**
Share of profit in associates	**—**	**—**	**—**	**—**
Underlying EBITDA	**67.5**	**25.0**	**1.4**	**93.9**
Exceptional items	**(0.3)**	**0.1**	**—**	**(0.2)**
Share-based payments	**(5.8)**	**(0.7)**	**—**	**(6.5)**
Variable lease payments and depreciation	**(0.9)**	**(0.3)**	**—**	**(1.2)**
Share of associate's depreciation, interest and tax	**(0.3)**	**—**	**—**	**(0.3)**
Operating profit before gain on investment properties	**60.2**	**24.1**	**1.4**	**85.7**
Gain on investment properties	**79.7**	**47.1**	**(0.3)**	**126.5**
Operating profit	**139.9**	**71.2**	**1.1**	**212.2**
Net finance expense	**(12.1)**	**(2.1)**	**(0.1)**	**(14.3)**
Profit before tax	**127.8**	**69.1**	**1.0**	**197.9**
Total assets	**1,244.4**	**435.9**	**20.8**	**1,701.1**

Year ended 31 October 2019	UK £'m	Paris £'m	Spain £'m	Group £'m
Continuing operations				
Revenue	114.7	37.1	—	151.8
Underlying EBITDA	64.1	23.4	—	87.5
Exceptional items	(0.6)	—	—	(0.6)
Share-based payments	(5.0)	(0.6)	—	(5.6)
Variable lease payments and depreciation	(1.2)	(0.6)	—	(1.8)
Operating profit before gain on investment properties	57.3	22.2	—	79.5
Gain on investment properties	51.0	33.2	—	84.2
Operating profit	108.3	55.4	—	163.7
Net finance expense	(14.2)	(2.2)	—	(16.4)
Profit before tax	94.1	53.2	—	147.3
Total assets	1,105.4	365.6	—	1,471.0

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

4. Exceptional items

	2020 £'m	2019 £'m
Costs relating to corporate transactions and legal and employment proceedings	**(0.3)**	(0.6)

Other exceptional items	**0.1**	—
Net exceptional cost	**(0.2)**	(0.6)

A net exceptional cost of £0.2 million (FY2019: £0.6 million) was incurred in the year, comprising of £0.3 million relating to fees associated with the Group's acquisitions in the year and exceptional legal and employment related costs less £0.1 million compensation received from a landlord in respect of water damage in France.

5. Finance income and costs

	2020 £'m	2019 £'m
Finance income		
Interest receivable from loan to associates	**0.1**	—
Financial instruments income	**0.2**	—
Interest income including unwinding of discount on Capital Goods Scheme ("CGS") receivable	**—**	0.1
Underlying finance income	**0.3**	0.1
Net exchange gains	**0.2**	—
Total finance income	**0.5**	0.1
Finance costs		
Interest payable on bank loans and overdraft	**(9.1)**	(8.5)
Amortisation of debt issuance costs on bank loan	**(0.3)**	(0.2)
Underlying finance charges	**(9.4)**	(8.7)
Interest on obligations under lease liabilities	**(5.6)**	(4.8)
Fair value gain/(loss) of derivatives	**0.2**	(2.1)
Net exceptional finance expense	**—**	(0.6)
Net exchange losses	**—**	(0.3)
Total finance costs	**(14.8)**	(16.5)
Net finance costs	**(14.3)**	(16.4)

Included within interest payable of £9.1 million (FY2019: £8.5 million) is £0.3 million (FY2019: £0.4 million) of interest relating to derivative financial instruments that are economically hedging the Group's borrowings. The total change in fair value of derivatives reported within net finance costs for the year is a £0.2 million net gain (FY2019: £2.1 million net loss). Included within finance income is £0.2 million received on settlement of the €6.5 million average rate forward contract acquired in March 2020 and settled in October 2020.

Net exceptional finance costs of £nil relating to terminating a portion of the interest rate swaps, following the refinancing in October 2019, were incurred in FY2020 (FY2019: £0.6 million).

6. Income tax charge

Analysis of tax charge in the year:

	Note	**2020 £'m**	2019 £'m
Current tax:			
– Current year		**5.2**	5.1
– Prior year		**(2.4)**	—
		2.8	5.1
Deferred tax:			
– Current year		**17.1**	10.1
– Prior year		—	—
		17.1	10.1
Tax charge		**19.9**	15.2

Reconciliation of income tax charge

The tax for the period is lower (FY2019: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 October 2020 of 19.0% (FY2019: 19.0%). The differences are explained below:

	2020 £'m	2019 £'m
Profit before tax	**197.9**	147.3
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (FY2019: 19.0%)	**37.6**	28.0
Effect of:		
– permanent differences	**0.3**	—
– profits from the tax exempt business	**(24.2)**	(17.9)
– deferred tax arising on acquisition of overseas subsidiary	**3.0**	-
– difference from overseas tax rates	**5.6**	5.1
– prior year adjustments – exceptional	**(2.4)**	—
Tax charge	**19.9**	15.2

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

The main rate of corporation tax in the UK is 19%. Accordingly, the Group's results for this accounting period are taxed at an effective rate of 19.0% (FY2019: 19.0%). The expected decrease in the rate of corporation tax to 17% from 1 April 2020 provided for in Finance (No.2) Act 2015 has been postponed indefinitely. There will be no deferred taxation impact in respect of this change in taxation rates if it is re-introduced.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

An exceptional prior year current tax credit of £2.4 million arose during the year as a result of confirmation of loss claims made in 2015 and 2016 by an overseas subsidiary following the expiry of the statutory limitation period allowed for challenging the utilisation of these losses on 31 December 2019.

7. Dividends per share

The dividend paid in 2020 was £37.7 million (17.90 pence per share) (FY2019: £35.0 million (16.65 pence per share)). A final dividend in respect of the year ended 31 October 2020 of 12.70 pence (FY2019: 12.00 pence) per share, amounting to a total final dividend of £26.7 million (FY2019: £25.2 million), is to be proposed at the AGM on 17 March 2021. The ex-dividend date will be 4 March 2021 and the record date will be 5 March 2021 with an intended payment date of 8 April 2021. The final dividend has not been included as a liability at 31 October 2020.

The property income distribution ("PID") element of the final dividend is 12.70 pence (FY2019: 12.00 pence), making the PID payable for the year 18.60 pence (FY2019: 17.50 pence) per share.

8. Earnings per share

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

	Year ended 31 October 2020			Year ended 31 October 2019		
	Earnings £'m	**Shares million**	**Pence per share**	Earnings £'m	Shares million	Pence per share
Basic	**178.0**	**210.4**	**84.6**	132.1	210.2	62.8
Dilutive securities	**—**	**1.4**	**(0.6)**	—	0.7	(0.2)
Diluted	**178.0**	**211.8**	**84.0**	132.1	210.9	62.6

Adjusted earnings per share

Explanations related to the adjusted earnings measures adopted by the Group are set out in note 1 under the heading Non-GAAP financial information. Adjusted Earnings per Share represents profit after tax adjusted for the valuation movement on investment properties, exceptional items, change in fair value of derivatives, exchange gains/losses, unwinding of the discount on the CGS receivable and the associated tax thereon. The Directors consider that these alternative measures provide useful information on the performance of the Group.

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

	Year ended 31 October 2020			Year ended 31 October 2019		
	Earnings £'m	**Shares million**	**Pence per share**	Earnings £'m	Shares million	Pence per share
Basic	**178.0**	**210.4**	**84.6**	132.1	210.2	62.8
Adjustments:						
Gain on investment properties	**(126.5)**	**—**	**(60.1)**	(84.2)	—	(40.1)
Exceptional items	**0.2**	**—**	**0.1**	0.6	—	0.3
Exceptional finance costs	**—**	**—**	**—**	0.6	—	0.3
Net exchange (gain)/loss	**(0.2)**	**—**	**(0.1)**	0.3	—	0.1
Change in fair value of derivatives	**(0.2)**	**—**	**(0.1)**	2.1	—	1.0
Tax on adjustments	**13.9**	**—**	**6.6**	9.4	—	4.5
Adjusted	**65.2**	**210.4**	**31.0**	60.9	210.2	28.9
EPRA adjusted:						
Fair value re-measurement of lease liabilities add back	**(6.9)**	**—**	**(3.3)**	(5.4)	—	(2.6)
Tax on lease liabilities add back adjustment	**0.8**	**—**	**0.4**	0.7	—	0.3
EPRA basic EPS	**59.1**	**210.4**	**28.1**	56.2	210.2	26.6
Share-based payments charge	**6.5**	**—**	**3.1**	5.6	—	2.7
Dilutive shares	**—**	**6.8**	**(1.0)**	—	6.6	(0.8)
Adjusted Diluted EPRA EPS[1]	**65.6**	**217.2**	**30.2**	61.8	216.8	28.5

Note

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

Gain on investment properties includes the fair value re-measurement of lease liabilities add back of £6.9 million (FY2019: £5.4 million) and the related tax thereon of £0.8 million (FY2019: £0.7 million). As an industry standard measure, EPRA earnings is presented. EPRA earnings of £59.1 million (FY2019: £56.2 million) and EPRA Earnings per Share of 28.1 pence (FY2019: 26.6 pence) are calculated after further adjusting for these items.

EPRA adjusted income statement (non-statutory)	**2020 £'m**	2019 £'m	Movement %
Revenue	**162.3**	151.8	6.9
Underlying operating expenses (excluding depreciation and variable lease payments)	**(68.7)**	(64.3)	6.8
Share of associate's underlying EBITDA	**0.3**	—	n/a
Underlying EBITDA before variable lease payments	**93.9**	87.5	7.3
Share-based payments charge	**(6.5)**	(5.6)	16.1
Depreciation and variable lease payments	**(1.2)**	(1.8)	(33.3)
Operating profit before fair value re-measurement of lease liabilities add back	**86.2**	80.1	7.6
Fair value re-measurement of lease liabilities add back	**(6.9)**	(5.4)	27.8
Operating profit	**79.3**	74.7	6.2
Net financing costs	**(14.7)**	(13.4)	9.7
Share of associate's finance charges	**(0.2)**	—	n/a
Profit before income tax	**64.4**	61.3	5.1
Income tax	**(5.2)**	(5.1)	2.0
Share of associate's tax	**(0.1)**	—	n/a
Profit for the year ("EPRA earnings")	**59.1**	56.2	5.2
EPRA basic Earnings per Share	**28.1 pence**	26.6 pence	5.2
Final dividend per share	**12.70 pence**	12.00 pence	5.8

9. Investment in associates

On 21 August 2019, the Group acquired a 20% interest in CERF Storage JV B.V. ("CERF"), a company registered and operating in the Netherlands. CERF is accounted for using the equity method of accounting. CERF invests in carefully selected self storage opportunities in Europe and currently owns six stores in the Netherlands and six stores in Belgium, the latter of which was acquired during the year requiring an additional investment of £2.5 million. The Group will earn a fee for providing management services to CERF. This investment is considered immaterial relative to the Group's underlying operations. The aggregate carrying value of the Group's interest in the associate was £7.3 million (FY2019: £4.5 million), made up of an investment, of £5.3 million (FY2019: £2.8 million), a loan to the associate including interest accrued of £1.9 million (FY2019: £1.7 million) and other receivables of £0.1 million (FY2019: £nil) (note 29). The Group's share of profits from continuing operations for the period was £nil million (FY2019: £nil). The Group's share of total comprehensive income of associates in the year was £nil (FY2019: £nil).

10. Investment properties

	External valuation of investment properties, net of lease liabilities £'m	Add back of lease liabilities £'m	Investment property under construction £'m	Total investment properties £'m
At 1 November 2019	1,331.8	63.5	13.9	1,409.2
IFRS 16 day one transition adjustment	—	9.4	—	9.4
Additions	42.2	3.9	14.5	60.6
Acquisition of subsidiary (note 22)	14.6	10.0	—	24.6
Disposals	—	—	—	—
Reclassifications/purchase of freehold	14.5	(4.4)	(10.1)	—
Revaluations	137.7	—	(4.3)	133.4
Fair value re-measurement of lease liabilities add back	—	(6.9)	—	(6.9)
Exchange movements	16.7	1.4	—	18.1
At 31 October 2020	**1,557.5**	**76.9**	**14.0**	**1,648.4**

	External valuation of investment properties, net of lease liabilities £'m	Add back of lease liabilities £'m	Investment property under construction £'m	Total investment properties £'m
At 1 November 2018	1,216.2	56.1	4.7	1,277.0
Additions	13.7	14.1	25.2	53.0
Acquisition of subsidiary	6.4	—	—	6.4
Disposals	—	(0.7)	—	(0.7)
Reclassifications	14.4	—	(14.4)	—
Revaluations	91.2	—	(1.6)	89.6
Fair value re-measurement of lease liabilities add back	—	(5.4)	—	(5.4)
Exchange movements	(10.1)	(0.6)	—	(10.7)
At 31 October 2019	1,331.8	63.5	13.9	1,409.2

The gain on investment properties comprises:

	2020 £'m	2019 £'m
Revaluations of investment property and investment property under construction	**133.4**	89.6
Fair value re-measurement of lease liabilities add back	**(6.9)**	(5.4)
	126.5	84.2

	Cost £'m	Revaluation on cost £'m	Valuation £'m
Freehold stores			
At 1 November 2019	566.4	534.2	1,100.6
Movement in year	63.8	84.0	147.8
At 31 October 2020	**630.2**	**618.2**	**1,248.2**
Leasehold stores			
At 1 November 2019	100.5	130.7	231.2
Movement in year	22.4	55.5	77.9
At 31 October 2020	**122.9**	**186.2**	**309.1**
All stores			
At 1 November 2019	666.9	664.9	1,331.8
Movement in year	86.2	139.5	225.7
At 31 October 2020	**753.1**	**804.4**	**1,557.5**

The valuation of £1,557.5 million (FY2019: £1,331.8 million) excludes £0.6 million in respect of owner-occupied property, which is included within property, plant and equipment. Rental income earned from investment properties for the year ended 31 October 2020 was £135.2 million (FY2019: £125.1 million).

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

As described in note 2 summary of significant accounting policies, where the valuation obtained for investment property is net of all payments to be made, it is necessary to add back the lease liability to arrive at the carrying amount of investment property at fair value. The lease liability of £77.2 million (FY2019: £63.5 million) per note 21 differs to the £76.9 million disclosed above as a result of accounting for the French Head Office lease under IFRS 16. This lease is included as part of property, plant and equipment, and has a net book value of £0.3 million as at 31 October 2020.

All direct operating expenses (excluding depreciation) arising from investment property that generated rental income as outlined in note 3 were £67.9 million (FY2019: £63.3 million).

The freehold and leasehold investment properties have been valued as at 31 October 2020 by external valuers, Cushman & Wakefield Debenham Tie Leung Limited ("C&W"). The valuation has been carried out in accordance with the current edition of the RICS Valuation – Global Standards, which incorporates the International Valuation Standards and the RICS Valuation UK National Supplement (the "RICS Red Book"). The valuation of each of the investment properties has been prepared on the basis of fair value as a fully equipped operational entity, having regard to trading potential. Two non-trading properties were valued on the basis of fair value. The valuation has been provided for accounts purposes and, as such, is a Regulated Purpose Valuation as defined in the RICS Red Book. In compliance with the disclosure requirements of the RICS Red Book, C&W has confirmed that:

- the member of the RICS who has been the signatory to the valuations provided to the Group for the same purposes as this valuation has done so since April 2020. The valuations have been reviewed by an internal investment committee comprising two valuation partners and an investment partner, all unconnected with the assignment;
- C&W has been carrying out regular valuations for the same purpose as this valuation on behalf of the Group since October 2006;
- C&W does not provide other significant professional or agency services to the Group;
- in relation to the preceding financial year of C&W, the proportion of total fees payable by the Group to the total fee income of the firm is less than 5%; and
- the fee payable to C&W is a fixed amount per property and is not contingent on the appraised value.

Market uncertainty

C&W's valuation report comments on valuation uncertainty resulting from low liquidity in the market for self storage property. C&W believe that this is due to a lack of supply of good quality stock rather than a weakness of demand for the same. Very few property transactions have taken place and most activity that has occurred in this sector has been corporate. Due to this lack of comparable market information in the self storage sector, C&W have had to exercise more than the usual degree of judgement in arriving at their opinion of value.

Portfolio premium

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

Valuation method and assumptions

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

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

Freehold and long leasehold (UK, Paris and Spain)

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

Assumptions:

- Net operating income is based on projected revenue received less projected operating costs together with a central administration charge of 6% of the estimated annual revenue, subject to a cap and collar. The initial net operating income is calculated by estimating the net operating income in the first twelve months following the valuation date.
- The net operating income in future years is calculated assuming either straight-line absorption from day one actual occupancy or variable absorption over years one to four of the cash flow period, to an estimated stabilised/mature occupancy level. In the valuation the assumed stabilised occupancy level for the trading stores (both freeholds and all leaseholds) open at 31 October 2020 averages 87.09% (FY2019: 86.18%). The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth. The average time assumed for stores to trade at their maturity levels is 23.79 months (FY2019: 28.16 months).
- The capitalisation rates applied to existing and future net cash flows have been estimated by reference to underlying yields for industrial and retail warehouse property, yields for other trading property types such as purpose-built student housing and hotels, bank base rates, ten-year money rates, inflation and the available evidence of transactions in the sector. The valuation included in the accounts assumes rental growth in future periods. If an assumption of no rental growth is applied to the external valuation, the net initial yield pre-administration expenses for mature stores (i.e. excluding those stores categorised as "developing") is 6.60% (FY2019: 7.20%), rising to a stabilised net yield pre-administration expenses of 7.41% (FY2019: 8.22%).
- The weighted average freehold exit yield on UK freeholds is 6.40% (FY2019: 6.60%), on France freeholds is 6.27% (FY2019: 6.43%) and on Spain freeholds is 5.62%. The weighted average freehold exit yield for all freeholds adopted is 6.37% (FY2019: 6.57%).
- The future net cash flow projections (including revenue growth and cost inflation) have been discounted at a rate that reflects the risk associated with each asset. The weighted average annual discount rate adopted (for both freeholds and leaseholds) in

the UK portfolio is 9.44% (FY2019: 9.83%), in the France portfolio is 9.51% (FY2019: 9.80%) and in the Spain portfolio is 8.12%. The weighted average annual discount rate adopted (for both freeholds and all leaseholds) is 9.46% (FY2019: 9.82%).

- Purchaser's costs in the range of approximately 3.3% to 6.8% for the UK, 7.5% for Paris and 2.5% for Spain have been assumed initially, reflecting the progressive SDLT rates brought into force in March 2016 in the UK, and sales plus purchaser's costs totalling approximately 5.3% to 8.8% (UK), 9.5% (Paris) and 4.5% (Spain) and are assumed on the notional sales in the tenth year in relation to freehold and long leasehold stores.

Short leaseholds (UK)

The same methodology has been used as for freeholds, except that no sale of the assets in the tenth year is assumed but the discounted cash flow is extended to the expiry of the lease. The average unexpired term of the Group's UK short term leasehold properties is 12.0 years (FY2019: 12.3 years). The average unexpired term excludes the commercial leases in France and Spain.

Short leaseholds (Paris)

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

Short leaseholds (Spain)

In relation to the two commercial leases in Spain, C&W has valued the cash flow projections in perpetuity due to the nature of the lease agreements which allows the tenant to renew the lease year-on-year into perpetuity. The valuation treatment is therefore the same as for the freehold properties. The capitalisation rates on these stores reflect the risk of the rolling lease arrangements.

In relation to one other short leasehold in Spain, the lease allows for a five-year automatic extension beyond the initial lease expiry date subject to neither party serving notice stating it does not wish to do so. This allows the landlord to terminate the lease at the original expiry date if it so wishes. The same methodology has been used as for freeholds, except that no sale of the asset in the tenth year is assumed but the discounted cash flow is extended to the expiry of the lease.

Investment properties under construction

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

Immature stores: value uncertainty

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

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

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

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

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

Valuation assumption for purchaser's costs

The Group's investment property assets have been valued for the purposes of the financial statements after adjusting for notional purchaser's costs in the range of approximately 3.3% to 6.8% (UK), 7.5% (Paris) and 2.5% (Spain), as if they were sold directly as property assets. The valuation is an asset valuation which is strongly linked to the operating performance of the business. They would have to be sold with the benefit of operational contracts, employment contracts and customer contracts, which would be difficult to achieve except in a corporate structure.

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

Sensitivity of the valuation to assumptions

As noted in "Key sources of estimation uncertainty", self storage valuations are complex, derived from data which is not widely publicly available and involves a degree of judgement. All other factors being equal, higher net operating income would lead to an increase in the valuation of a store and an increase in the capitalisation rate or discount rate would result in a lower valuation, and vice versa. Higher assumptions for stabilised occupancy, absorption rate, rental rate and other revenue, and a lower assumption for operating costs, would result in an increase in projected net operating income, and thus an increase in valuation.

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

As noted in "Key sources of estimation uncertainty", self storage valuations are complex, derived from data which is not widely available and involves a degree of judgement. For these reasons we have classified the valuation of our property portfolio as Level 3 as defined by IFRS 13. Inputs to the valuation, some of which are 'unobservable' as defined by IFRS 13, include capitalisation yields, stable occupancy rates, and time to stabilised occupancy. The existence of an increase of more than one unobservable input would augment the impact on the valuation. The impact on the valuation would be mitigated by the inter-relationship between unobservable inputs moving in opposite directions. For example, an increase in stable occupancy may be offset by an increase yield, resulting in no net impact on the valuation. A sensitivity analysis showing the impact on valuations of changes in capitalisation rates and stable occupancy is shown below:

	Impact of change in capitalisation rates £'m		Impact of a change in stabilised occupancy assumption £'m		Impact of a delay in stabilised occupancy assumption £'m
	25 bps decrease	25 bps increase	1% increase	1% decrease	24-month delay
Reported Group	**30.5**	**(28.0)**	**25.5**	**(25.4)**	**(22.3)**

11. Net assets per share

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

	2020 £'m	2019 £'m
Analysis of net asset value:		
Net assets	**1,035.6**	885.9
Adjustments to exclude:		
Fair value of derivative financial instruments (net of deferred tax)	**0.4**	0.5
Deferred tax liabilities on the revaluation of investment properties	**84.8**	64.4
Adjusted net asset value	**1,120.8**	950.8
Basic net assets per share (pence)	**492**	421
EPRA basic net assets per share (pence)	**532**	452
Diluted net assets per share (pence)	**489**	420
EPRA diluted net assets per share (pence)	**529**	450

	Number	Number
Shares in issue	**210,578,509**	210,381,968

Basic net assets per share is shareholders' funds divided by the number of shares at the year end. Diluted net assets per share is shareholders' funds divided by the number of shares at the year end, adjusted for dilutive share options of 1,400,763 shares (FY2019: 706,231 shares). EPRA diluted net assets per share excludes deferred tax liabilities arising on the revaluation of investment properties. The EPRA NAV, which further excludes fair value adjustments for debt and related derivatives net of deferred tax, was £1,120.8 million (FY2019: £950.8 million), giving EPRA net assets per share of 532 pence (FY2019: 452 pence). The Directors consider that these alternative measures provide useful information on the performance of the Group.

EPRA adjusted balance sheet (non-statutory)

	2020 £'m	2019 £'m
Assets		
Non-current assets	**1,657.1**	1,414.9
Current assets	**43.1**	56.1
Total assets	**1,700.2**	1,471.0
Liabilities		
Current liabilities	**(59.7)**	(53.0)
Non-current liabilities	**(519.7)**	(467.2)
Total liabilities	**(579.4)**	(520.2)
EPRA net asset value	**1,120.8**	950.8
EPRA net asset value per share	**532 pence**	452 pence

12. Cash and cash equivalents

	2020 £'m	2019 £'m
Cash at bank and in hand	**19.6**	33.2

13. Financial liabilities – bank borrowings and secured notes

Non-current	2020 £'m	2019 £'m
Bank loans and secured notes		
Secured	**456.0**	414.3
Debt issue costs	**(1.5)**	(1.3)
	454.5	413.0

The Group's borrowings consist of bank facilities of £250 million and €70 million maturing in June 2023. US Private Placement Notes of €125 million have maturities extending to 2024, 2026 and 2027, and £115.5 million have maturities extending to 2026 and 2029. The blended cost of interest on the overall debt at 31 October 2020 was 2.13% per annum.

The bank facilities attract a margin over LIBOR/EURIBOR. The margin ratchets between 1.25% and 2.50%, by reference to the Group's performance against its interest cover covenant. Approximately 50% of the drawn bank facilities have been hedged at an effective rate of 0.8152% (LIBOR) or 0.1656% (EURIBOR).

The Company also has in issue €50.9 million (FY2019: €50.9 million) 1.59% Series A Senior Secured Notes due 2024, €70.0 million (FY2019: €70.0 million) 1.26% Series A Secured Notes due 2026, £35.0 million 2.59% (FY2019: £35.0 million) Series B Senior Secured Notes due 2026, €74.1 million (FY2019: €74.1 million) 2.00% Series B Senior Secured Notes due 2027 and £50.5 million (FY2019: £50.5 million) 2.92% Series C Senior Secured Notes due 2029 and £30.0 million (FY2019: £30.0 million) 2.69% Series C Senior Secured Notes due 2029. The €195.0 million of Euro denominated borrowings provides a natural hedge against the Group's investment in the France and Spain businesses, so the Group has applied net investment hedge accounting and the retranslation of these borrowings is recognised directly in the translation reserve.

The bank loans and overdrafts are secured by a fixed charge over the Group's investment property portfolio. As part of the Group's interest rate management strategy, the Group has entered into several interest rate swap contracts, details of which are shown in note 14.

Bank loans and secured notes are stated before unamortised issue costs of £1.5 million (FY2019: £1.3 million).

Bank loans and secured notes are repayable as follows:

	Group	
	2020 £'m	2019 £'m
Between two and five years	**210.8**	174.5
After more than five years	**245.2**	239.8
Bank loans and secured notes	**456.0**	414.3
Unamortised debt issue costs	**(1.5)**	(1.3)
	454.5	413.0

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

	2020	2019
Bank loans (UK term loan)	**Quarterly or monthly LIBOR plus 1.25%**	Quarterly or monthly LIBOR plus 1.25%
Bank loans (Euro term loan)	**Quarterly EURIBOR plus 1.25%**	Quarterly EURIBOR plus 1.25%
Private Placement Notes (Euros)	**Weighted average rate of 1.63%**	Weighted average rate of 1.63%
Private Placement Notes (Sterling)	**Weighted average rate of 2.76%**	Weighted average rate of 2.76%

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	
	2020 £'m	2019 £'m
Expiring beyond one year	**148.0**	179.7

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

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

	2020 £'m	2019 £'m
Sterling	**253.5**	212.5
Euros	**202.5**	201.8
	456.0	414.3

14. Financial instruments

Financial instruments

Financial instruments disclosures are set out below:

	2020		2019	
	Asset £'m	**Liability £'m**	Asset £'m	Liability £'m
Interest rate swaps	**—**	**(1.4)**	—	(0.6)
Foreign currency forwards	**0.9**	**—**	—	—

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

The fair values of all financial instruments are equal to their book value, with the exception of bank loans, which are set out below. The fair value of secured loan notes is determined using a discounted cash flow, while the fair value of bank loans drawn from the Group's bank facilities equates to book value. The carrying value less impairment provision of trade receivables, other receivables and the carrying value of trade payables and other payables approximate their fair value.

The fair value of bank loans is calculated as:

	2020		2019	
	Book value £'m	**Fair value £'m**	Book value £'m	Fair value £'m
Bank loans	**454.5**	**495.3**	413.0	457.6

Fair value hierarchy

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

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

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

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

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

Assets per the balance sheet	**2020 £'m**	2019 £'m
Derivative financial instruments – Level 2	**0.9**	—
Amounts due from associates – Level 2	**2.0**	1.9

Liabilities per the balance sheet	**2020 £'m**	2019 £'m
Derivative financial instruments – Level 2	**1.4**	0.6
Bank loans – Level 2	**495.3**	457.6

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

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

Interest rate swaps not designated as part of a hedging arrangement

The notional principal amounts of the outstanding interest rate swap contracts at 31 October 2020 were £55 million and €30 million (FY2019: £55 million and €30 million). At 31 October 2020 the weighted average fixed interest rates were Sterling at 0.8152% and Euro at 0.1656% (FY2019: Sterling at 0.8152% and Euro at 0.1656%) and floating rates are at quarterly LIBOR and quarterly EURIBOR. The £55.0 million LIBOR swaps and the EURIBOR swaps expire in June 2022, whilst a further £55.0 million LIBOR forward-starting swaps become effective in June 2022 and expire in June 2023 and have a fixed interest rate of 0.6885%. The movement in fair value recognised in the income statement was a net loss of £0.8 million (FY2019: £2.1 million net loss).

Foreign currency forwards not designated as part of a hedging arrangement

In March 2020, the Group acquired six tranches of average rate forward contracts for a notional amount totalling €45.5 million at a rate of €1.0751 to the Pound. The Group will receive the Sterling equivalent at this average exchange rate and pay the Sterling equivalent of the average monthly spot rates on the Euro notional amounts which have maturity dates as follows: €7.0 million maturing 30 April 2021, €7.5 million maturing 29 October 2021, €8.0 million maturing 29 April 2022, €8.0 million maturing 31 October 2022 and €8.5 million maturing 28 April 2023. The movement in the fair value recognised in the income statement in the period was a gain of £0.9 million. The remaining €6.5 million matured on 30 October 2020 at a rate of 1.1100 resulting in a £0.2 million gain recognised as finance income in the profit and loss.

Financial instruments by category

Assets per the balance sheet	Financial assets at amortised cost £'m	Assets at fair value through profit and loss £'m	Total £'m
Trade receivables and other receivables excluding prepayments	15.0	—	15.0
Amounts due from associates	2.0	—	2.0
Derivative financial instruments	—	0.9	0.9
Cash and cash equivalents	19.6	—	19.6
At 31 October 2020	**36.6**	**0.9**	**37.5**

Liabilities per the balance sheet	Other financial liabilities at amortised cost £'m	Liabilities at fair value through profit and loss £'m	Total £'m
Borrowings (excluding obligations under lease liabilities)	454.5	—	454.5
Obligations under lease liabilities	77.2	—	77.2
Derivative financial instruments	—	1.4	1.4
Payables and accruals	31.5	—	31.5
At 31 October 2020	**563.2**	**1.4**	**564.6**

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

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

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

	2020			2019		
	Floating rate £'m	**Fixed rate £'m**	**Total £'m**	Floating rate £'m	Fixed rate £'m	Total £'m
Borrowings	**81.5**	**373.0**	**454.5**	48.4	364.6	413.0

The weighted average interest rate of the fixed rate financial borrowing was 2.03% (FY2019: 2.04%) and the weighted average remaining period for which the rate is fixed was six years (FY2019: seven years).

Maturity analysis

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

	Less than one year £'m	One to two years £'m	Two to five years £'m	More than five years £'m
2020				
Borrowings	**8.8**	**8.8**	**230.1**	**258.6**
Derivative financial instruments	**0.4**	**0.4**	**0.3**	**—**
Obligations under lease liabilities	**12.8**	**12.6**	**31.1**	**57.9**
Payables and accruals	**31.5**	**—**	**—**	**—**
	53.5	**21.8**	**261.5**	**316.5**

	Less than one year £'m	One to two years £'m	Two to five years £'m	More than five years £'m
2019				
Borrowings	9.0	9.0	197.4	258.2
Derivative financial instruments	0.8	0.8	1.3	—

Obligations under lease liabilities	10.2	10.1	27.1	50.8
Payables and accruals	26.0	—	—	—
	46.0	19.9	225.8	309.0

15. Obligations under lease liabilities

The Group leases certain of its investment properties under lease liabilities. The average remaining lease term is 10.5 years (FY2019: 10.9 years).

	Minimum lease payments		Present value of minimum lease payments	
	2020 £'m	2019 £'m	**2020 £'m**	2019 £'m
Within one year	**12.8**	10.2	**12.3**	9.7
Within two to five years	**43.7**	37.2	**35.6**	29.7
Greater than five years	**57.9**	50.8	**29.3**	24.1
	114.4	98.2	**77.2**	63.5
Less: future finance charges on lease liabilities	**(37.2)**	(34.7)	**—**	—
Present value of lease liabilities	**77.2**	63.5	**77.2**	63.5

	2020 £'m	2019 £'m
Current	**12.3**	9.7
Non-current	**64.9**	53.8
	77.2	63.5

Amounts recognised within the consolidated income statement include interest on lease liabilities of £5.6 million and variable lease payments not included in the measurement of the lease liabilities of £0.3 million. Amounts recognised in the consolidated statement of cash flows include lease liabilities principal payments of £6.9 million and interest on lease liabilities of £5.6 million. The maturity analysis for obligations under lease liabilities under contractual undiscounted cash flows is included in note 14.

16. Called up share capital

	2020 £'m	2019 £'m
Called up, allotted and fully paid		
210,611,207 (FY2019: 210,420,424) ordinary shares of 1 pence each	**2.1**	2.1

17. Cash flow from operating activities

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

Cash generated from continuing operations	Notes	**2020 £'m**	2019 £'m
Profit before income tax		**197.9**	147.3
Gain on investment properties	10	**(126.5)**	(84.2)
Share of profit in associates		—	—
Depreciation		**0.9**	0.7
Net finance expense	5	**14.3**	16.4
Employee share options		**4.7**	3.8
Changes in working capital:			
(Increase)/decrease in trade and other receivables		**(0.1)**	0.9
Increase in trade and other payables		**4.3**	0.6
Cash generated from continuing operations		**95.5**	85.5

18. Analysis of movement in gross and net debt

	2019 £'m	Cash flows £'m	Non-cash movements £'m	**2020 £'m**
Bank loans	(413.0)	(32.5)	(9.0)	**(454.5)**
Lease liabilities	(63.5)	6.9	(20.6)	**(77.2)**
Total gross debt (liabilities from financing activities)	(476.5)	(25.6)	(29.6)	**(531.7)**
Cash in hand	33.2	(14.0)	0.4	**19.6**
Total net debt	(443.3)	(39.6)	(29.2)	**(512.1)**

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

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

Non-cash movements relate to the amortisation of debt issue costs, £0.3 million (FY2019: £0.2 million), foreign exchange movements, £8.3 million (FY2019: £3.9 million), and unwinding of discount including IFRS 16 transition adjustments to lease liabilities, £20.6 million (FY2019: £12.8 million).

19. Contingent liabilities

As part of the Group banking facility, the Company has guaranteed the borrowings totalling £456.0 million (FY2019: £414.3 million) of fellow Group undertakings by way of a charge over all of its property and assets. There are similar cross-guarantees provided by the Group companies in respect of any bank borrowings which the Company may draw under a Group facility agreement. The financial liability associated with this guarantee is considered remote and therefore no provision has been recorded.

Following tax audits carried out on the Group's operations in Paris, elements of tax were challenged by the French Tax Administration ("FTA") for financial years 2011 to 2013 and 2016 to 2019. Similar challenges from the FTA have also been made to other operators within the self storage industry. The Company and its legal advisers are of the opinion that there are no valid grounds for these challenges and are in the process of contesting the findings of the FTA through the French courts. The duration and outcome of this dispute cannot be anticipated at this stage of the proceedings. Based on our analysis of the relevant information, the maximum potential exposure in relation to the tax audit issues at 31 October 2020 is £4.2 million. No provision for any potential exposure has been recorded in the consolidated financial statements since the Group believes it is more likely than not that a successful outcome will be achieved resulting in no eventual additional liabilities. Bank guarantees to cover any potential additional tax assessment are currently being put in place, of which guarantees totalling £0.6 million have been put in place as at 31 October 2020.

20. Capital commitments

The Group had £15.3 million of capital commitments as at 31 October 2020 (FY2019: £59.7 million).

21. Related party transactions

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

Transactions with CERF Storage JV B.V.

As described in note 12, the Group has a 20% interest in CERF Storage JV B.V. ("CERF"), and entered into transactions with CERF. During the year, the Group invested a further £2.5 million into CERF, which was used to acquire six additional stores for the portfolio in a new geographical location, Belgium. This amount is included as part of its non-current investments in associates.

During the year the Group recharged £0.2 million (FY2019: £0.2 million) to CERF for operational costs paid on behalf of CERF and was repaid £0.3 million (FY2019: £nil) of cumulative outstanding balances during the year. £0.1 million (FY2019: £nil) of unpaid interest was accrued and charged during the year on the €2 million (£1.8 million) principal loan note outstanding (FY2019: £1.7 million). The total amount outstanding at 31 October 2020 included within current trade and other receivables was £2.0 million (FY2019: £1.9 million). Management fees charged and settled during the year amounted to £0.3 million (FY2019: £0.3 million).

22. Business combination

On 30 December 2019, the Group completed the acquisition of OMB Self Storage S.L.U. ("OMB") which includes properties located in central Barcelona, for a net cash consideration of £14.3 million and £12.8 million excluding the debt and cash acquired. The acquisition has complemented the Group's strategy of strengthening its market-leading portfolio geographically in Europe. The acquisition is located in a new geographical region, Spain, and is operated using different financial and operational IT infrastructure compared to the existing Group. In addition, with key management being retained under this transaction, this acquisition has been treated as a business combination. Final fair values of assets and liabilities have been determined following finalisation of working capital balances, resulting in no goodwill being recognised on acquisition due to the consideration paid being equal to the fair value of the identifiable net assets. £0.3 million of transaction related costs were reported as an exceptional item within administrative expenses for the year ended 31 October 2020.

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

	£'m
Assets	
Total investment properties (note 10)	24.6
Trade and other receivables	0.2
Total assets	**24.8**
Liabilities	
Trade and other payables	(0.5)
Lease liabilities	(10.0)
Total liabilities	**(10.5)**
Net assets	**14.3**
Gross consideration	12.8
Add: debt acquired	2.0
Less: cash acquired	(0.5)
Net consideration paid	**14.3**

Since the date of the acquisition, OMB has contributed £2.2 million to the revenue of the Group and £2.3 million loss to the profit after tax for the Group.