

Safestore Holdings plc  
Annual report and financial statements 2012



Safestore the things you love

estore  
00 444 000

**safestore**<sup>TM</sup>

# Market leaders in self-storage

With 123 stores, Safestore and Une Pièce en Plus are the self-storage market leaders in the UK and Paris.



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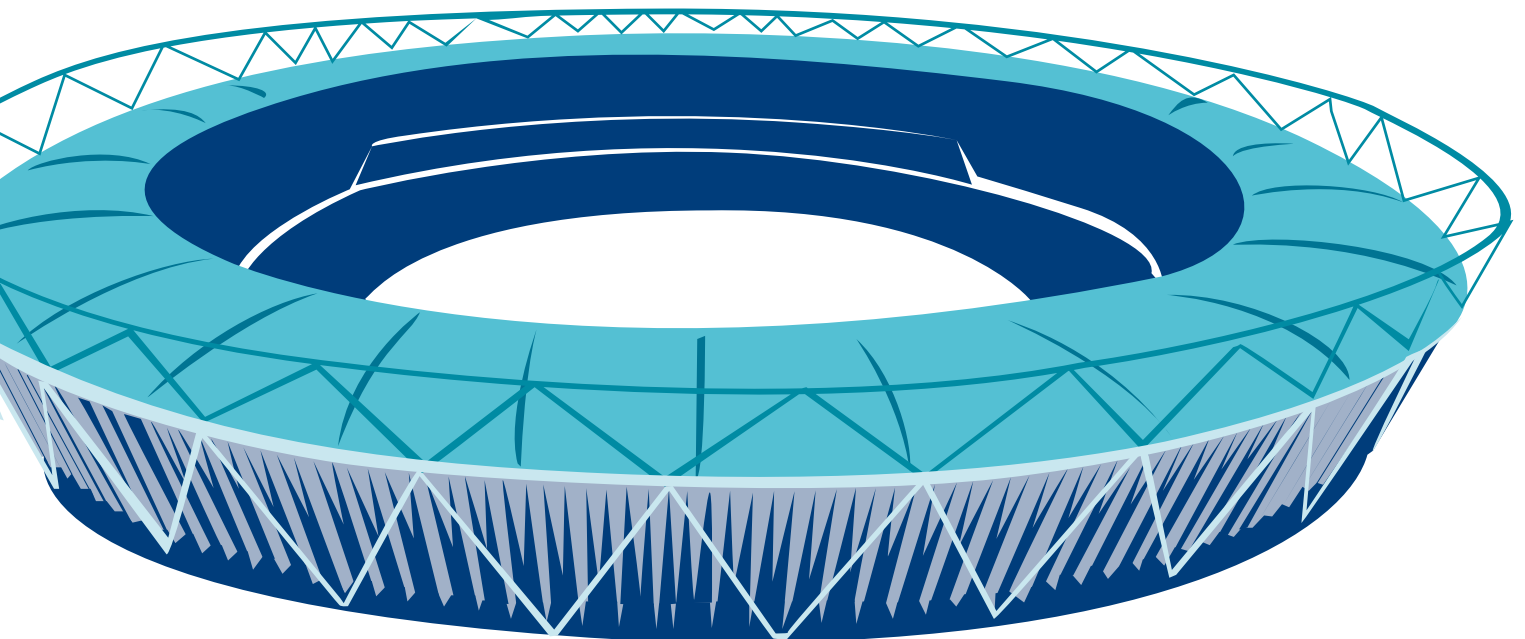


# Strategic progress and financial resilience

Overall, we have delivered good progress on our strategy and resilient financial performance.

6x

Our total storage capacity at the end of 2012 is enough to fill the Olympic Stadium six times.



## Operational highlights

- Closing occupancy<sup>1</sup> up 2.5% to 3.29 million sq ft or 63.9% of Maximum Lettable Area (“MLA”)
- Strong growth in UK business customers, which now account for more than half our total occupancy
- Initial impact of the introduction of VAT in the UK remains in line with original estimates
- Four new stores opened during the year, completing the planned store expansion programme
- Full re-financing of the Group completed
- Group to apply for conversion to Real Estate Investment Trust (“REIT”) status with effect from 1 April 2013

## Financial highlights<sup>7</sup>

- Revenue up 5.5% and Revenue per Available Foot (“RevPAF”)<sup>2 & 3</sup> up 5.2% in constant exchange rates (“CER”)
- Underlying EBITDA<sup>4</sup> after strategic investments down 0.4% to £50.3 million but up 0.8% in CER
- EPRA<sup>5</sup> adjusted EPS on a cash tax basis<sup>6</sup> down 0.43 pence (3.9%) to 10.56 pence per share
- Property valuation reduced by 4.0% to £685.8 million, reflecting imposition of UK VAT and adverse currency movements, with a resulting loss before tax, including re-financing costs, of £19.5 million (year ended 31 October 2011: profit before tax of £8.5 million)
- Basic EPS – loss of 4.16 pence per share (year ended 31 October 2011: earnings of 6.95 pence per share)
- Final dividend increased by 7.0% to 3.80 pence per share, bringing total dividend to 5.65 pence per share

1 Closing occupancy excludes offices but includes 82,800 sq ft of bulk tenancy as at 31 October 2012 (31 October 2011: 67,200 sq ft).

2 RevPAF is calculated as total revenue divided by total MLA excluding the five stores opened since 1 May 2011.

3 RevPAF for the year ended 31 October 2011 has been restated from £18.99 because of the exclusion of trading for Gonesse which opened in H2 2011 consistent with the current reporting.

4 EBITDA before exceptional items, contingent rent, fair value movement of derivatives and movement in investment properties (“underlying EBITDA”).

5 European Public Real Estate Association (“EPRA”).

6 EPRA adjusted EPS (cash tax only) removes the impact of deferred tax movements leaving only the tax charge which will actually be paid.

7 All figures are stated net of VAT.

Revenue (£m)



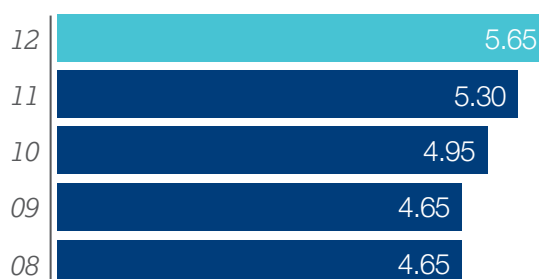
Underlying EBITDA (£m)



Ancillary revenue (£m)



Dividend (pence per share)



# Strengthening Safestore

We've moved the Company forward in the past year with a new Brand Identity, new stores and rebranded stores.

## A new look and feel for Safestore



We've created a new look and feel for our brand with a clearer distinctive identity.

# Improving store visibility

## Orpington

before



after



## Chingford

before



after



We took the opportunity to rebrand a number of high visibility stores during the year.

## Four new stores

We opened four new stores in the year. Two in London at New Southgate, north London and Staines near Heathrow airport. Two are in the Paris market at Gonesse, close to Paris – Charles de Gaulle airport and Velizy to the south-west of the city.



**New Southgate**  
November 2011



**Gonesse**  
January 2012



**Staines**  
February 2012



**Velizy**  
July 2012

# Safestore the things you love

We're raising the profile of self-storage in the UK.

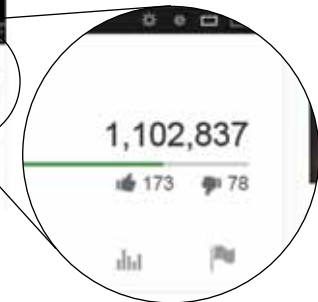
Watch our  
new TV ad

[www.safestore.co.uk/TV](http://www.safestore.co.uk/TV)



Safestore aired its first TV ad campaign this year.

More than one million people viewed the ad on YouTube





# Your personal storage solution



Moving house? New home not ready yet? Renovating, redecorating or decluttering your home? Relocating abroad? Can't get your car in the garage for hobby or sports equipment? Or having a big clear out? There are dozens of reasons why you might need somewhere to store your personal possessions.



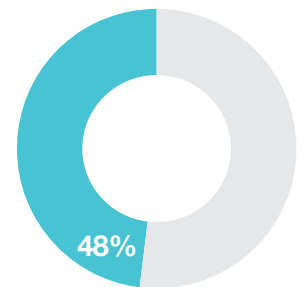
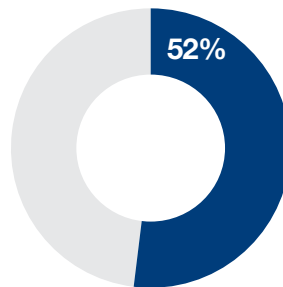
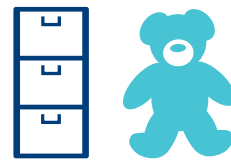
**We understand the pressures involved in moving house or relocation especially if your new home is not ready. Our great customer service and expert advice helps to make storing your belongings safe, easy and stress free.**

Our storage locations, local to you, offer a wide variety of unit sizes, from lockers to large rooms and are suitable for storing a huge range of items.



# Best for business

Is your business expanding or simply overstocked? Need space for stock, equipment, promotional material or archive documents? Need to free up valuable office or work space? Renovating, relocating or decorating your business? There are dozens of reasons why you might need Safestore.



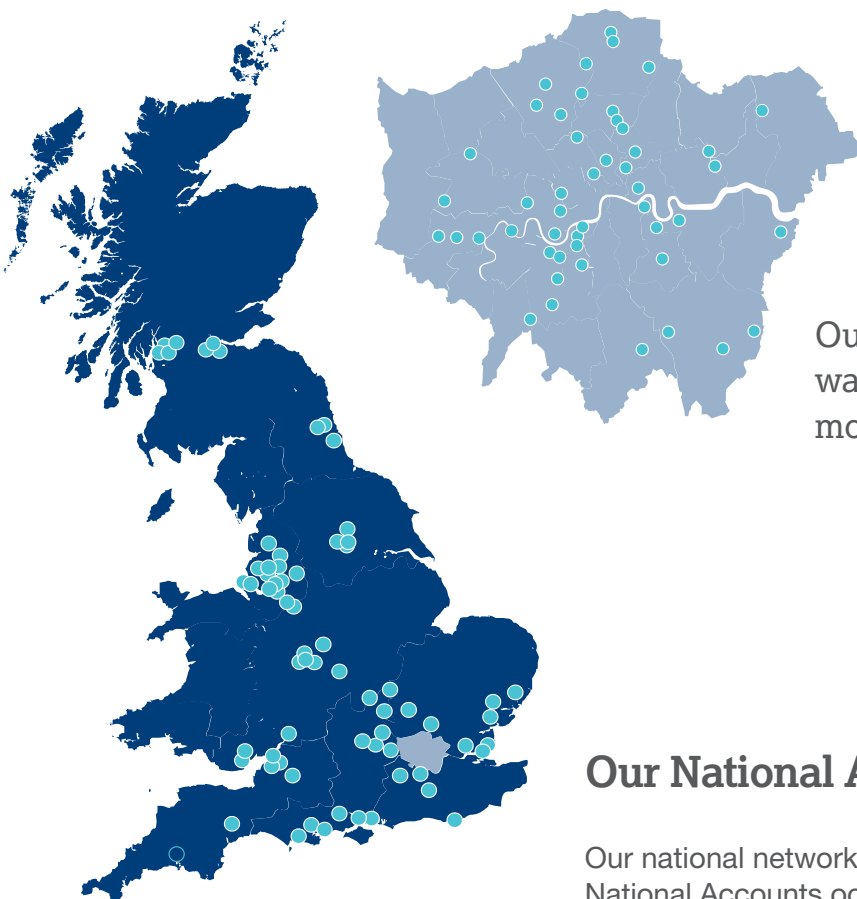
We have a balanced mix of personal and business customers with 52% of our space occupied by business customers and 48% by personal customers.

During the year we increased the size of our National Accounts sales force to help us reach more large scale national customers across the UK.

Justin works as one of our Store Managers and works closely with our National Accounts team to give our business customers the solution they require.

# Flexible space to help you grow

We provide a flexible and affordable alternative solution to renting commercial space whilst also ensuring that business customers stock is safe and secure, helping to take away the burden of managing multiple storage units, deliveries and other logistical concerns.



Our National Accounts occupancy was 43% up on the prior year to more than 200,000 sq ft.

## Our National Accounts

Our national network matters – 76% of the National Accounts occupancy is outside London. With our UK network of stores we can deliver business solutions nationally.

# More Space where you need it

We have a market-leading position in the UK and Paris. As at 31 October 2012 our wholly-owned portfolio included 123 stores – 98 in the UK and a further 25 in Paris.

## Your local self-storage company

We have 123 stores across the UK and Paris meaning we have more stores than any other storage company in the UK and Paris.

Because of this we can offer great prices in the most convenient locations.

Lok'n Store

24

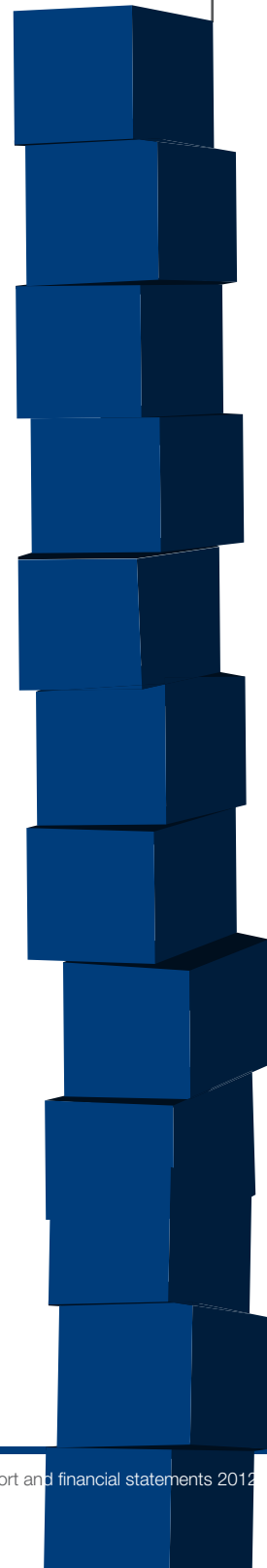
UK stores only



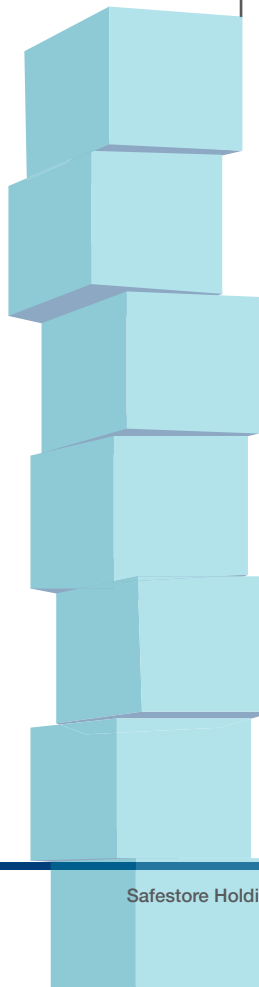
# 42,000

We have more than 42,000 customers at Safestore.

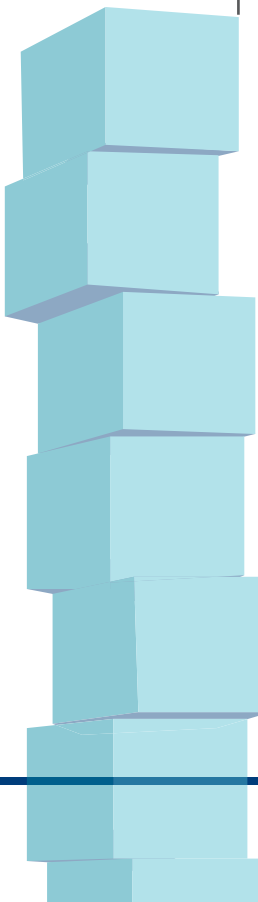
Safestore  
**98**



Big Yellow  
**66**



Access  
**54**



# A straightforward business with strong demand

Our straightforward business model drives sustainable performance...





Our staff are always on hand to help our customers find the best solutions to their needs.

## ... And we make sure we continually meet our customers' demands.

### Lifestyle demand

*eg. students, marriage, new baby, divorce, bereavement*

### Keeping spaces uncluttered

"We found space at Safestore because we'd acquired so many possessions over the years that when we moved in together we didn't have enough room. Safestore was extremely useful because it was so local to us and their stores are nationwide so we knew we'd always be near one no matter where we move to next."



### Rental/owner occupier demand

*eg. rental moves, housing transactions*

### A growing rental market

"I needed help quickly as my house purchase failed and I didn't want to lose my buyer. I contacted Safestore and they were able to provide the amount of space I needed to clear my house the following day. This helped relieve the pressure at a very stressful time while I sorted out some temporary rental accommodation. I don't know what I would have done without them."



### Business demand

*eg. small businesses, national accounts, archiving*

### More space for my business

"I ran my small online trading business from home, as I expanded and before I knew it my house became so full of stock I was having to climb over things to get around. Safestore was the perfect solution for me, I rented a room at my local store not two miles from home and my stock is delivered directly there, when my stock comes in I am able to increase the space I need and then reduce it again when the stock starts to sell through. I don't know why I didn't do it earlier."



# Our More Space strategy

“More Space” focuses the Group on delivering organic growth, by using our scale, marketing power and pricing expertise to drive occupancy, RevPAF and profitability.

As we deliver this organic growth, our intention is to use the free cash flow generated principally to maintain a progressive dividend for our shareholders and progressively reduce our debt as appropriate.

Underpinning our strategy are four strategic priorities that guide action, target-setting and remuneration across Safestore:

1. Strengthen the brand
2. Build a powerful team
3. Drive operational excellence
4. Create value





## Strategic priority

### Strengthen the brand

Raise the profile of our brands through effective sales and marketing.

### Build a powerful team

Develop our people so they can deliver great service and maximise their potential.

### Drive operational excellence

Deliver efficient service by leveraging our self-storage experience and scale through processes, tools and systems.

### Create value

Secure strong returns on our property investments by maintaining a focus on delivering sustainable growth.

## Progress in 2012

### Improving our online presence

- We introduced a new look and feel brand to Safestore in the UK.
- We rebranded a number of high visibility stores.
- We launched an upgraded website and new mobile site.
- We aired our first television advertising campaign.

### NCO accredited

- We increased the size of our national accounts sales force to help us reach more large scale customers across the UK.
- We strengthened the UK call centre team that supports our stores. The team handles direct enquiries to our free phone number, and enquiries made when the store is closed to ensure a rapid response.

### Handling and optimising demand

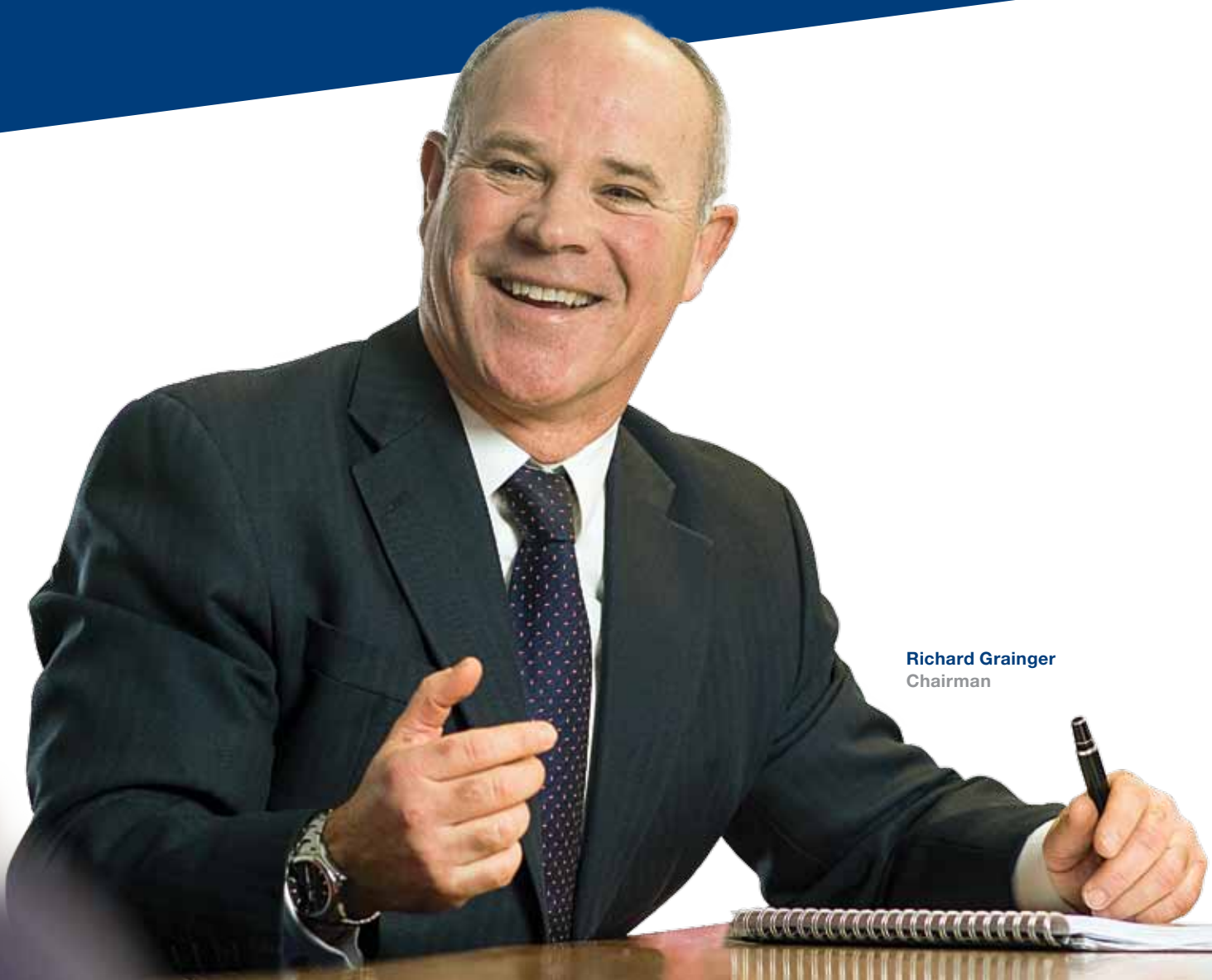
- We introduced a new pricing model with changes to our software system.
- During the second half of the year we launched a new pricing platform which gives us greater flexibility and this will be the key driver of price efficiency in 2013.

### Experimenting with price tests

- During the year we regeared a number of leases including those at Sunderland, Croydon, Hanworth and New Malden.
- We let under-utilised space unsuitable for self-storage at a number of locations as well as delivering a number of successful rate appeals.
- We also completed a successful re-financing of the Group's facilities.

# Strategic progress and financial resilience

We are pleased to report another year of strategic progress and financial resilience during the year ended 31 October 2012.



**Richard Grainger**  
Chairman



We are pleased to report another year of strategic progress and financial resilience during the year ended 31 October 2012.

### Strategic progress

In January 2012 we outlined our “More Space” strategy. Early results have been encouraging, with gains in brand awareness, significant growth in business customers and greater occupancy. At the store level, both sales and profitability have improved in constant exchange rates. The Group also completed its planned store expansion programme during the year. We opened two new stores in London and two in Paris, all of which are performing in line with our expectations.

While the strategy has delivered encouraging results, the Group has faced external pressures that have impacted overall financial performance. Economic conditions in both the UK and France remain challenging. While the UK economy essentially remained similar to last year, the unexpected imposition of a new 20% rate of VAT on the entire self-storage industry during the fourth quarter of our financial year placed pressure on new customer conversion. In France, while our underlying business delivered good levels of growth in constant currency, we were negatively impacted by a 10% decline in the value of the Euro against Sterling during the second half of the year.

Overall, we have delivered good progress on our strategy and resilient financial performance. These solid results leave us confident in the fundamentals that underpin our industry, in which we have a leading market position, and in the strength of our business model, the quality of our operational teams and our prospects for the future.

### Financial resilience

Revenue for the year was £98.8 million, 4.0% higher than last year (FY2011: £95.1 million) and 5.5% higher in CER. The key drivers for revenue growth continue to be movements in self-storage occupancy, rate per sq ft and ancillary revenues:

- average occupancy was 272,000 sq ft or 9.0% higher than last year at 3.28 million sq ft (FY2011: 3.01 million sq ft) with closing occupancy up by 80,000 sq ft or 2.5% to 3.29 million sq ft (FY2011: 3.21 million sq ft);
- the average self-storage rental rate decreased by 2.9% in CER and 4.6% in Sterling to £24.91 per sq ft (FY2011: £26.11 per sq ft); and
- ancillary revenues were up 4.4% to £13.8 million (FY2011: £13.2 million).

Store EBITDA increased by 4.3% in the UK and 2.2% in France in constant exchange rates. Underlying EBITDA decreased by 0.4% to £50.3 million (FY2011: £50.5 million) after taking into account movements in foreign exchange rates and our targeted strategic investments in marketing, pricing and sales.

There was a £1.8 million reduction in EPRA defined Group earnings, the standard measure across the Real Estate sector which excludes movements in our property valuation. EPRA Group earnings were £14.3 million compared to £16.1 million for the year ended 31 October 2011. Our underlying performance, measured by EPRA earnings on a cash tax basis, fell by £0.8 million, or 3.9%, to £19.8 million from £20.6 million for FY2011.

Our strategy and operational performance is covered in more detail in the Chief Executive's review on pages 20 to 25. Further details on the results for the FY2012 and FY2011 are included in the Financial review on pages 26 to 31.

### Property valuation

As at 31 October 2012, the total value of the Group's property portfolio was £685.8 million, down £28.6 million from £714.4 million at 31 October 2011 and down £4.6 million from the half year valuation of £690.4 million at 30 April 2012. Underlying trading assumptions and capitalisation rates have remained similar to prior year levels. The principal drivers of the valuation change have been the impact of the introduction of 20% VAT on self-storage in the UK and adverse movements in foreign exchange rates. Further details of the property valuation and the movements therein are provided in the Finance report.

### Re-financing

The Group successfully re-financed its facilities during the first half of the year, extending maturities and diversifying our lending base. The Group's facilities now include a term loan, a revolving credit facility and a substantial private placement of long-term loan notes in the US. Full details are set out in the Finance report.

The Board remains confident in the prospects for the Group and is pleased to recommend a final dividend of 3.80 pence per share.

**Conversion to REIT status**

The Company intends to convert to REIT status with effect from 1 April 2013.

Safestore is an operational business that derives much of its income from the rental of property in the UK. As our current new store expansion programme comes to an end and the benefit of significant capital allowances begins to reduce, there are meaningful advantages to our shareholders from converting to REIT status. These include reduced UK tax liabilities and a resulting improvement in cash flow and earnings.

Since the passing of the UK Finance Act in 2012, the significant conversion charge for becoming a REIT has been abolished and the Board believes now is an appropriate time to convert to REIT status.

Shareholder approval for the required changes to the Articles of Association of the Company will be sought at an Extraordinary General Meeting to be held following the Annual General Meeting on 20 March 2013. Further details will be circulated to shareholders in due course.

Further details relating to REIT status, its advantages and requirements can be found in the Chief Executive's review on page 25.



**Dividend**

Following our intended conversion to REIT status, the Company will be required to distribute 90% of the profits generated from its UK property rental business by way of a Property Income Distribution ("PID"). Safestore's present dividend is more than twice the level of the PID that would currently be required were the Company to be a REIT and is supported by earnings not just from the UK property rental business but also by earnings which lie outside REIT status, including UK ancillary sales and the French business.

The Board remains confident in the prospects for the Group and is pleased to recommend a final dividend of 3.80 pence per share, bringing the total dividend to 5.65 pence per share for the year. This final dividend represents an increase of 7.0% versus FY2011.

Following REIT conversion, the Board intends to maintain its progressive dividend policy, growing the dividend broadly in line with earnings over the economic cycle while maintaining appropriate dividend cover.



## People

During the year, our team members in both the UK and France continued to be the key drivers of the success of the business. I would like to take this opportunity to thank all my colleagues throughout the business for their hard work and dedication this year.

We have announced that after more than a decade with the Group, our Chief Financial Officer, Richard Hodsdon, has indicated his intention to step down from the Board and leave the Company. Richard has been instrumental in the Group's development and the Board would like to express its sincere gratitude for the valuable contribution he has made to the success and development of the Company. We wish Richard the best with his future endeavours.

Richard will be succeeded by Andrew Jones, who joins us from Worldpay Limited. Andrew brings a valuable understanding of similar customer-focused and yield-managed operational businesses from his current role and earlier career at TUI Travel plc and Virgin. We are very pleased to welcome Andrew to Safestore.

To ensure a smooth transition, Richard will remain with the Group until his successor is in place, which is expected to be not later than 31 July 2013.

Full details of these changes to the Board are set out in a separate announcement issued today.

## Outlook

The economic environment continues to be challenging. However, self-storage demand remains solid in both the UK and France.

As we forecast, during the first few months of the new financial year, the imposition of VAT on the UK self-storage industry has resulted in lower UK occupancy and rate than last year's record levels. While it remains too early to assess the full effect of VAT, the initial impact is consistent with the original estimates we set out in June 2012. In France customer demand remains solid, although the slowing economy has led to greater growth from personal customers than from businesses in recent months.

We expect the year ahead to remain challenging with slightly lower sales than the prior year. In that context, we retain our tight focus on cost control and expect to deliver further cost efficiencies to mitigate the expected revenue pressure. Overall we expect performance for the current financial year to remain broadly consistent with the level experienced during the last financial year.

With strong underlying demand potential and modest new supply growth, self-storage remains a growing sector. As awareness of the product increases, our clear strategy, market leadership position and scale leave us well positioned to withstand the short-term challenges and capitalise on the opportunities ahead.

### R S Grainger Chairman

30 January 2013



# A year of change at Safestore

We continued to make good progress on the More Space strategy outlined in January 2012, with gains in brand awareness, business customer growth and improved pricing capabilities being delivered during the year.

**Peter Gowers**  
Chief Executive Officer



Revenue (£m)

# £98.8m

+4.0%

RevPAF

# +5.2%

Closing occupancy

# 3.29m sq ft

+2.5%

## Introduction

### Strategic and financial progress

We are pleased to report that Safestore has delivered further strategic progress and financial resilience during the year.

We continued to make good progress on the More Space<sup>SM</sup> strategy outlined in January 2012, with gains in brand awareness, business customer growth and improved pricing capabilities being delivered during the year.

The Group also completed its planned store expansion programme, with the addition of four new stores during the year. This good strategic progress resulted in gains in occupancy, revenue and store level EBITDA.

We tightly controlled administrative costs and made the planned strategic investments in strengthening marketing, National Accounts, yield management and call centre operations during the year. These strategic investments, together with the impact of weaker Euro exchange rates on the translation of our French earnings into Sterling, resulted in Group underlying EBITDA being slightly lower than last year.

The Group completed a full re-financing of its debt facilities in the first half of the year, extending the average maturities of its debt and diversifying its lending base.

### The self-storage market

Demand for self-storage is fuelled by two principal customer groups:

**Personal customers** – individuals and families in the process of moving house, undertaking refurbishments or simply needing to free up more space at home as a result of lifestyle changes.

**Business customers** – companies storing stock and archiving materials as an alternative to having their own warehouse or office and large companies using self-storage as a partner for logistics.

Both segments have remained resilient throughout the recent economic downturn. We estimate that there are more than eight million homes and businesses that may need more space in the UK. With penetration of self-storage in both the UK and France at much lower levels than in the more developed US and Australia markets, we believe there is significant further demand potential.

New supply growth in our chosen markets is modest, with significant planning restrictions on new development, particularly in central London and Paris, and limited access to capital for many of our smaller rivals.

Operationally, customers are increasingly turning to the internet as the start point for researching self-storage. This, together with the opportunities to serve large businesses that use self-storage for nationwide logistics, raises the competitive importance of marketing scale and a widespread store network.

### Our store network

We have a market leading position in the UK and Paris markets. As at 31 October 2012 our wholly-owned portfolio included 123 stores – 98 in the UK and a further 25 in Paris. This network gives us a unique footprint in both the UK and Paris, delivers marketing scale and positions us well to serve the needs of key customers.

During the year we opened four new stores in the key markets of London and Paris. Two are in the London market at New Southgate in North London and Staines near London Heathrow Airport. Two are in the Paris market at Gonesse, close to Paris – Charles de Gaulle airport, and Velizy to the south-west of the city.

The Group also has three development sites in the UK – at Chiswick and Wandsworth in London and Birmingham. We continually review the value of these sites to the Group and while they remain very attractive, in line with our present strategic focus on organic growth, there are no current plans to open stores at these locations.

### Our strategy

In January 2012 we set out our “More Space” strategy to deliver value to shareholders.

“More Space” focuses the Group on delivering organic growth, by using our scale, marketing power and pricing expertise to drive occupancy, RevPAF and profitability. As we deliver this organic growth, our intention is to use the free cash flow generated principally to maintain a progressive dividend for our shareholders and progressively reduce our debt as appropriate.

Underpinning our strategy are four strategic priorities that guide action, target-setting and remuneration across Safestore:

1. Strengthen the brand
2. Build a powerful team
3. Drive operational excellence
4. Create value

Last January we announced our intention to make a planned strategic investment in strengthening our marketing, improving our National Accounts, UK call centre and pricing teams and developing our website. £1.8 million of this investment was introduced during the year. This focus and investment has been delivering tangible benefits and we made good progress on each of our strategic priorities during the year:

#### Strengthen the brand – improving brand visibility and customer reach

Safestore is the UK market leader for self-storage and we have opportunities to build on this position with improvements in our brand image and recognition.

During the year, we introduced a new look and feel for Safestore in the UK to support our positioning as a distinctive, premium, professional and friendly brand.

## Chief Executive's review continued

**We launched our newly branded website and mobile site earlier this year.**



### **Our store network continued** **Strengthen the brand – improving brand visibility and customer reach** continued

Greater prominence is now given to the colour blue, the Safestore name and the padlock symbol in our advertising, point of sale materials, website and in our stores. These changes promote a more consistent appearance and help raise awareness of our brand.

In line with this new look and feel, as part of our planned maintenance programme we took the opportunity to rebrand a number of high visibility stores during the year, including those at Staples Corner, Chingford, Fulham and Holloway in London; Orpington in Kent; and Old Trafford in Greater Manchester.

The new brand look and feel was deployed online with an upgraded website that now allows customers to see online prices for multiple stores. This led to an increase in the percentage of visitors to our website that subsequently choose to enquire and significant growth in online enquiries. Over 80% of all our enquiries now originate on the internet.

During the year Safestore ran its first television advertising campaign, airing principally in the London television regions. The advertisement generated an unprecedented level of interest for the Group online, with more than one million views of the advert on the YouTube internet video site. Taken together, the conventional television airtime and online media presence contributed to a 150% increase in unprompted awareness in the important London region.

Our strategic focus on driving value from business customers has continued. For the first time, business customers now account for more than half of our total space occupied in the UK.

A key driver of our growth has been our National Accounts team. During the year we increased the size of our National Accounts sales force to help us reach more large scale national customers across the UK. By the year end, National Accounts customers occupied more than 200,000 sq ft or almost 7.9% of our total UK occupancy, an increase of 43% on the prior year. Approximately 76% of the space occupied by National Accounts is outside London, indicating the growing importance of our national network.

### **Build a powerful team – improving alignment and productivity**

During the year we strengthened the UK call centre team that supports our stores. The team handles direct enquiries to our free phone number and enquiries made when stores are closed to ensure a rapid response. The team handled almost 29,000 enquiries in the last financial year, helping support store revenue growth.

### **Drive operational excellence – optimising pricing**

In operational terms, our main focus was the introduction of a new pricing model with attendant changes to our software systems. In the past, the self-storage industry generally

offered a simple model of a fixed price, with a number of weeks free. However, this structurally reduced the attractiveness of the product for highly valuable long-term users and offered limited flexibility in pricing different room sizes and durations of stay. During the second half of the year we launched a new pricing platform that gives us greater flexibility and this will be a key driver of price efficiency during FY2013.

### **Create value – effective asset management and capital structure**

Effective management of our property portfolio remains a key focus for the team. During the year we regeared a number of leases on our properties including those at Sunderland, Croydon, Hanworth and New Malden. We also let under-utilised space unsuitable for self-storage at a number of locations as well as delivering a number of successful rates appeals. A number of our self-storage locations may have alternative use potential and work continues to evaluate and exploit these as appropriate.

During the year the Group completed a successful re-financing of its facilities, which now include a term loan, a revolving credit facility and a long-term US private placement component. The Group was in compliance with the associated covenants to its debt facilities at 31 October 2012. Full details of the new arrangements are set out in the Financial review.



## Closing occupancy levels

	Number of stores 31 October 2011	Occupancy 31 October 2011	Number of stores 31 October 2012	Occupancy 31 October 2012
Developing	12	46.5%	<b>11</b>	<b>48.1%</b>
Established	18	53.9%	<b>20</b>	<b>60.4%</b>
Mature	81	68.8%	<b>84</b>	<b>66.7%</b>
Large	8	67.1%	<b>8</b>	<b>68.4%</b>
<b>Total</b>	<b>119</b>	<b>64.4%</b>	<b>123</b>	<b>63.9%</b>

## Operational review – Group

During the year, our strategic progress contributed to further revenue and store EBITDA growth.

During the first half of the year we saw good revenue growth, driven by a balance of strong occupancy gains and lower rental rates than the prior year. In the second half of the year, we saw slower occupancy performance but improving rental rates up until the introduction of 20% VAT on UK self-storage. The French business, while performing well in constant currency, was affected by the declining value of the Euro during the second half of the year.

Our effective pricing strategy, which balanced rental rates and occupancy throughout the year, led to improvements in the total sq ft let across the business. We delivered steady gains in our developing stores and large stores, while broadly maintaining occupancy levels in the established stores and mature stores, after taking into account the impact of the imposition of VAT. The closing occupancy levels as a percentage of MLA are as shown above.

Performance in each of our trading areas is set out above.

## Operational review – UK

### Resilient performance

In the UK we have 98 stores and 4.10 million sq ft of MLA. All our owned and leased UK stores are branded as Safestore.

Despite the continuing economic challenges and the imposition of 20% VAT on self-storage from 1 October 2012, we saw a resilient performance during the year. In line with our "More Space" strategy, the focus during the year was on making use of our national scale and marketing power to drive improved levels of occupancy, particularly from businesses, at the optimal rental rate.

Enquiry levels have remained high throughout the year, with continued customer demand for self-storage.

Total sales were up 5.3% to £74.8 million (FY2011: £71.1 million). We saw a 9.8% or 228,000 sq ft increase in average occupancy during the year. Year-end closing occupancy was up 1.8% or 44,000 sq ft on last year's record occupancy level to 2.54 million sq ft (FY2011: 2.50 million sq ft). Business customer occupancy has been particularly strong. As at 31 October 2012, 1.41 million sq ft or 55.5% of all our UK occupied space was filled by business customers and 1.13 million sq ft or 44.5% from personal customers.

In line with our pricing strategy and the mix effect on rate of a growing share of our occupancy being delivered in recently opened stores with lower average price points, our average rental rate decreased by 4.0% to £23.43 (FY2011: £24.40).

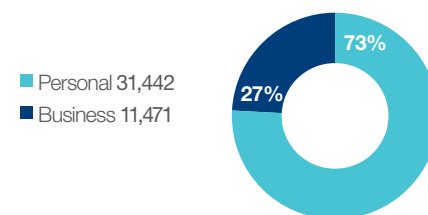
Store EBITDA was up 4.3% to £44.2 million and was impacted by the opening costs for the final two stores in our UK expansion programme. RevPAF (excluding the two stores opened since May 2011) was up 6.0% to £18.56 (FY2011: £17.51).

### Impact of VAT on self-storage remains within initial estimates

In March 2012, the UK government set out a proposal to introduce a new 20% tax on all self-storage rentals in the UK with effect from 1 October 2012. This represented a significant change, reversing the long-standing exemption from VAT that the UK self-storage sector enjoyed in common with other real estate businesses.

The Company acting together with the UK Self-Storage Association ("SSA") sought to challenge the decision during the formal consultation period. However, the government maintained its position and the measure took effect on 1 October 2012. An exceptional cost of £175,000 is included in the accounts for charges relating directly to the imposition of the new tax as well as our participation in the consultation process and legal review.

Number of customers (Group)



## Chief Executive's review continued



### Operational review – UK continued

#### Impact of VAT on self-storage remains within initial estimates continued

Since 1 October 2012, the Group has been obliged to charge full 20% VAT on all eligible self-storage rentals in the UK. In effect this increases the total cost of the product to our customers by 20%, although many business customers may have the ability to reclaim the VAT if they are VAT registered.

Our strategy has been to pass on the cost of the VAT increase to our customers wherever possible. We have, however, offered some selective discounts for certain high value customers.

As we forecast, this unplanned and very rapid change in the industry's tax status has impacted performance. During the fourth quarter of the year we saw approximately 51,000 more sq ft vacated than we would have had expected had the VAT measure not been in place. Since the year end, we have seen a reduction in the pace of new let growth although this has been accompanied by a moderate improvement in average move-in rate.

Taken together, the impact of VAT on existing and new business appears within the original estimates we provided in June 2012, which were for an annual revenue impact of £5 million to £6 million and an EBITDA impact in the order of £2 million to £3 million. We will, however, continue to monitor the situation closely.

### Operational review – France

#### Strong constant currency growth affected by adverse exchange rate movements

We now have 25 stores in France, accounting for 1.04 million sq ft of MLA. All our French stores are branded as Une Pièce en Plus ("A Spare Room"). This network gives us a leading presence in the Paris region, a market with close to twelve million people, attractive socio-demographics for self-storage and high barriers to entry due to the lack of available land and the competition with other uses, as well as new planning restrictions.

With a strong brand and unrivalled store network right in the heart of the affluent areas of the city of Paris, we saw strong performance despite the slowing of the French economy. We continued to focus on maintaining performance in our already highly occupied central stores, while benefiting from our recent expansion into strategically located new stores around the suburban markets of the city.

Enquiries remained solid. Total revenue was up 6.3% to €29.3 million (FY2011: €27.6 million). The business delivered a 6.6% or 44,000 sq ft increase in average occupancy, with closing occupancy 5.0% or 35,000 sq ft higher than the prior year at 746,000 sq ft (FY2011: 711,000 sq ft). As at 31 October 2012, 0.30 million sq ft or 39.7% of all our French occupied space was filled by business customers and 0.45 million sq ft or 60.3% from personal customers. Average rental rate was broadly flat at €36.72 per sq ft (FY2011:

€36.64). Store EBITDA was up 2.2% to €20.7 million, reflecting the incremental costs of new stores that opened part way through the year and have yet to reach break-even.

RevPAF (excluding the three stores opened since May 2011) was up 2.5% to €27.59 (equivalent RevPAF at 31 October 2011 was €26.92). This good performance in constant currency was, however, significantly impacted by a negative movement in the Euro Sterling exchange rate, which fell by almost 10% during the second half of the year, compared to the same period last year. As a result, RevPAF, in Sterling, was down 3.5% to £26.01 (FY2011: £26.94).

### Operational review – cost of sales and administrative costs

#### Tight management of costs and carefully targeted strategic investment

Operationally, Safestore has a straightforward business model. Each store typically has three–four full-time equivalent team members and the stores are supported by a number of regional managers and the head office teams.

The principal cost of sales items are therefore:

- rent for our leasehold stores;
- sales and marketing (principally advertising and online search);
- staff costs (annual salaries, taxes and incentive payments);

*“Under the new rules, the Board believes that REIT status has attractions for the Company and its shareholders. The Company therefore intends to convert to REIT status.”*

- utilities (principally electricity and phone); and
- local business taxes (business rates in the UK).

We have tightly controlled cost of sales, with more efficient online marketing and careful control of team costs. After stripping out the impact of new store costs and strategic expenditure, underlying cost of sales have increased by 4.1%. This was principally driven by the increasing costs of utilities and local business taxes. More details are given in the Finance report.

Administrative costs principally include staff costs for head office teams including the Directors, marketing and other public company related costs. During the year, we strengthened the teams for National Accounts, pricing and field support and reduced the costs of our property development team in line with our organic growth focus.

After stripping out the impact of the strategic investment noted above, one off provision releases and the impact of foreign exchange, underlying administrative costs were up by 3.1%. Once again, more detail is given in the Finance report.

### **Operational review – capital expenditure**

Safestore’s principal capital expenditure items are the continued provision of safety and security for our customers and team members, store maintenance, reconfiguration of store layouts to drive sales and selective new store openings.

During the year, capital expenditure was £19.2 million, of which £6.2 million was principally safety and security, store improvements and reconfiguration and £13.0 million related to new stores. Following the completion of our four new stores during the year we do not anticipate there to be any

material capital expenditure in relation to new stores during the current financial year.

### **Conversion to REIT status**

Safestore generates the majority of its UK profits from the rental of self-storage property. At present, the Company is assessed for UK corporation tax on these profits and then our shareholders may be assessed for income tax on the dividends they receive from the Company.

Over recent years, owing to carried forward tax losses and capital allowances, the Company has not been a cash tax payer in the UK, although we have provided for deferred taxes. However, as the Company concludes its store expansion programme and the capital allowances that presently reduce our UK tax liability begin to wind down, Safestore’s UK tax liability would normally begin to rise, raising a potential “double-tax” liability for our shareholders that is greater than the liability if shareholders were to simply invest in the properties directly.

The UK government believes that this “double-tax” situation hinders a healthy property market and therefore created the Real Estate Investment Trust (“REIT”) status. REIT status is open to property companies generating the majority of their profits from UK property income and removes the corporation tax liability and some capital gains tax liabilities providing certain conditions are met, including a mandatory requirement to pay a PID of 90% of the distributable UK property profits.

In order to encourage investment in property and the use of REIT status, as part of the Finance Act 2012 the UK government altered the rules relating to eligibility. These changes included the removal of the previous entry charge that was levied to become a REIT, which had been up to 2% of the value of the assets within the REIT.

Under the new rules, the Board believes that REIT status has the following attractions for the Company and its shareholders:

- removes the “double-tax” faced by current shareholders;
- increases free cash flow by removing a number of tax liabilities;
- increases the ease of comparability to other property-based companies;
- improves transparency; and
- potentially extends the shareholder base to include certain REIT-only investment funds.

The Company therefore intends to convert to REIT status. As REIT status requires a change to the Company’s Articles of Association, principally in order to comply with legal provisions relating to the size of individual shareholdings in the Company, the Board will seek shareholder approval for the changes at an Extraordinary General Meeting on 20 March 2013. Once this approval is obtained, the Company will formally submit its application for REIT status.

Subject to HMRC approval, REIT status is then expected to take effect from 1 April 2013. Following that date, Safestore will cease to provide for corporation tax on its UK property income.

The Company will, however, continue to be assessed for appropriate taxes on its UK ancillary incomes and French property and ancillary income, which are not eligible for UK REIT status as they do not relate to UK property income.

Under REIT status, the Group will be well positioned to create value from its new organic growth strategy.

**Peter Gowers**  
Chief Executive Officer  
30 January 2013

# Revenue growth and increased occupancy

The Group's revenue increased by £3.8 million (an increase of 4.0%) from £95.1 million in FY2011 to £98.8 million in FY2012.

**Richard Hodsdon**  
Chief Financial Officer

## International Financial Reporting Standards ("IFRS")

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

## 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, such as packing and storage products, in both the UK and France.

The table opposite sets out the Group's revenues by geographic segment for FY2012 and FY2011.

The Group's revenue increased by £3.8 million (an increase of 4.0%) from £95.1 million in FY2011 to £98.8 million in FY2012. As covered in the Chief Executive's review, the key drivers for revenue growth have been the increase in average occupancy (272,000 sq ft year on year), the reduction in average rate per sq ft (4.6% year on year) and ancillary revenues (+4.4% year on year).

There has been a significant currency impact during the year with an average exchange rate of €1.223:£1 for FY2012 against an average rate of €1.152:£1 for FY2011 which has impacted revenue adversely by circa £1.3 million.

## Results of operations

The table below sets out the Group's results of operations for the year ended 31 October 2012 and the year ended 31 October 2011, as well as the year on year change:

	Year ended 31 October		
	2012 £'000	2011 £'000	% change
<b>Revenue</b>	<b>98,836</b>	95,060	+4.0%
Cost of sales	<b>(34,665)</b>	(31,222)	
<b>Gross profit</b>	<b>64,171</b>	63,838	+0.5%
Administrative expenses	<b>(9,818)</b>	(15,476)	
<b>Operating profit before loss on investment properties</b>	<b>54,353</b>	48,362	+12.4%
Loss on investment properties (including exceptional impairment charge in FY2011)	<b>(37,536)</b>	(18,417)	
<b>Operating profit</b>	<b>16,817</b>	29,945	-43.8%
Net finance costs (including exceptional items)	<b>(36,280)</b>	(21,398)	
<b>(Loss)/profit before income tax</b>	<b>(19,463)</b>	8,547	
Income tax credit (including exceptional items)	<b>11,670</b>	4,481	
<b>(Loss)/profit for the year</b>	<b>(7,793)</b>	13,028	

## Revenues by geographic segment

	Year ended 31 October				
	2012 £'000	% of total	2011 £'000	% of total	% change
UK	<b>74,898</b>	75.8%	71,014	74.7%	+5.5%
France	<b>23,938</b>	24.2%	24,046	25.3%	-0.4%
<b>Total revenue</b>	<b>98,836</b>	100.0%	95,060	100.0%	+4.0%

## Cost of sales

Cost of sales consists primarily of our store costs, staff salaries, business rates, utilities, insurance and maintenance. The Group's cost of sales increased by £3.4 million or 11.0% from £31.2 million in FY2011 to £34.7 million in FY2012.

	£'000	£'000
<b>Cost of Sales ("CoS") FY2011</b>		(31,222)
Compensation for store relocation	(609)	(609)
<b>Adjusted like-for-like CoS FY2011</b>		(31,831)
New store operating costs		(1,170)
Incremental strategic investments		(363)
Underlying costs increased by 4.1% year on year		(1,301)
		(2,834)
<b>Cost of Sales FY2012</b>		<b>(34,665)</b>

There are three key elements to the cost increase:

- the operating costs associated with the new stores opened in the year of £1.2 million;
- incremental strategic investments, mainly call centre related, of approximately £0.4 million; and
- underlying cost of sales has increased by £1.3 million or 4.1%.

## Financial review

### Administrative expense

During the year our underlying administrative expense increased by approximately £0.6 million to £13.9 million in FY2012 from £13.3 million in FY2011 as set out in the table below:

	Financial year	
	2012 £'000	2011 £'000
Reported administrative expenses	<b>(9,818)</b>	(15,476)
Adjusted for:		
– exceptional items*	<b>(4,875)</b>	1,333
– depreciation	<b>445</b>	168
– contingent rent	<b>758</b>	642
– changes in fair value of derivatives	<b>(384)</b>	8
Underlying administration expenses	<b>(13,874)</b>	(13,325)
Underlying administrative expenses for FY2011		(13,325)
Strategic expenditure		(1,403)
VAT provision released in year		528
FX (including currency swaps)		744
Other administrative cost movements (3.1%)		(418)
<b>Underlying administrative expenses for FY2012</b>		<b>(13,874)</b>

\* Exceptional items are detailed below.

Underlying administrative expenses have increased by £0.6 million. The main elements of the increase are:

- approximately £1.4 million of the increase is directly attributable to strategic investments made in the marketing, yield management and National Accounts functions during the year;
- we have benefited in the year by £0.5 million relating to the release of a historic VAT provision no longer required and £0.8 million from the positive impact of foreign currency translation including over £0.5 million from currency swaps in the year; and
- the balance of £0.4 million relates to a 3.1% increase in the general underlying administrative expenses of the business.

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

Underlying EBITDA is calculated as follows for FY2012 and FY2011:

	Financial year	
	2012 £'000	2011 £'000
Operating profit	<b>16,817</b>	29,945
Adjusted for		
– loss on investment properties	<b>37,536</b>	16,187
– impairment of investment property	<b>–</b>	2,230
– depreciation	<b>446</b>	168
– contingent rent	<b>757</b>	642
– change in fair value of derivatives	<b>(384)</b>	8
Exceptional Items:		
– insurance proceeds	<b>(5,260)</b>	–
– VAT and REIT related costs	<b>220</b>	–
– impairment of non-current assets	<b>–</b>	382
– costs relating to retirement of CEO and other restructuring costs	<b>165</b>	702
– costs relating to re-locating French head office	<b>–</b>	248
Underlying EBITDA	<b>50,297</b>	50,512

The Group's Underlying EBITDA decreased by £0.2 million or 0.4% to £50.3 million in FY2012 from £50.5 million in FY2011. This decrease principally reflects the increase in revenues discussed above offset by the higher cost base and strategic investments in FY2012.

## Loss on investment properties

The loss on investment properties consists of the fair value revaluation gains and losses with respect to the investment properties under IAS 40, finance lease depreciation for the interests in leaseholds and one off items as detailed below:

	Financial year	
	2012 £'000	2011 £'000
Movement on investment properties	(42,200)	(10,669)
Finance lease depreciation	(4,336)	(5,518)
Capital Goods Scheme VAT write back	9,000	—
Exceptional impairment of investment properties	—	(2,230)
	<b>(37,536)</b>	<b>(18,417)</b>

The movement in the investment properties reflects the combination of yield movements within the valuations together with the impact of changes in the cash flow metrics of each store. In a normal year the key variables in the valuations are rate per sq ft, stabilised occupancy, number of months to reach stabilised occupancy and the yields applied. In the current financial year adverse valuation movement is primarily driven by the imposition of VAT on self-storage in the UK which took effect on 1 October 2012. As a direct result of the imposition we will be able to reclaim VAT previously written off under the Capital Goods Scheme. We have estimated that the present value of the amount to be reclaimed is £9.0 million and will be reclaimable over the next ten years.

The valuation of investment properties is covered in more detail in the property section below.

## Operating profit

Operating profit decreased by £13.1 million or 43.8% to £16.8 million for FY2012 from £29.9 million in FY2011. This movement predominantly reflects the £19.1 million swing in the investment properties from a loss of £18.4 million last year to a loss of £37.5 million this year partly offset by the £6.0 million positive movement in exceptional items.

## Net finance costs

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

	Financial year	
	2012 £'000	2011 £'000
Bank interest receivable	43	212
Bank and other interest payable	(18,875)	(18,552)
Net bank interest	(18,832)	(18,340)
Fair value movement of derivatives	(1,805)	1,825
Exceptional finance expense	(9,969)	—
Interest on obligations under finance leases	(5,674)	(4,883)
<b>Net finance costs</b>	<b>(36,280)</b>	<b>(21,398)</b>

The reduced bank interest receivable reflects the lower cash balances held through FY2012.

Bank and other interest payable increased by 1.7% to £18.9 million in FY2012 from £18.6 million in FY2011, although this is after capitalising interest of £0.2 million (FY2010: £0.3 million). The interest costs reflect the higher level of drawn bank debt in FY2012 together with the higher blended interest rate following the re-financing in May 2012.

The exceptional finance expense of £10.0 million (FY2011: £nil) represents the debt issue costs relating to the previous banking facility written off and the new debt issue costs of the new bank facilities. These costs have been expensed as prescribed by IAS 39.

Following the re-financing in May 2012, the Group replaced its existing interest hedge agreements to August 2013 with new hedge agreements to coincide with the new facilities. As a result the Group has interest hedge agreements in place to June 2016 swapping LIBOR on £197 million at an effective rate of 1.710% and EURIBOR on €40 million at an effective rate of 1.361%. The hedge agreements provide cover for 80% of the drawn debt leaving a 20% floating element. Interest payable includes a charge of £1.8 million in respect of the fair value movement of derivatives (FY2011: £1.8 million credit).

Interest on finance leases was £5.7 million (FY2011: £4.9 million) and reflects part of the rental payment under UK GAAP. The balance is charged through the investment loss line and contingent rent in the income statement. Taking the movements as a whole, the UK GAAP rental charge is down by £0.5 million to £10.8 million this year from £11.3 million last year primarily resulting from lease re-gearings in the year and the acquisition of the freehold interest in one store in FY2011.

## Financial review continued

### Gearing

Net debt at 31 October 2012 stood at £394.2 million up from £384.9 million at 31 October 2011. During the year, total capital decreased by £22.4 million to £637.6 million at 31 October 2012 from £660.0 million at 31 October 2011. The net impact is that the gearing ratio was 62% at 31 October 2012 compared to 58% at 31 October 2011.

### Income tax

Income tax for FY2012 was a credit of £11.7 million against a credit of £4.5 million for FY2011. The actual cash tax payable for FY2012 was £450,000 (FY2011: £365,000), all of which arose in France. The low level of cash tax payable is due to the exceptional financing costs incurred during the year, the availability of capital allowances in both the UK and France and the offset of French tax losses. The utilisation of losses in France is now expected to be annually restricted to €1 million and 50% of the remaining profits following the introduction of recent legislative changes. In respect of deferred tax, an exceptional credit of £6.3 million (FY2011: £6.6 million) arose following re-measurement due to changes in UK corporation tax rates which is explained further in note 8.

### (Loss)/profit for the year (“Earnings”)

Earnings were a loss of £7.8 million compared to a profit of £13.0 million for FY2011.

EPRA adjusted earnings, which is the earnings figure after adding back the loss on investment properties, exceptional items, changes in fair value of derivatives and the tax thereon, decreased by £1.8 million or 10.9% to £14.3 million for FY2012 from £16.1 million for FY2011. Further details of this are given in note 10.

### Property valuation

Cushman & Wakefield has again valued the Group's property portfolio. As at 31 October 2012, the total value of the Group's portfolio (including £0.8 million of owner occupied properties) was £685.8 million. This represents a decrease of £28.6 million or 4.0% compared to the £714.4 million valuation as at 31 October 2011. A reconciliation of the movement is set out below:

	UK £m	France £m	Total £m	France €m
Value as at 1 November 2011	546.6	167.8	714.4	191.1
New stores opened in the year	14.1	10.5	24.6	12.9
Adverse currency translation movement	—	(14.0)	(14.0)	—
Revaluation of French like-for-like portfolio <sup>1</sup>	—	—	—	0.1
Revaluation of UK like-for-like portfolio	(39.2)	—	(39.2)	—
<b>Value as at 31 October 2012</b>	<b>521.5</b>	<b>164.3</b>	<b>685.8</b>	<b>204.1</b>

<sup>1</sup> The revaluation fall in the UK like-for-like portfolio is primarily related to the imposition of VAT on self-storage in the UK with effect from 1 October 2012.

The table above summarises the movement in the property valuations:

- New stores opened in the period have increased the valuations by £24.6 million; £14.1 million in the UK for London – New Southgate and London – Staines and £10.5 million for Paris – Gonesse and Paris – Velizy.
- The exchange rate at 31 October 2012 was €1.241:£1 compared to €1.139:£1 at 31 October 2011. This movement in the foreign exchange rate has resulted in a £14.0 million adverse currency translation movement in the period. This will impact the net asset value (“NAV”) but has no impact on the Loan to Value (“LTV”) covenant as the assets in Paris are tested in Euro.
- The revaluation of the French like-for-like property portfolio was flat, year on year.
- The revaluation of the UK like-for-like property portfolio shows a reduction of £39.2 million compared to October 2011 although this valuation decrease is primarily attributable to the impact of the imposition of VAT on self-storage in the UK. It is not possible to absolutely quantify the impact in isolation given the integrated approach undertaken by the Company in response to this challenge. We know that, at the half year, the special valuation assumptions around VAT reduced the UK valuations by £24 million and it is reasonable to assume that the impact at 31 October 2012 has increased from this level.
- The Group freehold exit yield for the valuation at 31 October 2012 was 7.85% which is broadly flat with the exit yield of 7.83% adopted at 31 October 2011.

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

The Company's pipeline of expansion stores is valued at £5.4 million as at 31 October 2012.

The property portfolio valuation has declined by £4.6 million from the valuation of £690.4 million at 30 April 2012 which combines the impact of the opening of the new store at Paris – Velizy (+£6.1 million) and a further deterioration in the Euro exchange rate (-£2.1 million) with the balance being mostly attributable to the impact of VAT on the UK portfolio valuations.

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 any transactions in the property investment market. Please see note 11 for further details.

The adjusted EPRA NAV per share is 188.6 pence, down 10.8% on October 2011. The main contributory factors in this movement are the adverse impacts of the movements in the Euro exchange rate and the impact of the imposition of the VAT of self-storage in the UK.



## Cash flows

The following table summarises the Group's cash flow activity during the FY2012 and FY2011 in accordance with IFRS:

	Financial year	
	2012 £'000	2011 £'000
Net cash inflow from operating activities	<b>30,457</b>	25,649
Net cash outflow from investing activities	<b>(21,498)</b>	(36,649)
Net cash provided by financing activities	<b>(16,109)</b>	10,107
<b>Net decrease in cash and cash equivalents</b>	<b>(7,150)</b>	(893)

### Net cash inflow from operational activities

There are two main factors influencing the £4.8 million increase in cash from operating activities in FY2012 compared to FY2011. This is made up of a combination of increased cash generated from operations, the movement in exceptional items between FY2012 and FY2011 offset by movements in working capital and increased interest payments.

### Net cash outflow from investing activities

Cash outflow from investing activities has decreased by £15.2 million to £21.5 million for FY2012 from £36.7 million for FY2011. Whilst there are several contributing factors affecting this movement it is mainly due to the decrease in expenditure on investment and development assets. Expenditure on investment and development properties in FY2012 was £20.2 million, a decrease of £14.8 million from £35.0 million in FY2011. The single biggest movement is the non-recurrence of the acquisition of the freehold interest in our Pentonville Road store for £11.5 million in the previous financial year.

### Net cash inflow from financing activities

The cash flows from financing activities decreased by £26.2 million in FY2012 to an outflow of £16.1 million from an inflow of £10.1 million in FY2011. This has several key factors which are set out on the face of the cash flow statement but mainly reflects the costs associated with the re-financing.

### Future liquidity and capital resources

Borrowings under the existing bank facilities are subject to certain financial covenants and the Group is in compliance with its covenants at 31 October 2012 and, based on forecast projections, for a period in excess of twelve months from the date of this report. The debt facilities do not mature until August 2016 with US private placement facilities running to May 2019 and May 2024 respectively.

### Re-financing/bank facilities

In May 2012, the Company re-financed its £385 million debt facilities due to mature in August 2013 with new increased facilities of £400 million. These new facilities comprise bank facilities of £270 million and €70 million and a US private placement of \$115 million. There is no amortisation on the private placement and minimal amortisation on the bank debt. Subsequent to the year end we reduced the UK Revolving Facility by £10 million in line with ending the existing store roll out programme.

The bank facilities have been extended to June 2016 with a bank margin ratchet between 2.5% and 3.5% based on interest cover performance, with an initial bank margin of 3.5% for the first six months of the facilities. For the private placement, \$67 million was issued at 5.52% with 2019 maturity and \$48 million was issued at 6.29% with maturity in 2024. The proceeds of the private placement issue have been fully swapped into fixed Sterling.

The bank facilities and the US Private Placement share interest cover and Loan to Value covenants.

### Our business model

Safestore has a straightforward business model.

We use our scale to market our self-storage facilities to customers and create enquiries. We use our customer insight and operating skill to convert enquiries into occupancy and we manage pricing and business mix to drive the self-storage rental rate and ancillary revenues.

We then tightly control our costs, which are principally staff costs, utilities, local taxes and marketing, to drive operating margin.

The combination of these actions drives growth in free cash flow, which we use to generate dividends, retire debt and selectively invest in improving our store network and its performance.

### Annual General Meeting

The Meeting will be held on 20 March 2013 at the Group's registered office, Brittanica House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT, following which a general meeting to approve certain amendments to the Company's Articles of Associate to enable the Group to elect for REIT status shall be held. Notices for both meetings are expected to be sent to shareholders shortly.

### R D Hodsdon

Chief Financial Officer

30 January 2013

# Operating in an ethically and socially responsible way

Throughout the year we have continued to evolve our stakeholder engagement programme based on our commitment to sustainable business practice.

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

## Corporate Responsibility (“CR”)

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

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

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

As we have progressed through FY2011/2012 our CR strategy has been fully supported by the Group Board. This ensures that our approach supports both our wider purpose statement and Safestore’s values and strategic priorities.

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

## Highlights

- Our efforts have been accredited for the fourth year running with continuing membership of the FTSE 4 Good Index.
- We were delighted to introduce a new CR award at our annual conference in celebration of all the hard work our regional teams are putting into developing our CR programme.
- We ran our unique dash to donate initiative for the third consecutive year collecting 1,674 bags of saleable items for Scope, equivalent to approximately £34,000, supporting their hard work helping disabled people and their families.
- Once again FY2012 saw further expansion to our community partners programme as we welcomed Hands on London as a new charity partner supporting their Wrap Up London 2012 campaign where 8,520 coats were collected and distributed to shelters and refuges in London.

## A new state of the art call centre for our Customer Support Centre team.



### Safestore and our marketplace

#### Policy statement

We support our primary goal of optimising shareholder and investor value by providing clear and easily obtainable information on our business to customers, colleagues, suppliers and the wider community, adopting a consultative approach wherever practical. This ensures that business decisions are made having taken into account stakeholder needs whilst balancing our short and longer-term CR aspirations.

We will:

- maintain a customer engagement programme that aims to continually deliver “best in class” standards of customer service;
- support the evolution of the broader self-storage sector and actively participate in industry forums and conferences to share best practice;
- be an active member of the Self-Storage Association; and
- work proactively with council planners and the broader community regarding our store development programme.

#### Space Specialists

During the year our Space Specialists programme which sets our standards in customer care has continued to go from strength to strength. Our premium, professional and friendly approach is supported by expert knowledge and advice enabling us to explore our customers’ unique reason for storage and delivering a tailored solution. A key measure of our success is customer feedback which was assessed during the year through our mystery shopping scheme. This saw results improve by 2.5% year on year.

#### VOICE

Quarter three of FY2012 saw us start to explore real customer feedback as we trialled a text response system across two regions. This method of live customer feedback measures each stage of the customer journey from enquiry through to vacate and can be viewed from a store, regional, CSC and head office perspective. Following the trial’s success which saw customer sentiment grow by 5.4%, we plan to launch VOICE across our entire business during FY2013.

#### Customer Support Centre

During the year we invested in state of the art call centre space for our Customer Support Centre team (“CSC”) who helped 28,935 customers during FY2012. This investment will enable us to continue to innovate how we interact with customers and to extend customer reach across both new and emergent channels.



FTSE4Good



**As an “Investors in People” organisation, we aim to be an employer of choice and we believe our success is dependent on a motivated and highly trained team.**



**Safestore and our people**

**Policy statement**

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

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

**Health and safety**

- Conducting regular health and safety reviews across our estate inclusive of the review of risk assessments and accident reports to identify, control, prevent and nullify potential risks.
- Ensuring our health and safety committee meets regularly to review issues, process, policy and actions harnessing a culture where health and safety always sits high on our agenda.
- Delivering accredited health and safety training and refresher training relevant to job role as standard to all colleagues.

**Equality and diversity**

- Being an equal opportunities employer that maintains a workforce that reflects the uniqueness of the communities in which we operate.
- Ensuring policies and practices are in place that treat all employees fairly and equally. All colleagues receive the same treatment regardless of their ethnic origin, gender, sex, sexual orientation, age, religion or belief, or disability.
- Continuing to nurture the talents of our people and the benefit they bring to our varying business functions through a clearly defined and transparent competency framework.
- Honing a culture of fair treatment regarding recruitment and promotion, making decisions solely based on ability, aptitude and role requirements as outlined in our competency framework.
- Maintaining an active succession planning strategy that considers the ability of internal colleagues before recruiting externally.

**Work life balance**

- Delivering through our colleagues engagement programme support to our people in achieving a healthy work life balance.
- Providing a range of initiatives that celebrate the cultural diversity of our colleagues including: graduate internships, an apprenticeship scheme developed in association with Street League, a tax free cycle to work scheme and “Busy Bees” child support.
- Encouraging our staff to engage in our accredited Careerstore training and development programme providing them with individual training and a tailored development path.
- Engaging in programmes that encourage our people to self learn and develop with funding for professional qualifications.

**Training**

As an “Investors in People” organisation since 2003 our aim is to be an employer of choice and we passionately believe that our continual success is dependent on our highly motivated, well trained colleagues. We are delighted that for the year FY2012 our people have participated in over 11,000 hours of training time.



“Safestore has supported the disability charity Scope since 2008. Income raised from the partnership enables Scope to run services such as Scope Response, a free information and advice service that supports disabled people and their families. Every ten minutes, a family finds out their child is disabled. Scope’s support can make a critical difference in a disabled child’s early years.

At a time of unprecedented government funding cuts, demand on Scope’s services from disabled people and their families is greater than ever. It is vital that we work with supporters like Safestore to raise funds and save costs. This year Safestore assisted Scope by generously providing free storage and in May collected 1,674 bags of donated stock for our charity shops worth £34,000. Safestore’s support is very important to Scope and we would like to thank everyone involved for their generosity.”

**Richard Hawkes**  
Chief Executive  
Scope

This training consisted of:

- courses fulfilling health and safety requirements;
- the continued delivery of Safestore’s bespoke Space Specialist programme enabling our colleagues to be experts in self-storage who, by putting their customers first, take pride in delivering the best solution for them;
- people management courses which focus on team and individual motivation, performance management, different learning preferences and leadership styles;
- we have also delivered additional workshops around objective setting to support our teams in setting business and personal objectives which are aligned with the Space Specialist scorecard. By adopting this approach we have confidence that all of our team members’ efforts, within their individual roles and remits, are driving our four strategic priority areas; and

- 61 colleagues progressed their personal development by achieving an award as part of our in-house programme Careerstore.

**Promotions**

31 colleagues were successfully promoted to a more senior position; this is a similar level to the prior year.

**Payroll giving**

For the fifth consecutive year we were awarded the Payroll Giving Bronze Award in April 2012. We remain committed to supporting UK charities and payroll giving offers our colleagues an easy way of donating to their charity of choice.

**Safestore and our community**

**Policy statement**

As an employer with a national UK footprint we recognise and embrace the significant opportunity this presents to work with many communities across the UK. We aim to seek out both practical and creative solutions to involve our wider community and continue to do this in ways that deliver support that is wider reaching than that of a cash value or donation. This is achieved by working in partnership with a number of charitable causes at both Group, regional, store, departmental and team level.

We will:

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

**Scope**

For the fourth year running we were delighted to partner with Scope as our ‘charity of the year’. In addition to the provision of free storage space we were delighted to work with Scope, our colleagues, our customers and wider community on ‘Dash to donate’ week where bags of donated stock were collected for Scope charity outlets. This year we collected 1674 bags raising £34,000 which is broadly similar to last year.



# Corporate social responsibility continued



“On behalf of over 3,000 homeless guests, 8,700 volunteers and the Crisis at Christmas team, we would like to thank Safestore for the wonderful support and services you provided for our Crisis’ wish-list collections and the Hands on London’s “Wrap-up London” campaign. Your help for homeless people has never been more important than it is today. Thank you for giving hope to the thousands of people who have no home this Christmas.”

**Neil Kennedy**  
Resources Manager  
Crisis at Christmas

“We are extremely grateful to Safestore for supporting Wrap Up London 2012. Not only did the generously donated storage space at three Safestore locations around London make the storage, sorting and distribution of thousands of coats possible, but the help and enthusiasm of all the Safestore team members at head office and in each of the centres made a massive contribution to the campaign’s success. Many thanks to Safestore for helping Wrap Up London to keep thousands of vulnerable Londoners warm this winter!”

**Elizabeth Grier**  
CEO and Founder  
Hands On London

## Safestore and our community continued

### Crisis

For the third year running we were delighted to partner with Crisis in support of their Crisis at Christmas campaign. This provides centres over the Christmas period offering companionship, hot meals and warmth together with a range of essential services for homeless people. Safestore’s support brought together 43 of our stores located in Crisis centre catchments collecting 669 bags and boxes of donated items.

### Hands on London

During the year we welcomed a new charity partner, Hands on London, who are committed to community based volunteering. In FY2012 we participated in their Wrap Up London campaign which encouraged Londoners to donate a coat to charity. This year Wrap Up London collected over 10,000 items of clothing and 8,520 coats. Safestore supported the collection and storage of the clothing prior to distribution to shelters, refuges and other charities.

### CSR award

We were delighted to introduce a new CSR award at our annual conference in celebration of our regional team’s endeavours supporting their local communities. This year’s award went to our Regional team located in the north of the UK who undertook a charity walk on Wednesday 4 July climbing Scafell Pike in the Lake District in support of Cancer Research. The expedition took five and a half hours to complete and raised £2,267.

John Barnes, Regional Manager for the Region, collected the award together with his team and commented that “this initiative not only raised money for a vital cause but drew on hidden team resources as people worked together supporting each other in their goal”.

### Local charity support

As part of our working together culture the year has seen us make many positive contributions to our local communities.



**As part of our working together culture the year has seen us make many positive contributions to our local communities.**

**These events included:**



A Christmas toy run supported by our Eastbourne team together with the East Sussex Advanced Motorcyclists who collected toys for over 300 local families.



A charity sky dive organised by Alex Pitman in our Space Maker Colchester store which took place in July in support of the Cancer Recovery Foundation.



Our Bristol Ashton Gate team organised a charity abseil off the side of our 100ft building in November 2011 which involved 100 members of the local community taking up the challenge in support of five worthy charities raising £15,000.

## Safestore and our environment

### Policy statement

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

When carrying out our business activities Safestore endeavours to:

- be sensitive in the use of scarce resources, minimising waste production and promoting re-use and recycling where possible;
- communicate our commitment to the environment throughout our business;
- continue to deploy cardboard waste disposal facilities across our estate;
- use our communications platform to promote conservation activities to our main stakeholders;
- ensure the safe handling and disposal of products;
- support ethical purchasing by minimising the environmental impact of the products we buy and sell;

- consider eco design solutions when building new stores and as a minimum always build to BREEAM standard; and
- Actively seek out green energy solutions.

### New store opening – Staines

During the year we opened our Staines store and through the deployment of air to air heat source pump technology and photovoltaic roof tiles we are able to produce at least 20% renewable energy. In addition, we have remained focused on the sourcing of new store materials using recycled and sustainably sourced materials, such as chipboard for the mezzanine floors, to minimise environmental impact.

### Our packaging range

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

This year we used 317 tonnes of recycled paper and through the provision of a recycled box range, cardboard recycling points and a box for life scheme, we have saved approximately 5,395 trees from being unnecessarily felled. We are delighted to report that this is an increase of 80% on the prior year.

We consider our environmental responsibilities to extend beyond our box range and we continue to look at all aspects of our packaging range seeking green alternatives wherever this is commercially practical. For example, we have replaced all polythene products with bio-thene products which together with our bubble wrap products are all biodegradable.

# Risks and risk management

## Principal risks

The Group regularly reviews the risks within the Group. Risk management is a dynamic and critical business function as it is important to help achieve long-term shareholder value and protect our business, people, assets, capital and reputation. It is a fundamental aspect of the business and is subject to regular and ongoing reviews. We continuously identify and manage those risks and opportunities that could affect Safestore and the achievement of our business plans and strategic objectives. Our approach is aimed at early identification of key risks, reducing or removing those risks and/or responding quickly and effectively when a risk crystallises. In each instance, where possible, we seek to mitigate risks in order to reduce risk to an acceptable level.

For the purposes of Section 417(5)(c) of the Companies Act 2006, the facility agreements with the Group's bankers and Private Placement Note holders are the only contracts or arrangements which the Board considers essential to its business.

## Managing our risks

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

Risk	Mitigation activities
<h3>Strategy</h3> <p><b>The Group develops business plans based on a wide range of variables. Incorrect assumptions about the self-storage market or changes in the needs of customers, or the activities of customers may adversely affect the returns achieved by the Group</b></p>	<ul style="list-style-type: none"> <li>— The strategy development process draws on internal and external analysis of the self-storage market, emerging customer trends and a range of other factors.</li> <li>— The portfolio is geographically diversified with regular detailed review of performance.</li> </ul>
<h3>Finance risk</h3> <p><b>Lack of funding resulting in inability to meet business plans, satisfy liabilities or breach of covenants</b></p>	<ul style="list-style-type: none"> <li>— Funding requirements for business plans are reviewed regularly.</li> <li>— The Group manages liquidity in accordance with Board approved policies designed to ensure that the Group has adequate funds for its ongoing needs.</li> <li>— The Board monitors financial covenant ratios and headroom closely.</li> <li>— The existing banking facilities run to 30 June 2016 and the US private placement notes mature in seven and twelve years.</li> </ul>
<h3>Treasury risk</h3> <p><b>Adverse currency or interest rate movements</b></p>	<ul style="list-style-type: none"> <li>— Guidelines set for our exposure to fixed and floating interest rates and use of interest rate and currency swaps to manage this risk.</li> <li>— Foreign currency denominated assets financed by borrowings in the same currency where appropriate.</li> </ul>



**Risk****Mitigation activities**

## Property investment and development

**Acquisition and development of properties that fail to meet performance expectations**

– Thorough due diligence conducted and detailed analysis undertaken prior to Board approval for property investment and development.

**Overexposure to developments within a short timeframe**

- The Group's overall exposure to developments is monitored and projects phased.
- The performance of individual properties is benchmarked against target returns.

## Valuation risk

**Value of our properties declining as a result of external market or internal management factors**

- Independent valuations conducted six-monthly by external professionally qualified valuers.
- A diversified portfolio let to a large number of customers should help to mitigate any negative impact arising from changing conditions in the financial and property market.
- Headroom of loan to value banking covenants is maintained and reviewed.

## Occupancy risk

**A potential loss of income and increased vacancy due to falling demand, oversupply, or customer default**

- Personal and business customers cover a wide range of segments, sectors and geographic territories with limited exposure to any single customer.
- Weekly monitoring of occupancy levels and review of pricing at each individual store.
- Onsite staff maintains regular contact with customers and local monitoring of competitor offers.
- Monitoring of reasons for customers vacating and exit interviews conducted.
- The occupancy rate across the portfolio has been maintained through FY2012 due to flexibility offered on deals by in-house marketing and the customer support centre.

## Energy risk

**Reductions in energy usage are not achieved resulting in excessive costs**

- Ongoing upgrading of lighting and heating and review and monitoring of energy consumption.
- Full compliance with carbon reduction commitment regulations.

## Business organisation and human resources

**Failure to recruit and retain key staff with appropriate skills and calibre**

- Recruitment procedures and the remuneration structure are regularly reviewed and benchmarked.
- Succession plans are monitored for all senior positions.

## Business interruption risk

**Major events mean that the Group is unable to carry out its business for a sustained period**

- Business continuity plans in place and tested.
- Back-up systems at remote places and remote working capabilities.
- Following the fire at the Paris La Défense store in December 2010, further reviews and assessments were undertaken for enhancements to supplement the existing compliant aspects of buildings and processes.

## Reputational risk

**Failure to meet customer and external stakeholder expectations**

- Customer surveys undertaken routinely and results acted upon.
- Training and mystery shopper initiatives undertaken.
- Regular communication with our stakeholders.

## Board of Directors

5 **Keith Edelman**

Non-Executive Director

4 **Alan Lewis**

Non-Executive Director

**Richard Grainger** 1

Non-Executive Chairman

7 **Frederic Vecchioli**

Executive Director



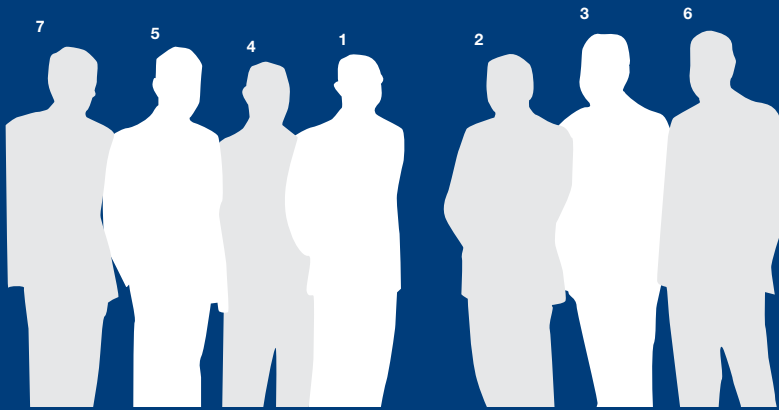
**2 Peter Gowers**  
Chief Executive Officer

**Richard Hodsdon 3**  
Chief Financial Officer

**6 Adrian Martin**  
Senior Independent Director



## Board of Directors continued



### 1. Richard Grainger ■▲

#### Non-Executive Chairman

Richard Grainger joined the Board in February 2007 as a Non-Executive Director and was appointed Chairman in March 2008. He is also currently chairman of Ipes Guernsey (Holdings) Limited. He started at Hill Samuel Bank Limited in 1987 and subsequently joined Close Brothers Corporate Finance Limited (“CBCF”) in 1996. In 2001 he was appointed chief executive of CBCF. He departed from CBCF as chairman in June 2009. Mr Grainger graduated from Oxford University and is an associate member of the Institute of Chartered Accountants in England and Wales.

### 5. Keith Edelman ■●

#### Non-Executive Director

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

## 2. Peter Gowers ▲

### Chief Executive Officer

Peter Gowers joined the Group in February 2011 and became Chief Executive on 1 March 2011. Mr Gowers began his career at Arthur D Little before joining the strategy group of Bass PLC in 1999. He joined Bass's hotel division as head of strategy in 2001 and became head of global brand services for InterContinental Hotels Group plc ("IHG") in 2003 before being appointed as IHG's chief marketing officer in 2005 and as chief executive, Asia-Pacific in 2007. Mr Gowers has a First Class BA (Hons) Law Degree from Keble College, University of Oxford.

## 6. Adrian Martin ●▲

### Senior Independent Director

Adrian Martin joined the Group in September 2008 as a Non-Executive Director and Chairman of the Audit Committee. He is also currently non-executive chairman of Morgan Sindall plc, and a non-executive director of M&C Saatchi plc and H R Owen plc. Previously he was a director of RSM Tenon Group plc, managing partner at BDO Stoy Hayward, chief executive at the law firm Reynolds Porter Chamberlain LLP and was a non-executive director of Carphone Warehouse Group plc for eight years until July 2008. Mr Martin is a fellow of the Institute of Chartered Accountants in England and Wales.

## 3. Richard Hodsden

### Chief Financial Officer

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

## 7. Frederic Vecchioli

### Executive Director

Frederic Vecchioli joined the Group in 1998 as President and Head of French Operations. Mr Vecchioli has a Master of Finance from the University of Paris Dauphine.

## 4. Alan Lewis ■▲

### Non-Executive Director

Alan Lewis joined the Group in June 2009 as a Non-Executive Director. He is currently also non-executive chairman of both Leeds Bradford International Airport and Porterbrook as well as chairman of National Friendly. After five years in manufacturing with RTZ and Black & Decker he spent 30 years in the private equity industry. Firstly with 3i, then from 1991–2011 with Bridgepoint, where he was a founding partner. Mr Lewis is a graduate of Liverpool University and holds an MBA from Manchester Business School.

### Key

- Remuneration Committee
- Audit Committee
- ▲ Nomination Committee

## Executive team



*“As an investors in people organisation since 2003 our aim is to be an employer of choice and we passionately believe that our continual success is dependent on our highly motivated, well trained colleagues.”*

### 1. Andy Brandwood

#### Operations Director, Safestore UK

Andy Brandwood joined the Group in March 2010 as Operations Director. He previously held the position of customer and stores director at Carphone Warehouse plc. Prior to that Mr Brandwood was divisional manager at BP Oil plc's retail division. Mr Brandwood began his career in Dixons Stores Group plc where he held a variety of field-based, head office and trading roles, from store manager through to senior operational leadership roles in Dixons, The Link, Dixons airport retail and Currys.

### 2. Sam Ahmed

#### Company Secretary

Sam Ahmed has worked for the Group since 2004 and was appointed Company Secretary in May 2008. He was head of corporate compliance for Mentmore plc and has been involved in the industry since 1996. Mr Ahmed qualified as a chartered accountant in 1986 with the Institute of Chartered Accountants in England and Wales. He worked in public practice for 15 years, having trained and qualified with a small London practice, then as an audit manager at Price Waterhouse, followed by five years as a general practitioner with his own accountancy firm in London.

### 3. Dave Cox

#### Head of Sales and Marketing

Dave Cox joined Safestore in March 2011 as the Head of Sales and Marketing. Mr Cox began his career in 1997 working for Thomson Holidays holding a range of marketing positions. He then moved to National Express Group in 2001, becoming the head of marketing for their trains division before leaving in 2006 to join AXA Insurance. He held several positions within AXA including head of marketing for both their personal lines insurance and their intermediary partners. Mr Cox holds a Masters Degree in Marketing.

### 4. David Davies

#### Business Development Director

David Davies joined the Group in 2000 as Head of Operations and was appointed a Divisional Director after the Mentmore acquisition. He became Business Development Director in 2009 and his responsibilities include the Space Maker management contract. He is currently the Chairman of the UK Self-Storage Association. Before joining Safestore, Mr Davies, who has 35 years' retail experience across various sectors, was director of trading at Petsmart UK.

### 5. Hannah Thomson

#### Human Resources Director

Hannah Thomson joined the Group in May 2012 as HR Director. Mrs Thomson was formerly with Avis UK, where she was HR Director for four years. Prior to Avis, she spent 17 years with the John Lewis Partnership in a range of senior HR roles, including HR Manager, Distribution division, Head of the group HR transformation programme and Head of HR for the corporate head office. Mrs Thomson has a 1st class BA in Modern History and Politics and an MA in History. She is a Member of the Chartered Institute of Personnel and Development.

### 6. David Penniston

#### Property Director

David Penniston joined the Group in March 2008. Mr Penniston was formerly with Whitbread where he was UK and Ireland development director having joined the Whitbread group in 2003 as property director of David Lloyd Leisure. Prior to that he was with Waitrose where he was head of development and previous to that was with Sainsbury's for ten years where his last position was head of property and development for the hypermarket division. Mr Penniston is a Member of the Royal Institution of Chartered Surveyors.

# Directors' remuneration report

for the year ended 31 October 2012

## Introduction from the Chairman of the Remuneration Committee

### Dear Shareholder

This report sets out the remuneration policy for the Directors of Safestore Holdings plc and discloses amounts paid to them over the course of the financial year. In response to the UK government's proposed new legislation regarding the reporting of Directors' remuneration, the Remuneration Committee has agreed to adopt a number of these changes early (Safestore is not expected to be required to report formally under the new legislation until 2014). This report has therefore been divided into the following two sections:

- Remuneration Policy Report: which includes a forward-looking report detailing our current remuneration policy and that proposed for FY2013, the possible value of reward packages under different performance scenarios and details of Non-Executive Directors' remuneration; and
- Implementation Report: which sets out what has been paid and awarded/vested in the year under review.

### Summary of key decisions in the year

The Remuneration Committee continually reviews the Senior Executive remuneration policy to ensure it promotes the attraction, motivation and retention of the high quality Executives who have been key to delivering the Company's strategy in the past and who will be key to delivering sustainable earnings growth and shareholder return in the future. The Committee's most recent conclusions are that the existing Senior Executive remuneration policy remains appropriate and should continue to operate for FY2013. Specifically, the Committee felt that:

- Executive Director basic salary positioning remains appropriately positioned in the market. However, to aid administration and ensure that Senior Executive basic salary increases better reflect increases across the workforce more generally, it was determined that the Executive Director salary review date should be harmonised with that of the general workforce. No increases to Executive Director basic salaries will therefore be awarded with effect from 1 November 2012 and the next review will take place in May 2013 and annually thereafter. Individuals will not be compensated for the change in review date;
- the structure and quantum of the annual bonus work well. Reflecting the Committee's robust approach to target-setting, no bonuses were payable in respect of FY2012; and
- the long-term incentive grant policy, whereby nil-cost awards are granted annually with vesting based on earnings per share (two-thirds) and relative total shareholder return (one-third) performance conditions and continued service provide a strong alignment between the Senior Executive Team and shareholders. Grant levels and performance targets will continue to be reviewed in advance of each award and will reflect changes in market conditions, particularly following the recent imposition of 20% value added tax and its impact on UK pricing opportunities.

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

**K G Edelman**  
Chairman of the  
Remuneration Committee



## Remuneration policy report Introduction

The Directors' remuneration report has been prepared in accordance with the requirements of Schedule 8 of the Companies Act 2006, the principles of the UK Corporate Governance Code and best practice guidelines. Furthermore, in response to the UK government's proposed legislation regarding the reporting of Directors' remuneration and changes to the voting rights, a number of the revised reporting requirements have been incorporated into this year's report.

### Remuneration policy summary

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

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

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



### Summary of remuneration policy for FY2013

Element	Purpose/link to strategy	Operation	Opportunity	Performance metrics and period	Changes in year
<b>Basic salary</b>	To attract and retain appropriate talent Reflects an individual's responsibilities, experience and role	Reviewed annually on 1 May Decisions influenced by: — responsibilities, abilities, experience and performance of an individual; and — the Group's salary and pay structures and general workforce increases  Salaries are benchmarked periodically against companies of a similar size and complexity	—	None	Salary review date moved from 1 November 2012 to 1 May 2013 to harmonise with the rest of the workforce Salaries will be frozen at current levels until at least 1 May 2013
<b>Annual bonus</b>	Rewards the achievement of the corporate strategy and success of the Group over the one-year operating cycle	Targets reviewed annually Bonus level is determined by the Committee after the year end, based on performance against targets Claw-back provision operates	Maximum: 100% of salary	Performance period: one year Performance metrics: EBITDA targets and personal objectives EBITDA must be greater than the previous financial year for any bonus to be payable	None
<b>Long Term Incentive Plan</b>	Incentivises Directors to achieve returns for shareholders over the long term	Performance Share Plan ("PSP") approved by shareholders in 2009. Awards of nil-cost or conditional shares are made annually with vesting dependent on the achievement of performance conditions over the subsequent three years  The Committee reviews the quantum of awards annually and monitors the continuing suitability of the performance measures. Claw-back provision operates	2013 award level: 115% of salary Normal maximum: 150% of salary Exceptional maximum: 200% of salary	Performance period: three years Performance metrics: — 2/3rds of award: PBT EPS growth of RPI + 2% p.a. (25% vests) to RPI + 6% p.a. (100% vests), sliding scale between the two points; and — 1/3rd of award: TSR v FTSE SmallCap companies, sliding scale from median (25% vests) to upper quartile (100% vests)  Failure to achieve threshold results in the awards lapsing; there is no facility to retest	None
<b>All-employee sharesave</b>	Encourages long-term shareholding in the Company	Invitations made by the Committee under the Approved Sharesave scheme	As per HMRC limits	None	None
<b>Share ownership</b>	Further aligns Executives with investors	50% of the net of tax vested PSP shares required to be retained until the shareholding guideline is met	100% of salary	None	None
<b>Benefits</b>	To aid retention and recruitment	Includes car allowance, life insurance, private medical and dental insurance	At cost	None	None
<b>Pension</b>	Aids retention and rewards sustained contribution	Defined contribution arrangements for UK executives. Social security contribution for F Vecchioli	Between 15% and 20% of basic salary	None	None

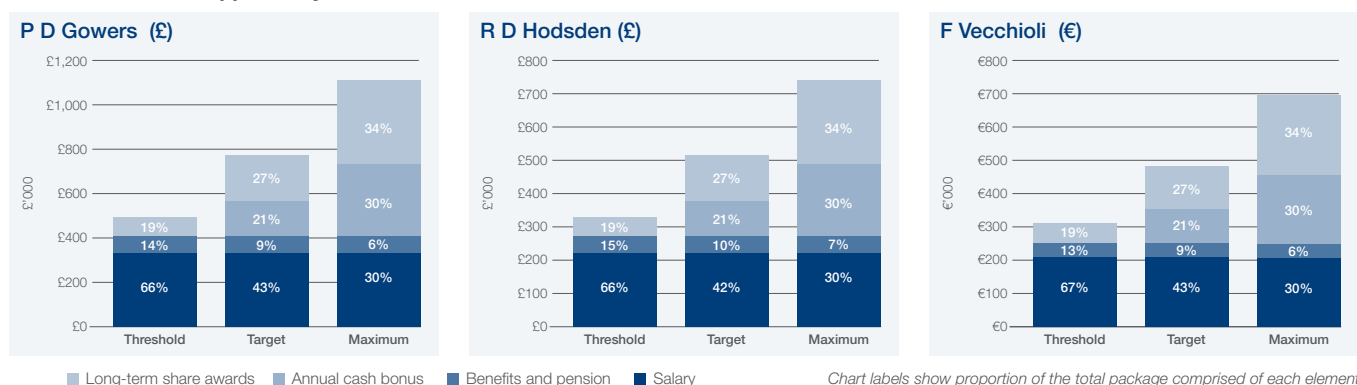
# Directors' remuneration report continued

## Remuneration policy report continued

### Reward scenarios

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

#### Total remuneration opportunity



The key components of the remuneration of the Executive Directors are set out in further detail below.

### Detailed remuneration policy

#### Basic salary

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

During the year the Remuneration Committee decided to harmonise the Executive Director salary review date with that of the general workforce. Going forward base salaries will be reviewed on 1 May (previously 1 November). Executive Director salaries will be frozen at current levels for the first six months of the FY2013 financial year and will not be compensated for the salary review date deferral.

Current basic salary levels for Executive Directors are presented below:

		From 1 November 2011	From 1 November 2012
P D Gowers	Chief Executive Officer	£325,000	<b>£325,000</b>
R D Hodsdon	Chief Financial Officer	£216,000	<b>£216,000</b>
F Vecchioli	Executive Director	€206,000	<b>€206,000</b>

#### Annual bonus

The Committee operated an annual bonus plan for Executive Directors during FY2012. The maximum bonus was set at 100% of basic salary with measurement based upon sliding scale EBITDA and personal objectives set at the start of each financial year, as set out below:

Measures	Bonus potential
EBITDA	80%
Personal objectives	20%

In addition to the above, EBITDA must be greater than the previous financial year for any bonus to be payable. No bonus has been determined payable for FY2012.

The FY2013 annual bonus plan for Executive Directors will be similar in design to the plan for FY2012, based on a combination of EBITDA and personal objectives in the ratio of 80:20 and the requirement to grow absolute EBITDA. The maximum bonus payable will remain at 100% of basic salary. Specific targets for FY2013 have not been disclosed as they are considered to be commercially sensitive, although the Committee is satisfied that they will be demanding and require performance significantly better than budget for full payout.

### Long-term incentives

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

- the PSP has a normal maximum annual limit of 150% of basic salary, with a 200% of basic salary annual limit in exceptional circumstances (such as recruitment or retention);
- awards are normally granted in February each year and the normal PSP grant policy is set at 125% of basic salary (although awards were reduced to 115% of salary from 2011 to reflect the reduction in the profit before tax earnings per share ("PBT-EPS") growth targets);
- participants benefit from the value of dividends paid over the vesting period to the extent that awards vest. This benefit is delivered in the form of cash or additional shares at the time that awards vest;
- two-thirds of awards granted in FY2012 are subject to the PBT-EPS condition. 25% of this part of an award vests for PBT-EPS growth of RPI +2% per annum with full vesting of this part of an award for PBT-EPS growth of RPI +6% per annum. A sliding scale operates between these points;
- the remaining one-third of awards granted in 2012 are each subject to a total shareholder return ("TSR") condition based on the Group's performance against other FTSE SmallCap companies (excluding investment trusts) as at the date of grant. 25% of this part of an award vests if Safestore's TSR is at a median of the ranking of the TSRs of the comparator group, with full vesting of this part of an award for upper quartile performance. A sliding scale operates between these points. In addition to the above, no part of the TSR awards will vest unless the Committee is also satisfied that the TSR performance of the Group is reflective of the Group's underlying performance; and
- the Remuneration Committee specifically considered the PBT-EPS growth targets, however given the imposition of VAT on the industry and the impact thereon to the Company's performance it is intended that PSP awards granted to Executive Directors in FY2013 will be granted on the same basis as those in FY2012.

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

### Claw-back

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

### Shareholding guidelines

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

### Sharesave scheme

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

### Benefits

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

### Pension

The Committee reviews the pension arrangements for the Executive Directors to ensure that the benefits provided are consistent with those provided by other similar companies. The Group does not offer a defined benefit pension scheme and instead it makes contributions to an approved personal pension scheme of the Executive Director's choice, contributions under compulsory legislative pension arrangements, or payments to the Director in lieu of pension contributions because of individual circumstances. The Group contributes 15% of basic salary for the pension arrangements of Peter Gowers and Richard Hodsdon and, in line with the compulsory social security contribution requirements in France, an amount for Frederic Vecchioli which equated to 20% of basic salary for the year ended 31 October 2012.

## Directors' remuneration report continued

### Remuneration policy report continued

#### Executive Directors' service contracts

Executive Director service contracts for Peter Gowers and Richard Hodsden contain a notice period of one year and do not contain contractual termination payments. The terms on which Frederic Vecchioli is engaged include a six month notice period and a remunerated non-compete clause on termination. The following table shows details of the service contracts for Executive Directors who held office during the year ended 31 October 2012:

Director	Date of Current Service Contract	Notice period
P D Gowers	17 January 2011	twelve months
R D Hodsden	9 March 2007	twelve months
F Vecchioli	25 September 2006	six months

#### Outside appointments

The Board allows Executive Directors to accept appropriate outside commercial Non-Executive Director appointments provided the aggregate commitment is compatible with their duties as Executive Directors. The Executive Directors concerned may retain fees paid for these services, which will be subject to approval by the Board. No Non-Executive Directorships were held by the Executive Directors during the year.

#### Non-Executive Directors

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

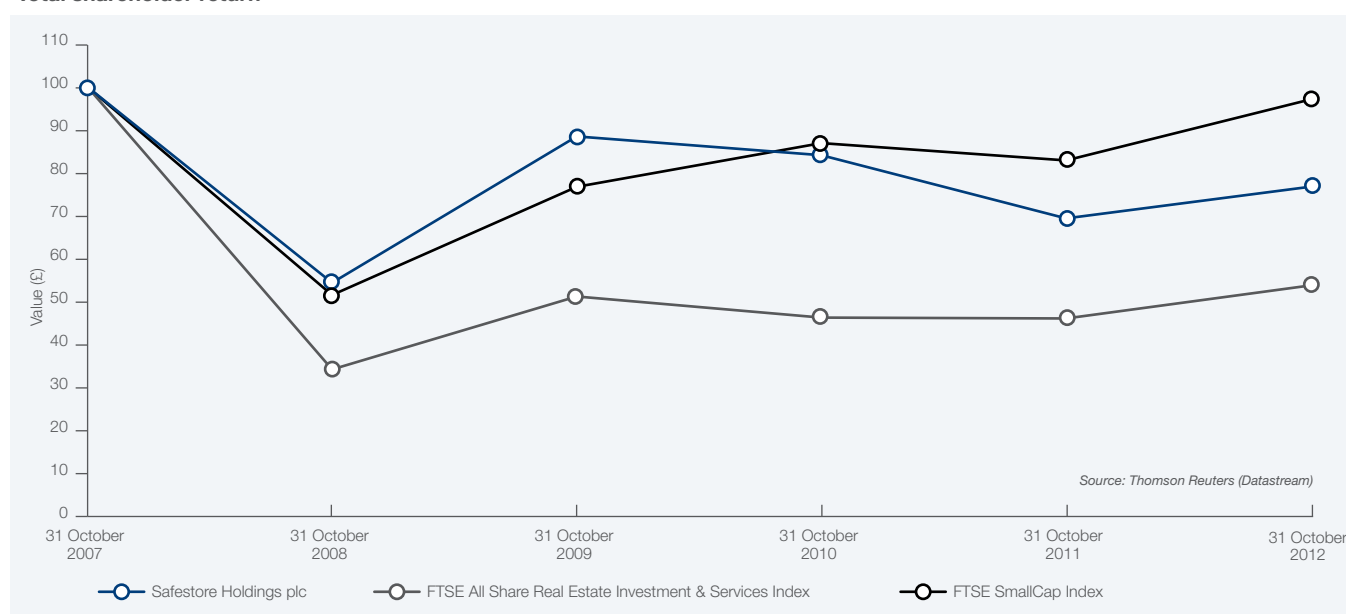
Non-Executive Directors receive fixed fees agreed by the Executive Directors after reference to similar roles in an appropriate comparator group of companies and reimbursement of expenses incurred in attending Board and other meetings. It is the Board's policy for Non-Executive Directors to be paid a level of fee that reflects the time commitment and responsibilities of the role and is sufficient to attract individuals with appropriate knowledge and experience. Non-Executive Directors do not receive an annual bonus but may receive additional remuneration where the time commitment required due to unusual circumstances exceeds the normal commitments and responsibilities. The Non-Executive Directors received no other benefits in the year ended 31 October 2012 (FY2011: £nil).

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

#### Performance graph

As the Company is listed in the FTSE SmallCap Index and FTSE Real Estate Investment & Services Sector, the graph sets out a comparison of the Company's TSR (i.e. share price movement plus dividends reinvested on the ex-dividend date) against the SmallCap and Real Estate Investment & Services Sector indexes over the last five years.

#### Total shareholder return



This graph shows the value, by 31 October 2012, of £100 invested in Safestore Holdings plc over the past five years compared with the value of £100 invested in the FTSE SmallCap Index and the FTSE All Share Real Estate Investment & Services Index. The other points plotted are the values at intervening financial year ends.

## Implementation report

### Role and membership

The Remuneration Committee (the "Committee") comprised independent Non-Executive Directors and the Group Chairman throughout the year ended 31 October 2012, namely:

Name	From	To
K G Edelman (Committee Chairman)	11 December 2009	To date
R S Grainger	1 February 2007	To date
A S Lewis	23 March 2011	To date

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

### External advisers

During the year, New Bridge Street ("NBS"), an Aon plc company, was engaged by the Committee to provide it with remuneration consultancy services. Aon plc provides no other services to the Group. The terms of engagement between the Company and NBS are available from the Company Secretary on request. NBS is a signatory to the Remuneration Consultants' Code of Conduct.

*This part of the remuneration report is audited.*

### Directors' remuneration

	Salary and fees £'000	Annual bonus £'000	Benefits £'000	Total 2012 £'000	Total 2011 £'000
<b>Executive Directors</b>					
P D Gowers	325	—	22	<b>347</b>	390
R D Hodsdon	216	—	17	<b>233</b>	342
F Vecchioli	168	—	—	<b>168</b>	168
S W Williams	—	—	—	<b>—</b>	573
<b>Non-Executive Directors</b>					
R S Grainger	90	—	—	<b>90</b>	115
A H Martin	45	—	—	<b>45</b>	45
A S Lewis	35	—	—	<b>35</b>	33
K G Edelman	45	—	—	<b>45</b>	45
<b>Total emoluments</b>	<b>924</b>	<b>—</b>	<b>39</b>	<b>963</b>	<b>1,711</b>

#### Notes

No annual bonuses were determined to be payable for FY2012.

Company contributions to the money purchase pension arrangements/payments in lieu of pension contributions for individual Executive Directors were as follows:

	2012 £'000	2011 £'000
P D Gowers	<b>43</b>	35
R D Hodsdon	<b>32</b>	32
F Vecchioli	<b>—</b>	—
S W Williams	<b>—</b>	24
	<b>75</b>	91

## Directors' remuneration report continued

### Implementation report continued Performance Share Plan

Executive Directors' interests under the PSP are as follows:

	Date of grant	Share price on grant (p)	As at 1 November 2011	PSP awards granted	PSP awards vested	PSP awards lapsed	As at 31 October 2012	Vesting date
<b>P D Gowers</b>								
	02/02/2011	142	439,791	—	—	—	<b>439,791</b>	02/02/2014
	02/02/2012	111	—	336,712	—	—	<b>336,712</b>	02/02/2015
			439,791	336,712	—	—	<b>776,503</b>	
<b>R D Hodsdon</b>								
	27/03/2009	55	405,603	—	110,275	295,328	—	27/03/2012
	24/02/2010	136	183,823	—	—	—	<b>183,823</b>	24/02/2013
	02/02/2011	142	168,586	—	—	—	<b>168,586</b>	02/02/2014
	02/02/2012	111	—	223,784	—	—	<b>223,784</b>	02/02/2015
			758,012	223,784	110,275	295,328	<b>576,193</b>	
<b>F Vecchioli</b>								
	27/03/2009	55	326,462	—	88,758	237,704	—	27/03/2012
	24/02/2010	136	141,092	—	—	—	<b>141,092</b>	24/02/2013
	02/02/2011	142	137,747	—	—	—	<b>137,747</b>	02/02/2014
	02/02/2012	111	—	178,597	—	—	<b>178,589</b>	02/02/2015
			605,301	178,597	88,758	237,704	<b>457,428</b>	

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

	EPS (two-thirds)	TSR (one-third)
2009 and 2010 PSP Awards	25% of this part of an award vests for PBT-EPS growth of RPI+3% per annum with full vesting of this part of an award for PBT-EPS growth of RPI+8% per annum. A sliding scale operates between these points.	25% of this part of an award vests if Safestore's TSR is at a median of the comparator group (FTSE SmallCap excluding investment trusts), with full vesting of this part of an award for upper quartile performance. A sliding scale operates between these points. In addition to the above, no part of the TSR awards will vest unless the Committee is also satisfied that the TSR performance of the Group is reflective of the Group's underlying performance.
2011 and 2012 Awards	25% of this part of an award vests for PBT-EPS growth of RPI+2% per annum with full vesting of this part of an award for PBT-EPS growth of RPI+6% per annum. A sliding scale operates between these points.	

The 2009 PSP award partially vested on 27 June 2012 when the share price was 102 pence per share. The normal vesting date of 27 March 2012 was deferred to 27 June 2012 because of regulatory restrictions arising from the announcement of the Company's re-financing and interim results. The EPS performance condition (66.6% of awards) was not met and 23.7% of the TSR performance condition (33.3% of awards) was met.

### Sharesave

	As at 31 October 2011	Granted/lapsed during the year	As at 31 October 2012	Exercise price	Exercise period set at grant
P D Gowers	8,677	—	<b>8,677</b>	104.0p	1 September 2014 to 28 February 2015
R D Hodsdon	8,677	—	<b>8,677</b>	104.0p	1 September 2014 to 28 February 2015

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

The mid-market price of the shares at 31 October 2012 was 109.25 pence and the range during the year was 93.5 pence to 128.0 pence.

### Interests in shares

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

The Company – ordinary shares of 1 pence	29 January 2013 Number	31 October 2012 Number	31 October 2011 Number
<b>Executive Directors</b>			
P D Gowers	<b>100,000</b>	100,000	100,000
R D Hodsdon	<b>3,364,988</b>	3,364,988	3,364,988
F Vecchioli	<b>1,151,331</b>	1,151,331	1,151,331
<b>Non-Executive Directors</b>			
R S Grainger	<b>100,833</b>	100,833	100,833
A H Martin	<b>20,000</b>	20,000	20,000
A S Lewis	<b>200,000</b>	200,000	—
K G Edelman	<b>—</b>	—	—

All Directors' interests are beneficially held.

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

#### **K G Edelman**

**Chairman of the Remuneration Committee**

30 January 2013

# Audit Committee report

## Members of the Committee

- Adrian Martin (Chairman)
- Keith Edelman

Meetings of the Audit Committee are also attended when appropriate by the Chief Executive Officer and the Chief Financial Officer as well as the Group's external auditors. The Board has satisfied itself that at least one member of the Committee has recent and relevant financial experience and is confident that the collective experience of Committee members enables it to be effective.

## Principal responsibilities

The Audit Committee's principal responsibilities are:

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

The full terms of reference of the Audit Committee, which comply with the UK Corporate Governance Code, are available on the Group's website at [www.safestore.com](http://www.safestore.com).

[Read more about the UK Corporate Governance Code on our website at www.safestore.com](http://www.safestore.com)

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

Number of meetings held	Audit Committee (3 meetings)
A H Martin (Chairman)	3/3
K G Edelman	3/3

During the period under review, the Audit Committee has:

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

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

The Audit Committee considers on a case-by-case basis whether or not the external audit firm should be permitted to carry out other services for the Group.

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

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

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

In respect of the year ended 31 October 2012, the auditors' remuneration comprised £260,000 for audit work and £157,000 for other work, principally relating to taxation compliance and advisory services.

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

**A H Martin**  
**Chairman of the Audit Committee**  
 30 January 2013



# Nomination Committee report

## Members of the Committee

The Nomination Committee ("the Committee") comprises:

- Richard Grainger (Chairman)
- Adrian Martin
- Alan Lewis
- Peter Gowers

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

## Principal responsibilities

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

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

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

Number of meetings held	Nomination Committee (4 meetings)
P D Gowers	4/4
R S Grainger	4/4
A H Martin	4/4
A S Lewis	4/4

At the Committee meeting in December 2011, a full review was undertaken on the composition of Board committees. Also, the Committee considered the composition of the Board, Non-Executive Directors, executive positions and succession planning. It was agreed that each Committee meeting should continue to give further consideration to the potential need for and timing for the introduction of a fourth Non-Executive Director.

Gender and diversity is to continue to be given appropriate consideration when future candidates are assessed for knowledge, experience and suitability. During the year, the Committee considered and approved the recruitment of the new Human Resources Director for the UK business. The executive team in both the UK and France was discussed along with recruitment planned during the financial year for strengthening the operational structure. It was agreed that, as the business evolves, the management structure would continue to be reviewed periodically for adequacy.

The full terms of reference of the Nomination Committee are available on the Group's website at [www.safestore.com](http://www.safestore.com).

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

**R S Grainger**  
Chairman of the Nomination Committee  
30 January 2013

# Corporate governance

## UK Corporate Governance Code – Statement of compliance

The Group recognises the importance of, and is committed to, high standards of corporate governance. These are set out in the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010 (the “Code”). The Board is accountable to the Company’s shareholders for good governance and this report describes how the Board has applied the main principles of good governance set out in the Code during the year under review. Throughout the year the Company has complied with the main principles of the Code (as they apply to a smaller company outside the FTSE 350).

### The Board

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

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

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

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

The Board recognises the effective performance and commitment of Richard Grainger, Peter Gowers and Keith Edelman and has recommended a resolution for shareholders to re-appoint each of them to the Board at the forthcoming AGM.

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

The statement of the division of responsibilities between the Chairman and the Chief Executive Officer is available on the Group’s website at [www.safestore.com](http://www.safestore.com).

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

### Board process

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

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

### Board process diagram

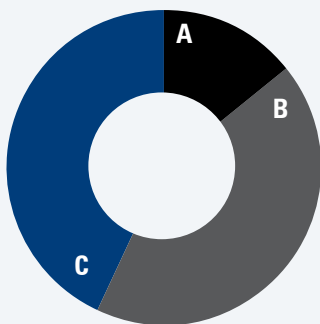
Implementation of agreed plans, budgets and projects in pursuit of the Group’s strategy and the actual operation of the Group’s system of internal control and risk management are delegated to management.

The Directors are entitled to take independent legal advice if they consider it appropriate and, if the Board is informed in advance, the cost of the advice will be reimbursed by the Group.

In the event that a Non-Executive Director deems it appropriate, upon resignation, to provide a written statement to the Chairman, this would be circulated to the Board.

Board papers are normally issued one week before Board meetings and the quality of content is reviewed continually.

Composition of the Board



A. Chairman	1
B. Executive Directors	3
C. Independent Non-Executive Directors	3

## Attendance at Board and Committee meetings

Number of meetings held	Board (10 meetings)	Audit Committee (3 meetings)	Nomination Committee (4 meetings)	Remuneration Committee (3 meetings)
P D Gowers	10/10	—	4/4	—
R D Hodsdon	10/10	—	—	—
F Vecchioli	10/10	—	—	—
R S Grainger	10/10	—	4/4	3/3
A H Martin	10/10	3/3	4/4	—
A S Lewis	10/10	—	4/4	3/3
K G Edelman	10/10	3/3	—	3/3

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

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

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

### Board committees

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

[Get the terms of reference at www.safestore.com/investors](http://www.safestore.com/investors)

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

### Audit Committee

The Audit Committee comprises Adrian Martin (Chairman) and Keith Edelman.

[Read the Audit Committee's report on page 54](#)

### Remuneration Committee

The Remuneration Committee comprises Keith Edelman (Chairman), Richard Grainger and Alan Lewis.

[The responsibilities of the Remuneration Committee are set out in the Remuneration report on pages 46 to 53](#)

### Nomination Committee

The Nomination Committee comprises Richard Grainger (Chairman), Adrian Martin, Alan Lewis and Peter Gowers.

[The Nomination Committee's report is set out on page 55](#)

### Attendance at Board/committee meetings

The table above shows the attendance of individual Directors at Board and committee meetings that they were eligible to attend during the year ended 31 October 2012.

### Board performance evaluation

During the year, an evaluation of the performance of the Board, its committees, the individual Directors and the Chairman was conducted. The Board and committee evaluation process was led by the Chairman with support from the HR Director of the subsidiary board. Directors completed detailed written questionnaires covering a number of key areas including strategy, succession planning, Board size and composition, risk management and the relationship

between the Board and management. The results of the reviews were then considered by the Chairman and discussed by the Board as a whole.

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

The Directors have concluded that, following this evaluation, the Board and its committees operate effectively. Recommendations were made to further enhance the performance and effectiveness of the Board and a process of continuous improvement is now being led by the Chairman.

### Board appointments

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

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

## Corporate governance continued

### Re-election of Directors

The Company's Articles of Association provide that one-third of the Directors retire by rotation each year and that each Director will seek re-election by the shareholders at the AGM at least once every three years. Additionally, new Directors are subject to election by shareholders at the first opportunity after their appointment. Details of the Directors seeking re-election at the 2013 AGM are given in the Notice of Annual General Meeting.

### Relations with shareholders

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

During the latter part of FY2012, the Board engaged a capital markets advisory firm specialising in investor relations to consult with institutional shareholders and analysts. In December 2012, the Board was provided with a briefing on the feedback received and this will be reported further in the Annual Report for FY2013.

The Board considers the Annual Report and financial statements and the AGM to be the primary vehicles for communication with private investors. Resolutions are proposed on each substantially separate issue and the Company indicates the level of proxy voting lodged in respect of each. The AGM gives all shareholders who are able to attend (especially private shareholders) the opportunity to hear about the general development of the business. It also provides an opportunity for shareholders to ask questions of the full Board of Directors, including the Chairmen of the Audit, Nomination and Remuneration Committees.

### Risk management

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

[Read our risk management report on pages 38 to 39](#)

### Internal control

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

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

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

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

The Directors believe that the system of internal control is appropriate for the Group. The Group currently employs a risk manager supported by two store auditors who are responsible for reviewing operational and financial control at store level. The risk manager reports to the Chief Executive Officer and Chief Financial Officer. The Group does not have a separate internal audit function although the Board periodically reviews the need for establishing one in addition to the existing store assurance team. An externally facilitated internal audit programme was commissioned for certain specific aspects of financial controls based on the recommendations of the Audit Committee. Upon completion of this project, the Audit Committee reviewed the findings to determine a rolling programme of work to be commissioned periodically until a separate internal audit function is deemed necessary.

[A summary of the principal risks and uncertainties within the business are set out on pages 38 to 39](#)

The Directors present their Annual Report and the audited Consolidated financial statements for the year ended 31 October 2012.

Safestore Holdings plc is a public limited company incorporated in Great Britain under the Companies Act 2006. The address of the registered office is Brittanica House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT, United Kingdom.

## Principal activities

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

## Business review

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

- the Chairman's statement and the Chief Executive Officer's review on pages 16 to 25 contain a review of the business of the Group, the development and performance of the Group during the year and at the year end and of its strategy and prospects, including an analysis using Key Performance Indicators;
- the Financial review can be found on pages 26 to 31;
- the principal risks and uncertainties within the business are set out in the risk management section on pages 38 to 39 including an assessment of the requirements of Section 417(5)(c) of the Companies Act 2006 on information about persons with whom the Group has contractual or other arrangements which are essential to the business of the Group;
- the Group's CR commitment and information in respect of environmental matters, employees and social and community issues can be found on pages 32 to 37; and
- the Corporate governance review can be found on pages 56 to 58.

Further information on the Group's operations and financial affairs that are in addition to the requirements of the Business review are set out on pages 1 to 67 of this report.

## Key Performance Indicators

The Directors are required to comment upon the Group's Key Performance Indicators. These are reported within the Financial review on pages 20 to 25 and in the Chief Executive Officer's review on page 26 to 31 for customer enquiries, new lets, vacates, length of stay and other non-financial Key Performance Indicators.

## Results and dividends

The results for the year are set out on page 63. The Directors recommend a final dividend of 3.80 pence per ordinary share (FY2011: 3.55 pence) totalling £7,125,000 (FY2011: £6,656,000) to be paid on 12 April 2013 to shareholders whose names appear on the register at the close of business on 15 March 2013. An interim dividend of 1.85 pence was paid in the year (FY2011: 1.75 pence) totalling £3,495,000 (FY2011: £3,280,000).

## Directors

Details of the Directors who served during the year and to the date of approval of the financial statements are set out below:

R S Grainger	Non-Executive Chairman
P D Gowers	Chief Executive Officer
R D Hodsdon	Chief Financial Officer
F Vecchioli	Executive Director
A H Martin	Non-Executive Director
A S Lewis	Non-Executive Director
K G Edelman	Non-Executive Director

Biographical details of the Directors are set out on pages 42 to 43.

Details of the interests of the Directors in the shares of the Company are set out in the Remuneration report on page 53. No changes took place in the interests of the Directors between 31 October 2012 and 30 January 2013.

The Company's Articles of Association provide that a Director may be appointed by an ordinary resolution of the shareholders or by the existing Directors, either to fill a vacancy or as an additional Director. Further information on the Company's internal procedures for the appointment of Directors is given in the Corporate governance section on pages 56 to 58.

The Company's Articles of Association require that one-third of Directors retire by rotation each year and that each Director must retire at intervals of not more than three years. Non-Executive Directors must retire

annually once they have been in office for a period of more than eight years. In accordance with these provisions, Richard Grainger, Keith Edelman and Peter Gowers will retire at the forthcoming AGM and, being eligible, offer themselves for re-election.

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

The Directors have (and during the year ended 31 October 2012 had) the benefit of the qualifying third party indemnity provision contained in the Company's Articles of Association which provides a limited indemnity in respect of liabilities incurred as a Director or other officer of the Company.

## Share capital

The issued share capital of the Company as at 31 October 2012 was £1.88 million divided into 188.1 million ordinary shares of 1 pence each.

The rights and obligations attaching to the Company's shares, as well as the powers of the Company's Directors, are set out in the Company's Articles of Association, a copy of which can be viewed on the Company's website at [www.safestore.com](http://www.safestore.com).

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

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

## Change of control

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

## Directors' report continued

### Substantial shareholdings

The following substantial shareholdings have been notified to the Company:

	At 10 January 2013	
	Number	%
Aberforth Partners LLP	13,384,455	7.11
CBRE Global Investors	12,697,347	6.75
BNP Paribas Investment Partners	12,197,532	6.48
APG Investments	11,079,425	5.89
Morgan Stanley Investment Management	10,954,696	5.82
Legal & General Investment	10,426,089	5.54
Schroder Investment Management	9,704,897	5.16
S W Williams	6,927,579	3.68
Henderson Global Investors	6,350,551	3.38

### Own shares – Employee Benefit Trust

On 31 January 2008, the Company allotted 1,051,755 ordinary shares of 1 pence each at par to the Safestore Employee Benefit Trust in satisfaction of awards under the Group's Long Term Incentive Plan. The Employee Benefit Trust retains 639,740 ordinary shares (FY2011: 639,740 ordinary shares) with a cost of £6,397 (FY2011: £6,397). This represents 0.34% (FY2011: 0.34%) of the total issued share capital of the Company.

### Financial risk management

Information on risk management is provided on pages 38 to 39.

### Employees

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

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

### Political and charitable contributions

The Group made no political or charitable donations during the year (FY2011: £nil). The CR report provides details of the Group's "Charity Room in Every Store" commitment.

### Creditor payment policy

The Company is a holding company with very few suppliers. The Group aims to pay all its suppliers within the payment terms negotiated with each individual supplier. The Group had 48 days' purchases (FY2011: 45 days' purchases) outstanding at 31 October 2012, based on the average daily amount invoiced by suppliers during the year ended 31 October 2012.

### Going concern

After making enquiries, taking into account current borrowing facilities and trading prospects, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. In May 2012, new banking facilities were agreed for Sterling and Euro borrowings of £328 million and £72 million of US private placement notes were issued. The re-financed bank facilities run to June 2016 and the secured notes mature in 2019 and 2024. For this reason, the going concern basis has been adopted in preparing the financial statements.

### Post-balance sheet events

There are no reportable events after the balance sheet date.

### Registered company number

4726380

### Disclosure of information to auditors

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

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

### Independent auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the forthcoming AGM.

### Annual General Meeting

The AGM will be held at the Company's registered office at Brittan House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT on 20 March 2013 at 12.00, noon.

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

The Notice of Annual General Meeting on pages 102 to 106 sets out details of the business to be considered at the AGM and contains explanatory notes on such business.

By order of the Board:

**S Ahmed**  
Company Secretary  
30 January 2013

# Statement of Directors' responsibilities

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

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

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

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

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

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

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

By order of the Board:

**S Ahmed**  
**Company Secretary**  
30 January 2013

# Independent auditors' report

to the members of Safestore Holdings plc

We have audited the Group financial statements of Safestore Holdings plc for the year ended 31 October 2012 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in shareholders' equity, the Consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

## Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on page 61, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Scope of the audit of the financial statements

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

## Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 October 2012 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 60, in relation to going concern;
- the part of the Corporate governance statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

## Other matter

We have reported separately on the parent company financial statements of Safestore Holdings plc for the year ended 31 October 2012 and on the information in the Directors' remuneration report that is described as having been audited.

## Matthew Mullins (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Birmingham

30 January 2013



# Consolidated income statement

for the year ended 31 October 2012

	Notes	Group	
		2012 £'000	2011 £'000
<b>Revenue</b>	3	<b>98,836</b>	95,060
Cost of sales		<b>(34,665)</b>	(31,222)
<b>Gross profit</b>		<b>64,171</b>	63,838
Administrative expenses		<b>(9,818)</b>	(15,476)
EBITDA before exceptional items, change in fair value of derivatives, loss on investment properties and contingent rent		<b>50,297</b>	50,512
Exceptional items	5	<b>4,875</b>	(1,332)
Change in fair value of derivatives		<b>384</b>	(8)
Depreciation and contingent rent		<b>(1,203)</b>	(810)
<b>Operating profit before loss on investment properties</b>		<b>54,353</b>	48,362
Loss on investment property before exceptional item		<b>(37,536)</b>	(16,187)
Impairment of investment property – exceptional		<b>–</b>	(2,230)
Total loss on investment properties	11	<b>(37,536)</b>	(18,417)
<b>Operating profit</b>	3,6	<b>16,817</b>	29,945
Finance income before change in fair value of derivatives		<b>43</b>	212
Change in fair value of derivatives		<b>–</b>	1,825
Total finance income	4	<b>43</b>	2,037
Finance expense before exceptional items and change in fair value of derivatives		<b>(24,549)</b>	(23,435)
Exceptional finance expenses		<b>(9,969)</b>	–
Change in fair value of derivatives		<b>(1,805)</b>	–
Total finance expense	4	<b>(36,323)</b>	(23,435)
<b>(Loss)/profit before income tax</b>		<b>(19,463)</b>	8,547
Income tax credit <sup>1</sup>	8	<b>11,670</b>	4,481
<b>(Loss)/profit for the year</b>		<b>(7,793)</b>	13,028
<b>Earnings per share for (loss)/profit attributable to the equity holders</b>			
– basic (pence)	10	<b>(4.16)</b>	6.95
– diluted (pence)	10	<b>(4.16)</b>	6.92

<sup>1</sup> Includes an exceptional credit of £6,308,000 (FY2011: £6,597,000) (see note 8).

The financial results for both years relate to continuing activities.

The notes on pages 68 to 95 are an integral part of these Consolidated financial statements.

## Consolidated statement of comprehensive income

for the year ended 31 October 2012

	Group	
	2012 £'000	2011 £'000
<b>(Loss)/profit for the year</b>	<b>(7,793)</b>	13,028
<b>Other comprehensive income:</b>		
Cash flow hedges	<b>(4,327)</b>	—
Recycling of hedge reserve	<b>1,492</b>	—
Currency translation differences	<b>(12,283)</b>	1,100
Tax on items taken to other comprehensive income	<b>1,074</b>	—
<b>Total other comprehensive (expenditure)/income, net of tax</b>	<b>(14,044)</b>	1,100
<b>Total comprehensive (expenditure)/income for the year</b>	<b>(21,837)</b>	14,128

# Consolidated balance sheet

as at 31 October 2012

	Notes	Group	
		2012 £'000	2011 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment properties	11	685,143	713,564
Interests in leasehold properties	11	57,990	62,534
Investment properties under construction	11	5,400	15,059
Property, plant and equipment	12	3,746	2,856
Deferred income tax assets	21	7,084	7,031
Other receivables		6,000	—
Derivative financial instruments	19	—	78
		<b>765,363</b>	801,122
<b>Current assets</b>			
Inventories	14	207	242
Trade and other receivables	15	17,586	17,018
Derivative financial instruments	19	3,002	6
Cash and cash equivalents	16	6,897	14,674
		<b>27,692</b>	31,940
<b>Total assets</b>		<b>793,055</b>	833,062
<b>Current liabilities</b>			
Financial liabilities			
– bank borrowings	18	—	(10,143)
– derivative financial instruments	19	(2,574)	(92)
Trade and other payables	17	(32,280)	(35,048)
Obligations under finance leases	20	(9,598)	(10,040)
		<b>(44,452)</b>	(55,323)
<b>Non-current liabilities</b>			
Financial liabilities			
– bank borrowings	18	(343,117)	(326,883)
– derivative financial instruments	19	(12,868)	(6,164)
Trade and other payables	17	—	(529)
Deferred income tax liabilities	21	(100,841)	(116,510)
Obligations under finance leases	20	(48,392)	(52,494)
		<b>(505,218)</b>	(502,580)
<b>Total liabilities</b>		<b>(549,670)</b>	(557,903)
<b>Net assets</b>		<b>243,385</b>	275,159
<b>Equity</b>			
Ordinary shares	22	1,881	1,881
Share premium		28,349	28,349
Other reserves	24	(2,229)	11,815
Retained earnings	23,24	215,384	233,114
<b>Total equity</b>	24	<b>243,385</b>	275,159

These financial statements on pages 63 to 95 were authorised for issue by the Board of Directors on 30 January 2013 and signed on its behalf by:

**R D Hodsdon**                      **P D Gowers**  
 Chief Financial Officer          Chief Executive Officer

Company registration number: 4726380

# Consolidated statement of changes in shareholders' equity

for the year ended 31 October 2012

	Group					
	Share capital £'000	Share premium £'000	Translation reserve £'000	Hedge reserve £'000	Retained earnings £'000	Total £'000
<b>Balance at 1 November 2010</b>	1,881	28,349	10,715	—	229,244	270,189
<b>Comprehensive income</b>						
Profit for the year	—	—	—	—	13,028	13,028
<b>Other comprehensive income</b>						
Exchange differences on translation of foreign operations	—	—	1,100	—	—	1,100
Total other comprehensive income	—	—	1,100	—	—	1,100
<b>Total comprehensive income</b>	—	—	1,100	—	13,028	14,128
<b>Transactions with owners</b>						
Dividends (note 9)	—	—	—	—	(9,375)	(9,375)
Employee share options	—	—	—	—	217	217
<b>Transactions with owners</b>	—	—	—	—	(9,158)	(9,158)
<b>Balance at 1 November 2011</b>	1,881	28,349	11,815	—	233,114	275,159
<b>Comprehensive income</b>						
Loss for the year	—	—	—	—	(7,793)	(7,793)
<b>Other comprehensive income</b>						
Exchange differences on translation of foreign operations	—	—	(12,283)	—	—	(12,283)
Change in fair value of hedged instruments	—	—	—	(4,327)	—	(4,327)
Recycling of hedge reserve	—	—	—	1,492	—	1,492
Tax on items taken to other comprehensive income	—	—	—	1,074	—	1,074
Total other comprehensive income	—	—	(12,283)	(1,761)	—	(14,044)
<b>Total comprehensive income</b>	—	—	(12,283)	(1,761)	(7,793)	(21,837)
<b>Transactions with owners</b>						
Dividends (note 9)	—	—	—	—	(10,125)	(10,125)
Employee share options	—	—	—	—	188	188
<b>Transactions with owners</b>	—	—	—	—	(9,937)	(9,937)
<b>Balance at 31 October 2012</b>	<b>1,881</b>	<b>28,349</b>	<b>(468)</b>	<b>(1,761)</b>	<b>215,384</b>	<b>243,385</b>

# Consolidated cash flow statement

for the year ended 31 October 2012

	Notes	Group	
		2012 £'000	2011 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	25	51,666	46,789
Interest paid		(20,560)	(21,528)
Interest received		125	404
Tax paid		(774)	(16)
Net cash inflow from operating activities		30,457	25,649
<b>Cash flows from investing activities</b>			
Expenditure on investment properties and development properties		(20,162)	(35,037)
Purchase of property, plant and equipment		(1,336)	(1,612)
Net cash outflow from investing activities		(21,498)	(36,649)
<b>Cash flows from financing activities</b>			
Equity dividends paid	9	(10,125)	(9,375)
Net proceeds from issue of new borrowings		357,227	25,000
Debt issue costs		(7,703)	—
Finance lease principal payments		(4,336)	(5,518)
Repayment of borrowings		(351,172)	—
Net cash (outflow)/inflow from financing activities		(16,109)	10,107
<b>Net decrease in cash and cash equivalents</b>			
Exchange (loss)/gains on cash and cash equivalents		(627)	86
Cash and cash equivalents at 1 November		14,674	15,481
<b>Cash and cash equivalents at 31 October</b>	16,26	<b>6,897</b>	14,674

# Notes to the financial statements

for the year ended 31 October 2012

## 1. General information

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

## 2. Summary of significant accounting policies

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

### Basis of preparation

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

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

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

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

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

### Standards, amendments to standards and interpretations issued and applied

The following accounting standards, amendments and interpretations issued by IASB and IFRIC are effective for the Group's accounting period beginning on or after 1 November 2011 but had no material effect on the results or financial position of the Group disclosed in these financial statements:

- IAS 24 (revised), 'Related party disclosures' (effective 1 January 2011)
- Annual improvements (2010) effective 1 January 2011
- Amendment to IFRS 7, 'Financial instruments: Disclosures' (effective 1 July 2011)
- Amendment to IFRS 1, 'First time adoption', on hyperinflation and fixed dates (effective 1 July 2011, endorsed 1 January 2013)
- Amendment to IFRIC 14, 'Prepayments of a Minimum Funding Requirement' (effective January 2011)

The following new standards and interpretations have been issued but are not effective for the year ended 31 October 2012 and have not been adopted early:

- IFRS 9, 'Financial instruments' (effective 1 January 2015)
- IFRS 10, 'Consolidated financial statements' (effective 1 January 2013, endorsed 1 January 2014)
- IFRS 11, 'Joint arrangements' (effective 1 January 2013) (endorsed 1 January 2014)
- IFRS 12, 'Disclosures of interests in other entities' (effective 1 January 2013, endorsed 1 January 2014)
- IFRS 13, 'Fair value measurement' (effective 1 January 2013)
- IAS 19 (revised 2011), 'Employee benefits' (effective 1 January 2013)
- IAS 27 (revised 2011), 'Separate financial statements' (effective 1 January 2013, endorsed 1 January 2014)
- IAS 28 (revised 2011), 'Associates and joint ventures' (effective 1 January 2013, endorsed 1 January 2014)
- Amendment to IAS 12, 'Income taxes' on deferred tax (effective 1 January 2012)
- Amendment to IAS 1, 'Presentation of financial statements' on OCI (effective 1 July 2012)
- Amendment to IFRS 1, 'First time adoption' on government grants (effective 1 January 2013)
- Amendments to IFRS 7 on financial instruments asset and liability offsetting (effective 1 January 2013)
- Annual improvements 2011 (effective 1 January 2013)
- Amendments to IFRS 10, 11 and 12 on transition guidance (effective 1 January 2013)
- Amendments to IFRS 10, 12 and IAS 27 on consolidation for investment entities (effective 1 January 2014)
- Amendments to IAS 32 on financial instruments asset and liability offsetting (effective 1 January 2014)
- IFRIC 20, 'Stripping costs in the production phase of a surface mine' (effective 1 January 2013)

The Group is assessing the likely effect of these new and amended standards on its future financial statements.

## 2. Summary of significant accounting policies continued

### Basis of consolidation

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

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

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

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

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

### Segmental reporting

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

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

### Revenue recognition

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

Rental income is recognised over the period for which the space is occupied by the customer and on a time apportionment basis. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due. Insurance income is recognised over the period for which the space is occupied by the customer and on a time apportionment basis.

The portion of insurance premiums on occupied space that relates to unexpired risks at the balance sheet date is reported as unearned premium liability in other payables. Income earned on the sales of consumable items is recognised at the point of sale.

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

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

Income from insurance claims is recognised when it is virtually certain of being received. Normally this is when a contractual agreement has been reached.

### Exceptional items

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

### Foreign currency translation

#### Functional and presentation currency

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

#### Transactions and balances

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

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

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

## Notes to the financial statements continued

for the year ended 31 October 2012

### 2. Summary of significant accounting policies continued

#### Borrowing costs

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

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

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

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

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

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

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

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

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

If an impairment trigger occurs in relation to an investment property, its value is considered against the criteria in IAS 36, being the higher of fair value less cost to sell and value in use. Impairments are recognised in the income statement in the period they arise.

#### Property, plant and equipment

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

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

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

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

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

#### Impairment of tangible assets (excluding property)

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

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

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



## 2. Summary of significant accounting policies continued

### Impairment of tangible assets (excluding property) continued

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

### Inventories

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

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

### Trade and other receivables

Trade and other receivables are stated at fair value, being cost less provision for impairment where there is evidence that not all amounts will be collectible under the original terms of the receivable. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

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

### Cash and cash equivalents

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

### Trade and other payables

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

### Leases

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and the reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

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

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

### Borrowings

Interest-bearing bank loans and overdrafts are recorded at fair value, net of directly attributable transaction costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are included within the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Where fees are payable in relation to raising debt the costs are disclosed in the cash flow statement within financing activities. Where payments are made to exit or modify derivative financial instruments, these costs are disclosed in the cash flow statement within financing activities.

Issue costs incurred on re-financing are offset against the carrying value of borrowings in accordance with IAS 39, unless they do not solely relate to the issuance of the new facility, in which case they are recognised as part of the gain or loss on the removal of the original facility from the balance sheet.

### Financial instruments

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

# Notes to the financial statements continued

for the year ended 31 October 2012

## 2. Summary of significant accounting policies continued

### Financial instruments continued

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

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

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

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

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement for the period.

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

### Provisions

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

### Taxation including deferred tax

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

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

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

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

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

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

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

### Employee benefit costs

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

## 2. Summary of significant accounting policies continued

### Share capital

Ordinary shares are classified as equity.

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

### Treasury shares

The Company's shares which have been purchased and not cancelled are held as treasury shares and deducted from shareholders' equity, within retained earnings.

### Share based payments

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

### Critical accounting judgements and key sources of estimation uncertainty

#### Critical judgements in applying the Group's accounting policies

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

#### a) Estimate of fair value of investment properties and investment property under construction

The Group values its self-storage centres using a discounted cash flow methodology which is based on projections of net operating income. Principal assumptions and management's underlying estimation of the fair value of those relate to: stabilised occupancy levels; expected future growth in storage rental income and operating costs; maintenance requirements; capitalisation rate; and discount rates. A more detailed explanation of the background and methodology adopted in the valuation of the investment properties is set out in note 11 to the financial statements.

#### b) Recognition of deferred tax assets

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

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

### Financial risk management

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

Treasury activities are managed centrally under a framework of policies and procedures approved and monitored by the Board. These objectives are to protect the assets of the Group and to identify and then manage financial risk. In applying these policies, the Group will utilise derivative instruments, but only for risk management purposes.

The principal financial risks facing the Group are described below:

#### Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group borrows in Sterling, Euro and US Dollars at floating rates and, where necessary, uses interest rate swaps to convert these to fixed rates (see note 19) to generate the preferred interest rate profile and to manage its exposure to interest rate fluctuations. A 1% change in interest rates would have a £0.4 million (FY2011: £0.9 million) impact on net interest. This sensitivity impact has been prepared by determining average floating interest rates and flexing these against average floating rate deposits and borrowings by major currency area over the course of the year.

#### Liquidity risk

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

# Notes to the financial statements continued

for the year ended 31 October 2012

## 2. Summary of significant accounting policies continued

### Financial risk management continued

#### Credit risk

Credit risk arises on financial instruments such as trade receivables and short-term bank deposits. Policies and procedures exist to ensure that customers have an appropriate credit history and account customers are given credit limits that are monitored. Short-term bank deposits are executed only with A-rated or above authorised counterparties based on ratings issued by the major rating agencies. Counter-party exposure positions are monitored regularly so that credit exposures to any one counter-party are within predetermined limits. Overall, the Group considers that it is not exposed to a significant amount of credit risk. The amount of trade receivables outstanding at the year end does not represent the maximum exposure to operational credit risk due to the normal patterns of supply and payment over the course of a year. Based on management information collected as at month ends the maximum level of net trade receivables at any one point during the year was £10.7 million (FY2011: £7.6 million).

#### Foreign exchange risk

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

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

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

At 31 October 2012, if Sterling had weakened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been £0.9 million higher (FY2011: £2.0 million), mainly as a result of foreign exchange gains/losses on translation of Euro trade receivables and financial assets at fair value through profit or loss.

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

Foreign exchange risk relating to the US secured notes has been fully hedged at 31 October 2012.

#### Hedge risk

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

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

#### Cash flow hedges

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

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

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

#### Capital risk

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

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

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

During 2012, the Group's strategy, which was unchanged from 2011, was to maintain the gearing ratio within 50% to 70% and a Dunn & Bradstreet 5A1 credit rating.

## 2. Summary of significant accounting policies continued

### Financial risk management continued

#### Capital risk continued

The gearing ratios at 31 October 2012 and 2011 were as follows:

	2012 £'000	2011 £'000
Total borrowings (excluding derivatives)	401,107	399,560
Less: cash and cash equivalents (note 16)	(6,897)	(14,674)
Net debt	394,210	384,886
Total equity	243,385	275,159
Total capital	637,595	660,045
Gearing ratio	62%	58%

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

### 3. Segmental analysis

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

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

- UK; and
- France.

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

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.

The operating profits and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items principally comprise cash, interest-bearing loans, derivatives and current and deferred taxation and these are designated as Central below:

Year ended 31 October 2012	UK £'000	France £'000	Central £'000	Group £'000
<b>Continuing operations</b>				
Revenue	74,898	23,938	—	98,836
EBITDA before exceptional items, change in fair values of derivatives, loss on investment properties, depreciation and contingent rent	37,843	12,454	—	50,297
Exceptional items	(385)	5,260	—	4,875
Contingent rent and depreciation	(595)	(608)	—	(1,203)
Change in fair value of derivative	—	—	384	384
Operating profit before loss on investment properties	36,863	17,106	384	54,353
Loss on investment properties	(36,479)	(1,057)	—	(37,536)
Operating profit	384	16,049	384	16,817
Finance expense before changes in fair value and exceptional items	—	—	(24,549)	(24,549)
Change in fair value of derivative	—	—	(1,805)	(1,805)
Exceptional finance expense	—	—	(9,969)	(9,969)
Finance income	—	—	43	43
<b>Profit/(loss) before tax</b>	<b>384</b>	<b>16,049</b>	<b>(35,896)</b>	<b>(19,463)</b>
Income tax	—	—	11,670	11,670
<b>Profit/(loss) for the year</b>	<b>384</b>	<b>16,049</b>	<b>(24,226)</b>	<b>(7,793)</b>
<b>Total assets</b>	<b>597,193</b>	<b>185,776</b>	<b>10,086</b>	<b>793,055</b>

## Notes to the financial statements continued

for the year ended 31 October 2012

## 3. Segmental analysis continued

Year ended 31 October 2011	UK £'000	France £'000	Central £'000	Group £'000
<b>Continuing operations</b>				
Revenue	71,014	24,046	—	95,060
EBITDA before exceptional items, change in fair values of derivatives, (loss)/gain on investment properties, depreciation and contingent rent	38,405	12,107	—	50,512
Exceptional items	(702)	(630)	—	(1,332)
Contingent rent and depreciation	(578)	(232)	—	(810)
Change in fair value of derivative	—	—	(8)	(8)
Operating profit before gain/(loss) on investment properties	37,125	11,245	(8)	48,362
(Loss)/gain on investment properties	(25,511)	7,094	—	(18,417)
Operating profit	11,614	18,339	(8)	29,945
Finance expense	—	—	(23,435)	(23,435)
Finance income	—	—	2,037	2,037
<b>Profit/(loss) before tax</b>	11,614	18,339	(21,406)	8,547
Income tax expense	—	—	4,481	4,481
<b>Profit/(loss) for the year</b>	11,614	18,339	(16,925)	13,028
<b>Total assets</b>	620,582	190,691	21,789	833,062

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.

The result of its revenue from external customers in the UK is £74,898,000 (FY2011: £71,014,000) and the total revenue from external customers in other countries is £23,938,000 (FY2011: £24,046,000). All revenues are generated from the entities provision of self-storage and related services.

## 4. Finance income and costs

	Note	2012 £'000	2011 £'000
<b>Finance costs</b>			
Interest payable on bank loans and overdraft		<b>(17,825)</b>	(16,642)
Amortisation of debt issue costs on bank loan	18	<b>(1,211)</b>	(2,248)
Interest on obligations under finance leases		<b>(5,674)</b>	(4,883)
Capitalised interest		<b>161</b>	338
Fair value movement of derivatives		<b>(1,805)</b>	—
Exceptional finance expense		<b>(9,969)</b>	—
<b>Total finance cost</b>		<b>(36,323)</b>	(23,435)
<b>Finance income</b>			
Interest receivable from bank deposits		<b>43</b>	212
Fair value movement of derivatives		<b>—</b>	1,825
<b>Net finance costs</b>		<b>(36,280)</b>	(21,398)

Interest has been capitalised at an average rate of 3.5% for the year (FY2011: 3.5%).

The exceptional finance expense of £10.0 million (FY2011: £nil) represents the debt issue costs relating to the previous banking facility written off and the new debt issue costs of the new facility. These costs have been expensed in accordance with IAS 39 as which do not meet the recognition criteria under IAS 39.

Included within interest payable of £17.8 million (FY2011: £16.6 million) is £2.7 million (FY2011: £4.0 million) of interest relating to derivative financial instruments that are economically hedging the Group's borrowings. The total change in fair value of derivatives for the year is a charge of £1.8 million (FY2011: £1.8 million credit).

## 5. Exceptional items

	2012 £'000	2011 £'000
Impairment of non-current assets	—	(382)
Costs relating to retirement of CEO and other restructuring costs	(165)	(702)
Costs relating to re-locating French head office	—	(248)
Insurance proceeds	5,260	—
VAT and REIT related costs	(220)	—
<b>Total exceptional items</b>	<b>4,875</b>	<b>(1,332)</b>

An amount of £5.3 million was received in the year ended 31 October 2012 relating to the settlement of the insurance claim for building damage arising from the fire at the La Défense store in Paris on 30 December 2010.

Restructuring costs of £165,000 (October 2011: £702,000) were incurred in respect of organisational changes during the year ended 31 October 2012.

Separately disclosed in note 8 are details of an exceptional taxation credit which has arisen as a result of the forecast change in UK corporation tax and in note 4 are details of an exceptional interest charge following the re-financing of the Group in 2012.

Costs of £175,000 were incurred by the Group during the year ended 31 October 2012 in respect of professional and legal fees challenging the changes to VAT legislation on self-storage which was implemented with effect from 1 October 2012.

## 6. Operating profit

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

	Note	2012 £'000	2011 £'000
Staff costs	27	17,452	17,247
Inventories:			
– cost of inventories recognised as an expense (included in cost of sales)	14	1,142	1,866
Depreciation on property, plant and equipment:			
– owned assets	12	446	168
Impairment of property, plant and equipment	12	—	382
Loss on investment properties	11	37,536	18,417
Repairs and maintenance expenditure on investment properties		1,968	2,166
Trade receivables impairment	15	828	152

## 7. Fees paid to auditors

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

	2012 £'000	2011 £'000
<b>Audit services</b>		
Fees payable to Company's auditors for the audit of the parent company and Consolidated financial statements	42	40
<b>Fees for other services</b>		
Fees payable to Company's auditors for the audit of the Company's subsidiaries pursuant to legislation	218	193
Audit-related assurance services	40	33
Tax services	12	107
General advisory	45	1
Corporate finance	60	22
<b>Total</b>	<b>417</b>	<b>396</b>

Non-audit services for 2012 principally relate to advice on the restructuring of the Group (£60,000), advice on REIT conversion (£45,000) and advice on IT system controls (£40,000).

## Notes to the financial statements continued

for the year ended 31 October 2012

**8. Income tax credit**

Analysis of tax credit in the year:

	Note	2012 £'000	2011 £'000
Current tax:			
– UK corporation tax		—	—
– tax in respect of overseas subsidiaries		(450)	(365)
Deferred tax:			
– current year, including exceptional credit of £6,308,000 (FY2011: £6,597,000)	21	12,040	4,784
– adjustment in respect of prior year		80	62
<b>Tax credit</b>		<b>11,670</b>	<b>4,481</b>

**Reconciliation of income tax credit**

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

	2012 £'000	2011 £'000
(Loss)/profit before tax	(19,463)	8,547
Tax calculated at domestic tax rates applicable in the UK: 24.83% (FY2011: 26.83%)	(4,833)	2,293
Effect of:		
– income and expenses not taxable or deductible	(933)	(5)
– indexation on revaluation of investment properties	(372)	(1,325)
– difference from overseas tax rates	856	1,215
– adjustments in respect of prior years	(80)	(62)
– re-measurement of deferred tax liability from change in UK rate	(6,308)	(6,597)
<b>Tax credit</b>	<b>(11,670)</b>	<b>(4,481)</b>

The exceptional tax credit of £6,308,000 (FY2011: £6,597,000) arises as a result of the impact on deferred tax of the UK rate change from 25% to 23% (FY2011: 27% to 25%).

In addition to the changes in rates of corporation tax disclosed above, further changes to the UK corporation tax system were announced in the Autumn statement 2012. This includes a further reduction to the main rate of corporation tax to 21% from 1 April 2014. This change had not been substantively enacted at the balance sheet date and, therefore, is not included in these financial statements.

The proposed reduction to the main rate of corporation tax to 21% from 1 April 2014 will be enacted separately. The overall effect of this further change, if it applied to the deferred tax balance at the balance sheet date, would be to further reduce the deferred tax liability by an additional £5,393,000.

**9. Dividends per share**

The dividend paid in 2012 was £10,125,000 (5.4 pence per share) (FY2011: £9,375,000 (5.0 pence per share)). A dividend in respect of the year ended 31 October 2012 of 3.80 pence (FY2011: 3.55 pence) per share, amounting to a final dividend of £7,125,000 (FY2011: £6,656,000), is to be proposed at the AGM on 20 March 2013. The ex-dividend date will be 13 March 2013 and the record date 15 March 2013 with an intended payment date of 12 April 2013. The final dividend has not been included as a liability at 31 October 2012.

**10. Earnings per share**

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

	Year ended 31 October 2012			Year ended 31 October 2011		
	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic	(7.80)	187.50	(4.16)	13.03	187.50	6.95
Dilutive securities	—	1.61	—	—	0.64	—
Diluted	(7.80)	189.11	(4.16)	13.03	188.14	6.92

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



## 10. Earnings per share continued

### Adjusted earnings per share

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

	Year ended 31 October 2012			Year ended 31 October 2011		
	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic	<b>(7.80)</b>	<b>187.50</b>	<b>(4.16)</b>	13.03	187.50	6.95
Adjustments:						
Loss on investment properties	<b>37.54</b>	—	<b>20.02</b>	18.42	—	9.82
Exceptional operating items	<b>(4.88)</b>	—	<b>(2.60)</b>	1.33	—	0.71
Exceptional finance costs	<b>9.97</b>	—	<b>5.32</b>	—	—	—
Change in fair value of derivatives	<b>1.43</b>	—	<b>0.76</b>	(1.83)	—	(0.98)
Tax in relation to adjustments	<b>(12.51)</b>	—	<b>(6.67)</b>	(4.41)	—	(2.35)
Exceptional tax credit	<b>(6.30)</b>	—	<b>(3.36)</b>	(6.60)	—	(3.52)
Adjusted	<b>17.45</b>	<b>187.50</b>	<b>9.31</b>	19.94	187.50	10.63

Loss on investment properties includes depreciation on leasehold properties of £4.3 million (FY2011: £5.5 million) and the related tax thereon of £1.2 million (FY2011: £1.7 million). As an industry standard measure, EPRA earnings are presented. EPRA earnings of £14.3 million (FY2011: £16.1 million) and EPRA earnings per share of 7.65 pence (FY2011: 8.58 pence) are calculated after further adjusting for these items.

EPRA adjusted income statement (non-statutory)	Group		Movement %
	2012 £m	2011 £m	
<b>Revenue</b>	<b>98.8</b>	95.1	+3.9
Operating expenses (excluding depreciation and contingent rent)	<b>(48.5)</b>	(44.6)	
<b>EBITDA before contingent rent</b>	<b>50.3</b>	50.5	-0.4
Depreciation and contingent rent	<b>(1.2)</b>	(0.8)	
<b>Operating profit before depreciation on leasehold properties</b>	<b>49.1</b>	49.7	-1.2
Depreciation on leasehold properties	<b>(4.3)</b>	(5.5)	
<b>Operating profit</b>	<b>44.8</b>	44.2	+1.4
Net financing costs	<b>(24.5)</b>	(23.2)	
<b>Profit before income tax</b>	<b>20.3</b>	21.0	
Income tax	<b>(6.0)</b>	(4.9)	
<b>Profit for the year ("EPRA Earnings")</b>	<b>14.3</b>	16.1	-11.2
<b>Adjusted EPRA earnings per share</b>	<b>7.65p</b>	8.58p	
<b>Final dividend per share</b>	<b>3.80p</b>	3.55p	

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

	Investment property £'000	Interests in leasehold properties £'000	Investment property under construction £'000	Total investment properties £'000
As at 1 November 2011	713,564	62,534	15,059	791,157
Additions	7,155	955	10,889	18,999
Reclassifications	20,666	—	(20,666)	—
Revaluations	(42,454)	—	254	(42,200)
Depreciation	—	(4,336)	—	(4,336)
Exchange movements	(13,788)	(1,163)	(136)	(15,087)
<b>As at 31 October 2012</b>	<b>685,143</b>	<b>57,990</b>	<b>5,400</b>	<b>748,533</b>

## Notes to the financial statements continued

for the year ended 31 October 2012

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

	Investment property £'000	Interests in leasehold properties £'000	Investment property under construction £'000	Total investment properties £'000
As at 1 November 2010	686,178	69,130	18,360	773,668
Additions	16,847	—	18,654	35,501
Reclassifications	19,994	(1,220)	(19,994)	(1,220)
Impairments	(2,230)	—	—	(2,230)
Revaluations	(8,708)	—	(1,961)	(10,669)
Depreciation	—	(5,518)	—	(5,518)
Exchange movements	1,483	142	—	1,625
As at 31 October 2011	713,564	62,534	15,059	791,157

Loss on investment properties comprise:

	2012 £'000	2011 £'000
Revaluations	<b>(42,200)</b>	(10,669)
Impairments	—	(2,230)
CGS movement on investment properties	<b>9,000</b>	—
Depreciation	<b>(4,336)</b>	(5,518)
	<b>(37,536)</b>	(18,417)

	Deemed cost £'000	Valuation £'000	Revaluation on deemed cost £'000
<b>Freehold stores</b>			
As at 1 November 2011	332,895	575,719	242,824
Movement in year	17,265	(15,633)	(32,898)
<b>As at 31 October 2012</b>	<b>350,160</b>	<b>560,086</b>	<b>209,926</b>
<b>Leasehold stores</b>			
As at 1 November 2011	74,954	137,845	62,891
Movement in year	(3,232)	(12,788)	(9,556)
<b>As at 31 October 2012</b>	<b>71,722</b>	<b>125,057</b>	<b>53,335</b>
<b>All stores</b>			
As at 1 November 2011	407,849	713,564	305,715
Movement in year	14,033	(28,421)	(42,454)
<b>As at 31 October 2012</b>	<b>421,882</b>	<b>685,143</b>	<b>263,261</b>

The valuation of £685.1 million (FY2011: £713.6 million) excluded £0.8 million in respect of owner occupied property. Rental income earned from investment properties for the years ended 31 October 2012 and 31 October 2011 was £79.41 million and £77.73 million, respectively.

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

The freehold and leasehold investment properties have been valued as at 31 October 2012 by external valuers, Cushman & Wakefield LLP ("C&W"). The valuation has been carried out in accordance with the RICS Valuation – Professional Standards, published by The Royal Institution of Chartered Surveyors ("the Red Book"). The valuation of each of the investment properties has been prepared on the basis of Fair Value as a fully equipped operational entity, having regard to trading potential. 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 Red Book. In compliance with the disclosure requirements of the Red Book, C&W has confirmed that:

- the members of the RICS who have been the signatories to the valuations provided to the Group for the same purposes as this valuation have been so since October 2006;
- C&W has been carrying out bi-annual 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 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 significant transactions since 2007 are:

1. the sale of a 51% share in Shurgard Europe which was announced in January 2008 and completed on 31 March 2008;
2. the sale of the former Keepsafe portfolio by Macquarie to Alligator Self Storage which was completed in January 2010; and
3. the purchase by Shurgard Europe of the 80% interests held by its joint venture partner (Arcapita) in its two European joint venture vehicles, First Shurgard and Second Shurgard. The price paid was €172 million and the transaction was announced in March 2011. The two joint ventures owned 72 self-storage properties.

Four further smaller transactions took place in 2011 at West Molesey, Cambridge, Dartford and St Albans and there has been one further transaction in 2012 at Bletchley.

C&W state that due to the lack of comparable market information in the self-storage sector, there is 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 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 their opinion of Fair Value for these properties.

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

#### Freehold and long leasehold (UK and France)

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

Assumptions:

- Net operating income is based on projected revenue received less projected operating costs together with a central administration charge of 6% of the estimated annual revenue subject to a cap and collar. The initial net operating income is calculated by estimating the net operating income in the first twelve months following the valuation date.
- The net operating income in future years is calculated assuming straight line absorption from day one actual occupancy to an estimated stabilised/mature occupancy level. However, a few of the properties have had variable absorption rates applied in years one to four of the cash flow projection. In the valuation the assumed stabilised occupancy level for the trading stores (both freeholds and all leaseholds) open at 31 October 2012 averages 78.36% (31 October 2011: 78.72 %). 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 36.59 months (31 October 2011: 31.61 months).
- The capitalisation rates applied to existing and future net cash flows have been estimated by reference to underlying yields for industrial and retail warehouse property, yields for other trading property types such as student housing and hotels, bank base rates, ten year money rates, inflation and the available evidence of transactions in the sector. The valuation included in the accounts assumes rental growth in future periods. If an assumption of no rental growth is applied to the external valuation, the net initial yield pre administration expenses for the 107 mature stores (i.e. excluding those stores categorised as "developing") is 7.50% (31 October 2011: 7.48%) rising to a stabilised net yield pre administration expenses of 9.98% (31 October 2011: 9.81%).
- 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) is 12.11% (31 October 2011: 12.14%).
- Purchaser's costs of 5.8% (UK) and 6.2% (France) (see page 82) have been assumed initially and sales plus purchaser's costs totalling 7.8% (UK) and 8.2% (France) are assumed on the notional sales in the tenth year in relation to freehold and long leasehold stores.

## Notes to the financial statements continued

for the year ended 31 October 2012

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

#### Valuation method and assumptions continued

##### Short leaseholds (UK)

The same methodology has been used as for freeholds, except that no sale of the assets in the tenth year is assumed but the discounted cash flow is extended to the expiry of the lease. The average unexpired term of the Group's UK short-term leasehold properties is 11.97 years (31 October 2011: 12.50 years). The average unexpired term excludes the French commercial leases.

##### Short leaseholds (France)

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

##### Investment properties under construction (UK only)

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

##### Immature stores: value uncertainty

C&W has assessed the value of each property individually. However, ten 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 their 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.

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

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

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

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

##### Valuation assumption for purchaser's costs

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

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

## 12. Property, plant and equipment

	Owner occupied buildings £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
<b>Cost</b>				
At 1 November 2011	800	237	2,514	3,551
Additions	—	40	1,296	1,336
Disposals	—	(8)	(2)	(10)
<b>At 31 October 2012</b>	<b>800</b>	<b>269</b>	<b>3,808</b>	<b>4,877</b>
<b>Accumulated depreciation</b>				
At 1 November 2011	72	98	525	695
Charge for the year	15	60	371	446
Disposals	—	(8)	(2)	(10)
<b>At 31 October 2012</b>	<b>87</b>	<b>150</b>	<b>894</b>	<b>1,131</b>
<b>Net book value</b>				
<b>At 31 October 2012</b>	<b>713</b>	<b>119</b>	<b>2,914</b>	<b>3,746</b>
At 31 October 2011	728	139	1,989	2,856
<b>Cost</b>				
At 1 November 2010	1,000	269	1,272	2,541
Additions	—	99	1,513	1,612
Disposals	(200)	(131)	(271)	(602)
<b>At 31 October 2011</b>	<b>800</b>	<b>237</b>	<b>2,514</b>	<b>3,551</b>
<b>Accumulated depreciation</b>				
At 1 November 2010	78	191	478	747
Charge for the year	10	38	120	168
Impairment	184	—	198	382
Eliminated on disposal	(200)	(131)	(271)	(602)
<b>At 31 October 2011</b>	<b>72</b>	<b>98</b>	<b>525</b>	<b>695</b>
<b>Net book value</b>				
<b>At 31 October 2011</b>	<b>728</b>	<b>139</b>	<b>1,989</b>	<b>2,856</b>
At 31 October 2010	922	78	794	1,794

## Notes to the financial statements continued

for the year ended 31 October 2012

**13. Adjusted net assets per share**

	2012 £'000	2011 £'000
Analysis of net asset value:		
Basic and diluted net asset value	<b>243,385</b>	275,159
Adjustments: deferred tax liabilities	<b>100,841</b>	116,510
Adjusted net asset value	<b>344,226</b>	391,669
Basic net assets per share (pence)	<b>129.8</b>	146.8
Diluted net assets per share (pence)	<b>129.3</b>	146.3
Adjusted net assets per share (pence)	<b>183.6</b>	208.9
	<b>Number</b>	Number
Shares in issue	<b>187,495,348</b>	187,495,348

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 1,161,335 shares (FY2011: 640,834 shares). Adjusted net assets per share excludes deferred tax liabilities. The EPRA NAV, which further excludes fair value adjustments for debt and related derivatives net of tax, was £353.6 million (FY2011: £396.2 million) giving EPRA net assets per share of 188.6 pence (FY2011: 211.3 pence). The Directors consider that these alternative measures provide useful information on the performance of the Group.

**EPRA adjusted balance sheet (non-statutory)**

	Group		
	2012 £m	2011 £m	Movement %
<b>Assets</b>			
Non-current assets	<b>765.4</b>	799.4	-4.2
Current assets	<b>27.7</b>	31.9	-13.2
<b>Total assets</b>	<b>793.1</b>	831.3	-4.6
<b>Liabilities</b>			
Current liabilities	<b>(44.5)</b>	(55.3)	-19.5
Non-current liabilities	<b>(395.0)</b>	(379.8)	+4.0
<b>Total liabilities</b>	<b>(439.5)</b>	(435.1)	+1.0
<b>EPRA net asset value</b>	<b>353.6</b>	396.2	-10.8
<b>EPRA net asset value per share</b>	<b>188.6p</b>	211.3p	

**14. Inventories**

	2012 £'000	2011 £'000
Finished goods and goods held for resale	<b>336</b>	348
Less: provisions for impairment of inventories	<b>(129)</b>	(106)
	<b>207</b>	242

The Group consumed £1,142,000 (FY2011: £1,866,000) of inventories during the year. Inventory write downs were £nil for both the financial years ended 31 October 2012 and 31 October 2011.

Inventories of £207,000 (FY2011: £242,000) are carried at fair value less costs to sell. Provisions are made against slow-moving and obsolete stock lines where considered appropriate.

## 15. Trade and other receivables

	2012 £'000	2011 £'000
<b>Current:</b>		
Trade receivables	7,830	8,118
Less: provision for impairment of receivables	(1,066)	(789)
Trade receivables – net	6,764	7,329
Other receivables	4,981	1,476
Prepayments and accrued income	5,841	8,213
	<b>17,586</b>	<b>17,018</b>

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

	2012 £'000	2011 £'000
<b>Provisions for doubtful debts against trade receivables:</b>		
At 1 November	789	1,248
Provision for receivables impairment	828	152
Receivables written off during the year as uncollectible	(551)	(611)
<b>At 31 October</b>	<b>1,066</b>	<b>789</b>

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

Trade receivables that are less than 28 days overdue are not considered impaired. As of 31 October 2012, trade receivables of £166,000 (FY2011: £180,000) were past due but not impaired. These relate to a number of customers who benefit from an extension to normal terms and for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2012 £'000	2011 £'000
Up to 28 days overdue	166	180

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

As of 31 October 2012, trade receivables of £1,066,000 (FY2011: £789,000) were impaired and provided for in full. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

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

	2012 £'000	2011 £'000
Sterling	12,146	11,196
Euros	5,440	5,822
	<b>17,586</b>	<b>17,018</b>

## 16. Cash and cash equivalents

	2012 £'000	2011 £'000
Cash at bank and in hand	6,897	14,674

## Notes to the financial statements continued

for the year ended 31 October 2012

**17. Trade and other payables**

	2012 £'000	2011 £'000
<b>Current:</b>		
Trade payables	8,261	9,442
Other taxes and social security payable	2,235	810
Corporation tax payable	40	365
Other payables	2,855	4,813
Accruals and deferred income	18,889	19,618
	<b>32,280</b>	<b>35,048</b>
<b>Non-current:</b>		
Other payables	—	529

**18. Financial liabilities – bank borrowings and secured notes**

	2012 £'000	2011 £'000
<b>Current</b>		
<b>Bank loans and overdrafts due within one year or on demand:</b>		
Secured – bank loan	—	12,500
Debt issue costs	—	(2,357)
	—	10,143
<b>Non-current</b>		
<b>Bank loans and secured notes:</b>		
Secured	343,897	328,838
Debt issue costs	(780)	(1,955)
	<b>343,117</b>	<b>326,883</b>

On 9 May 2012, the Group completed a full re-financing of its lending arrangements with total facilities of £400 million to replace the previous facilities of £385 million which were all due to expire in August 2013. The new bank facilities of £270 million and €70 million run to June 2016 and a new £73 million US private placement note issue of seven and twelve years has maturities extending to 2019 and 2024.

The blended cost of interest on the overall debt is expected to be in the order of 5.5% per annum. The bank facilities attract a margin over LIBOR/EURIBOR ratchet operated by reference to the Group's performance against its interest cover covenant. The margin ratchets between 2.5% and 3.5%, with an initial margin of 3.5% for the first six months of the facilities. Approximately two-thirds of the drawn bank facilities have been hedged at 2.08% LIBOR and 1.36% EURIBOR. The Company has issued \$67 million 5.52% Series A Senior Secured Notes due 2019 and 6.29% \$48 million Series B Senior Secured Notes due 2024. The proceeds of the US private placement have been fully hedged by new cross currency swaps converting the US Dollar exchange risk into GBP Sterling. The loan is carried at amortised cost.

The bank loans and overdrafts are secured by a fixed charge over the Group's investment property portfolio. Following the bank re-financing in May 2012, as part of the interest rate management strategy, the Group entered into several interest rate swap contracts, details of which are shown in note 19.

Bank loans and secured notes are stated before unamortised issue costs of £780,000 (FY2011: £4,312,000).

Bank loans and secured notes are repayable as follows:

	Group	
	2012 £'000	2011 £'000
In one year or less	—	12,500
Between one and two years	—	328,838
Between two and five years	272,705	—
After more than five years	71,192	—
Bank loans and secured notes	343,897	341,338
Unamortised issue costs due within one year	—	(2,357)
Unamortised issue costs due after one year	(780)	(1,955)
	<b>343,117</b>	<b>337,026</b>



## 18. Financial liabilities – bank borrowings and secured notes continued

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

	2012	2011
Bank loans	<b>Quarterly LIBOR plus 3.5%</b> <b>Quarterly EURIBOR plus 3.5%</b>	Quarterly LIBOR plus 2.75% Quarterly EURIBOR plus 2.75%

Secured loan notes bear interest at 5.52% and 6.29%.

### 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	
	2012 £'000	2011 £'000
Expiring beyond one year	<b>53,698</b>	43,778

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

	2012 £'000	2011 £'000
Sterling	<b>230,000</b>	315,000
Euros	<b>42,705</b>	26,338
US Dollar	<b>71,192</b>	—
	<b>343,897</b>	341,338

## 19. Financial instruments

Numerical financial instruments disclosures are set out below. Additional disclosures are set out in the Financial review.

	2012		2011	
	£'000 Asset	£'000 Liability	£'000 Asset	£'000 Liability
Interest rate swaps	<b>2,570</b>	<b>(11,060)</b>	—	(6,170)
Cross currency swaps	—	<b>(4,326)</b>	—	—
Foreign exchange contracts	<b>432</b>	<b>(56)</b>	84	(86)
	<b>3,002</b>	<b>(15,442)</b>	84	(6,256)

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

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

The fair values of bank loans and finance leases are calculated as:

	2012		2011	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Bank loans	<b>343,117</b>	<b>396,692</b>	337,026	350,874
Finance lease obligations	<b>57,990</b>	<b>96,231</b>	62,534	83,684

## Notes to the financial statements continued

for the year ended 31 October 2012

### 19. Financial instruments continued

#### Fair value hierarchy

IFRS 7 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:

	2012 £'000	2011 £'000
<b>Assets per the balance sheet</b>		
Derivative financial instruments – Level 2	<b>3,002</b>	84
<b>Liabilities per the balance sheet</b>		
Derivative financial instruments – Level 2	<b>15,442</b>	6,256

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 amount of the outstanding interest rate swap contracts at 31 October 2012 was £196,687,575 and €40,000,000 (FY2011: £233,100,000 and €24,000,000). At 31 October 2012 the fixed interest rates were Sterling at blended 1.710% and Euro at 1.361% (FY2011: Sterling at 2.325% and Euro at 1.67%) and floating rates are at quarterly LIBOR and quarterly EURIBOR. The LIBOR swaps and the EURIBOR swaps expire in June 2016.

In May 2012, the Group entered into a new banking facility agreement which replaced the existing facilities due to mature in August 2013. The existing interest hedge agreements were replaced by new interest hedge agreements to coincide with the new maturity in June 2016. No settlement payments were required to be made to any counterparties and the embedded value of the existing interest hedge agreements were incorporated within the new agreements. The movement in fair value recognised in the income statement was a loss of £1,805,000 (FY2011: gain of £1,825,000).

#### Foreign exchange swap not designated as part of a hedging arrangement

At 31 October 2012, the Group had foreign currency swap contracts outstanding for a notional principal amount of between €4,500,000 and €6,000,000 every six months commencing November 2012 and terminating on 31 October 2015. The Group will receive the Sterling equivalent of the notional principal amount at an average exchange rate of €1.2198 to the pound and pay the Sterling equivalent of the average monthly spot rates for the six months. The movement in the fair value recognised in the income statement in the period was a gain of £384,000 (FY2011: loss of £8,000).

#### Cross currency swaps designated as part of a hedging arrangement

In May 2012, the Group entered into cross currency swaps to mitigate the foreign exchange risk arising on future interest payments and the principal repayments arising from the \$67 million and \$48 million US Secured Senior Notes. These cross currency swaps commenced in May 2012 and terminate in 2019 and 2024 in line with the maturity of the notes. The movement in fair value recognised in other comprehensive income in the period was a loss of £2,835,000 (pre-tax impact).

## 19. Financial instruments continued

### Financial instruments by category

Group	Loans and receivables £'000	Assets at fair value through profit and loss £'000	Total £'000
<b>Assets as per balance sheet</b>			
Trade receivables and other receivables excluding prepayments	11,745	—	11,745
Derivative financial instruments	—	3,002	3,002
Cash and cash equivalents	6,897	—	6,897
<b>As at 31 October 2012</b>	<b>18,642</b>	<b>3,002</b>	<b>21,644</b>

Group	Liabilities at fair value through profit and loss £'000	Other financial liabilities at amortised cost £'000	Total £'000
<b>Liabilities as per balance sheet</b>			
Borrowings (excluding finance lease liabilities)	—	343,117	343,117
Finance lease liabilities	—	57,990	57,990
Derivative financial instruments	15,442	—	15,442
Trade payable and other payables	—	32,280	32,280
<b>As at 31 October 2012</b>	<b>15,442</b>	<b>433,387</b>	<b>448,829</b>

Group assets as per balance sheet	Loans and receivables £'000	Assets at fair value through profit and loss £'000	Total £'000
Trade receivables and other receivables excluding prepayments	8,805	—	8,805
Derivative financial instruments	—	84	84
Cash and cash equivalents	14,674	—	14,674
As at 31 October 2011	23,479	84	23,563

Group liabilities as per balance sheet	Liabilities at fair value through profit and loss £'000	Other financial liabilities at amortised cost £'000	Total £'000
Borrowings (excluding finance lease liabilities)	—	337,026	337,026
Finance lease liabilities	—	62,534	62,534
Derivative financial instruments	6,256	—	6,256
Trade payable and other payables	—	35,577	35,577
As at 31 October 2011	6,256	435,137	441,393

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

	2012			2011		
	Floating rate £'000	Fixed rate £'000	Total £'000	Floating rate £'000	Fixed rate £'000	Total £'000
Borrowings	41,516	301,601	343,117	82,857	254,169	337,026

The weighted average interest rate of the fixed rate financial borrowing was 2.757% (FY2011: 2.271%) and the weighted average period for which the rate is fixed was four years for bank borrowings and seven/twelve years for the notes (FY2011: two years for bank debt; nil for notes).

## Notes to the financial statements continued

for the year ended 31 October 2012

**19. Financial instruments continued****Financial instruments by category continued**

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 £'000	One to two years £'000	Two to five years £'000	More than five years £'000
<b>2012</b>				
Borrowings	<b>16,473</b>	<b>21,470</b>	<b>302,300</b>	<b>89,571</b>
Derivative financial instruments	<b>6,973</b>	<b>6,973</b>	<b>17,919</b>	<b>19,404</b>
Contractual interest payments and finance lease charges	<b>10,151</b>	<b>10,024</b>	<b>24,329</b>	<b>51,727</b>
Trade and other payables	<b>32,280</b>	—	—	—
	<b>65,877</b>	<b>38,467</b>	<b>344,548</b>	<b>160,702</b>
<b>2011</b>				
Borrowings	25,620	341,960	—	—
Derivative financial instruments	3,384	3,384	—	—
Contractual interest payments and finance lease charges	10,637	10,597	25,133	51,267
Trade and other payables	35,048	529	—	—
	74,689	356,470	25,133	51,267

**20. Obligations under finance leases**

	Minimum lease payments		Present value of minimum lease payments	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Within one year	<b>10,151</b>	10,637	<b>9,598</b>	10,040
Within two to five years	<b>34,353</b>	35,730	<b>25,211</b>	26,747
Greater than five years	<b>51,727</b>	51,266	<b>23,181</b>	25,747
	<b>96,231</b>	97,633	<b>57,990</b>	62,534
Less: future finance charges on finance leases	<b>(38,241)</b>	(35,099)	—	—
Present value of finance lease obligations	<b>57,990</b>	62,534	<b>57,990</b>	62,534
			<b>2012 £'000</b>	2011 £'000
Current			<b>9,598</b>	10,040
Non-current			<b>48,392</b>	52,494
			<b>57,990</b>	62,534

**21. Deferred income tax**

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 23% (FY2011: 25%) for the UK and 33.33% (FY2011: 33.3%) for France. The movement on the deferred tax account is as shown below:

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

	Note	2012 £'000	2011 £'000
At 1 November		<b>109,480</b>	114,059
Profit and loss credit	8	<b>(12,120)</b>	(4,846)
Released to equity		<b>(1,074)</b>	—
Exchange differences		<b>(2,529)</b>	266
<b>At 31 October</b>		<b>93,757</b>	109,479

## 21. Deferred income tax continued

At 31 October 2012, the Group had capital losses of £4.0 million (FY2011: losses of £4.0 million) in respect of its UK operations.

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

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

	Revaluation of investment properties £'000	Other timing differences £'000	Total £'000
<b>Deferred tax liability</b>			
At 1 November 2010	123,422	(865)	122,557
Credit to income statement	(6,846)	480	(6,366)
Released to equity	—	—	—
Exchange differences	319	—	319
<b>At 31 October 2011</b>	<b>116,895</b>	<b>(385)</b>	<b>116,510</b>
At 1 November 2011			
Credit to income statement	(13,264)	551	(12,713)
Exchange differences	(2,956)	—	(2,956)
<b>At 31 October 2012</b>	<b>100,675</b>	<b>166</b>	<b>100,841</b>
<b>Deferred tax asset</b>			
	Tax losses £'000	Interest swap £'000	Total £'000
At 1 November 2010	6,261	2,237	8,498
Charged to income statement	(885)	(635)	(1,520)
Released to equity	—	—	—
Exchange differences	53	—	53
<b>At 31 October 2011</b>	<b>5,429</b>	<b>1,602</b>	<b>7,031</b>
At 1 November 2011			
Charged to income statement	(778)	181	(597)
Charged to equity	—	1,074	1,074
Exchange differences	(424)	—	(424)
<b>At 31 October 2012</b>	<b>4,227</b>	<b>2,857</b>	<b>7,084</b>

The deferred tax liability due after more than one year is £100.8 million (FY2011: £116.5 million).

## 22. Called up share capital

	2012 £'000	2011 £'000
<b>Called up, allotted and fully paid</b>		
188,135,088 (FY2011: 188,135,088) ordinary shares of 1 pence each	<b>1,881</b>	1,881

### Ordinary shares

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

## Notes to the financial statements continued

for the year ended 31 October 2012

**22. Called up share capital continued****Safestore Holdings plc Sharesave scheme**

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

	Grant date 14 August 2008		Grant date 11 August 2011	
	(UK three years)	(UK five years)	(UK three years)	(UK five years)
Number of options granted	130,350	136,955	469,067	212,375
Share price at grant date	(pence) 141	141	98.25	98.25
Exercise price	(pence) 118.4	118.4	104	104
Risk-free rate of interest	(% per annum) 4.50	4.55	1.56	2.58
Expected volatility	(% per annum) 40	40	52	57
Expected dividend yield	(% per annum) 3.0	3.0	5.1	5.1
Expected term to exercise	(years) 3	5	3	5
Value per option	(pence) 47	53	25	33

**Safestore 2009 Performance Share Plan**

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

	Grant date February 2011		Grant date February 2012	
	(PBT-EPS part)	(TSR part)	(PBT-EPS part)	(TSR part)
Number of options granted	745,239	372,619	820,997	410,499
Share price at grant date	(pence) 147.25	147.25	112.0	112.0
Exercise price	(pence) 0	0	0	0
Risk-free rate of interest	(% per annum) n/a	1.43	n/a	0.52
Expected volatility	(% per annum) n/a	53	0	40
Expected term to exercise	(years) n/a	3.0	n/a	3.0
Value per option	(pence) 147.25	106.28	112.00	78.18

During the accounting period, there were no new grants or options exercised under the Sharesave schemes and 245,750 awards lapsed as shown in the table below. 1,231,496 awards were granted under the 2009 Performance Share Plan and 1,544,815 awards lapsed under the 2009 Performance Share Plan. At the end of the accounting period, options over 464,447 ordinary shares were outstanding under the Sharesave scheme and 4,032,860 awards in the Performance Share Plan remain unvested. Details of the awards outstanding under all of the Group's share schemes over the accounting years are set out below:

Date of grant	At 31 October 2011	Granted	Exercised	Lapsed	At 31 October 2012	Exercise price	Expiry date
<b>Safestore Holdings plc Sharesave scheme</b>							
09/08/2007	15,148	—	—	15,148	—	147.0p	09/02/2013
14/08/2008	27,490	—	—	27,490	—	118.4p	14/02/2014
11/08/2011	455,184	—	—	128,069	<b>327,115</b>	104.0p	11/02/2015
11/08/2011	212,375	—	—	75,043	<b>137,332</b>	104.0p	11/02/2017
<b>Total</b>	<b>710,197</b>	<b>—</b>	<b>—</b>	<b>245,750</b>	<b>464,447</b>		
<b>Safestore 2009 Performance Share Plan</b>							
27/03/2009	2,241,703	—	—	1,544,815	<b>696,888</b>	0.0p	27/03/2012
24/02/2010	986,618	—	—	—	<b>986,618</b>	0.0p	24/02/2013
01/02/2011	1,117,858	—	—	—	<b>1,117,858</b>	0.0p	01/04/2015
01/02/2012	—	1,231,496	—	—	<b>1,231,496</b>	0.0p	01/02/2015
<b>Total</b>	<b>4,346,179</b>	<b>1,231,496</b>	<b>—</b>	<b>1,544,815</b>	<b>4,032,860</b>		

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

## 23. Retained earnings

	Notes	£'000
Balance at 1 November 2010		229,244
Profit for the year		13,028
Dividend payment	9	(9,375)
Employee share options		217
<b>Balance at 1 November 2011</b>		<b>233,114</b>
Loss for the year		(7,793)
Dividend payment	9	(10,125)
Employee share options		188
<b>Balance at 31 October 2012</b>		<b>215,384</b>

Included within retained earnings are ordinary shares with a nominal value of £6,397 (FY2011: £6,397) that represent shares allotted to the Safestore Employee Benefit Trust in satisfaction of awards under the Group's Long Term Incentive Plan in 2008 and which remain unvested.

## 24. Other reserves

	Notes	Translation reserve £'000	Hedge reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 November 2010		10,715	—	229,244	239,959
Profit for the year		—	—	13,028	13,028
Dividends	9	—	—	(9,375)	(9,375)
Exchange differences on translation of foreign operations		1,100	—	—	1,100
Employee share options		—	—	217	217
<b>Balance at 1 November 2011</b>		<b>11,815</b>	<b>—</b>	<b>233,114</b>	<b>244,929</b>
Loss for the year		—	—	(7,793)	(7,793)
Dividends	9	—	—	(10,125)	(10,125)
Exchange differences on translation of foreign operations		(12,283)	—	—	(12,283)
Change in value of interest rate swaps		—	(4,327)	—	(4,327)
Recycling of hedge reserve		—	1,492	—	1,492
Tax on items taken to other comprehensive income		—	1,074	—	1,074
Employee share options		—	—	188	188
<b>Balance at 31 October 2012</b>		<b>(468)</b>	<b>(1,761)</b>	<b>215,384</b>	<b>213,155</b>

The translation reserve balance of £468,000 adverse (FY2011: £11,815,000) comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The hedge reserve balance of £1,761,000 (FY2011: £nil) comprises the unrealised elements of derivative financial instruments recognised in equity.

## Notes to the financial statements continued

for the year ended 31 October 2012

### 25. Cash flow from operating activities

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

	2012 £'000	2011 £'000
<b>Cash generated from continuing operations</b>		
Profit before income tax	<b>(19,463)</b>	8,547
Loss on investment properties	<b>37,536</b>	18,417
Depreciation	<b>446</b>	168
Change in fair value of derivatives	<b>(384)</b>	8
Impairment of non-current assets	<b>—</b>	382
Finance income	<b>(43)</b>	(2,037)
Finance expense	<b>36,323</b>	23,435
Employee share options	<b>188</b>	217
Changes in working capital:		
Decrease in inventories	<b>29</b>	12
Decrease/(increase) in trade and other receivables	<b>1,828</b>	(950)
Decrease in trade and other payables	<b>(4,794)</b>	(1,410)
<b>Cash generated from continuing operations</b>	<b>51,666</b>	46,789

### 26. Analysis of movement in net debt

	2011 £'000	Cash flows £'000	Non-cash movements £'000	2012 £'000
<b>Cash in hand</b>	14,674	(7,150)	(627)	<b>6,897</b>
	14,674	(7,150)	(627)	<b>6,897</b>
Debt due within one year	(10,143)	—	10,143	<b>—</b>
Debt due after one year	(326,883)	(6,055)	(10,179)	<b>(343,117)</b>
<b>Total net debt excluding finance leases</b>	(322,352)	(13,205)	(663)	<b>(336,220)</b>
Finance leases due within one year	(10,040)	4,336	(3,894)	<b>(9,598)</b>
Finance leases due after one year	(52,494)	—	4,102	<b>(48,392)</b>
<b>Total finance leases</b>	(62,534)	4,336	208	<b>(57,990)</b>
<b>Total net debt</b>	(384,886)	(8,869)	(455)	<b>(394,210)</b>

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

### 27. Employees and Directors

	2012 £'000	2011 £'000
<b>Staff costs (including Directors) for the Group during the year</b>		
Wages and salaries	<b>14,697</b>	14,479
Social security costs	<b>2,174</b>	2,184
Other pension costs	<b>393</b>	367
Share based payments	<b>188</b>	217
	<b>17,452</b>	17,247



## 27. Employees and Directors continued

During the period ended 31 October 2012 the Company's equity-settled share based payment arrangements comprised the Safestore Holdings plc Sharesave scheme and the Safestore 2009 Performance Share Plan. The number of awards made under each scheme are detailed in note 22. No options have been modified since grant under any of the schemes.

Average monthly number of people (including Executive Directors) employed	2012 Number	2011 Number
Sales	467	440
Administration	102	81
	<b>569</b>	521

Key management compensation	2012 £'000	2011 £'000
Wages and salaries	1,903	2,490
Social security costs	250	584
Post-employment benefits	154	207
Compensation for loss of office	—	393
Share based payments	188	209
	<b>2,495</b>	3,883

The key management figures given above include Directors.

Directors	2012 £'000	2011 £'000
Aggregate emoluments	963	1,318
Compensation for loss of office	—	393
Company contributions paid to money purchase pension schemes	75	91
	<b>1,038</b>	1,802

There were two Directors (FY2011: three) accruing benefits under a money purchase scheme.

## 28. Contingent liabilities

As part of the Group banking, the Company has guaranteed the borrowings totalling £343.9 million (FY2011: £341.3 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.

## 29. Capital commitments

The Group had £2.3 million capital commitments as at 31 October 2012 (FY2011: £17.1 million).

## 30. Related party transactions

The Group's shares are widely held.

During the year £nil (FY2011: £nil) transactions were carried out with related parties.

## 31. Parent company

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

## Independent auditors' report

to the members of Safestore Holdings plc

We have audited the parent company financial statements of Safestore Holdings plc for the year ended 31 October 2012 which comprise the parent company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on page 61, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Scope of the audit of the financial statements

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

### Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2012;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

### Matters on which we are required to report by exception

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

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

### Other matter

We have reported separately on the Group financial statements of Safestore Holdings plc for the year ended 31 October 2012.

### Matthew Mullins (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Birmingham

30 January 2013

# Company balance sheet

as at 31 October 2012

	Notes	Company	
		2012 £'000	2011 £'000
<b>Fixed assets</b>			
Tangible fixed assets	5	—	4
Fixed asset investments	6	979	979
		<b>979</b>	983
<b>Current assets</b>			
Debtors: amounts falling due within one year	7	819	724
Debtors: amounts falling due after more than one year	7	116,847	41,869
Cash at bank and in hand		21	19
		<b>117,687</b>	42,612
Creditors: amounts falling due within one year	8	(2,497)	(483)
<b>Total assets less current liabilities</b>		<b>116,169</b>	43,112
<b>Creditors: amounts falling due after more than one year</b>	9	<b>(71,904)</b>	—
<b>Net assets</b>		<b>44,265</b>	43,112
<b>Capital and reserves</b>			
Called up share capital	10	1,881	1,881
Share premium account	11	28,349	28,349
Profit and loss reserve	11	14,035	12,882
<b>Total shareholders' funds</b>	12	<b>44,265</b>	43,112

The Company financial statements on pages 97 to 101 were approved by the Board of Directors on 30 January 2013 and signed on its behalf by:

**R D Hodsdon**                      **P D Gowers**  
 Chief Financial Officer          Chief Executive Officer

Company registration number: 4726380

# Notes to the Company financial statements

for the year ended 31 October 2012

## 1. Accounting policies and basis of preparation

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

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

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

### Investments

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

### Tangible fixed assets

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

### Cash flow statement

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

### Deferred taxation

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

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

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

### Share based payments

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

### Profit and loss account

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

### Dividends

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

## 2. Results of parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year amounted to £11,090,000 (FY2011: £9,909,000).

## 3. Directors' emoluments

The Directors' emoluments are disclosed in note 27 of the Annual Report and financial statements of the Group.

## 4. Operating profit

The Company does not have any employees (FY2011: none). Auditors' remuneration for the year ended 31 October 2012 was £10,000 (FY2011: £10,000). There were no non-audit services (FY2011: none) provided by the auditors.

## 5. Tangible fixed assets – fixtures and fittings

£'000

### Cost

As at 31 October 2011 and at 31 October 2012 **196**

### Accumulated depreciation

As at 1 November 2011 192

Charge for the year 4

**At 31 October 2012 196**

### Net book amount

**At 31 October 2012 –**

At 31 October 2011 4

## 6. Fixed asset investments

£'000

### Cost and net book value

At 31 October 2011 and 31 October 2012 **979**

Investments in Group undertakings are stated at cost. The Directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. A list of principal subsidiary undertakings is given below. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

### Interests in subsidiary undertakings

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

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

#### Notes

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

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

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

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

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

# Notes to the Company financial statements continued

for the year ended 31 October 2012

## 7. Debtors

	2012 £'000	2011 £'000
Amounts owed by Group undertakings	689	534
Trade receivables	123	122
Other receivables	—	53
Prepayments and accrued income	7	15
<b>Debtors due within one year</b>	<b>819</b>	<b>724</b>
Amounts owed by Group undertakings	116,799	41,821
Deferred tax	48	48
<b>Debtors due after more than one year</b>	<b>116,847</b>	<b>41,869</b>

## 8. Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Trade payables	201	46
Amounts owed to Group undertakings	1,855	—
Other taxes and social security	109	—
Accruals and deferred income	332	437
<b>Creditors due within one year</b>	<b>2,497</b>	<b>483</b>

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

	2012 £'000	2011 £'000
Secured loan notes	72,684	—
Debt issue costs	(780)	—
	<b>71,904</b>	<b>—</b>

The Company issued \$67 million 5.52% Series A Senior Secured Notes due 2019 and 6.29% \$48 million Series B Senior Secured notes due 2024.

## 10. Called up share capital

	2012 £'000	2011 £'000
Allotted and fully paid 188,135,088 (FY2011: 188,135,088) ordinary shares of 1 pence	1,881	1,881
<b>At 31 October</b>	<b>1,881</b>	<b>1,881</b>

### Ordinary shares

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

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

## 11. Reserves

	Share premium account £'000	Profit and loss reserve £'000
At 1 November 2011	28,349	12,882
Profit for the year	—	11,090
Employee share options	—	188
Dividends paid	—	(10,125)
<b>At 31 October 2012</b>	<b>28,349</b>	<b>14,035</b>

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

## 12. Reconciliation of movements in shareholders' funds

	2012 £'000	2011 £'000
Profit for the year	11,090	9,909
Dividends paid	(10,125)	(9,375)
Employee share options	188	217
<b>At 1 November 2011/2010</b>	<b>43,112</b>	<b>42,361</b>
<b>At 31 October 2012/2011</b>	<b>44,265</b>	<b>43,112</b>

## 13. Related party transactions

The Company has taken advantage of the exemption available under FRS 8, 'Related Party Disclosures' and has not disclosed details of its transactions with related certain parties. This exemption is available as the transactions are with entities that are part of the same group and the consolidated accounts are publicly available.

## 14. Contingent liabilities

For details of contingent liabilities see note 28 in the Group financial statements.

# Notice of Annual General Meeting

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

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

## **SAFESTORE HOLDINGS PLC NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of Safestore Holdings plc (the "Company") will be held at Brittanica House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT on 20 March 2013 at 12.00 noon for the following purposes:

To consider, and if thought fit, pass the following resolutions, of which numbers 1 to 10 will be proposed as ordinary resolutions and numbers 11 to 13 will be proposed as special resolutions:

### **Ordinary resolutions**

1. To receive the Company's annual accounts for the financial year ended 31 October 2012, together with the Directors' report, and the Auditors' report on those accounts and on the auditable part of the Directors' remuneration report.
2. To re-appoint PricewaterhouseCoopers LLP as auditors to hold office from the conclusion of this Meeting until the conclusion of the next general meeting of the Company at which accounts are laid.
3. To authorise the Directors to determine the auditors' remuneration.
4. To declare a final dividend for the year ended 31 October 2012 of 3.80 pence per ordinary share payable to shareholders on the register at the close of business on 15 March 2013.
5. To re-appoint Richard Grainger as a Director of the Company in accordance with the Company's Articles of Association.
6. To re-appoint Keith Edelman as a Director of the Company in accordance with the Company's Articles of Association.
7. To re-appoint Peter Gowers as a Director of the Company in accordance with the Company's Articles of Association.
8. To approve the Directors' remuneration report for the financial year ended 31 October 2012.
9. To authorise the Company and all companies that are its subsidiaries at any time during the period for which this resolution has effect for the purposes of Section 366 of the Companies Act 2006 (the "Act") to:
  - (a) make political donations to political parties or independent election candidates (as such terms are defined in Sections 363 and 364 of the Act), not exceeding £100,000 in aggregate;
  - (b) make political donations to political organisations other than political parties (as such terms are defined in Sections 363 and 364 of the Act), not exceeding £100,000 in aggregate; and
  - (c) incur political expenditure (as such term is defined in Section 365 of the Act), not exceeding £100,000 in aggregate,during the period beginning with the date of the passing of this resolution and ending at the conclusion of the Company's next Annual General Meeting after the date of the passing of this resolution provided that the maximum amounts referred to in (a), (b) and (c) may comprise sums in different currencies which shall be converted at such rate as the Board may in its absolute discretion determine to be appropriate.
10. THAT for the purposes of Section 551 of the Act and so that expressions used in this resolution shall bear the same meanings as in the said Section 551):
  - 10.1 the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares and to grant such subscription and conversion rights as are contemplated by Sections 551(1)(a) and (b) of the Act respectively up to a maximum nominal amount of £627,116 to such persons and at such times and on such terms as they think proper during the period expiring at the end of the next Annual General Meeting of the Company (unless previously revoked or varied by the Company in general meeting); and further
  - 10.2 the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot equity securities (as defined in Section 560 of the Act) in connection with a rights issue in favour of the holders of equity securities and any other persons entitled to participate in such issue where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by them up to an aggregate nominal amount of £627,116 during the period expiring at the end of the Annual General Meeting of the Company after the passing of this resolution, subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and
  - 10.3 the Company be and is hereby authorised to make prior to the expiry of such period any offer or agreement which would or might require such shares or rights to be allotted or granted after the expiry of the said period and the Directors may allot such shares or grant such rights in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution, so that all previous authorities of the Directors pursuant to the said Section 551 be and are hereby revoked.



## Special resolutions

11. THAT, subject to the passing of resolution 10 set out in the Notice convening this Meeting, the Directors be and are empowered in accordance with Section 570 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash, pursuant to the authority conferred on them to allot such shares or grant such rights by that resolution as if Section 561(1) and sub-Sections (1)–(6) of Section 562 of the Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to:
- 11.1 the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities (but in the case of the authority granted under Resolution 10.2 by way of a rights issue only) and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by or deemed to be held by them on the record date of such allotment, subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and
- 11.2 the allotment (otherwise than pursuant to paragraph 11.1 above) of equity securities up to an aggregate nominal value not exceeding £94,067;
- and this power, unless renewed, shall expire at the end of the next Annual General Meeting of the Company after the passing of this resolution but shall extend to the making, before such expiry, of an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.
12. THAT the Company be and is hereby generally and unconditionally authorised for the purpose of Section 701 of the Act to make market purchases (as defined in Section 693 of the said Act) of ordinary shares of 1 pence each in the capital of the Company (“ordinary shares”) provided that:
- 12.1 the maximum number of ordinary shares hereby authorised to be purchased is 18,813,508;
- 12.2 the minimum price (exclusive of expenses) which may be paid for such ordinary shares is 1 pence per share, being the nominal amount thereof;
- 12.3 the maximum price (exclusive of expenses) which may be paid for such ordinary shares shall be an amount equal to the higher of (i) 5% above the average of the middle market quotations for such shares taken from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made and (ii) the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading systems SETS;
- 12.4 the authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the end of the next Annual General Meeting of the Company and the date which is 18 months after the date on which this resolution is passed; and
- 12.5 the Company may make a contract to purchase its own ordinary shares under the authority conferred by this resolution prior to the expiry of such authority, and such contract will or may be executed wholly or partly after the expiry of such authority, and the Company may make a purchase of its own Ordinary Shares in pursuance of any such contract.
13. THAT a general meeting of the Company other than an Annual General Meeting may be called on not less than 14 clear days’ notice, provided that this authority expires at the conclusion of the Company’s next Annual General Meeting after the date of the passing of this resolution.

BY ORDER OF THE BOARD

### S Ahmed

#### Company Secretary

Registered office:

Brittanic House

Stirling Way

Borehamwood

Hertfordshire WD6 2BT

Dated: 20 February 2013

## Notice of Annual General Meeting continued

### Notes to Notice

- (i) A member entitled to attend and vote at the Meeting convened by the above Notice is entitled to appoint a proxy to exercise all or any of the rights of the member to attend and speak and vote on his behalf. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. The right to appoint a proxy does not apply to any person to whom this Notice is sent who is a person nominated under Section 146 of the Act to enjoy information rights (a "Nominated Person").
- (ii) To appoint a proxy you may:
- use the Form of Proxy enclosed with this Notice of Annual General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be received by post or (during normal business hours only) by hand at Capita Registrars PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU at [www.capitashareportal.com](http://www.capitashareportal.com), in each case no later than 12.00 noon on 18 March 2013 or not later than 48 hours before the time fixed for any adjourned meeting; or
  - if you hold your shares in uncertificated form, use the CREST electronic proxy appointment service as described in notes (vi), (vii) and (viii) below.
- Completion of the Form of Proxy or appointment of a proxy through CREST will not prevent a member from attending and voting in person. You may submit your vote electronically at [www.capitashareportal.com](http://www.capitashareportal.com) not later than 48 hours before the time fixed for the Annual General Meeting or adjourned meeting at which your proxy proposes to vote.
- (iii) Any member or his proxy attending the Meeting has the right to ask any question at the Meeting relating to the business of the Meeting.
- (iv) Pursuant to Section 360B of the Act and Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only shareholders registered in the register of members of the Company as at 6.00pm on 18 March 2013 shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at such time. If the Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned Meeting is 12.00 noon on the day preceding the date fixed for the adjourned Meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
- (v) In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
- (vi) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.
- (vii) In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of Euroclear UK & Ireland Limited ("Euroclear UK & Ireland") and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
- (viii) CREST members and, where applicable, their CREST sponsors and voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- (ix) As at 19 February 2013 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 188,135,088 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 19 February 2013 are 188,135,088.
- (x) The information required to be published by Section 311(A) of the Act (information about the contents of this Notice and numbers of shares in the Company and voting rights exercisable at the meeting and details of any members' statements, members' resolutions and members' items of business received after the date of this Notice) may be found at [www.safestore.com](http://www.safestore.com).

## Notes to Notice continued

- (xi) Members representing 5% or more of the total voting rights of all the members or at least 100 persons (being either members who have a right to vote at the Meeting and hold shares on which there has been paid up an average sum, per member, of £100 or persons satisfying the requirements set out in Section 153(2) of the Act) may require the Company, under Section 527 of the Act to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the Auditors' report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Act. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Act to publish on a website.
- (xii) A Nominated Person may under an agreement between him/her and the member who nominated him/her, have a right to be appointed (or to have someone else appointed) as a proxy entitled to attend and speak and vote at the Meeting. Nominated Persons are advised to contact the member who nominated them for further information on this and the procedure for appointing any such proxy.
- (xiii) If a Nominated Person does not have a right to be appointed, or to have someone else appointed, as a proxy for the Meeting, or does not wish to exercise such a right, he/she may still have the right under an agreement between himself/herself and the member who nominated him/her to give instructions to the member as to the exercise of voting rights at the Meeting. Such Nominated Persons are advised to contact the members who nominated them for further information on this.

## Explanatory notes to Resolutions

### Resolutions 5, 6 and 7 – Re-election of Richard Grainger, Keith Edelman and Peter Gowers as Directors (ordinary Resolutions).

Under the Company's Articles of Association, one-third of the Directors are obliged to retire by rotation at each Annual General Meeting. Richard Grainger, Keith Edelman and Peter Gowers, whose biographical details are set out in the Directors' biographies, will retire by rotation this year in accordance with the Articles of Association. Richard Grainger, Keith Edelman and Peter Gowers are offering themselves for re-election and resolutions 5, 6 and 7 propose their re-election as Directors.

### Resolution 9 – Political donations and political expenditure (ordinary Resolution)

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

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

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

- (i) to make donations to political parties or independent election candidates up to an aggregate limit of £100,000;
- (ii) to make donations to other political organisations up to an aggregate limit of £100,000; and
- (iii) to incur political expenditure (as defined in the Act) up to an aggregate limit of £100,000,

during the period up to the conclusion of the next Annual General Meeting of the Company whilst avoiding inadvertent infringement of the statute. Any political donation made or political expenditure incurred which is in excess of £2,000 will be disclosed in the Company's Annual Report for next year, as required by the Act. The authority will not be used to make political donations within the normal meaning of that expression.

Resolution 9 replaces a similar authority put in place at the Annual General Meeting held on 21 March 2012. No payments were made under this authority.

### Resolution 10 – Directors' authority to allot shares or grant subscription or conversion rights (ordinary Resolution)

The resolution asks shareholders to grant the Directors authority under Section 551 of the Act to allot shares or grant such subscription or conversion rights as are contemplated by Sections 551(1)(a) and (b) respectively of the Act up to a maximum aggregate nominal value of £1,254,232, being approximately two-thirds of the nominal value of the issued ordinary share capital of the Company as at 19 February 2013. As at 19 February 2013, the Company did not hold any treasury shares. £627,116 of this authority is reserved for a fully pre-emptive rights issue. This is the maximum permitted amount under best practice corporate governance guidelines. The authority will expire at the next Annual General Meeting. The Directors have no present intention of exercising such authority. The resolution replaces a similar resolution passed at the Annual General Meeting of the Company held on 21 March 2012.

### Resolution 11 – Disapplication of pre-emption rights (special Resolution)

If the Directors wish to allot unissued shares or other equity securities for cash, the Act requires that such shares or other equity securities are offered first to existing shareholders in proportion to their existing holding. Resolution 11 asks shareholders to grant the Directors authority to allot equity securities or sell treasury shares for cash up to an aggregate nominal value of £94,067 (being 5% of the Company's issued ordinary share capital as at 19 February 2013) without first offering the securities to existing shareholders. The resolution also disapplies the statutory pre-emption provisions in connection with a rights issue and allows the Directors, in the case of a rights issue, to make appropriate arrangements in relation to fractional entitlements or other legal or practical problems which might arise. The authority will expire at the next Annual General Meeting. The resolution replaces a similar resolution passed at the Annual General Meeting of the Company held on 21 March 2012.

## Notice of Annual General Meeting continued

### Explanatory notes to Resolutions continued

#### Resolution 12 – Purchase of own shares by the Company (Special resolution)

Resolution 12 to be proposed at the Annual General Meeting seeks authority from shareholders for the Company to make market purchases of its own ordinary shares, such authority being limited to the purchase of 10% of the ordinary shares in issue as at 19 February 2013. The maximum price payable for the purchase by the Company of its own ordinary shares will be limited to the higher of 5% above the average of the middle market quotations of the Company's ordinary shares, as derived from the Daily Official List of the London Stock Exchange, for the five business days prior to the purchase and the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary shares as derived from the London Stock Exchange Trading System SETS. The minimum price payable by the Company for the purchase of its own ordinary shares will be 1 pence per ordinary shares (being the amount equal to the nominal value of an ordinary share). The authority to purchase the Company's own ordinary shares will only be exercised if the Directors consider that there is likely to be a beneficial impact on earnings per ordinary shares and that it is in the best interest of the Company at the time. Company law has been changed recently to allow the Company to hold in treasury any shares purchased by it using its distributable profits. Such shares will remain in issue and be capable of being resold by the Company or used in connection with certain of its share schemes.

Options to subscribe for up to 5,453,653 ordinary shares have been granted and are outstanding as at 19 February 2013 (being the latest practicable date prior to publication of this document) representing 2.90% of the issued ordinary share capital at that date (excluding shares held in treasury). If the Directors were to exercise in full the power for which they are seeking authority under resolution 12, the options outstanding as at 19 February 2013 would represent 3.22% of the ordinary share capital (excluding shares held in treasury) in issue following such exercise.

#### Resolution 13 – Calling of general meetings (Special resolution)

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

#### Directors' recommendation

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

## Proxy form

### For the 2013 Annual General Meeting to be held at 12.00 noon on Wednesday 20 March 2013

I/We the undersigned, being a holder of ordinary shares of 1 pence each of the capital of Safestore Holdings plc (the "Company"), hereby appoint the duly appointed Chairman of the meeting (see note 1 below) or

(BLOCK CAPITALS PLEASE)

to act as my/our proxy at the Annual General Meeting of the Company to be held at 12.00 noon on 20 March 2013 at Brittanica House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT and at any adjournment thereof and to vote on my/our behalf as directed below.

Please tick here if this proxy appointment is one of multiple appointments being made

Please indicate with an "X" in the spaces provided how you wish your votes to be cast on a poll. Should this card be returned duly signed, but without specific direction, the proxy will vote or abstain at his/her discretion.

Ordinary resolutions	For	Against	Abstain	Discretion
1. To receive and adopt the Annual Report and Accounts for the year ended 31 October 2012				
2. To re-appoint PricewaterhouseCoopers LLP as auditors				
3. To authorise the Directors to determine the auditors' remuneration				
4. To declare a final dividend of 3.80 pence per ordinary share for the year ended 31 October 2012				
5. To re-appoint Richard Grainger as a Director of the Company				
6. To re-appoint Keith Edelman as a Director of the Company				
7. To re-appoint Peter Gowers as a Director of the Company				
8. To receive and approve the Directors' remuneration report for the year ended 31 October 2012				
9. To authorise political donations and political expenditure				
10. To authorise the Directors to allot shares subject to the restrictions set out in the resolution				
<b>Special resolutions</b>				
11. To authorise the disapplication of pre-emption rights subject to the limits set out in the resolution				
12. To authorise market purchases of shares up to a specified amount				
13. To reduce the notice period for general meetings other than an Annual General Meeting				

Unless otherwise instructed, the proxy may vote as he/she thinks fit or abstain from voting in respect of the resolutions specified and also on any other business (including amendments to resolutions) that may properly come before the meeting.

Signature	Dated
Full name of registered holder(s)	
Address	
	Postcode

Please return this proxy form to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive by 12.00 noon on 18 March 2013.

As an alternative to completing your hard-copy proxy form, you can appoint a proxy electronically at [www.capitashareportal.com](http://www.capitashareportal.com).

For an electronic proxy appointment to be valid, your appointment must be received by no later than 12.00 noon on 18 March 2013. You will be asked to enter the investor code shown on your share certificate or dividend tax voucher and agree to certain terms and conditions.

If you hold your shares in uncertificated form, you may appoint a proxy using the CREST electronic proxy appointment service, details of which are set out in notes vi, vii and viii to the Notice of Annual General Meeting.

## Proxy form continued

### Notes

1. A member of the Company is entitled to appoint a proxy to exercise all or any of his/her rights to attend, speak and vote at a general meeting of the Company.  

A member of the Company may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares. To appoint more than one proxy, you should contact Capita Registrars at the address stated in the information included with this proxy form.
2. A member is entitled to appoint a proxy of his own choice. The Chairman of the meeting will act as proxy unless another proxy is chosen. A proxy need not be a member of the Company but must attend the meeting in person.
3. In the case of an individual, this proxy form should be signed by the appointer. In the case of a corporation, this proxy form must be executed under its common seal or under the hand of an officer, attorney or other person duly authorised.
4. In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy in respect of the holding will be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names appear in the register of members in respect of the joint holding.
5. The proxy will act in his/her discretion in relation to any business at the meeting (including any resolution to amend a resolution or to adjourn the meeting).
6. To be effective, the proxy form and any authority under which it is executed (or a notarially certified copy of such authority) must be deposited with Capita Registrars at Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time for holding the meeting.
7. Completion and return of this proxy form will not prevent a member from attending and voting at the Annual General Meeting.
8. Any alteration or deletion must be signed or initialled.

# Directors and advisers

## Directors

R S Grainger	(Non-Executive Chairman)
P D Gowers	(Chief Executive Officer)
R D Hodsdon	(Chief Financial Officer)
F Vecchioli	(Executive Director)
A H Martin	(Non-Executive Director)
A S Lewis	(Non-Executive Director)
K G Edelman	(Non-Executive Director)

## Company Secretary

S Ahmed

## Registered office

Brittanic House  
Stirling Way  
Borehamwood  
Hertfordshire WD6 2BT

## Registered company number

4726380

## Websites

[www.safestore.co.uk](http://www.safestore.co.uk)  
[www.safestore.com](http://www.safestore.com)

## Bankers

National Westminster Bank Plc  
HSBC Bank Plc  
Lloyds TSB Bank Plc  
Alliance & Leicester Plc  
BRED BanquePopulaire  
Bank of Taiwan  
Cathay United Bank  
Chang Hwa Commercial Bank

## Legal advisers

### Travers Smith LLP

10 Snow Hill  
London EC1A 2AL

### Eversheds LLP

115 Colmore Row  
Birmingham B3 3AL

## Independent auditors

### PricewaterhouseCoopers LLP

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

## Shareholder information

### Registrars

Capita Registrars  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield HD8 0GA

Telephone (in UK) 0871 664 0300  
(Calls cost 10 pence per minute plus network extras)

Telephone (from overseas) +44 (0)20 8639 3399

Fax: +44 (0)1484 600 911

E-mail: [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)

Web: [www.capitashareportal.com](http://www.capitashareportal.com)

Share Portal: [www.capitashareportal.com](http://www.capitashareportal.com)

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

## Please visit our investor relations website



*All the latest news and updates for investors  
at [www.safestore.com](http://www.safestore.com)*



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**safestore™**

Safestore Holdings plc  
Brittanic House  
Stirling Way  
Borehamwood  
Hertfordshire WD6 2BT  
Tel: 020 8732 1500  
Fax: 020 8732 1510  
[www.safestore.co.uk](http://www.safestore.co.uk)  
[www.safestore.com](http://www.safestore.com)

