

# safestore™ self storage

## Safestore Holdings plc Interim Report

for the 6 months ended 30 April 2010



WE KNOW THE VALUE OF SPACE

The UK's No.1 for Self Storage







## Financial highlights

**Revenue +2.8%**

Revenue up 2.8% to 42.4m

**Underlying EBITDA +2.3%**

Underlying EBITDA up 2.3% to 22.9 million

**EPRA Adjusted EPS +17.6%**

Up to 3.68p from 3.13p

**Dividend +3.0%**

Increased by 3% to 1.70 pence



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Certain statements in this interim report are forward looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties or assumptions could adversely affect the outcome and financial effects of the plans and events described herein.

Forward-looking statements contained in this interim report regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this interim report. Except as required by law, the Company is under no obligation to update or keep current the forward-looking statements contained in this interim report or to correct any inaccuracies which may become apparent in such forward-looking statements.

# Highlights

## Financial Highlights:

- Revenue increase of 2.8% to £42.4 million (2009: £41.3 million)
- Underlying EBITDA<sup>1</sup> increase of 2.3% to £22.9 million (2009: £22.4 million)
- EPRA Adjusted Earnings per share<sup>3</sup> ("EPS") increase of 17.6% to 3.68 pence (2009: 3.13 pence)
- Basic EPS<sup>3</sup> of 2.56 pence (2009: a loss per share of 3.60 pence)
- As at 30 April 2010, Safestore's property portfolio was valued at £655.4 million, an increase of £7.6 million or 1.2% since October 2009
- Interim dividend increased by 3.0% to 1.70 pence (2009: 1.65 pence)
- New and increased bank facilities to August 2013

## Operational Highlights:

- Average rental rate up 1.1% to £25.51 per square foot ("sq ft") on the same period last year
- Occupancy increased by 53,000 sq ft in the period compared to a loss of 11,200 sq ft in the comparable period last year. Overall, closing occupancy<sup>2</sup> is 122,000 sq ft up on April 2009 at 2.83 million sq ft
- Over 40,000 customers, up 6.5% from April 2009
- Increased level of enquiries
- Good balance between business and domestic customers
- Continued benefits of UK national network - not dependent on London or housing market
- Continued strong performance in Paris
- Management contract for the 12 store Space Maker chain awarded to Safestore in May 2010

## Steve Williams, Safestore's Chief Executive, commented:

"It is encouraging that the business has continued to perform well in what is still a challenging market.

The first half has seen an increase in revenue and underlying EBITDA over the same period last year which has been mainly driven by a solid rental rate and much improved occupancy movement performance in both the UK and Paris.

The second half of the year has begun positively with high levels of new enquiries and reservations, nearing the record levels seen in late 2007. We continue to see progression on the rate per sq ft and we have seen the underlying occupancy movement trading ahead of the prior year for 11 consecutive months. We believe that our operationally focused business model will continue to show resilience and our diversified store portfolio and customer base will continue to mitigate trading risk.

In May 2010, we were pleased to announce that Safestore has been awarded a six year management contract for the Space Maker self storage business. This gives the Company an additional revenue stream and the opportunity to grow the earnings of the business. The contract effectively commenced at the start of May 2010 and will be immediately earnings enhancing.

Safestore is the UK's largest self storage company and its strong balance sheet, cashflow generation and the new increased bank facilities will enable the Company to continue to selectively acquire new sites. This along with the natural operational gearing within the business model offer significant organic growth opportunities from the existing portfolio and keeps Safestore well positioned to take advantage of the favourable longer term trends for the self storage industry. The Board remains confident of the outcome for the full year.

1 EBITDA before exceptional items, contingent rent, gain/(loss) on investment properties and fair value movement of derivatives (underlying EBITDA)

2 Closing occupancy includes 21,000 sq ft of bulk tenancy (10,000 sq ft at 31 October 2009)

3 See note 9

# Chief Executive's Review

## Introduction

We are pleased to present Safestore's results for the six months ended 30 April 2010. The business has performed well and we continue to be encouraged by the resilience of our operating model.

Two significant events during the period were the delivery of new, increased and extended bank facilities providing the funding for the business out to August 2013 and being awarded the management contract of the 12 store Space Maker chain.

The Company's success in delivering improving rate and occupancy has generated growth in both revenue and underlying EBITDA. Occupancy movement in the period was positive at 53,000 sq ft, a significant turnaround from the negative 11,200 sq ft movement for the same period last year. Closing occupancy at 30 April 2010 was up 122,000 sq ft on 30 April 2009 at 2.83 million sq ft. Since the end of the first half occupancy and rental rate has continued to grow, underpinning the long term value of the Group. The financial outcome for the period is summarised in the table below:

	Six months ended 30 April 2010 (unaudited) £'000	Six months ended 30 April 2009 (unaudited) £'000	Movement %
Revenue	<b>42,435</b>	41,293	+2.8%
Like-for-like* revenue	<b>39,936</b>	38,693	+3.2%
Ancillary revenue	<b>5,608</b>	5,426	+3.4%
Underlying EBITDA <sup>1</sup>	<b>22,928</b>	22,411	+2.3%
EPRA Profit after Tax (adjusted) <sup>2</sup>	<b>6,906</b>	5,855	+18.0%
Profit/(Loss) after Tax <sup>2</sup> ("Earnings")	<b>4,795</b>	(6,750)	
EPRA Earnings Per Share ("EPS") (adjusted) <sup>2</sup>	<b>3.68p</b>	3.13p	+17.6%
Basic EPS <sup>2</sup>	<b>2.56p</b>	(3.60p)	
EPRA Net Asset Value ("NAV") per Share (adjusted) <sup>3</sup>	<b>197.2p</b>	200.6p	-1.7%
NAV per Share <sup>3</sup>	<b>134.1p</b>	130.3p	+2.9%
Dividend – Interim per Share	<b>1.70p</b>	1.65p	+3.0%

<sup>1</sup> EBITDA before exceptional items, contingent rent, gain/(loss) on investment properties and fair value movement of derivatives

<sup>2</sup> See note 9

<sup>3</sup> See note 12

\* Like for like stores are those that have been open for two full financial years

## Strategy

Safestore is a market leader in the UK and Paris. It is ideally positioned to exploit the continuing trend to seek self storage as a space solution with a flexible offer to meet the needs of all its customers. In particular, we believe we have the structure in place to achieve increasing levels of occupancy and rental rates.

The executive team has consistently managed Safestore as an operational cash generative business, which is retail and customer led, focused on delivering optimal cash flow. The business continues to develop first class management information systems that allow the management team to have a centrally driven policy whilst managing the stores at a micro level particularly in relation to customer service, price and space management, enquiry generation and conversion. We believe this approach together with the depth of expertise of senior management, our highly motivated and engaged team, our comprehensive network of stores throughout the UK and the Paris region and our flexible business model clearly differentiates Safestore from its competitors. In addition, we recognise that our employees continue to be our biggest asset and we will continue to lead the way in our comprehensive training and coaching programmes.

Self storage represents an operational gearing investment model where 'growth' is delivered through building operational cash flow rather than Net Asset Value ("NAV"); which is the case with traditional Real Estate companies. We see a significant opportunity to deliver substantial revenue and earnings growth, at minimal cost and at low risk, from the operational gearing of the existing portfolio and pipeline stores.

Our primary focus will be on continuing to fill the existing 5.4 million sq ft of available space within the portfolio and optimise revenue per available sq ft. In addition, we will seek to achieve further growth through new store acquisitions, strategic bolt on acquisitions and new management contracts.

## Marketing Overview

Safestore has maintained its marketing focus on the web with specific emphasis on generating high quality qualified traffic. This is reflected in search engine optimisation where Safestore consistently achieves the highest average natural ranking within Google under our main search terms. Online marketing will remain a specific area of focus for the business with natural and sponsored rankings forming the main basis of activity and spend.

Safestore leads the industry with its unique strategic and promotional alliances with a number of prestigious businesses including Tesco, Wickes, eBay and Europcar amongst others. During the period under review we have strengthened our partnership with eBay and have new agreements in place with Countrywide estate agents and O<sub>2</sub>. These partnerships not only increase revenue but also increase brand awareness and brand standing through our association with these leading businesses. This will continue to form a major part of our marketing and operational strategy at both a national and local level.

## Customers

Safestore is the UK's only national player. The Group has an increasingly balanced mix of business and domestic customers seeking a self storage solution for a variety of reasons and, as a result, it is not overly exposed to any specific sector of the economy or geography. Length of stay has increased to 93 weeks from 91 weeks during the period under review.

## Business customers

Business customers are an important part of a diverse customer base and account for 31% of all customers (measured by customer numbers) and 56% when measured by space occupied. Safestore is ideally suited to businesses of all types and sizes from blue chip national accounts through to the start up entrepreneur and it has been pleasing to note that we continue to see high levels of enquiries and new lets from all types of business customers. We continue to build on the number of unique services on offer to our business customers. We have a specific offering for our business customers including a single billing system covering all UK stores, guaranteed rental rates for the first twelve months, free holding units for deliveries and a fork lift service in the majority of stores as well as 24 hour access.

Business customers typically rent larger self storage rooms for longer periods of time (average 116 weeks) but generally pay less per sq ft and purchase fewer ancillary products. The net result is that the average revenue derived from business customers is broadly equal to the average revenue derived from domestic customers. Business customers are an important part of our business and the visibility of income they generate provides a stable base, on a national level, and will remain an important strategic focus.



## Domestic customers

Domestic customers continue to be a major contributor to the success of our business and account for 69% of all customers (measured by customer numbers) and 44% of the space occupied. Despite the relatively low level of housing transactions, we have seen an increasing level of enquiries and new lets from domestic customers compared to the same period last year. This demonstrates that the drivers for self storage are numerous and diverse and whilst we will certainly benefit from the increasing volume of house sales there are an increasing number of other drivers for domestic customers to seek a storage solution. These include people who cannot or will not move still requiring space to accommodate a growing family; those needing a new home office or creating space to rent out a room.

An interesting development has been the trend towards people selling their home before purchasing another and, in the interim, moving into smaller rented accommodation. This has resulted in a higher level of reservations being made further in advance indicating that self storage is becoming part of the planning process in relation to house moves, not merely reactive to an event. Other drivers include marriage, divorce, death, travel and student accommodation during term breaks and gap years.

The length of stay for domestic customers has increased to 84 weeks from 82 weeks.

As well as the Safestore offering for domestic customers, the macro economic factors such as increasing population, the slowdown in house building and the fact that those new homes being built tend on average to be smaller, all lead to self storage being increasingly seen as a 'necessity'.

We continue to build on the offering for our domestic customers with a choice of services including free van hire, free pick up and incentives for longer term customers. We plan to roll out more services during the second half.

## Paris

Safestore is the market leader in Paris with 21 centrally located stores. The Group trades under the brand Une Pièce en Plus ("UPP"), which literally translated means 'the spare room'. UPP is concentrated in central Paris where it commands a market leading position. The financial performance of UPP during the six months ended 30 April 2010 has again been pleasing and continues the trend of increasing revenue, rental rate, occupancy and EBITDA which has consistently grown in each year since being acquired in 2004. It forms a

very important part of our overall business and further adds a geographic diversity to the business and good defensive qualities as well as significant growth potential.

The UPP business is very cash generative and accounts for over 20% of the Group's revenue and EBITDA on a constant currency basis.

A significant proportion of the post interest operating cash flow has been hedged, effectively fixing the exchange rate at around €1.15:£1 for the next two financial years.

As reported at the year-end, central Paris has seen new planning restrictions for businesses such as self storage. Whilst this will restrict our growth in the central Paris area the benefits will outweigh the negatives as UPP will be able to further leverage its market leading position and enhance value whilst new competition will be severely limited. In addition, the Company continues to expand in the wider Paris region with additional stores being planned and due to open in the next 18 months. We consider that the wider Paris region offers excellent opportunities for the French business to expand and whilst the rental rate achieved will be lower than central Paris the cost of investment will also be consequently lower and will enable an attractive return on investment.

We have an excellent management team led by Frederic Vecchioli and UPP remains a central part of our strategy and we will therefore continue to look to expand our Parisian business.

## Safestore Store Portfolio

Safestore has the largest number of self storage stores in the UK including London as well as central Paris. Our strategy remains to concentrate on London and Paris but also to have stores spread throughout the UK in 'clusters' for specific geographic locations, facilitating management efficiency and increasing local awareness. We also continue to seek new under provided markets and the management of the 12 store chain of Space Maker assists in this strategy with stores where we are currently under-represented including the South West, South Coast, East Anglia and Greater London.

The Safestore property portfolio was valued at £655.4 million at 30 April 2010, an increase of £7.6 million from October 2009. This increase is despite incurring a £4.0 million foreign exchange loss in translating the French portfolio at 30 April 2010 at €1.153:£1 compared to €1.116:£1 at 31 October 2009.

At the end of the half year, we had 95 stores located across the UK around two thirds of which are freehold/long leasehold. The balance is made up of short leaseholds which

are defined as leases of 25 years or less. In France, we have 21 stores (around 1/3 freehold, 2/3 short leasehold) which are well positioned in and around the central Paris area. In France a short lease, typically nine years, essentially has the same key commercial characteristics of UK freeholds. This basically means that the tenant is entitled to receive the full value of the business as compensation based on the projected future cash flow of the business if the lease is not renewed by the landlord.

Safestore's strategy continues to be to operate a balanced property portfolio including a mix of freehold and leasehold sites appropriate to the specific markets in which we operate.

A key objective is to secure new stores in locations that we believe will enable us to drive quality earnings and generate value irrespective of tenure. The flexibility of our approach enables us to draw from a much wider selection of potential properties and locations and is we believe an appropriate and prudent strategy, especially in the current economic environment giving the business a significant competitive advantage. Freehold stores continue to be the largest proportion of the estate but, from an operational perspective, leasehold sites also offer a highly attractive return on capital, EBITDA and cash flow. By maintaining a balance between freehold and leasehold the company will enhance operational gearing whilst moderating volatility.

Safestore also has an excellent track record of achieving lease extensions and converting leaseholds to freeholds having never lost a lease we wished to retain.

At the period end, the Group's portfolio of 116 stores comprised a self storage maximum lettable area ("MLA") of circa 5.1 million sq ft of which 2.83 million sq ft was occupied.

### Retail Store Expansion Programme

As at 30 April 2010 our trading stores plus pipeline will deliver around 5.4 million sq ft of self storage space. We plan to continue acquiring sites in priority locations, particularly in London and Paris, as well as pre-identified relocation stores that meet our strict criteria and the required level of returns.

We consider the long term prospects for the UK and European self storage industry to be very good with the relatively low, but growing, levels of awareness of the product. We will continue to utilise our cash and undrawn facilities in both the UK and Paris to selectively acquire new sites whilst carefully managing expenditure which we believe is the appropriate balance in the current environment.

The management contract of Space Maker will give Safestore a high quality revenue stream and also allows us to continue to increase coverage of self storage in the UK and to fully leverage the market leading position of Safestore including national accounts and strategic alliances. We will seek to win further such contracts.

We will continue to review any M&A opportunities on an individual basis as these tend to be opportunistic by nature.

## Financial Review

### Overview

For the six months ended 30 April 2010, revenue grew to £42.4 million (six months ended 30 April 2009: £41.3 million), an increase of 2.8%. Like-for-like revenue was £39.9 million, 3.2% up on the same period last year (six months ended 30 April 2009: £38.7 million).

The average rate per sq ft increased by 1.1% to £25.51 and we expect to see increased momentum in rental rate during the second half of the financial year.

Closing occupancy (including circa 21,000 sq ft of bulk space let) was 122,000 sq ft up on April 2009 and 53,000 sq ft up on October 2009 at 2.83 million sq ft.

Ancillary revenues for the period, derived from the sale of contents insurance, storage accessories and miscellaneous items, increased by 3.4% to £5.6 million (six months ended 30 April 2009: £5.4 million). This represents 16.1% of self storage revenues.

### Margin

The Company generated underlying EBITDA of £22.9 million, an increase of 2.3% over the same period last year (six months ended 30 April 2009: £22.4 million). The underlying EBITDA margin has remained broadly consistent with last year at 54%.

### Finance costs

Finance expenses comprise interest on bank loans, amortisation of debt issuance costs and interest on finance lease obligations net of capitalised interest. Also, exceptional finance expenses of £2.0m arose due to the bank re-financing during the period.

- Interest on bank loans has decreased by 16.5% to £6.6 million in the period driven, in the main, by the low LIBOR rates for floating rate debt compared to the same period last year.
- Amortisation of debt issuance costs have increased from £0.7 million for the six months to 30 April 2009 to £0.9 million for the same period this year. This increase is primarily driven by the costs associated with the new debt facility.
- Interest on finance leases has decreased by 14.3% to £2.4 million (six months ended 30 April 2009: £2.8 million) and reflects part of the rental payable under UK GAAP (the balance being charged through the investment gain/(loss) line in the income statement and contingent rent under IFRS).
- Interest has been capitalised in accordance with IAS 23. Interest capitalised in the period was £0.3 million (six months ended 30 April 2009: £0.5 million).
- Exceptional finance expenses relate to unamortised debt issuance costs (non-cash) of £2.0 million that were written off in respect of the previous bank facilities. During the period, the Company paid £8.0 million of debt issuance costs in respect of the new facility and paid £6.4 million for restructuring existing interest rate swaps and entering into new financial derivative instruments.

Due to the bank re-financing, cumulative brought forward interest swap movements of £8.75 million have been recycled from reserves and included as a charge in the income statement. Hedge accounting has ceased to apply hence valuation movements on financial derivative instruments will be included in the income statement as a result of the restructuring of existing interest swap agreements and the inception of new swap agreements. The income statement for the period includes a finance charge of £1.0 million in respect of the fair value movement of derivatives.

#### Profit/(loss) after Tax ("Earnings") and EPS

The profit after tax was £4.8 million compared to a loss of £6.8 million in the comparative period last year. After adjusting for the gain/(loss) on the revaluation of the property portfolio, exceptional items, various one off charges relating to the refinancing and associated hedging arrangements and the tax charges thereon (see note 9), the Company made an adjusted profit after tax in the period of £6.9 million compared to £5.9 million for the same period last year. Adjusted and basic EPS were 3.68p and 2.56p respectively for the period ended 30 April 2010 (six months ended 30 April 2009: 3.13p and a loss of 3.60p respectively).

Earnings have increased by £11.5 million from a loss of £6.8 million for the six months ended 30 April 2009 to a profit of £4.8 million for the comparable period this year. The biggest component of this has been the movement on the investment property line which has gone from being a loss of £30.0 million in the six months to 30 April last year to a gain of £4.9 million this year. This positive movement has been partly offset by a £10.8 million negative movement in one off/exceptional finance charges this year over last.

#### Debt financing/Covenants

As at 30 April 2010, the Group's net borrowings totalled £308.3 million. Due to lower LIBOR interest rates our overall interest payments have reduced significantly with the all-in cost of debt standing at around 5.5% at the end of April 2010. Approximately 70% of the net debt is covered by a mixture of interest rate swap instruments to provide an overall blended rate of 5.0% to 5.5% for the period to August 2013.

The Directors have reviewed both the loan to value and interest cover covenants and are satisfied that there is sufficient headroom for the foreseeable future. The Group also has a strong cash position of £21.3 million at the period end. The current debt facilities and projected cash flow provides sufficient funds to cover all existing commitments including the current pipeline as well as capacity for further new store acquisitions. The debt facilities do not mature until August 2013.

#### Property Valuation

Cushman & Wakefield LLP has again valued the Company's property portfolio. As at 30 April 2010, the total value of the Company's portfolio was £655.4 million.

This represents an increase of £7.6 million or 1.2% over the £647.8 million valuation as at 31 October 2009.

There are several factors influencing the valuation movement of the existing store portfolio during the period and, as such, the UK and France are listed separately:

- Taking the UK first, the existing store valuation shows a £5.0 million valuation increase compared to October 2009. This has been driven by a 23 basis point ("bps") inward shift in capital rates applied by the Valuer and changes in the underlying cash flow assumptions.
- The French existing store valuation shows a same currency increase of €7.6 million compared to October 2009. This has been driven by the inward shift in capital rates and operational/cash flow movements.

- Even though the French portfolio has seen a 5.4% increase in value this only translates to a 2.1% increase in sterling from £126.1 million at October 2009 to £128.7 million at April 2010. The difference is down to fluctuations in the ruling exchange rates at the relevant balance sheet dates which have delivered a £4.0 million exchange loss in the period.
- We estimate that capital movements account for a £11.6 million increase in the valuation with a reduction of £4.0 million being attributable to operational cash flow.

The Group freehold exit yield for the valuation at 30 April 2010 was 7.90% reflecting a 23bps inward shift from 8.14% at 31 October 2009. The exit yield reflects a 25bps decrease in prime yields in both the UK and France compared to October 2009, the balancing movement being made up of local conditions accounted for store by store.

The weighted average annual discount rate for the whole portfolio has followed a similar trend to exit yields.

At 30 April 2010, the Company's property portfolio consisted of 116 trading stores. The freehold/long leasehold stores were valued at £510.6 million and the short leasehold properties were valued at £144.8 million. Freehold/long leasehold stores which make up 59% of the stores by number account for 78% of the valuation. The remaining 22% of the valuation is attributable to the short leasehold portfolio.

The Company's pipeline of nine expansion stores is valued at £17.8 million as at 30 April 2010.

Overall, the valuation is £15.0 million up on April 2009 although this includes £17.5 million in respect of new stores opened in the past 12 months and a foreign exchange loss of £3.9 million. Excluding the impact of new stores and exchange movements, the underlying portfolio valuation has increased by £1.4 million.

In their report to us, our Valuer has drawn attention to valuation uncertainty resulting from exceptional volatility in the financial markets and a lack of transactions in the property investment market. Please see note 11 for further details.

The adjusted NAV per share is 197.2 pence, down 1.7% on April 2009 driven by valuation movements and refinancing/hedging costs in the period.

### Dividend

The Board is pleased to announce that we will be paying an interim dividend of 1.70p per share, a 3.0% increase on last year. The dividend will be paid on 11 August 2010 to shareholders who are on the Company's register at the close of business on 9 July 2010. The ex-dividend date will be 7 July 2010.

### Outlook

Trading has started positively in the second half of the year and early signs are that we are seeing improved trends in the level of customer enquiries and new lets. Occupancy growth remains positive with rental rates also improving.

We recognise that the economic outlook remains challenging and we will continue to manage the business accordingly; concentrating on a flexible strategy and balancing growth, expenditure and margin during the second half of the year. The Board remains confident of the outcome for the full year.

We will continue to focus on driving quality earnings through the continued growth of the existing store portfolio whilst also selectively acquiring new sites that meet our strict criteria as well as seeking additional management contracts and considering strategic bolt-on acquisitions.

# Consolidated income statement

## for the six months ended 30 April 2010

	Note	Six months ended 30 April 2010 (unaudited) £'000	Six months ended 30 April 2009 (unaudited) £'000	Year ended 31 October 2009 (audited) £'000
<b>Revenue</b>	4	<b>42,435</b>	41,293	84,433
Cost of sales		<b>(14,456)</b>	(13,657)	(26,606)
<b>Gross profit</b>		<b>27,979</b>	27,636	57,827
Administrative expenses		<b>(5,435)</b>	(4,492)	(10,608)
<b>EBITDA before exceptional items, fair value movement of derivatives, contingent rent and gain/(loss) on investment properties</b>				
		<b>22,928</b>	22,411	46,330
Exceptional items	4	-	1,768	2,046
Fair value movement of derivatives		<b>343</b>	(582)	(395)
Contingent rent and Depreciation		<b>(727)</b>	(453)	(762)
<b>Operating profit before gain/(loss) on investment properties</b>				
		<b>22,544</b>	23,144	47,219
Gain/(loss) on investment properties	10	<b>4,950</b>	(29,988)	(41,610)
<b>Operating profit/(loss)</b>	4	<b>27,494</b>	(6,844)	5,609
Finance income excluding recycling of foreign exchange gains				
		<b>164</b>	140	344
Recycling of foreign exchange gains	5	<b>431</b>	5,942	6,607
Total finance income		<b>595</b>	6,082	6,951
Finance expense excluding fair value movement of derivatives, recycling of cash flow hedge reserve and exceptional finance expense				
	5	<b>(9,647)</b>	(10,924)	(21,978)
Fair value movement of derivatives	5	<b>(1,012)</b>	-	-
Recycling of cash flow hedge reserve	5	<b>(8,749)</b>	-	-
Exceptional finance expense	5	<b>(2,004)</b>	-	-
Total finance expense		<b>(21,412)</b>	(10,924)	(21,978)
<b>Profit/(loss) before income tax</b>		<b>6,677</b>	(11,686)	(9,418)
Income tax (expense)/credit*	6	<b>(1,882)</b>	4,936	9,153
<b>Profit/(loss) for the period</b>		<b>4,795</b>	(6,750)	(265)
<b>Earnings/(loss) per share for profit/(loss) attributable to the equity holders</b>				
- basic (pence)	9	<b>2.56p</b>	(3.60p)	(0.14p)
- diluted (pence)	9	<b>2.51p</b>	(3.60p)	(0.14p)

All items in the income statement relate to continuing operations.

\* The results for the year ended 31 October 2009 include an exceptional credit of £5,524,000 (see note 6)

An interim dividend of 1.70 pence per ordinary share has been proposed for the period ended 30 April 2010 (30 April 2009: 1.65 pence).

## Consolidated statement of comprehensive income for the six months ended 30 April 2010

	Six months ended 30 April 2010 (unaudited) £'000	Six months ended 30 April 2009 (unaudited) £'000	Year ended 31 October 2009 (audited) £'000
<b>Profit/(loss) for the period</b>	<b>4,795</b>	(6,750)	(265)
<b>Other comprehensive income:</b>			
Cash flow hedges	<b>1,172</b>	(7,743)	(6,110)
Currency translation differences	<b>(3,084)</b>	12,391	12,128
Recycled cumulative exchange gain	<b>(431)</b>	(5,942)	(6,607)
Recycled cumulative cash flow hedges	<b>8,749</b>	–	–
Tax credit in respect of items taken directly to equity	<b>(2,794)</b>	2,181	1,727
<b>Total other comprehensive income, net of tax</b>	<b>3,612</b>	887	1,138
<b>Total comprehensive income for the period</b>	<b>8,407</b>	(5,863)	873

# Consolidated balance sheet

as at 30 April 2010

	Note	30 April 2010 (unaudited) £'000	30 April 2009 (unaudited) £'000	31 October 2009 (audited) £'000
<b>Non-current assets</b>				
Investment properties	10	654,394	639,357	646,778
Interests in leasehold properties	10	63,122	76,007	71,954
Investment properties under construction	10	17,753	23,647	12,641
Property, plant and equipment		1,778	1,761	1,739
Derivative financial instruments		1,559	-	-
Deferred tax assets	7	10,102	7,019	11,449
		<b>748,708</b>	747,791	744,561
<b>Current assets</b>				
Inventories		242	252	228
Trade and other receivables		16,351	14,860	13,739
Other financial assets		340	-	-
Derivative financial instruments		121	-	-
Cash and cash equivalents		21,297	29,196	26,352
		<b>38,351</b>	44,308	40,319
<b>Total assets</b>		<b>787,059</b>	792,099	784,880
<b>Current liabilities</b>				
Financial liabilities				
- Borrowings		-	(3,040)	(2,485)
- Derivative financial instruments		(167)	(15,362)	(13,578)
Trade and other payables		(36,180)	(36,064)	(31,106)
Obligations under finance leases		(9,758)	(11,279)	(10,301)
		<b>(46,105)</b>	(65,745)	(57,470)
<b>Non-current liabilities</b>				
Bank borrowings		(308,261)	(296,672)	(295,900)
Derivative financial instruments		(4,085)	-	-
Trade and other payables		(815)	(858)	(896)
Deferred tax liabilities	7	(123,018)	(119,648)	(120,257)
Obligations under finance leases		(53,364)	(64,728)	(61,653)
Provisions		-	(109)	(109)
		<b>(489,543)</b>	(482,015)	(478,815)
<b>Total liabilities</b>		<b>(535,648)</b>	(547,760)	(536,285)
<b>Net assets</b>		<b>251,411</b>	244,339	248,595
<b>Shareholders' equity</b>				
Ordinary shares	15	1,881	1,881	1,881
Share premium	14	28,349	28,349	28,349
Reserves	14	221,181	214,109	218,365
<b>Total Equity</b>		<b>251,411</b>	244,339	248,595

The notes on pages 17 to 28 form an integral part of this condensed consolidated interim financial information.

## Consolidated statement of changes in equity for the six months ended 30 April 2010

	Share capital £'000	Share premium £'000	Retained earnings £'000	Other reserves £'000	Total equity £'000
At 1 November 2009	1,881	28,349	211,580	6,785	248,595
Total comprehensive income for the period	-	-	4,795	3,612	8,407
Transactions with owners in their capacity as owner:					
Dividends	-	-	(5,625)	-	(5,625)
Employee share options	-	-	34	-	34
<b>At 30 April 2010</b>	<b>1,881</b>	<b>28,349</b>	<b>210,784</b>	<b>10,397</b>	<b>251,411</b>

## Consolidated statement of changes in equity for the six months ended 30 April 2009

	Share capital £'000	Share Premium £'000	Retained earnings £'000	Other reserves £'000	Total equity £'000
At 1 November 2008	1,881	28,349	219,949	5,647	255,826
Total comprehensive income for the period	-	-	(6,750)	887	(5,863)
Transactions with owners in their capacity as owner:					
Dividends	-	-	(5,624)	-	(5,624)
<b>At 30 April 2009</b>	<b>1,881</b>	<b>28,349</b>	<b>207,575</b>	<b>6,534</b>	<b>244,339</b>

## Consolidated statement of changes in equity for the year ended 31 October 2009

	Share capital £'000	Share Premium £'000	Retained earnings £'000	Other reserves £'000	Total equity £'000
At 1 November 2008	1,881	28,349	219,949	5,647	255,826
Total comprehensive income for the year	-	-	(265)	1,138	873
Transactions with owners in their capacity as owner:					
Dividends	-	-	(8,717)	-	(8,717)
Employee share options	-	-	613	-	613
<b>At 31 October 2009</b>	<b>1,881</b>	<b>28,349</b>	<b>211,580</b>	<b>6,785</b>	<b>248,595</b>



## Consolidated cash flow statement for the six months ended 30 April 2010

	Six months ended 30 April 2010 (unaudited) £'000	Six months ended 30 April 2009 (unaudited) £'000	Year ended 31 October 2009 (audited) £'000
Profit/(loss) before income tax	6,677	(11,686)	(9,418)
(Gain)/loss on the revaluation of investment properties	(4,950)	29,988	41,610
Change in fair value of derivatives	(343)	582	(292)
Depreciation	84	75	168
Finance income	(595)	(6,082)	(6,951)
Finance expense	21,412	10,924	21,978
Employee share options	34	–	613
(Increase)/decrease in inventories	(17)	6	30
Increase in receivables	(3,081)	(2,595)	(1,132)
Increase/(decrease) in payables	2,337	3,654	(1,258)
Decrease in provisions	(109)	–	–
<b>Cash inflows from operating activities</b>	<b>21,449</b>	<b>24,866</b>	<b>45,348</b>
Interest paid	(8,975)	(11,051)	(21,206)
Interest received	93	116	913
Tax paid	(9)	(41)	(58)
<b>Net cash inflows from operating activities</b>	<b>12,558</b>	<b>13,890</b>	<b>24,997</b>
<b>Investing activities</b>			
Expenditure on investment and development properties	(7,907)	(8,733)	(16,219)
Net proceeds from disposal of development properties	–	–	1,188
Purchase of property, plant and equipment	(123)	(144)	(215)
(Purchase)/sale of available for sale financial assets	(340)	1,561	1,561
<b>Net cash outflows from investing activities</b>	<b>(8,370)</b>	<b>(7,316)</b>	<b>(13,685)</b>
<b>Financing activities</b>			
Equity dividends paid	(5,625)	(5,624)	(8,717)
Net proceeds from issue of new borrowings	326,026	26,145	25,464
Debt issue costs	(7,680)	–	–
Payments in relation to financial instruments	(8,746)	–	–
Finance lease principal payments	(2,838)	(3,042)	(5,326)
Repayment of borrowings	(310,026)	(6,000)	(8,000)
<b>Net cash (outflows)/inflows from financing activities</b>	<b>(8,889)</b>	<b>11,479</b>	<b>3,421</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(4,701)</b>	<b>18,053</b>	<b>14,733</b>
Exchange (losses)/gains on cash and cash equivalents	(354)	–	476
<b>Opening cash and cash equivalents</b>	<b>26,352</b>	<b>11,143</b>	<b>11,143</b>
<b>Closing cash and cash equivalents</b>	<b>21,297</b>	<b>29,196</b>	<b>26,352</b>

## Reconciliation of net cash flow to movement in net debt for the six months ended 30 April 2010

	Six months ended 30 April 2010 (unaudited) £'000	Six months ended 30 April 2009 (unaudited) £'000	Year ended 31 October 2009 (audited) £'000
Net (decrease)/increase in cash and cash equivalents in the period	<b>(5,055)</b>	18,053	15,209
Increase in debt financing	<b>(1,044)</b>	(20,934)	(15,554)
<b>Movement in net debt in the period</b>	<b>(6,099)</b>	(2,881)	(345)
Net debt at start of period	<b>(343,987)</b>	(343,642)	(343,642)
<b>Net debt at end of period</b>	<b>(350,086)</b>	(346,523)	(343,987)

## **1 General information**

The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is Brittanica House, Stirling Way, Borehamwood, WD6 2BT.

The Company has its primary listing on the London Stock Exchange.

This condensed consolidated interim financial information was approved for issue on 16 June 2010.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The full accounts of Safestore Holdings plc for the year ended 31 October 2009, which received an unqualified report from the auditors, and did not contain a statement under S.498(2) or (3) of the Companies Act 2006, have been filed with the Registrar of Companies on 16 April 2010.

This condensed consolidated interim financial information for 30 April 2010 and 30 April 2009 is unaudited but has been reviewed by the auditors and their Independent Review report is included within this financial information.

## **2 Basis of preparation**

The condensed consolidated interim financial information for the six months ended 30 April 2010 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) as adopted by the European Union.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 October 2009, which have been prepared in accordance with IFRS as adopted by the European Union.

## **3 Accounting policies**

The condensed consolidated interim financial information has been prepared on the basis of the accounting policies expected to apply for the financial year to 31 October 2010 applicable to companies under IFRS. The IFRS and IFRIC interpretations as adopted by the European Union that will be applicable at 31 October 2010, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements. Thus the accounting policies adopted in these interim financial statements may be subject to revision to reflect further IFRS, IFRIC interpretations and pronouncements issued between 16 June 2010 and publication of the annual IFRS financial statements for the year ending 31 October 2010.

The accounting policies applied are consistent with those in the annual financial statements for the year ended 31 October 2009, as described in those financial statements, except as described below;

### **IAS 1 'Amendment – Presentation of Financial Statements'**

This revised standard requires that the Group statement of changes in equity is now presented as a primary statement. The standard also prohibits the presentation of items of income and expense within this statement and requires such 'non-owner changes in equity' to be presented separately from owner changes in equity. Accordingly the standard requires that all 'non-owner changes in equity' are shown in a performance statement and, as permitted by the standard, the Group has elected to comply with this requirement by presenting an income statement and a statement of comprehensive income.

### **Segmental reporting – adoption of IFRS 8 'Operating segments'**

The segmental information presented in note 4 to the interim statements for the six months ended 30 April 2010 has been prepared in accordance with the requirements of IFRS 8.

Safestore is organised and managed in two operating segments, based on geographical areas, supported by its central Group functions:

- United Kingdom; and
- France.

The chief operating decision-maker, being the executive directors, identified in accordance with the requirements of IFRS 8, assesses the performance of the above operating segments on the basis of EBITDA, as defined in note 4.

As the above two operating segments comprise 100% of the Group's results and net assets and are both individually greater than 10%, there is no additional segment to be disclosed as the 'All other segments' category required under IFRS 8.

### IAS 40 Amendment

Previously, development properties were accounted for under IAS 16, but are now accounted for under IAS 40. The Group's date of adoption was 1 November 2009. The impact of the adoption of IAS 40 (revised) was the reclassification of property under construction into investment property (previously held within development property). In accordance with IAS 40 the prior year comparatives have not been restated to reflect this change in accounting policy. In the past, where the Group had assets in the course of construction, these had been held at cost, and an assessment made of the anticipated surplus to be achieved on the opening and leasing up of a Safestore self storage facility. If this supported the existing book cost, taking account of projected costs to complete, no provision was made against the cost. The external valuation takes a different approach, and in effect is assuming a sale to a third party of an asset in the course of construction, assuming contingencies on construction costs, assessment of alternative use where planning risk remains and a level of developer's profit. An external valuation also has to consider market evidence, which is clearly limited in the current economic climate. As a result, and given this is the first time this standard has been applied by the Group, a revaluation loss has been booked of £1.4 million against the Group assets.

The following new standards and interpretations have been issued but are not effective for the year ending 31 October 2010 and have not been adopted early;

- Amendment to IAS 27 - 'Consolidated and Separate Financial Statements'
- Amendment to IAS 39 - 'Eligible Hedged Items'
- Amendment to IFRS 2 - 'Group Cash-Settled Share-Based Payment Transactions'
- Revision to IFRS 3 - 'Business Combinations'
- Improvements to IFRSs (April 2009)
- Amendments to IFRIC 9 and IAS 39 - 'Embedded Derivatives'
- IFRIC 17 - 'Distributions of Non-Cash Assets to Owners'
- IFRIC 18 - 'Transfers of Assets from Customers'

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

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the condensed consolidated interim financial statements are shown within the Group's accounting policies as disclosed in the IFRS financial statements for the year ended 31 October 2009.

## 4 Segmental information

The segmental information for the 6 months ended 30 April 2010 is as follows:

	United Kingdom £'000	France £'000	Total operating segments £'000	Central activities £'000	Total £'000
Revenue from external customers	31,610	10,825	42,435	–	42,435
Underlying EBITDA	16,362	6,909	23,271	(343)	22,928
<b>Reconciliation from EBITDA before exceptional items, change in fair value of derivatives, contingent rent and gain/(loss) on investment properties to profit/(loss) before tax</b>					
<b>Underlying EBITDA</b>	16,362	6,909	23,271	(343)	22,928
Contingent rent and depreciation	(410)	(317)	(727)	–	(727)
Gain on investment properties	240	4,710	4,950	–	4,950
Fair value movement of derivatives	–	–	–	343	343
Net finance expense	–	–	–	(20,817)	(20,817)
<b>Profit/ (loss) before tax</b>	<b>16,192</b>	<b>11,302</b>	<b>27,494</b>	<b>(20,817)</b>	<b>6,677</b>

The segmental information for the 6 months ended 30 April 2009 is as follows:

	United Kingdom £'000	France £'000	Total operating segments £'000	Central activities £'000	Total £'000
Revenue from external customers	30,778	10,515	41,293	–	41,293
Underlying EBITDA	15,210	6,619	21,829	582	22,411
<b>Reconciliation from EBITDA before exceptional items, change in fair value of derivatives, contingent rent and gain/(loss) on investment properties to profit/(loss) before tax</b>					
<b>Underlying EBITDA</b>	15,210	6,619	21,829	582	22,411
Contingent rent and depreciation	(421)	(32)	(453)	–	(453)
Exceptional items	–	1,768	1,768	–	1,768
Loss on investment properties	(29,237)	(751)	(29,988)	–	(29,988)
Fair value movement of derivatives	–	–	–	(582)	(582)
Net finance expense	–	–	–	(4,842)	(4,842)
<b>Profit/ (loss) before tax</b>	<b>(14,448)</b>	<b>7,604</b>	<b>(6,844)</b>	<b>(4,842)</b>	<b>(11,686)</b>

The exceptional income of £1.77 million arose on the commutation of an insurance policy related to the 2005 Access France acquisition.

# Notes to the interim report for the six months ended 30 April 2010

## 5 Finance expense

	Six months ended 30 April 2010 (unaudited) £'000	Six months ended 30 April 2009 (unaudited) £'000	Year ended 31 October 2009 (audited) £'000
Interest payable on bank loans and overdrafts	<b>(6,603)</b>	(7,908)	(14,896)
Amortisation of debt issue costs on bank loans	<b>(875)</b>	(716)	(1,468)
Interest payable on other loans	-	(17)	(17)
Interest on finance lease obligations	<b>(2,427)</b>	(2,831)	(6,314)
Capitalised interest	<b>258</b>	548	717
	<b>(9,647)</b>	(10,924)	(21,978)
Fair value movement of derivatives	<b>(1,012)</b>		
Recycling of cash flow hedge reserve	<b>(8,749)</b>	-	-
Exceptional finance expense	<b>(2,004)</b>	-	-
<b>Total finance expense</b>	<b>(21,412)</b>	(10,924)	(21,978)

Interest has been capitalised at an average rate of 3.5% (April 2009: 4.0%) for the period.

The recycling of the cash flow hedge reserve of £8.7 million represents the transfer of cumulative movements on cash flow hedges that were previously charged directly to reserves. The exceptional finance expense of £2.0 million (2009: £nil) shown above represents debt issue costs relating to the previous banking facility written off in the period.

The £0.4 million (2009: £5.9 million) within finance income arises in respect of recycled foreign currency translation gains from the translation reserve which are now realised (see note 14).

## 6 Income tax (expense)/credit

	Six months ended 30 April 2010 (unaudited) £'000	Six months ended 30 April 2009 (unaudited) £'000	Year ended 31 October 2009 (audited) £'000
Current tax – UK corporation tax at 28% (2009: 28%)	<b>(9)</b>	2	(15)
Deferred tax	<b>(1,873)</b>	4,934	9,168
	<b>(1,882)</b>	4,936	9,153

Income tax (expense)/credit is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 October 2010 is 30%; the estimated tax rate used for the six months ended 30 April 2009 was 28%.

Deferred tax of £9.2 million for the year ended 31 October 2009 included an exceptional tax credit of £5.5 million arising on the recognition of previously unprovided French tax losses of €18.5 million.

## 7 Deferred income tax

	As at 30 April 2010 (unaudited) £'000	As at 30 April 2009 (unaudited) £'000	As at 31 October 2009 (audited) £'000
The amounts provided in the accounts are:			
Revaluation of investment properties and tax depreciation	<b>120,749</b>	117,781	119,070
Other timing differences	<b>2,269</b>	1,867	1,187
Deferred tax liabilities	<b>123,018</b>	119,648	120,257
Tax losses	<b>(7,811)</b>	(3,771)	(8,655)
Interest rate swap instrument	<b>(2,291)</b>	(3,248)	(2,794)
Deferred tax assets	<b>(10,102)</b>	(7,019)	(11,449)
<b>Deferred tax – net</b>	<b>112,916</b>	112,629	108,808

Deferred tax assets/liabilities have been calculated using an effective rate of 30% (2009: 28%) which is the rate expected to be applied for the 2009/10 full year.

## 8 Dividends

On 1 April 2010, a final dividend of 3.0p (2009: 3.0p) per ordinary share was paid to shareholders in respect of the year ended 31 October 2009.

An interim dividend of 1.70 pence per ordinary share (30 April 2009: 1.65 pence) has been declared. The ex-dividend date will be 7 July 2010 and the record date 9 July 2010, with an intended payment date of 11 August 2010. The interim dividend, amounting to £3.1 million (30 April 2009: £3.1 million), has not been included as a liability at 30 April 2010. It will be recognised in shareholders' equity in the year to 31 October 2010.

# Notes to the interim report for the six months ended 30 April 2010

## 9 Earnings per ordinary share

	Six months ended 30 April 2010 (unaudited)			Six months ended 30 April 2009 (unaudited)			Year ended 31 October 2009 (audited)		
	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
<b>Basic</b>	<b>4.79</b>	<b>187.49</b>	<b>2.56</b>	(6.75)	187.47	(3.60)	(0.26)	187.48	(0.14)
Dilutive share options	-	<b>3.26</b>	-	-	-	-	-	1.76	-
<b>Diluted</b>	<b>4.79</b>	<b>190.75</b>	<b>2.51</b>	(6.75)	187.47	(3.60)	(0.26)	189.24	(0.14)
Adjustments:									
(Gain)/loss on investment properties	<b>(4.95)</b>	-	<b>(2.59)</b>	29.99	-	16.00	41.61	-	21.99
Depreciation of leasehold properties	<b>(2.84)</b>	-	<b>(1.49)</b>	(3.04)	-	(1.62)	(5.33)	-	(2.82)
Operating exceptional items	-	-	-	(1.77)	-	(0.94)	(2.05)	-	(1.08)
Fair value movement of derivatives	<b>0.67</b>	-	<b>0.35</b>	0.58	-	0.31	-	-	-
Exceptional finance expense	<b>2.00</b>	-	<b>1.05</b>	-	-	-	-	-	-
Recycling of cash flow hedge reserve	<b>8.74</b>	-	<b>4.59</b>	-	-	-	-	-	-
Recycling of foreign exchange gains	<b>(0.43)</b>	-	<b>(0.23)</b>	(5.94)	-	(3.17)	(6.61)	-	(3.49)
Exceptional tax credit	-	-	-	-	-	-	(5.52)	-	(2.92)
Tax on adjustments	<b>(1.08)</b>	-	<b>(0.57)</b>	(7.21)	-	(3.85)	(7.80)	-	(4.12)
<b>EPRA- diluted</b>	<b>6.90</b>	<b>190.75</b>	<b>3.62</b>	5.86	187.47	3.13	14.04	189.24	7.42
<b>EPRA - basic</b>	<b>6.90</b>	<b>187.49</b>	<b>3.68</b>	5.86	187.47	3.13	14.04	187.48	7.49

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 period.

### EPRA earnings per share

As an industry standard measure, European Real Estate Association ("EPRA") earnings are presented. The tax on adjustments shown above excludes the recycling of foreign exchange gains as there is no tax effect arising for the transactions.

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



## 10 Property portfolio

Investment properties, investment properties under construction and interest in leasehold properties

	Investment properties £'000	Interest in leasehold properties £'000	Investment properties under construction £'000	Total Investment properties £'000
At 1 November 2009	646,778	71,954	12,641	731,373
Additions	2,394	-	6,519	8,913
Disposals	-	(2,784)	-	(2,784)
Reclassifications	-	(2,858)	-	(2,858)
Revaluation	9,195	-	(1,407)	7,788
Depreciation	-	(2,838)	-	(2,838)
Exchange movements	(3,973)	(352)	-	(4,325)
<b>At 30 April 2010</b>	<b>654,394</b>	<b>63,122</b>	<b>17,753</b>	<b>735,269</b>

Development property held at 1 November 2009 was reclassified to investment property under construction.

The interest in leasehold properties at 1 November 2009 has been adjusted by £2.9 million to reflect the present value of minimum lease payments of contractual rents. A corresponding reduction has been recorded in finance lease obligations with no impact on net assets.

## 11 Valuations

	Deemed cost £'000	Valuation £'000	Revaluation on deemed cost £'000
<b>Freehold stores</b>			
As at 1 November 2009	292,769	499,447	206,678
Movement in period	(307)	10,961	11,268
<b>As at 30 April 2010</b>	<b>292,462</b>	<b>510,408</b>	<b>217,946</b>
<b>Leasehold stores</b>			
As at 1 November 2009	72,125	147,331	75,206
Movement in period	(1,272)	(3,345)	(2,073)
<b>As at 30 April 2010</b>	<b>70,853</b>	<b>143,986</b>	<b>73,133</b>
<b>Investment properties under construction</b>			
As at 1 November 2009	-	-	-
Movement in period	19,160	17,753	(1,407)
<b>As at 30 April 2010</b>	<b>19,160</b>	<b>17,753</b>	<b>(1,407)</b>
<b>All stores</b>			
As at 1 November 2009	364,894	646,778	281,884
Movement in period	17,581	25,369	7,788
<b>As at 30 April 2010</b>	<b>382,475</b>	<b>672,147</b>	<b>289,672</b>

The freehold and leasehold investment properties have been valued as at 30 April 2010 by external valuers, Cushman and Wakefield LLP ("C&W"). The valuation has been carried out in accordance with the RICS Valuation Standards published by The Royal Institution of Chartered Surveyors ("the Red Book"). The valuation of each of the investment properties has been prepared on the basis of market value as a fully equipped operational entity, having regard to trading potential. The valuation has been provided for accounts purposes and as such, is a regulated purpose valuation as defined in the Red Book. In compliance with the disclosure requirements of the Red Book, C&W have confirmed that:

- The members of the RICS who have been the signatories to the valuations provided to the Company for the same purposes as this valuation have been so since October 2006.

# Notes to the interim report for the six months ended 30 April 2010

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

## Market uncertainty

C&W's valuation report comments on valuation uncertainty resulting from the recent global banking crisis coupled with the economic downturn, which have caused a low number of transactions in the market for self storage property. C&W note that, although there were a number of self storage transactions in 2007, the only two significant transactions since 2007 are the sale of a 51% share in Shurgard Europe which was announced in January 2008 and completed on 31 March 2008 and the sale of the former Keepsafe portfolio by Macquarie to Alligator Self Storage which was completed in January 2010. C&W observe that in order to provide a rational opinion of value at the present time it is necessary to assume that the self storage sector will continue to perform in a way not greatly different from that being anticipated prior to the "credit crunch", however they have reflected negative sentiment in their capitalisation rates and they have reflected current trading conditions in their cash flow projections for each property. C&W state that there is therefore greater uncertainty attached to their opinion of value than would be anticipated during more active market conditions.

## 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 each property reflecting estimated absorption, revenue growth and expense inflation. A discounted cash flow method of valuation based on these cash flow projections has been used to arrive at an opinion of market value for each property. C&W have adopted different approaches for the valuation of the leasehold and freehold assets as follows:

### Freehold (UK and France)

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

### Leasehold (UK)

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

### Leasehold (France)

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

### Investment Properties Under Construction (UK and France)

C&W have valued the stores in development adopting the same methodology as set out above but on the basis of the cashflow 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 have allowed for carry costs and construction contingency, as appropriate.

### Prudent lotting

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

## 12 Net assets per share

	As at 30 April 2010 (unaudited) £'000	As at 30 April 2009 (unaudited) £'000	As at 31 October 2009 (audited) £'000
<b>Analysis of net asset value</b>			
Basic and diluted net asset value	251,411	244,339	248,595
Adjustments:			
Fair value of derivatives (net of tax)	1,800	12,114	10,784
Deferred tax on revaluation	123,018	119,648	120,257
EPRA net asset value	376,229	376,101	379,636
Basic net assets per share (pence)	134.1	130.3	132.6
Diluted net assets per share (pence)	131.8	130.3	131.3
EPRA net assets per share (pence)	197.2	200.6	200.6
	<b>Number</b>	<b>Number</b>	<b>Number</b>
Shares in issue	187,495,348	187,471,348	187,495,348
Dilutive share options	3,261,406	-	1,760,136
Diluted shares used for calculation	190,756,754	187,471,348	189,255,484

Basic net assets per share are shareholders' funds divided by the number of shares at the period end. Diluted net assets per share are shareholders' funds divided by the number of shares at the period end, adjusted for dilutive share options. As an industry standard measure, European Public Real Estate Association ("EPRA") net asset values are presented.

## 13 Borrowings

In March 2010, the Group renegotiated its existing bank loan facilities. The total available amount under the new facility was £41 million higher than under the old facilities. The current drawn down amounts are now repayable £5 million in March 2012, £7.5 million in September 2012, £7.5 million in March 2013 and £296 million in August 2013.

The loan has a floating rate of interest, with £350 million of the facility being denominated in Sterling and £35m being denominated in Euros. The loan is carried at amortised cost. The renegotiation did not therefore have any impact on the Group's exposure to foreign exchange and interest rate risk. As at 30 April 2010, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

Contractual maturities of financial liabilities	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000	Total contractual cash flows £'000	Carrying amount of liabilities £'000
<b>At 30 April 2010</b>						
Non-derivatives						
Trade payables	36,180	151	664	-	36,995	36,995
Borrowings (excluding finance leases)	-	5,000	311,026	-	316,026	308,261
Finance lease liabilities	10,531	8,655	23,487	57,297	99,970	63,122
<b>Total non-derivatives</b>	46,711	13,806	335,177	57,297	452,991	408,378
<b>At 31 October 2009</b>						
Non-derivatives						
Trade payables	31,106	151	745	-	32,002	32,002
Borrowings (excluding finance leases)	4,000	296,874	-	-	300,874	298,385
Finance lease liabilities	10,890	9,548	27,308	66,057	113,803	71,954
<b>Total non-derivatives</b>	45,996	306,573	28,053	66,057	446,679	402,341

# Notes to the interim report for the six months ended 30 April 2010

## Financing arrangements

The Group's undrawn borrowing facilities were as follows as at 30 April 2010:

	30 April 2010 £'000	31 October 2009 £'000
Floating rate		
Expiring within one year (bank overdraft and loan facility)	–	4,000
Expiring beyond one year (bank loans)	<b>68,675</b>	42,875
	<b>68,675</b>	46,875

## 14 Share premium and reserves

	Share premium account £'000	Reserves £'000	Total £'000
At 1 November 2009	28,349	218,365	246,714
Profit for the period	–	4,795	4,795
Dividends	–	(5,625)	(5,625)
Employee share options	–	34	34
Change in value of interest rate swaps	–	1,172	1,172
Recycling of balances in hedge reserve to finance expense in the income statement	–	8,749	8,749
Tax relating to hedge reserve recycled to income statement	–	(2,794)	(2,794)
Currency translation differences	–	(3,084)	(3,084)
Recycling of balances in translation reserve to finance income in the income statement	–	(431)	(431)
<b>At 30 April 2010</b>	<b>28,349</b>	<b>221,181</b>	<b>249,530</b>

## 15 Share capital

	As at 30 April 2010 (unaudited) £'000	As at 31 October 2009 (audited) £'000
<b>Authorised</b>		
315,000,000 (2009: 315,000,000) ordinary shares of 1p each	<b>3,150</b>	3,150
<b>Called up, issued and fully paid</b>		
188,135,088 (2009: 188,135,088) ordinary shares of 1p each	<b>1,881</b>	1,881

## 16 Related party transactions

The Company's shares are widely held with funds managed by Bridgepoint Capital (Nominees) Limited being a major shareholder with a holding of 18% at 30 April 2010 (2009: 35%). The ultimate parent company of the group is Safestore Holdings plc.

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

### Bridgepoint Capital

	Six months ended 30 April 2010 (unaudited) £'000	Six months ended 30 April 2009 (unaudited) £'000	Year ended 31 October 2009 (audited) £'000
Director fees	13	13	25

The following amounts are due to Bridgepoint Capital:

	As at 30 April 2010 (unaudited) £'000	As at 30 April 2009 (unaudited) £'000	As at 31 October 2009 (audited) £'000
Trade payables	2	2	2

## 17 Capital commitments

The Group had capital commitments of £12.8 million as at 30 April 2010 (2009: £9.6 million).

## 18 Seasonality

Self storage revenues are subject to seasonal fluctuations, with peak sales occurring in the second and third quarters of the year. This is due to seasonal weather conditions and holiday periods leading to less demand for storage. For the six months ended 30 April 2009, the level of self storage revenues represented 48.9% (30 April 2008: 48.3%) of the annual level of self storage revenue in the year ended 31 October 2009.

## **19 Principal risks and uncertainties**

The principal risks and uncertainties which could affect the Group for the remainder of the financial year are consistent with those detailed on pages 20 and 21 of the Annual Report and Accounts for the year ended 31 October 2009, a copy of which is available at [www.safestore.com](http://www.safestore.com), and are:

- Self storage market risk
- Property risk
- Treasury risk
- Taxation risk
- Liquidity risk

The Company regularly assesses these risks together with the associated mitigating factors listed in the 2009 Annual Report. The levels of activity in the Group's markets and the level of financial liquidity and flexibility continue to be the areas designated as appropriate for added management focus.

We continue to believe that our market leading position in the UK and Paris, our strong brand, depth of management as well as retail expertise and infrastructure helps mitigate the effects of the weaker economy and housing market. Furthermore, the UK self storage market is still very immature with very little risk of supply outstripping demand in the medium term.

Our prudent approach for acquiring new stores reduces our dependence on the number of non trading investment properties in relation to the established and mature stores that provide relatively stable and growing cash flow. The Board regularly reviews the cash requirements of the business, including the covenant position although given the nature of the product, customer base and lack of working capital requirements, liquidity is not considered to be a significant risk.

The Outlook section of this half yearly report provides a commentary concerning the remainder of the financial year.

## Statement of directors' responsibilities for the six months ended 30 April 2010

The directors' confirm that, to the best of their knowledge, this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Safestore Holdings plc are listed in the Safestore Holdings plc Annual Report for 31 October 2009 with the exception that RW Carey retired from the Board at the Annual General Meeting on 24 March 2010.

By order of the Board

Steve Williams  
16 June 2010  
Chief Executive Officer

Richard Hodsden  
16 June 2010  
Chief Financial Officer

## Introduction

We have been engaged by the Company to review the condensed consolidated interim financial information in the interim report for the six months ended 30 April 2010, which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the reconciliation of net cash flow to movement in net debt and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

## Directors' responsibilities

The interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated interim financial information included in this interim report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated interim financial information in the interim report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information in the interim report for the six months ended 30 April 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP  
Chartered Accountants  
Birmingham

16 June 2010

## Notes:

- a) The maintenance and integrity of the Safestore Holdings plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# Store locations



- 116 Current stores
- 3 Current Business Centres
- 9 Expansion stores
- 12 Space Maker Stores



**Got a friend who needs storage?**



Please find time to talk a friend



Get 4x the value  
your Tesco Club  
vouchers at Safestore

TESCO  
CLUBCARD  
Rewards

Every  
£10  
in Clubcard  
vouchers  
gives you  
£40 in Safestore  
vouchers

Please ask a Safestore staff member  
or see [www.safestore.co.uk](http://www.safestore.co.uk)

Tosin

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