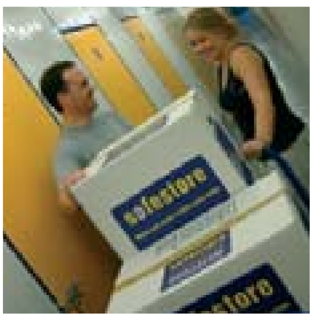
safestore™ self storage

Safestore Holdings Plc (Formerly Safestore Holdings Ltd)

Annual Report & Financial Statements

For the year ended 31 October 2006

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Contents

Financial highlights

Group revenue

+21.5%

Group turnover has increased by 21.5% to £64.3 million (2005: £52.9 million).

EBITDA*

+23.9%

Group EBITDA increased by £6.5 million – 23.9% increase from Financial year 2005 – 2006.

UK revenue

+17.2%

Revenue of the UK stores increased from £45.2 million to £52.9 million – 7.2% increase from Financial year 2005 – 2006.

French revenue

+46.6%

Revenue of the French stores increased from £7.7 million to £11.4 million – 46.6% increase from Financial year 2005 – 2006.

Stores & sites

110

98 stores open with a further 12 committed providing around 4.6 million sq ft when complete.

Ancillary sales

+36%

Ancillary Sales (Packaging Materials, Insurance and Other sales) increased from £5.3 million to £7.2 million from Financial year 2005 – 2006.

* EBITDA is before exceptional items and gains on investment properties.

Directors and advisors
for the year ended 31 October 2006

Directors

J A von Spreckelsen	Chairman and Non Executive Director
S W Williams	Chief Executive Officer
R D Hodsden	Chief Financial Officer
N A Riding	Chief Operating Officer (appointed 28 April 2006, resigned 21 February 2007)[1]
A D Payne	Non Executive Director (resigned 21 February 2007)
V M L Gwilliam	Non Executive Director
R S Grainger	Non Executive Director (appointed 1 February 2007)
R W Carey	Non Executive Director (appointed 1 February 2007)

Company Secretary

R D Hodsden

Registered office

Brittanic House
Stirling Way
Borehamwood
Hertfordshire
WD6 2BT

Registered company number
04726380

Bankers

National Westminster Bank Plc
280 Bishopsgate
London
EC2M 4RB

Merrill Lynch Capital Markets Bank Limited (London Branch)
Merrill Lynch Financial Centre
2 King Edward Street
EC1A 1HQ

Nationwide Building Society
Commercial Division
Kings Park Road
Moulton Park
Northampton
NN3 6NW

HSBC Bank Plc
Midlands Corporate Banking Centre
8th Floor
Exchange Buildings
8 Stephenson Place
Birmingham
B2 4NH

The Governor and Company of the Bank of Ireland
36 Queens Street
London
EC4R 1HJ

Legal advisers

Clifford Chance LLP
10 Upper Bank Street
London
E14 5JJ

Eversheds LLP
115 Colmore Row
Birmingham
B3 3AL

Auditors

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

1 N A Riding resigned from the holding company board only. He remains COO of the operating company


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storage facility

Chairman's statement

Safestore Holdings Plc announces its results for the year ended 31 October 2006.

I am pleased to report another year of significant progress in the Group both in terms of development of the financial performance and the consolidation of the business in both the UK and Paris. The Group is now firmly established as the market leader in the UK and Paris and number 2 in Europe with 98 facilities. Consistent with prior years the business has delivered a strong financial performance with significant sales and profit improvements.

Financial results

Reported turnover for the year was £64.3 million (2005: £52.9 million) an increase of 21.5% compared with prior year. Further details on the financial results for the 2006 year end are included in the Operating and Financial review on pages 16 to 19.

Acquisitions and integration

In my last statement I reported that Safestore Holdings Plc, through its subsidiaries had acquired Access Storage Holdings (France) SARL ("Access France") in April 2005 and had also completed the acquisition of a two store chain branded as Storage World in Manchester in July 2005. I am delighted to report that these combined acquisitions have performed ahead of business plan and that both businesses have been fully integrated and re-branded.

In February 2006 the company acquired 3 stores trading as Selfstore.It. The stores are based in Burnley, Bury and Preston and further consolidate our position in the North West of England. I am pleased to report that the stores are fully integrated in to the Safestore processes and systems and that the re-branding will be completed by the end of the first quarter of 2007.

Stores and property

We opened three new stores during the year at Ivry in Paris, Feltham and Coventry, as well as completing a major extension at our store at Staples Corner in London. These were in addition to the acquisitions outlined above. Each of the new stores has had a promising start.

We also sold four non-trading properties, two of which were in the UK and two in Paris.

At 31 October 2006 we operated from 95 storage centres (76 in the UK and a further 19 centres in France) and 3 business centres. This portfolio of stores offers a maximum lettable area (when fully built out) of circa 4,000,000 square foot of storage (excluding business centres), of which 3.2m sq ft of storage is in the UK and a further 0.8m sq ft in France.

Of the above just over 2,160,000 sq ft was occupied in the UK with a further 550,000 sq ft occupied in France representing a 64% occupancy rate across all stores. This occupancy level increases to 75% when compared to currently built-out space rather than maximum lettable area.

In addition to the existing portfolio of stores, at the year end we had a further twelve new stores under development, eight of which are committed and four being in solicitors' hands. Of these, eight stores have planning permission already granted and we are confident of receiving consents on the remaining four stores.

These eleven stores in the UK and one in France will deliver circa 600,000 sq ft of additional net lettable storage. Our property strategy is to increase the existing portfolio by circa 10% in store numbers per annum. We are flexible in respect of new site selection as our model does not restrict us by either tenure or geography. In addition, as we have previously demonstrated, we are willing and capable of growing through acquisition if and when the right opportunities arise.

The Group's property assets were valued on 31 October 2006 by Cushman & Wakefield. The valuation was £477.6m of which £428.1m was attributed to our UK properties and £49.5m to our French properties, this is a significant increase on the previous valuation and reflects the company's strong trading in the financial year.

"The Group is now firmly established as the market leader in the UK and Paris"

Chairman's statement
continued

Financing

In June 2006 the company re-financed the business and arranged a £237m senior debt facility with the Royal Bank of Scotland and HSBC. In addition a new Capex facility was arranged to fund expansion of new stores and improvements to the existing portfolio. The re-funding exercise enabled the business to repay all borrowings and interest accrued to Bridgepoint Capital and has substantially reduced our interest repayment charges.

People

The Group recognises the significant role our people play in the success of the business and we strongly believe that it is our strength in this area that sets Safestore above the competition. We are committed to training and developing our staff. As such I should like to take this opportunity to thank all my colleagues throughout the business for their hard work and dedication this year.

We will continue to invest in our people to ensure that we remain at the forefront of customer service within the industry. I should also note we have once again retained our 'Investors in People' accreditation.

During the year we have also strengthened our senior management team with the addition of Mr. Neil Riding as C.O.O. of Safestore in the UK, Mr. Sam Ahmed as Director of Finance and Mr. Laurent Judas as Sales Director of "Une Piece en Plus" in France. I am also delighted to report that since the year end the board has been strengthened by the appointments of Roger Carey and Richard Grainger as Non Executive Directors, their presence will give the Board support in the key areas of real estate and corporate finance and governance where they both have extensive experience. These appointments will ensure that our company continues to develop, expand and will enable the Group to grow as a pan European business.

Outlook

We are broadly optimistic of the prospects for the Group for the next financial year. The self-storage concept currently has low customer awareness in the UK and Europe, albeit the proposition is now gaining momentum, particularly in the UK, France and to a lesser extent in Western Europe, providing strong growth fundamentals for the near and long term.

We have a business which has a robust business model that is capable of delivering strong and improving operating cash flows from quality property assets which we believe will underpin the continued growth and success of the Group.

John von Spreckelsen
Chairman
8 March 2007

"The Group recognises the significant role our people play in the success of the business"


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Helpful hints

Chief executive's operating review

I am pleased to report another year of significant progress in the operations of the Group. 2006 has been a busy and exciting year in the growth of the Safestore Group with a further acquisition in the UK incorporating 3 stores in the North West at Burnley, Bury and Preston as well as 3 new store openings at Ivry in Paris, Feltham and Coventry and a major extension to our Staples Corner store in London.

This brings the total of European stores to 95 (76 in the UK and 19 in Paris) with a maximum lettable storage space of circa 4 million square feet. In addition, the Group has three standalone business centres as well as offices to let within a number of our self-storage facilities.

The acquisition stores of Storage World in the UK and Access France, which were acquired in 2005 have all been completely integrated in to the Group under the brands of Safestore in the UK and "Une Piece en Plus" in France.

In the UK the Group acquired a three-store chain branded as Selfstore.It. Whilst this was a relatively small acquisition in store number terms it represents an important strategic bolt-on acquisition and has further consolidated our position in the North West where we now have 14 stores trading under the Safestore Brand. The first additional new store to open in the UK at Feltham is one of a cluster of stores planned in this region west of London with further contracted stores due to open in Slough and Hayes during 2007. The new store opening at Coventry adds to the 4 stores already successfully trading in the Midlands and further consolidates our presence in the area. During the year we also expanded our store at Staples Corner increasing the size of self-storage space from 38,500 sq ft to a total of approximatley 65,000 sq ft.

Other stores contracted or exchanged in the UK include Glasgow, Newcastle, Eastbourne, Cardiff and Crayford with several other stores in the late stages of negotiation and expected to be contracted in the first half of 2007. The location of these stores are again in line with our strategy of clustering stores which give us competitive advantage in terms of operational leverage, marketing and branding and convenience to our customers.

Our French company "Une Piece en Plus" has seen a significant step up. The French business lead by company president Frederic Vecchioli now operates in 19 stores in Paris all commonly branded under the name "Une Piece en Plus". The strategy is similar to that of the UK in that we look to cluster our stores. The French chain represents a Paris focused, cash flow positive business concentrated in the most well developed market in France. The addition of Ivry in 2006 and a new Paris store expected to open in 2007 will further consolidate our position in this important market.

During the trading period we have continued to invest in the existing stores. This has resulted in improved facilities for the customers, including increased levels of security, 24 hour access and general improvement to the ambience of the storage and reception area.

We have also continued to build out additional self-storage units and stand-alone drive up units in a number of the stores thereby increasing the storage space and options. During the year we have further improved signage and lighting to our stores which has; in part resulted in a significant increase in enquiries; these being up more than 23% in the UK on the previous year.

I am pleased to report that almost all key operating metrics have seen healthy increases during the year including group revenues up by 21.5% and by 13.5% on a like for like basis, rental rates have increased by 7.2% and occupancy has grown by 6% to circa 2.7m sq ft. These results combined with good controls of costs has resulted in a 23.9% increase in EBITDA at £33.5m.

People

The Group continues to believe that our people are our greatest asset and are what differentiates the business from that of its competitors. Safestore was the first self-storage operator in the UK to recognise that the industry must be customer service focused and retail led. During the year we have undertaken our most comprehensive training programme to date in the UK, which involved all our store employees on a two-day training and development program. In France we have had several specific training sessions for store management. This will cascade through the French business during 2007.

All our people at every level have annual appraisals with a 6 month review which highlights personal development needs

"2006 has been a busy and exciting year in the growth of Safestore Group"

Chief executive's operating review continued

as well as department and corporate training requirements.

All part time and full time employees participate in an annual bonus scheme aligned to financial performance and personal objectives. In addition our store and field management teams participate in monthly and quarterly incentive schemes related to specific key performance indicators. This scheme is being expanded to all full time store employees as we believe it important that all customer facing members of the team have incentives and are rewarded and recognised for the performance of their individual store as well as company performance.

We have now commenced with 'e' learning through our own intranet; this has proved popular and will be expanded during 2007. The intranet site is an excellent tool for communications both from the Head Office to store teams and vice versa.

All employees are entitled to a range of benefits including a stakeholder pension scheme. Our HR team led by our HR Director will continue to provide training and development programs for all of our people.

The additions of Neil Riding as Chief Operating Officer UK, Sam Ahmed as Director of Finance and Laurent Judas as Sales Director of "Une Piece en Plus" has already had a beneficial impact on the business and I add my welcome to that of the Chairman.

I would like to add my thanks to all our people throughout the UK and France for their continued commitment and support and to congratulate them in once again achieving excellent results.

Property

Safestore management recognise that whilst we manage the retail aspects of the operation with a focus on the customer, our valuable property assets are a key component of our business and requires specialised skills in the acquisition of trading businesses and new sites, portfolio management and construction.

We have continued with our successful mergers and acquisitions strategy during 2006 with a small but important strategic bolt-on acquisition following on from the major acquisitions in 2004 and 2005. We will continue to review acquisition opportunities in the UK, France and Western Europe. We have also stepped up our new store acquisition program which will result in the business expanding by around 8 stores during the 2007 financial year with several other stores in advanced stages of negotiation. Our aim is to grow our new store business by around 10% per annum; this will ensure we maintain market leadership and add around 500,000 sq ft of new space at minimal risk in a business with solid cash flow from established and mature stores.

Whilst Safestore is determined to retain our No.1 position in terms of trading stores, we will continue with our prudent but flexible approach to the price we are willing to pay for new stores. Our new store model is also flexible in terms of size and tenure; which in our opinion gives us an advantage over some of our competitors. We continue to measure the current portfolio in terms of the required rate of return and this will be maintained. During the period Safestore has divested its interest in 4 non-trading properties that were not core to the business. It is also planned to divest our interests in 3 non-core stores that do not make an adequate return; although all are EBITDA positive. It is envisaged that 2 of these stores will close during the financial year 2007. I am pleased to report that we will replace one of the closing stores with a purpose built facility within the existing catchment area.

The estate is managed in-house with regular reviews of the portfolio on an individual and collective basis, with particular attention to the value of each property as well as opportunities for additional revenue streams and cost savings.

All stores are regularly reviewed in terms of development potential, not least self-storage. During 2007 we plan to build a significant extension in one of our stores and add satellite units in two other existing markets. During the year we launched our new external drive up units; which are proving very popular with our customers. We plan to extend this to around 20 stores during the 2007 financial year. Several locations will be reviewed during the year with an eye to the development potential.

All new stores and major developments are managed in-house with third parties engaged as necessary.

We have invested £8m in the existing store portfolio since 2004 with a further £5m budgeted during 2007. We see this investment as important in maintaining Safestore as one of the recognised European leaders in self-storage.

Security

Security continues to be a crucial element of self-storage and is extremely important to our customers, who leave their valuable items and goods within our care.

We have continued to invest heavily on security technology within our stores including automated swipe card entry, mechanised gates and doors, additional digital cameras and monitors and increased lighting. We work closely with the appropriate authorities in the UK and France and the Self Storage Association.

Safestore has a strict policy in monitoring all new customers and have clear signage on goods that cannot be stored within the buildings.

“Security continues to be a crucial element of self-storage and is extremely important to our customers”

Chief executive's operating review
continued

Systems

Safestore continues to place high importance in its administrative and IT systems and believe that leading IT technology will give the company a competitive edge. During the year Safestore have upgraded the capacity of its central server; which was the first of its kind in the UK self-storage industry and has served the company well over the past 4 years. We now have the capacity to absorb our planned expansion over the next 5 years; this additional capacity ensures that we will continue to obtain real time information from each store in both the UK and France. This allows the company to quickly identify trends and enables the business to react promptly to any given situation. We have a back up system based in another location in the event of an incident at our head offices in Borehamwood.

We commenced a review of our telephone hardware and software during the last quarter of 2006. We now plan to upgrade the telephone systems in the majority of stores to ensure we optimise customer service and call capture; which is a vital component of our drive in increasing enquiries and conversion rates.

Marketing

The Group is committed to ensuring that its brand recognition matches its market leading position in each of the markets in which it operates. To accomplish this, the company has focused much of its efforts, resource and investment during the year on exterior store signage and lighting and on the internet. I am pleased to report that these initiatives have resulted in excellent increases to enquiries from both these channels. This investment in resource and expenditure will be continued during 2007 with approximately 4% of revenue budgeted for the advertising spend in the financial year.

Awareness of the self-storage proposition is growing in the UK and France but is still at very low levels. This presents our business with an enormous opportunity to continue growing the market and capitalising on our position as the No.1 self-storage company in the UK and Paris, thereby increasing our market share. During 2006 we advertised in the National press for the first time. We intend to repeat this during the coming year as well as committing to regional press and radio advertising. Our aim is to make the Safestore and "Une Piece en Plus" brands synonymous with self-storage.

Board and senior management team

The board of Safestore Holdings Plc has a broad breadth of experience and expertise encompassing a number of business sectors but has a particularly strong background in retailing and the service industry. We believe that this depth of experience will ensure the Group continues its progression and growth both organically and by expansion of new stores and bolt on acquisitions.

The Senior Management Team of the trading Group has a wealth of experience in a number of sectors and has a proven track record within the self-storage industry for improving existing operations as well as turning around acquired underperforming businesses. It is the only management team in the UK self-storage sector with mergers and acquisitions and successful integration expertise both in the UK and Europe. This gives the company confidence that we can continue to build the Group into a first class business and build on our market leading position.

S W Williams
Chief Executive Officer
8 March 2007

"The Group is committed to ensuring that its brand recognition matches its market leading position"


reception


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Operating and financial review

Results of operations

The table below sets out the Group's results of operations for the year ended 31 October 2006 (Financial Year 2006) and the year ended 31 October 2005 (Financial Year 2005), as well as the year-on-year change.

	Year ended 31 October		
	2005 £'000	2006 £'000	% Change
Revenue	52,926	64,313	**21.5%**
Costs of sales	(18,183)	(21,853)	**20.2%**
Gross profit	34,734	42,460	**22.2%**
Administrative expenses	(4,209)	(16,112)	**(282.8%)**
Operating profit before gain on investment properties	30,534	26,348	**(13.7%)**
Gain on investment properties	94,381	63,631	**(32.6%)**
Operating profit	124,915	89,979	**(28.0%)**
Net finance costs	(20,226)	(28,993)	**(43.3%)**
Profit before income tax	104,689	60,986	**(41.7%)**
Income tax expense	(26,110)	(15,849)	**(32.3%)**
Profit for the year	78,579	45,137	**(42.6%)**

Revenue

Revenue for the Group consists of revenue derived in the United Kingdom and Paris, France from the rental of storage space, ancillary products such as insurance and packing and storage products, and the rental of business centre facilities.

The table below sets forth the Group's revenues by geographic segment for each of the Financial Years 2005 and 2006.

	Year ended 31 October				
	2005 £'000	% of Total	2006 £'000	% of Total	% of Change
United Kingdom	45,163	85.3%	52,932	82.3%	**17.2%**
France	7,763	14.7%	11,381	17.7%	**46.6%**
Total revenue by geographic region	52,926	100.0%	64,313	100.0%	**21.5%**

The Group's revenue increased by £11,387,000, or 21.5 per cent, from £52,926,000 in Financial Year 2005 to £64,313,000 in Financial Year 2006. This increase principally reflected the full year effects in Financial Year 2006 of each of the Access France acquisition and the Storage World acquisition in Financial Year 2005, as well as the part year effect of the Selfstore. It acquisition in Financial Year 2006.

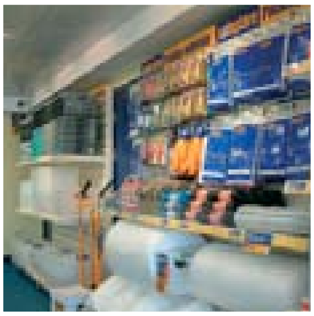
Excluding the effect of these acquisitions, revenue increased by 13.5 per cent from £49,458,000 in Financial Year 2005 to £56,130,000 in Financial Year 2006. This increase principally reflected improved occupancy rates at established and mature stores and improved average rates per square foot as well as increased sales of ancillary products.

Cost of Sales

Cost of sales consists principally of store staff salaries, business rates, utilities, insurance and repairs and renewals. The Group's cost of sales increased by £3,670,000 or 22.2 per cent from £18,183,000 in Financial Year 2005 to £21,853,000 in Financial Year 2006. This increase principally reflected the full year effect of the Access France and Storage World acquisitions and the part year effect of the Selfstore.It acquisition.

Administrative Expenses

Administrative expenses consist principally of directors' salaries, head office salaries, marketing and advertising expense and depreciation and amortisation expense. The Group's administrative expenses in both periods were significantly affected by exceptional items. Administrative expenses increased by £11,903,000 or 282.8 per cent from £4,209,000 in Financial Year 2005 to £16,122,000 in Financial Year 2006. In connection with the Access France acquisition the Group recognised £7,971,000 of negative goodwill and in accordance with IFRS, the negative goodwill was written off immediately in Financial Year 2005.



"The Group's revenue increased by 21.5%"

Operating and financial review
continued

This significant additional credit was partially offset by £863,000 of exceptional costs recognised in Financial Year 2005 relating to redundancy and integration costs. It was further offset by positive goodwill of £2,500,000 that was recognised and immediately written off in financial year 2005 in connection with the Storage World acquisition. In Financial Year 2006, positive goodwill of £756,000 in connection with the acquisition of Selfstore.It was also recognised and immediately written off. The goodwill was immediately written off as future cash flows are inherently reflected in investment property values on acquisition.

An exceptional IFRS 2 charge of £945,000 and £6,245,000 was incurred in Financial Year 2005 and Financial Year 2006, respectively, in respect of shares issued to employees and related tax costs.

Excluding the effect of these exceptional items, administrative expense would have amounted to £7,872,000 and £9,111,000 in Financial Year 2005 and Financial Year 2006, respectively. The increase principally reflected the full year effect in Financial Year 2006 of the significant increase in staffing requirements and the associated increases in salaries and wages at the head office of the French operations following the Access France acquisition. These staffing increases were necessary in light of the significant increase in the size of the French operations. This increase was offset in part by decreases in miscellaneous items. Miscellaneous items notably include expenses associated with acquisition activity, of which there was a significant amount in Financial Year 2005 when the Access France acquisition and Storage World acquisition were effected, but very little in Financial Year 2006.

EBITDA Before exceptional items and gain on investment properties

EBITDA before exceptional items is calculated as follows for Financial Year 2005 and Financial Year 2006:

	Financial Year	
	2005 £'000	**2006** **£'000**
Operating profit	124,915	**89,979**
Less gain on investment properties	(94,381)	**(63,631)**
Plus depreciation	120	**103**
Less (negative goodwill written back)/goodwill impairment	(5,471)	**756**
Plus exceptional items	1,808	**6,245**
EBITDA before exceptional items	26,991	**33,452**

The Group's EBITDA before exceptional items increased by £6,461,000 or 23.9 per cent from Financial Year 2005 to Financial Year 2006. This increase principally reflected the increase in revenues discussed above and the fact that revenues increased faster than costs of sales and administrative expenses.

Gain on Investment Properties

Gain on investment properties consists of the fair value revaluation gains and losses with respect to investment properties under IAS 40. The Group's gain on investment properties was £94,381,000 in Financial Year 2005 and £63,631,000 in Financial Year 2006. This increase principally reflects rising values of UK real estate.

Operating Profit

Operating profit decreased by £34,949,000 or 28.0 per cent. from Financial Year 2005 to £89,979,000 in Financial Year 2006. This decrease principally reflected the absence in Financial Year 2006 of the significant negative goodwill write off recorded in Financial Year 2005 as a result of the Access France acquisition as well as a reduced gain on investment properties in Financial Year 2006.

The overall decrease in operating profit was, however, offset in part by the full year effect of the Access France acquisition and the Storage World acquisition and the part year effect of the Selfstore.It acquisition in Financial Year 2006 as well as by improved performance of existing stores.

Operating profit for the United Kingdom segment of the Group's business was £123,573,000 in Financial Year 2005 and decreased by 37.9 per cent. to £76,785,000 in Financial Year 2006. This reduction reflected the reduced gain on investment properties from £94,381,000 to £63,631,000 net of the full year effect of the Storage World acquisition, the part year effect of the Selfstore.It acquisition as well as improved performance at existing stores.

Operating profit (excluding negative goodwill write back) for the French segment of the Group's business amounted to £9,313,000 in Financial Year 2005 and increased by 41.7 per cent to £13,194,000 in Financial Year 2006. This increase principally reflected improved performance at existing stores, including stores acquired in the Access France acquisition.

Net Finance Costs

Net finance cost consists of interest receivable from bank deposits as well as interest and similar charges payable on bank and other loans. Net finance costs increased by £8,767,000 or 43.3 per cent from £20,226,000 in Financial Year 2005 to £28,993,000 in Financial year 2006. This increase principally reflected the exceptional write off of £4,498,000 of issue costs relating to indebtedness refinanced in the Refinancing, the full year effect of increased indebtedness incurred in connection with the Access France acquisition and the Storage World acquisition, and the increase in finance costs associated with short leaseholds in Financial Year 2006. This increase was offset in part by lower interest rates following the Refinancing.

Income tax expense

Income tax expense decreased by £10,261,000 or 39.3 per cent from £26,110,000 in Financial Year 2005 to £15,849,000 in Financial Year 2006. Income tax expense recognised principally reflects deferred tax on investment property movements on the balance sheet. Actual tax payable in each period was insignificant due to the availability of tax losses in both the United Kingdom and France.

Profit for the year

Profit for the year decreased by £33,442,000 or 42.6 per cent, from £78,579,000 in Financial Year 2005 to £45,137,000 in Financial Year 2006.

Cash Flows

The following table summarises the Group's cash flow activity during the Financial Years 2005 and 2006 in accordance with IFRS.

	Year ended 31 October	
	2005 £'000	**2006 £'000**
Net cash inflow/(outflow) from operating activities	18,590	**(35)**
Net cash outflow from investing activities	(8,477)	**(20,661)**
Net cash (used in)/provided by financing activities	(8,243)	**18,464**
Net increase/(decrease) in cash and cash equivalents	1,870	**(2,232)**

Net cash inflow/(outflow) from operating activities

The Group's net cash inflow from operating activities were £18,590,000 in Financial Year 2005, while the Group had net cash outflows from operating activities of £35,000 in Financial Year 2006. In Financial Year 2006, a £2,526,000 increase in cash generated from operations was more than offset by cash used to pay interest. Excluding this one time payment, "adjusted" net cash inflow from operating activities was £20,465,000 during Financial Year 2006 as compared to £18,590,000 during Financial Year 2005. This increase in adjusted net cash inflow from operating activities reflected the improved operating performance of the Group described above.

Net cash used in investing activities

The Group's net cash used in investing activities was £20,661,000 during Financial Year 2006 as compared to £8,477,000 in Financial Year 2005. The cash used in investing activities in each period principally reflected the purchase of property, plant and equipment, which consisted mainly of cash to buy freehold interests for the Group's Expansion Stores. The significantly higher level of investment in Financial Year 2006 was partially offset by an increased level of proceeds from the disposal of non-current assets.

Net cash from financing activities

The Group's net cash from financing activities of £18,464,000 during Financial Year 2006 reflected the increased borrowings associated with the refinancing in May 2006 which was principally used to repay the shareholder loans and accumulated interest. The cash outflow in Financial Year 2005 principally reflected the replacement by the Group of indebtedness connected to the companies acquired in the Access France acquisition with the Group's own indebtedness.

Future Liquidity and Capital Resources

The Group anticipates funding any future acquisitions or new store developments from available cash, borrowings and potentially equity issuances. Borrowings under the Amended Capital Expenditure Facility and the Senior Credit Facility are subject to compliance with certain financial covenants.

Working Capital

The Company is of the opinion that, taking into account the bank facilities available and the net proceeds of the Global Offer receivable by the Company, the Group has sufficient working capital for its present requirements.

R D Hodsden
Chief Financial Officer
8 March 2007

Directors' report
for the year ended 31 October 2006

The directors present their annual report and the audited financial statements of the Group and Company for the year ended 31 October 2006.

Change of name

The Company re-registered under the Companies Act 1985 as a public limited company on 28 February 2007, and from this date changed its name to Safestore Holdings Plc.

Principal activities

The Group provides individual, secure self-storage space and related services for business and residential customers, in the UK and France. The majority of revenue is generated from the provision of self-storage. However, ancillary products, including insurance and storage accessories, e.g. bubble wrap, boxes and padlocks, provide a rapidly growing, high margin secondary revenue stream. The Group also generates a small amount of other income from business centres and other sources. This revenue consists of tenancy income from standard leasehold tenants, including offices, telecoms masts and car parks, as well as income from non-core operations.

Business review

A review of the Group's business is set out in the Chairman's statement, Chief Executive's Operating Review and the Operating and Financial review attached to these financial statements. The Company operated as a holding company throughout the year. The directors consider that the results of the Group and Company were satisfactory.

Key performance indicators

The directors are required in the business review to comment upon the Group's key performance indicators. These are reported within the Operating and Financial review on pages 16 to 19.

Results and dividends

The results for the year are set out on page 26. No dividend has been recommended for the year ended 31 October 2006 (2005: £nil).

Directors and directors' interests

Details of the directors who served throughout the year and subsequently are set out below:

Directors	
J A von Spreckelsen	Chairman and Non Executive Director
S W Williams	Chief Executive Officer
R D Hodsden	Chief Financial Officer
N A Riding	Chief Operating Officer (appointed 28 April 2006, resigned 21 February 2007)[1]
A D Payne	Non Executive Director (resigned 21 February 2007)
V M L Gwilliam	Non Executive Director
R S Grainger	Non Executive Director (appointed 1 February 2007)
R W Carey	Non Executive Director (appointed 1 February 2007)

1 N A Riding resigned from the holding company board only. He remains COO of the operating company


safestore


unit 1
unit 2


reception

Directors' report
continued

Details of directors' interests in the issued share capital of the Company were as follows:

	31 October 2005	Purchased during the year	**31 October 2006**
S W Williams	153,250	-	**153,250**
R D Hodsden	61,250	-	**61,250**
N A Riding	-	17,500	**17,500***
J A von Spreckelsen	28,000	-	**28,000**

* NA Riding held 17,500 shares in the Company as at the date of resignation from the board of Safestore Holdings Plc on 21 February 2007.

No other directors had any interest in the issued share capital of the Company during the year or as at 31 October 2006.

Quantitative and Qualitative Exposure to Market Risk

In the ordinary course of the Group's business, the Group is exposed to a variety of market risks including credit risk, liquidity risk, foreign exchange risk and interest rate risk. The Group's management monitors and manages these risks as an integral part of its overall risk management programme, which recognises the unpredictability of financial markets and seeks to reduce their potentially adverse effects on the Group's results.

The Group does not use financial instruments for trading or speculative purposes.

Credit Risk Management

Credit risk arises on financial instruments such as trade receivables and short-term bank deposits. Policies and procedures exist to ensure that customers have an appropriate credit history and account customers are given credit limits that are monitored. Short-term bank deposits are executed only with A-rated authorised counter parties based on ratings issued by the major rating agencies. Counter party exposure positions are monitored regularly so that credit exposures to any one counter party are within predetermined limits.

Liquidity Risk Management

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

Interest Rate Risk Management

The Group finances its operations through a mixture of cash and bank borrowings. The Group borrows in sterling. As at 31 October 2006, its borrowings (all of which are term loans under the Senior Credit Facility) were at floating rates, but 75 per cent. of that amount was hedged using interest rate swaps.

Foreign Exchange Risk Management

The Group has exposure to Euro/pound sterling exchange rate fluctuations. In the future, as the turnover increases in the French subsidiaries, management intends to reduce this risk in part by incurring debt with respect to the French operations in Euros rather than in pounds sterling as at present.

Inflation Risk Management

A portion of the Group's costs is affected by inflation but the Group's management does not believe the Group to be subject to material risk due to inflation.

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 internal communications are designed to ensure that all employees are well informed about the business of the Group. These include training and staff briefing. It is the policy of the Group 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 Discriminations Act 1995.

Political and charitable contributions

The Group made no political or charitable donations during the year (2005: £nil).

Creditor payment policy

The Group aims to pay all their suppliers within the payment terms negotiated with each individual supplier. The Group had 67 days purchases (2005: 53 days purchases) outstanding at 31 October 2006 based on the average daily amount invoiced by suppliers during the year ended 31 October 2006.

Going concern

After making enquiries, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year.

In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State that the financial statements comply with IFRS;
- Prepare the financial statements on the going concern basis unless it is appropriate to presume the Group will continue in business.

The directors confirm they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 comply with the Companies Act 1985. 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 Safestore Holdings Plc website upon which the financial statements will be available. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdiction.

So far as each director is aware, there is no relevant information of which the Group's auditors are unaware. Also each director has taken all steps (such as making enquiries of other directors and the auditors and any other steps required by the directors' duty to exercise due care, skill and diligence) that they ought to have taken in their duty as a director in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors of the Group will be proposed at the annual general meeting.

Approved by the Board of Directors and signed on behalf of the Board.

R D Hodsden
8 March 2007

Independent auditors' report to the members of Safestore Holdings Plc

We have audited the Group and parent Company financial statements (the ''financial statements'') of Safestore Holdings Plc (formerly Safestore Holdings Limited) for the year ended 31 October 2006 which comprise the consolidated income statement, the Group and parent Company balance sheets, the Group cash flow statement, the Group statement of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Group's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 and whether, in addition, the Group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, the Chief Executive's operating review, the Operating and Financial review and the Directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 October 2006 and of its profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent Company's affairs as at 31 October 2006;
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and
Registered Auditors
Birmingham
8 March 2007


self storage
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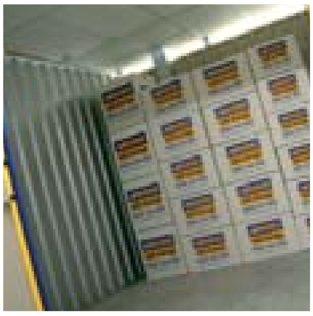


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Consolidated income statement

for the year ended 31 October 2006

	Note	Group 2006 Total £'000	Group 2005 Total £'000
Continuing operations			
Revenue	2	**64,313**	52,926
Cost of sales		**(21,853)**	(18,183)
Gross profit		**42,460**	34,743
Administrative expenses		**(16,112)**	(4,209)
EBITDA before exceptional items and gains on investment properties.		**33,452**	26,991
Exceptional items	4	**(6,245)**	(1,808)
Depreciation	5	**(103)**	(120)
Negative goodwill write back/(goodwill impairment)	26	**(756)**	5,471
Operating profit before gain on investment properties		**26,348**	30,534
Gain on investment properties	8	**63,631**	94,381
Operating profit	2,5	**89,979**	124,915
Finance income	3	**572**	399
Finance expense	3	**(29,565)**	(20,625)
Profit before income tax		**60,986**	104,689
Income tax expense	7	**(15,849)**	(26,110)
Profit for the year		**45,137**	78,579

Statement of recognised income and expense

for the year ended 31 October 2006

	Note	2006 £'000	2005 £'000
Profit for the financial year		**45,137**	78,579
Net exchange adjustment offset in reserves	23	**(368)**	(600)
Actuarial gain/(loss) recognised in the pension scheme	28	**3**	(1)
Movement of deferred tax on pension deficit		**(8)**	(37)
Net loss recognised directly in equity		**(373)**	(638)
Total recognised income and expense for the year		**44,764**	77,941

Group balance sheet

as at 31 October 2006

	Note	Group 2006 £'000	Group 2005 £'000
ASSETS			
Non-current assets			
Investment properties	8	**519,291**	432,241
Development properties	8	**7,921**	5,200
Property, plant & equipment	9	**1,408**	1,531
Deferred tax asset	20, 28	**9,633**	7,017
Other financial assets	13,16	**-**	5,348
Non-current assets		**538,253**	451,337
Current assets			
Inventories	11	**172**	137
Trade and other receivables	12	**10,421**	11,589
Other financial assets	13	**8,397**	2,192
Cash and cash equivalents	13	**9,478**	11,380
		28,468	25,298
Non-current assets held for resale	10	**670**	5,740
Total assets		**567,391**	482,375
LIABILITIES			
Current liabilities			
Financial liabilities			
- Borrowings	16	**(5,947)**	(139)
- Derivative financial instruments	17	**(203)**	-
Trade and other payables	14	**(36,673)**	(32,077)
Obligations under finance leases	18	**(7,719)**	(7,575)
Provisions	19	**(5)**	(48)
		(50,547)	(39,839)
Non-current liabilities			
Bank borrowings	16	**(234,586)**	(223,957)
Trade and other payables	14	**(1,822)**	(2,172)
Deferred tax liabilities	19,20	**(101,614)**	(82,435)
Obligations under finance leases	18	**(41,882)**	(43,787)
Provisions	19	**(175)**	(180)
Pension liability	28	**(247)**	(371)
Net assets		**136,518**	89,634
Shareholders' equity			
Ordinary shares	21	**4**	3
Share premium	23	**368**	294
Other reserves	23	**(968)**	(600)
Retained earnings	22, 23	**137,114**	89,937
Total shareholders' equity		**136,518**	89,634

These financial statements on pages 26 to 73 were approved by the Board of Directors on 8 March 2007 and signed on its behalf by:
RD Hodsden, Director
SW Williams, Director

Group cash flow statement

for the year ended 31 October 2006

	Note	Group 2006 £'000	Group 2005 £'000
Cash flows from operating activities			
Cash generated from operations	24	**33,092**	30,566
Interest received		**399**	399
Interest paid		**(33,509)**	(12,356)
Tax paid		**(17)**	(19)
Net cash (outflow)/inflow from operating activities		**(35)**	18,590
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash acquired)		**(4,111)**	(5,190)
Expenditure on investment properties and development properties		**(27,278)**	(9,790)
Net proceeds from disposal of investment properties		**6,492**	-
Net proceeds from disposal of assets held for resale		**5,070**	7,006
Purchase of property, plant and equipment		**(17)**	-
Proceeds from sale of property, plant and equipment		**40**	117
Purchase of available for sale financial assets		**(857)**	(620)
Net cash outflow in investing activities		**(20,661)**	(8,477)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**75**	44
Increase in borrowings		**237,000**	-
Finance lease principal payments		**(4,873)**	(3,881)
Repayment of borrowings		**(213,738)**	(4,406)
Net cash (used in)/provided by financing activities		**18,464**	(8,243)
Net increase/(decrease) in cash and cash equivalents		**(2,232)**	1,870
Cash and cash equivalents at 1 November		**11,241**	9,371
Cash and cash equivalents at 31 October		**9,009**	11,241

Notes to the financial statements

for the year ended 31 October 2006

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Report Interpretations Committee ("IFRIC") interpretations as adopted by the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. It shows the consolidated results of the Company and its subsidiaries (together with 'Group') for the two years ended 31 October 2006.

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

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical accounting estimates 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, development properties and interests in leasehold properties, the assessment of onerous leases, environmental and legal provisions.

First time adoption of IFRS

The Group is required to establish its IFRS accounting policies for the year ended 31 October 2006 and to apply these retrospectively to determine its balance sheet at the date of transition to IFRS, 1 November 2004, and comparative financial information for the year ended 31 October 2005. The comparative data for the year to 31 October 2005 has been restated and reconciliations are included in note 35 to explain the changes. The policies have been consistently applied for all years presented.

On transition to IFRS, a company is generally required to apply IFRS retrospectively, except where an exemption is available under IFRS1 First Time Adoption of International Financial Reporting Standards. The Group has taken the following exemptions available in IFRS1 not to restate comparatives in respect of the following items:

IAS 39 - "Financial Instruments: Recognition and measurement" and IAS 32 - "Financial Instruments: Disclosure and presentation".

The Group has taken advantage of the exemption in IFRS 1 that enables the Group to only apply these standards from 1 November 2005. Consequently the restated results for the year ended 31 October 2005 have been prepared using the accounting policies applied under UK GAAP. The main adjustment that would make the information comply with IAS32 "financial instruments: Disclosure and Presentation" and IAS39 "Financial instruments: Recognition and Measurement" relates to derivative instruments. Under UK GAAP, many derivative instruments are not accounted for at fair value, but are generally treated as off-balance sheet.

IFRS 3 – "Business combinations"

The Group has elected not to apply IFRS 3 business combinations prior to 1 November 2004. Therefore business combinations prior to this date have not been revisited in order to separately identify specific intangible assets acquired. There is no goodwill at transition.

IAS 21 - "Financial currency translation difference"

The Group has taken advantage of the IFRS 1 exemption by recognising all cumulative translation difference on retranslation of subsidiaries net assets to be set at zero at the date of transition to IFRS.

IAS 19 – "Employee benefits"

The Group has taken advantage of the IFRS 1 exemption by re-constituting the cumulative actuarial gains and losses in respect of retirement benefit schemes in reserves at transition.

The following accounting standards and interpretations have been released by the International Accounting Standards Board ('IASB') and adopted by the European Union, but are not effective at 31 October 2006.

IFRS 7	Financial Instruments disclosure
IFRIC 4	Determining whether an arrangement contains a lease
IFRIC 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
IFRIC 6	Liabilities arising from participating in a specific market: waste electrical and electronic equipment
IFRIC 7	Applying the restatement approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of embedded derivatives
IFRIC 10	Interims Financial reporting and Impairment
IFRIC 11	IFRS 2 – Group and treasury share transitions

Amendments to IAS 1	Presentation of financial statements – capital disclosure
Amendments to IAS 39 & IFRS 4	Financial guarantee contracts
Amendments to IAS 39	Transition and initial recognition of financial assets and liabilities
Amendments to IAS 39	Cash flow hedge accounting of forecast intra-group transactions
Amendments to IAS 39	Financial instruments: Recognition and measurement of the fair value option

It is believed that these standards will not have a material impact to the Group.

Basis of consolidation

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

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

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

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

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, equity instruments issued by the Group, in exchange for control of the acquiree. The assets, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

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

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

Revenue recognition

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

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

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

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

Exceptional items

Where it is considered that items of income or expense are material, 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 in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of the Group are expressed in pounds sterling, which is the functional and presentational currency of the Group.

- Transactions and balances

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

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, 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 2006

Borrowing costs

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

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

Investment properties and interests in leasehold properties

Investment properties are those properties owned by the Group that are held to earn rentals. Investment properties are initially measured at cost, including related transaction costs. After initial recognition investment properties are held at fair value based on a valuation by professionally qualified external valuers at each balance sheet date.

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

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

Development properties

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

Interests in leasehold properties

Interests in leasehold properties are properties held under finance leases, recognised on the balance sheet at the net present value of future lease payments. These assets are depreciated over the shorter of their useful economic life and the remaining lease period. Interest on finance leased assets is recognised in the profit and loss account at a constant rate over the life of the leased assets.

Property, plant and equipment

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

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

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

Owner occupied over the shorter of the remaining lease period and occupied period	2% per annum
Leasehold improvements	Period of lease
Plant, equipment, computers and office equipment	25% per annum
Motor vehicles	25% per annum
Fixtures, fittings, signs and partitioning	6.66 – 10% per annum
Mezzanine floors	7% 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.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognised as an intangible asset and reviewed for impairment annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Negative goodwill arising on acquisitions is taken immediately to the income statement.

Intangible assets

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

Computer software

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

Impairment of tangible and intangible assets (excluding property)

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

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

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

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

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. For this to be the case the asset (or disposal group) must be available for immediate sale in its present condition. The Group must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Inventories

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

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

Trade and other receivables

Trade and other receivables are stated at fair value, being cost less provision for impairment where there is evidence that not all amounts will be collectable under the original terms of the receivable.

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 as fair value.

Leases

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

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

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

Borrowings

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

Financial instruments

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

The accounting treatment of derivatives classified as hedges depends on their designation, which occurs on the date that the derivative contract is committed to.

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

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

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

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

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

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument 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 net profit or loss 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, vacant properties and insurance claims are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is considered material.

Taxation including deferred tax

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

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

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

Employee benefit costs

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

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

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

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

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

Share capital

Ordinary shares are classified as equity. Preferred ordinary shares that are entitled to a preferred dividend from 1 November 2006 are classified as debt.

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

Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

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

a) Estimate of fair value of investment properties

The Group values its self-storage centres using a discounted cash flow methodology which is based on projections of net operating income. Principal assumptions and management's underlying estimation of the fair value of those relate to: stabilised occupancy levels; expected future growth in storage rents and operating costs; maintenance requirements; capitalisation rates and discount rates. A more detailed explanation of the background and methodology adopted in the valuation of the investment properties is set out in note 8 to the financial information.

b) Development property

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

c) Onerous leases

The Group provides for all onerous lease arrangements where the lease cannot be readily reassigned.

In the process of applying the Group's accounting policies, which are described above, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Property leases

The Group is party to a number of leases on properties that are no longer required for trading. Whilst every effort is made to profitably sub-let these properties, it is not always possible. Where a lease is onerous to the Group, a provision is established for the difference between amounts contractually payable to the landlord and amounts contractually receivable from the tenant for the period up until the point it is judged that the lease will no longer be onerous. Management believe that their estimates, which are based upon the current state of the UK and French property market, are appropriate. However, it is possible that it may take longer to dispose of leases than they anticipate. As a result, the provisions may be understated, but in the opinion of the directors, this is unlikely to have a material impact on the accounts.

Financial risk management

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

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

The principal risk facing the Group is exposure to interest rate fluctuations. The Group is not exposed to significant foreign exchange risk as purchases are invoiced in either Sterling or Euro's.

These risks are described further below:

Interest rate risk

The Group finances its operations through a mixture of retained profits, bank borrowings, deep discounted bonds and loan notes. The Group borrows in

Notes to the financial statements continued

for the year ended 31 October 2006

sterling at fixed rates and, where necessary, uses interest rate swaps into floating rates (see note 17) to generate the preferred interest rate profile and to manage its exposure to interest rate fluctuations.

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

Credit risk
Credit risk arises on financial instruments such as trade receivables and short-term bank deposits. Policies and procedures exist to ensure that customers have an appropriate credit history and account customers are given credit limits that are monitored. Short-term bank deposits are executed only with A-rated authorised counter parties based on ratings issued by the major rating agencies. Counter party exposure positions are monitored regularly so that credit exposures to any one counter party are within predetermined limits. Overall, the Group considers that it is not exposed to a significant amount of credit risk.

Price risk
The Group is not exposed to significant price risk.

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

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

Fair value hedges
Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the income statement. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is re-measured at fair value and gains and losses from both are taken to the income statement.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through profit or loss over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to the income statement.

Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged items ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedge instrument are also recognised in the income statement.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

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

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

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

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

2 Segmental analysis

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.

The operating profits, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of corporate and head office expenses.

Year ended 31 October 2006

	UK £'000	France £'000	Group £'000
Continuing operations			
Revenue	52,932	11,381	**64,313**
Operating profit	76,785	13,194	**89,979**
Financial costs	(29,258)	(307)	**(29,565)**
Financial income	572	-	**572**
Profit before tax	48,099	12,887	**60,986**
Income tax expense			**(15,849)**
Profit for the year			**45,137**
Segment assets	497,081	70,310	**567,391**
Total assets	497,081	70,310	**567,391**
Segment liabilities	(73,703)	(20,767)	**(94,470)**
Unallocated liabilities			
- group borrowings	(234,586)	-	**(234,586)**
- derivatives	(203)	-	**(203)**
- tax liabilities	(101,614)	-	**(101,614)**
Total liabilities	(410,106)	(20,767)	**(430,873)**
Net assets	86,975	49,543	**136,518**
Other segment items			
Capital expenditure			
- property, plant and equipment (note 9)	20	-	**20**
Depreciation (note 5)	(92)	(11)	**(103)**
Impairment of trade receivables (note 12)	88	519	**607**

Notes to the financial statements continued

for the year ended 31 October 2006

2 Segmental analysis continued

Year ended 31 October 2005

	UK £'000	France £'000	Group £'000
Continuing operations			
Revenue	**45,163**	**7,763**	**52,926**
Operating profit	123,573	1,342	**124,915**
Finance costs	(20,575)	(50)	**(20,625)**
Finance income	399	-	**399**
Profit before tax	103,397	1,292	**104,689**
Income tax expense			**(26,110)**
Profit for the year			**78,579**
Segment assets	428,053	54,322	**482,375**
Total assets	**428,053**	**54,322**	**482,375**
Segment liabilities	(69,466)	(16,883)	**(86,349)**
Unallocated liabilities			
- group borrowings	(223,957)	-	**(223,957)**
- tax liabilities	(82,435)	-	**(82,435)**
Total liabilities	**(375,858)**	**(16,883)**	**(392,741)**
Net assets	52,195	37,439	**89,634**
Other segment items			
Capital expenditure			
- property, plant and equipment (note 9)	(97)	(20)	**(117)**
Depreciation (note 5)	(82)	(21)	**(103)**
Impairment of trade receivables (note 12)	101	519	**620**

3 Finance costs – net

	2006 £'000	2005 £'000
Finance costs:		
Interest payable on bank loans and overdraft	**(10,852)**	(8,257)
Amortisation of debt issue costs on bank loan	**(1,105)**	(1,630)
Interest payable on other loans	**(8,951)**	(7,361)
Interest payable on pension scheme	**(9)**	(16)
Interest on obligations under finance leases	**(3,947)**	(3,361)
Change in value of interest rate swap	**(203)**	-
Finance cost before exceptional items	**(25,067)**	(20,625)
Exceptional write off of debt issue costs on refinancing	**(4,498)**	-
Total finance cost	**(29,565)**	(20,625)
Finance income:		
Interest receivable from bank deposits	**572**	399
Finance costs – net	**(28,993)**	(20,226)

The write-off of issue cost relates to refinancing which occurred in the year ended 31 October 2006, are considered exceptional in nature.

4 Exceptional items

Exceptional items (included within administrative expenses) incurred during the year are set out below:

	2006 £'000	2005 £'000
Cost of share issues (IFRS 2)	**6,245**	945
Redundancy and integration costs	**-**	863
	6,245	1,808

In 2005, redundancy and integration costs were incurred as part of an internal restructuring exercise within the Group and the simplification of the Group structure.

The costs of share issues in 2005 and 2006 relate to an exceptional IFRS 2 charge on the issue of shares to employees at below market value and related tax costs, and in 2006 also include the bonus costs to certain employees in lieu of share awards but not yet issued.

Notes to the financial statements continued

for the year ended 31 October 2006

5 Operating profit

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

	2006 £'000	2005 £'000
Operating profit is after charging/(crediting):		
Staff costs (see note 27)	**13,336**	9,455
Inventories		
- cost of inventories recognised as an expense (included in cost of sales)	**928**	678
Depreciation on property, plant and equipment:		
- Owned assets	**103**	120
Writeback of negative goodwill on acquisition (see note 26)	**-**	(7,971)
Goodwill impairment	**756**	2,500
Gain on investment properties (see note 8)	**(63,631)**	(94,381)
Rentals under operating leases - Plant and machinery	**20**	45
Repairs and maintenance expenditure on Investment properties	**933**	637
Trade receivables impairment	**607**	620
Exceptional items (see note 4)	**6,245**	1,808

6 Fees paid to auditors

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

	2006 £'000	2005 £'000
Audit services		
Statutory audit	**127**	100
Fees for other services		
Statutory audit for overseas entities	**21**	17
Tax compliance	**63**	50
IFRS transitional project	**41**	-
Covenant reporting	**1**	-
Corporate finance transactions (a)	**238**	182
Total	**491**	349

(a) Corporate finance transactions comprised of the provision of advisory services in relation to the refinancing of the Group during the year.

7 Taxation

Analysis of charge in periods

	2006 £'000	2005 £'000
Current tax:		
UK Corporation tax	**13**	22
Deferred tax (note 20)		
- Current year	**15,770**	26,124
- Adjustment in respect of prior year	**66**	(36)
Taxation	**(15,849)**	(26,110)

Reconciliation of corporation tax

The tax for the year is lower (2005: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2006 £'000	2005 £'000
Profit before taxation	**60,986**	104,689
Profit at standard rate of corporation taxation in the UK: 30% (2005: 30%)	**18,296**	31,407
Effect of:		
Expenses/income not deductible for tax purposes	**1,354**	978
Indexation on property revaluation	**(441)**	(680)
French tax losses not previously recognised	**(1,127)**	(750)
UK tax losses not previously recognised	**-**	(139)
Prior year adjustment on change in use of property	**(1,387)**	-
Prior year adjustments	**66**	(36)
Income not taxable for tax purposes	**(912)**	(4,670)
Total income tax expense for the year from continuing operations	**15,849**	26,110

8 Investment properties, Development Properties and Interests in Leasehold Properties

	Investment property £'000	Interests in leasehold properties £'000	Total investment properties £'000	Development properties £'000
As at 1 November 2004	253,826	40,015	293,841	-
Additions	6,315	5,910	12,225	5,200
Arising on acquisition (see note 26)	22,776	9,319	32,095	-
Revaluations	98,263	(3,882)	94,381	-
Exchange movements	(301)	-	(301)	-
As at 31 October 2005	380,879	51,362	432,241	5,200
Additions	19,365	3,112	22,477	7,921
Arising on acquisition (See note 26)	2,520	-	2,520	-
Revaluations	66,637	(4,873)	61,764	-
Reclassifications	5,200	-	5,200	(5,200)
Disposals	(4,625)	-	(4,625)	-
Exchange movements	(286)	-	(286)	-
As at 31 October 2006	469,690	49,601	519,291	7,921

Gains on investment properties comprise

	2006 £'000	2005 £'000
Revaluations	**61,764**	94,381
Profit on disposal	**1,867**	-
	63,631	94,381

In accordance with IAS 40, 'Investment properties', the Group has reviewed the classification of all leases at the opening balance sheet date of 1 November 2004. All leases have been designated as finance leases and on this basis, leases on 42 properties have been recognised as finance leases in these accounts. This has resulted in an increase to investment properties of £40,015,000 at 1 November 2004 and a matching finance lease creditor of £40,015,000 (see note 35) at the same date.

8 Investment properties, Development Properties and Interests in Leasehold Properties continued

	Deemed cost £'000	Valuation £'000	Revaluation on deemed cost £'000
Freehold stores			
As at 1 November 2005	181,186	309,085	127,899
Movement in year	14,066	47,605	33,539
As at 31 October 2006	**195,252**	**356,690**	**161,438**
Leasehold stores			
As at 1 November 2005	39,594	71,794	32,200
Movement in year	8,108	41,206	33,098
As at 31 October 2006	**47,703**	**113,000**	**65,298**
All stores			
As at 1 November 2005	220,780	380,879	160,099
Movement in year	22,174	88,811	66,637
As at 31 October 2006	**242,954**	**469,690**	**226,736**

The freehold and leasehold investment properties have been valued as at 31 October 2006 by external valuers, Cushman and Wakefield, Real Estate Consultants ("C&W"). The valuation has been carried out in accordance with the RICS Approval and Valuation Standards Published by The Royal Institution of Chartered Surveyors ("the red book"). The valuation of each of the investment properties has been prepared on the basis of market value as a fully equipped operational entity, having regard to trading potential. The valuation has been provided for accounts purposes and as such is a regulated purpose valuation as defined in the Red Book. In compliance with the disclosure requirements of the Red Book, C&W have confirmed that:

- This is the first occasion on which C&W have carried out a valuation for the Group for accounts purposes.
- C&W do not provide other significant professional or agency services to the Group, although C&W have previously valued the Group's assets for bank finance purposes as at 31 December 2005.
- 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%.

Valuation method and assumptions

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

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

Freehold (UK and France)

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

Leasehold (UK)

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

Leasehold (France)

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

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for the year ended 31 October 2006

9 Owner occupied property, plant and equipment

Group	Owner occupied buildings £'000	Motor vehicles £'000	Fixtures, fittings, signs and partitioning £'000	Total £'000
Cost				
At 1 November 2004	1,108	247	330	1,685
Additions	-	69	106	175
Arising on acquisition	-	-	117	117
Disposals	(108)	-	(134)	(242)
At 31 October 2005	**1,000**	**316**	**419**	**1,735**
Depreciation				
At 1 November 2004	132	77	96	305
Charge	10	73	37	120
Arising on acquisition	-	-	17	17
Disposals	(108)	-	(130)	(238)
At 31 October 2005	**34**	**150**	**20**	**204**
Net book value				
At 31 October 2005	**966**	**166**	**399**	**1,531**
At 31 October 2004	976	170	234	1,380

9 Owner occupied property, plant and equipment continued

Group	Owner occupied buildings £'000	Motor vehicles £'000	Fixtures, fittings, signs and partitioning £'000	Total £'000
Cost				
At 1 November 2005	1,000	316	419	1,735
Additions	-	20	-	20
Disposals	-	(118)	-	(118)
At 31 October 2006	**1,000**	**218**	**419**	**1,637**
Accumulated depreciation				
At 1 November 2005	13	150	41	204
Charge for the year	13	56	34	103
Disposals	-	(78)	-	(78)
At 31 October 2006	**26**	**128**	**75**	**229**
Net book value				
At 31 October 2006	**974**	**90**	**344**	**1,408**
At 31 October 2005	987	166	378	1,531

Capital commitments

Capital expenditure contracted but not provided for at the year end was £nil (2005: £nil).

10 Assets held for resale

Non-current assets held for sale as at 31 October 2006 of £670,000 (2005: £5,740,000) relate to one development property (2005: 3 properties) acquired as part of the Access Storage group acquisition (see note 26).

This asset is held in the balance sheet at its fair value on acquisition. The asset is expected to be disposed within twelve months of the year end (2005: twelve months).

Notes to the financial statements continued

for the year ended 31 October 2006

11 Inventories

	2006 £'000	2005 £'000
Finished goods and goods for resale	**172**	137
Less: provisions for impairment of inventories	**-**	-
	172	137

The Group consumed £928,000 (2005: £678,000) of inventories during the year. Inventory write downs were £nil for both financial years (2005: £nil).

Inventories of £172,000 (2005: £137,000) are carried at fair value less costs to sell. Provisions are made against slow moving and obsolete stock lines where considered appropriate.

12 Trade and other receivables

	2006 £'000	2005 £'000
Amounts falling due within one year:		
Trade receivables	**4,674**	4,172
Less: provision for impairment of receivables	**(884)**	(951)
Trade receivables - net	**3,790**	3,221
Other receivables	**1,968**	2,855
Prepayments and accrued income	**4,663**	5,513
	10,421	11,589

The fair value of receivables is calculated on cashflows discounted using a rate based on the borrowing rate of 6.06%. The above balances are short-term and therefore the difference between the book value and the fair value of the above receivables is not significant.

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

13 Cash and cash equivalents

	2006 £'000	2005 £'000
Cash at bank and in hand	**6,123**	8,943
Short term bank deposits	**3,355**	2,437
	9,478	11,380

The effective interest rate on short-term deposits for both financial years was ¼% below LIBOR and these deposits have an average maturity of 1 day.

Other financial assets comprise £5,348,000 (2005: £5,348,000) of deposits with restricted use in relation to loan notes issued on acquisition by Mentmore and £3,049,000 (2005: £2,192,000) of short term deposits invested in equity. Financial assets of £5,348,000 are non-current in 2005 and current in 2006 based on the fact that they are due to be settled in 2007.

14 Trade and other payables – current and non-current

	2006 £'000	2005 £'000
Current		
Trade payables	**6,390**	6,375
Other taxes and social security payable	**3,809**	2,143
Other payables	**8,360**	8,184
Accruals and deferred income	**18,114**	15,375
	36,673	32,077
Non-current		
Other payables	**1,822**	2,172

15 Current tax liabilities

	2006 £'000	2005 £'000
Current tax liability	**13**	22

Notes to the financial statements continued

for the year ended 31 October 2006

16 Financial liabilities – borrowings

Current

	2006 £'000	2005 £'000
Bank loans and overdrafts due within one year or on demand:		
Secured – bank overdraft	**469**	139
Other borrowings		
Loan notes - deferred consideration for acquisition[3]	**5,478**	-
	5,947	139

Non-current

	2006 £'000	2005 £'000
Bank loans:		
Secured[1]	**237,000**	130,200
Debt issue costs – due within one year	**(660)**	(1,248)
due after one year	**(2,420)**	(3,080)
	233,920	125,872
Other borrowings:		
Deep discounted bonds[2]	**-**	90,768
Loan notes - deferred consideration for acquisitions[3]	**-**	6,651
Convertible preferred ordinary shares	**666**	666
	234,586	223,957

Finance costs of £3,080,000 (2005: £4,328,000) have been capitalised against bank loans and other borrowings and are being amortised over the life of the banking and loan facilities.

1. The bank loans and overdrafts are secured by a fixed charge over the Group's investments property portfolio. In July 2006, as part of the interest rate management strategy the Group entered into one interest rate swap for a notional principal amount of £177,750,000 commencing in December 2006 and maturing in July 2011. Under this swap, the Group receives interest on a variable basis and pays interest at a rate of 5.21525%.
2. The deep discounted bonds totalling £90,768,000 were repaid during 2006.
3. £1,300,000 of loan notes were issued as part of the consideration for the acquisition of the Storage World group of which £1,170,000 were redeemed in the current year. The loan notes bear interest of 1% below the RBS base rate and are redeemable between 2-5 years. Deferred consideration for acquisitions relates to deferred loan notes payable of £5,348,000 for the acquisition of a subsidiary by Mentmore Plc. The loan notes bear interest of 0.5% below LIBOR and are redeemable within 1 year.

16 Financial liabilities – borrowings continued

The maturity profile of the carrying amount of the Group's non-current liabilities at 31 October 2006 was as follows:

	Debt	Finance leases £'000	**Total 2005 £'000**	Debt £'000	Finance leases £'000	**Total 2006 £'000**
	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Expiring between 1-2 years	-	779	**779**	4,000	610	**4,610**
Expiring between 2-5 years	130,200	5,885	**136,085**	233,000	4,460	**237,460**
Expiring after 5 years	-	37,123	**37,123**	-	36,812	**36,812**
	130,200	43,787	**173,987**	237,000	41,882	**278,882**

Bank loans are stated net of unamortised issue costs of £3,080,000 (2005: £4,328,000).

Bank loans are repayable as follows:

	Group 2006 £'000	Group 2005 £'000
In one year or less	**-**	-
Between one and two years	**4,000**	-
Between two and five years	**233,000**	130,200
Unamortised issue costs due within one year	**(660)**	(1,248)
Unamortised issue costs due after one year	**(2,420)**	(3,080)
	233,920	125,872

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

	2006	2005
Bank loans	**LIBOR plus 1.25%**	LIBOR plus 1.75%-2.00%
Bank overdrafts	**0.5% above EURIBOR**	0.25% above EURIBOR

The fair value of the Group lease obligation approximates to their carrying value.

Notes to the financial statements continued

for the year ended 31 October 2006

17 Financial instruments

Numerical financial instruments disclosures are set out below. Additional disclosures are set out in the Operating and Financial review on pages 16 to 19.

Group	2006 Liabilities £'000	2005 Liabilities £'000
At 31 October 2006		
Interest rate swaps – cash flow hedge	203	-
	203	-

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

Net fair values of derivative financial instruments

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

	2006 £'000	2005 £'000
Contracts with negative fair values:		
Interest rate swaps	(203)	-

Interest rate swap

The notional principal amount of the outstanding interest rate swap contract at 31 October 2006 was £177,750,000 (2005: £nil). At 31 October 2006 the fixed interest rate was 5.21525% (2005: nil) and floating rates are at LIBOR. The loss in the period since inception has been recognised in the profit and loss statement.

Fair values of non-derivative financial assets and financial liabilities

Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at prevailing interest rates and by applying year end exchange rates. The carrying amounts of both short-term borrowings and bank loans approximate to book value.

17 Financial instruments continued

	2005 Book value	2005 Fair value	**2006 Book value**	**2006 Fair value**
Bank loans	(125,872)	(95,637)	**(233,920)**	**(177,128)**
Deep discount bonds	(90,768)	(58,588)	**-**	**-**
Finance lease obligations	(51,362)	(51,362)	**(49,601)**	**(49,601)**
Loan notes	(6,648)	(6,648)	**(130)**	**(130)**
Convertible preferred ordinary shares	(666)	(666)	**(666)**	**(666)**
Non- current assets held for sale	5,740	5,740	**670**	**670**

The fair values are based on cash flows discounted using a rate based on:

Bank loans – weighted average cost of capital of 6.06% (2005: 7.109%), and 9.15% on deep discount bonds. The fair values of the finance lease obligations, loan notes and convertible preferred ordinary share equate to book value.

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 £'000	**2006 £'000**	Floating rate £'000	2005 £'000
Expiring within 1 year	**-**	**-**	-	-
Expiring between 1 and 2 years	**-**	**-**	-	-
Expiring in more than 2 years	**43,000**	**43,000**	34,300	34,300
	43,000	**43,000**	34,300	34,300

Notes to the financial statements continued

for the year ended 31 October 2006

18 Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2006 £'000	2005 £'000	**2006 £'000**	2005 £'000
Within one year	**8,129**	7,967	**7,719**	7,575
Within two to five years inclusive	**27,667**	27,826	**20,660**	21,228
Greater than five years	**55,650**	57,206	**21,222**	22,559
	91,446	92,999	**49,601**	51,362
Less: future finance charges on finance leases	**(41,845)**	(41,637)	**-**	-
Present value of finance lease obligations	**49,601**	51,362	**49,601**	51,362

All lease obligations are denominated in sterling.

The fair value of the Group's lease obligations approximates to their carrying value.

	2006 £'000	2005 £'000
Current	**7,719**	7,575
Non-current	**41,882**	43,787
	49,601	51,362

19 Provisions

Group	**Provision for legal costs £'000**	**Vacant property provision £'000**	**Dilapidations provision £'000**	**Total £'000**
At 1 November 2005	75	53	100	228
Utilised in the year	-	(48)	-	(48)
At 31 October 2006	**75**	**5**	**100**	**180**

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

	2006 £'000	2005 £'000
Current	**5**	48
Non-current	**175**	180
	180	228

Provision for legal costs
A provision for ongoing legal costs and possible costs in relation to an insurance claim of £75,000 has been made and is expected to be utilised between 1-2 years (2005: 1-3 years).

Vacant property provision
The provision relates to future rental commitments on vacant and sublet properties and the provision is expected to be utilised over a period between 1-2 years (2005: 1-3 years).

Dilapidation provision
The provision relates to future committed costs at two stores that are expected to be incurred between 1-4 years (2005: 2-5 years).

20 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 30% (2005: 30%). The movement on the deferred tax account is as shown below:

	2006 £'000	2005 £'000
At 1 November	**75,418**	46,791
Profit and loss charge	**15,849**	26,110
Charged to equity	**37**	37
Exchange differences	**(79)**	(20)
Acquisitions	**756**	2,500
At 31 October	**91,981**	75,418

At 31 October 2006, the Group had capital losses of £2.6 million (2005: £2.0 million) and an unrecognised deferred tax asset of £nil (2005: £nil) relating to trading losses and timing differences in respect of its UK operations. In addition, tax losses of £nil (2005: £3.8 million) relating to operations in France are unrecognised for deferred tax purposes.

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered.

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.

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.

Notes to the financial statements continued

for the year ended 31 October 2006

20 Deferred tax continued

Deferred tax liability

	Accelerated tax depreciation on provisions £'000
At 1 November 2004	**53,691**
Charged to profit and loss account	**26,224**
Exchange differences	**20**
Acquisitions	**2,500**
At 31 October 2005	**82,435**
Charged to profit and loss account	**18,502**
Exchange differences	**(79)**
Acquisitions	**756**
At 31 October 2006	**101,614**

Deferred tax asset

	Tax losses £'000	Other £'000	Total £'000
At 1 November 2004	**6,786**	**148**	**6,934**
Charged to profit and loss account	120	-	120
Charged to equity	-	(37)	(37)
At 1 October 2005	**6,906**	**111**	**7,017**
Charged to profit and loss account	2,653	-	2,653
Charged to equity	-	(37)	(37)
At 31 October 2006	**9,559**	**74**	**9,633**

The deferred tax liability due after more than one year is £101.6 million (2005: £82.5 million).

21 Called up share capital

Group	2006 £'000	2005 £'000
Authorised		
375,000 (2005: 300,000) ordinary shares of 1p each	**4**	3
Called up, allotted and fully paid		
375,000 (2005: 300,000) ordinary shares of 1p each	**4**	3
At 31 October	**4**	3

During the year, 75,000 ordinary shares of 1p were issued for a consideration of £75,000 generating share premium of £74,250. In 2005, 43,750 ordinary shares of 1p were issued during the year for a consideration of £44,000 generating share premium of £43,563.

Ordinary shares

The holders of the ordinary shares shall be entitled to one vote for each ordinary share. On a return of capital on liquidation, capital reduction or otherwise the surplus assets of the Group remaining after the payment of its liabilities shall be applied, subject to the payment of all amounts payable to the holders of the preferred ordinary shares.

Preferred ordinary shares

The value of preferred ordinary shares including share premium of £666,000 have been transferred to other debt as they have a right to a dividend of 15% of net profits cumulative from 1 November 2006.

22 Retained earnings

	£'000
Balance at 1 November 2004	10,914
Profit for the year	78,579
Adjustment in respect of share issue	455
Actuarial loss recognised in the pension scheme net of tax	(38)
Balance at 31 October 2005	**89,937**
Profit for the year	45,137
Adjustment in respect of share issue	2,045
Actuarial loss recognised in the pension scheme net of tax	(5)
Balance at 31 October 2006	**137,114**

Notes to the financial statements continued

for the year ended 31 October 2006

23 Statement of changes in shareholders' equity

Group	Share capital £'000	Share premium £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 November 2004	**3**	**251**	**-**	**10,941**	**11,195**
Profit for the year	-	-	-	78,579	78,579
Adjustment in respect of share issue	-	-	-	455	455
Exchange differences on translation of foreign operations	-	-	(600)	-	(600)
Shares issued	-	43	-	-	43
Actuarial loss recognised in the pension scheme	-	-	-	(1)	(1)
Movement on deferred tax relating to pension deficit	-	-	-	(37)	(37)
Balance at 31 October 2005	**3**	**294**	**(600)**	**89,937**	**89,634**
Profit for the year	-	-	-	45,137	45,137
Exchange differences on translation of foreign operations	-	-	(368)	-	(368)
Adjustment in respect of share issue	-	-	-	2,045	2,045
Shares issued	1	74	-	-	75
Actuarial gain recognised in the pension scheme	-	-	-	3	3
Movement on deferred tax relating to pension deficit	-	-	-	(8)	(8)
Balance at 31 October 2006	**4**	**368**	**(968)**	**137,114**	**136,518**

The translation reserve, £968,000 (2005: £600,000) comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations

24 Cash flow from operating activities

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

Cash generated from continuing operations

	2006 £'000	2005 £'000
Profit before income tax	**60,986**	104,689
Adjustments for:		
Gain from fair value adjustment on investment properties	**(63,631)**	(94,381)
Depreciation	**103**	120
Negative goodwill written back/(goodwill impairment)	**756**	(5,471)
Finance income	**(572)**	(399)
Finance expense	**29,565**	20,625
Changes in working capital		
Increase in inventories	**(35)**	(117)
Decrease in trade and other receivables	**702**	623
Increase in trade and other payables	**5,390**	5,049
Decrease in pension scheme liabilities	**(124)**	(124)
Decrease in provisions	**(48)**	(48)
Cash generated from continuing operations	**33,092**	30,566

Notes to the financial statements continued

for the year ended 31 October 2006

25 Analysis of movement in net debt

	2005 £'000	Cash flows £'000	Acquisitions £'000	Non cash movements £'000	**2006 £'000**
Cash in hand	11,380	(1,902)	-	-	**9,478**
Overdrafts	(139)	(330)	-	-	**(469)**
	11,241	(2,232)	-	-	**9,009**
Debt due within 1 year	-	660	-	(5,478)	**(4,818)**
Debt due after 1 year	(223,957)	(23,922)	-	12,633	**(235,246)**
Total net debt excluding finance leases	(212,716)	(25,494)	-	7,155	**(231,055)**
Finance leases due within 1 year	(7,575)	4,873	-	(5,017)	**(7,719)**
Finance leases due after 1 year	(43,787)	-	-	1,905	**(41,882)**
Total finance leases	(51,362)	4,873	-	(3,112)	**(49,601)**
Total net debt	(264,078)	(20,621)	-	4,043	**(286,656)**

Non-cash changes relate to reclassification of non-current debt to current debt, amortisation of debt issue costs, interest charges on finance leases and accrued interest on deep discounted bonds.

26 Acquisitions

Selfstore.It

The Group purchased the trade and assets of Selfstore.It on 8 March 2006.
The provisional fair values on acquisition are as follows:

	Net book value 2006 £'000	Revaluations and changes in accounting policy £'000	Other £'000	Provisional Fair values 2006 £'000
Investment properties (see note 8)	-	2,520	-	2,520
Intangible assets	2,065	(2,065)	-	-
Tangible fixed assets	335	(335)	-	-
Debtors	74	-	(44)	30
Deferred income tax liabilities (see note 20)	-	(756)	-	(756)
Net assets acquired	2,474	(636)	(44)	1,794
Consideration				
Cash				2,474
Expenses				76
				2,550
Goodwill arising on the acquisition				756

The Group is unable to quantify the turnover, operating profit before interest and tax and the retained profit for the year to and prior to acquisition as the information is unavailable.

A valuation of the acquired leasehold properties was undertaken in December 2005, on the basis of existing use and alternative use by an independent qualified valuer. The valuation was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors in the United Kingdom by Cushman and Wakefield, a firm of independent Chartered Surveyors. The acquired properties have on acquisition been designated investment properties under IAS 40, and have been recognised at their fair value on acquisition. Purchased goodwill acquired with the business has been written off on acquisition. Other adjustments relate to the revaluation and transfer of the investment properties acquired and a provision of £44,000 has been made in respect of debts in dispute which existed at the date of acquisition.

The goodwill arising on acquisition of £756,000 was fully impaired in the year ended 31October 2006 because the forecast cash flows from this business did not support the carrying value of goodwill at year end, as future cash flows are inherently reflected in the investment property valuation on acquisition. The discount rate used was 8%.

No intangible assets have been recognised in relation to revenue streams from existing customers at the date of acquisition on the basis that these future cash flows are inherently reflected in the investment property valuation on acquisition.

Notes to the financial statements continued

for the year ended 31 October 2006

26 Acquisitions continued

Storage World Limited

Storage World Limited was acquired on 29 July 2005 when the deal was declared unconditional. The fair values on acquisition are as follows:

	Net book value 2006 £'000	Revaluations and changes in accounting policy £'000	Other £'000	Fair values 2006 £'000
Investment properties (see note 8)	-	14,821	-	14,821
Tangible fixed assets	8,451	(8,451)	-	-
Stock	20	-	(20)	-
Debtors	521	-	-	521
Bank overdraft	(616)	-	-	(616)
Creditors: amounts falling due less than one year	(1,409)	(50)	-	(1,459)
Creditors: amounts falling due greater than one year	(7,217)	-	-	(7,217)
Deferred income tax liability (see note 20)	-	(2,500)	-	(2,500)
Net assets acquired	(250)	3,820	(20)	3,550
Consideration				
Cash				4,514
Loan notes (note 16)				1,300
Expenses				236
				6,050
Goodwill arising on the acquisition				2,500

For the period ended 29 July 2005 (year ended 30 June 2005), the Storage World group reported an unaudited (audited) turnover of £126,000 (year to 30 June 2005: £1,343,000), an operating profit before interest and tax of £30,000 (year to 30 June 2005: £139,000 operating loss), and a loss after tax of £1,000 (year to 30 June 2005: £312,000 loss).

A valuation of the Storage World group's freehold properties was undertaken in July 2005, on the basis of existing use and alternative use value by an independent qualified valuer. The valuation was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors in the United Kingdom by Drivas Jones, a firm of independent Chartered Surveyors. The acquired properties have on acquisition been designated investment properties under IAS40 and have been recognised at their fair value on acquisition. Other fair value adjustments relate to the provision against consumable stocks and provisions against deferred revenue following a detailed review by management. No intangible assets have been recognised in relation to revenue streams from existing customers at the date of acquisition on the basis that these future cash flows are inherently reflected in the investment property valuation on acquisition.

The goodwill arising on acquisitions of £2,500,000 was fully impaired in the year ended 31 October 2006 because the forecast cash flows from this business did not support the carrying value of goodwill at year end, as future cash flows are inherently reflected in the investment property valuation on acquisition. The discount rate used was 8%.

The cost and net book value of goodwill at 31 October 2006 are £3,256,000 and £nil respectively (2005: £2,500,000 and £nil respectively).

26 Acquisitions continued

Access Storage Holdings (France) S.a.r.l.

Access Storage Holdings (France) S.a.r.l. was acquired on 7 April 2005 when the acquisition was declared unconditional. The fair values on acquisition are as follows:

	Net book value 2006 £'000	Revaluations £'000	Other £'000	Fair values 2006 £'000
Investment properties (see note 8)	-	-	16,489	16,489
Tangible fixed assets	26,755	2,684	(29,439)	-
Stock	20	-	-	20
Assets held for resale	-	-	12,925	12,925
Debtors	2,945	(184)	(257)	2,504
Cash	772	-	-	772
Creditors: amounts falling due less than one year	(4,356)	-	(135)	(4,491)
Creditors: amounts falling due greater than one year	(9,621)	-	-	(9,621)
Obligations under finance leases	-	-	(8,534)	(8,534)
Net assets acquired	16,515	2,500	(8,951)	(10,064)
Consideration				
Cash	-	-	-	-
Deferred consideration	1,720	-	(222)	1,498
Expenses	595	-	-	595
	2,315	-	(222)	2,093
Negative goodwill arising on the acquisition				(7,971)

Negative goodwill has been credited to the income statement immediately post acquisition in accordance with IFRS 3 'Business Combinations'.

The Group is unable to quantify the turnover, operating profit before interest and tax and the retained profit for the year to 31 December 2004 and the three month period to 31 March 2005 as the information on a consolidated basis is unavailable.

A valuation of the Access Storage group's freehold properties was undertaken in February 2005, on the basis of existing use and alternative use value by an independent qualified valuer. The valuation was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors in the United Kingdom by Drivas Jones, a firm of Independent Chartered Surveyors. The directors have assessed that the fair value of the property portfolio at the date of acquisition is in line with the valuation and have accordingly uplifted the value of the portfolio by £3,849,000. Fixed assets within stores have been written down by £1,165,000 as a result of the valuation. The acquired properties have on acquisition been designated investment properties under IAS40 and have been recognised at their fair value on acquisition.

Other fair value adjustments relate to the reclassification of 11 stores from fixed assets to assets held for resale (£12,925,000). Eight stores were subsequently sold for sales proceeds of £7,123,000. Two further stores have been sold in 2006 (see note 10). From the period since acquisition until the date of disposal, the assets have not been depreciated and the trading activities have not been incorporated in the financial results for the year. A provision of £184,000 has been made in respect of debts in dispute which existed at the date of acquisition. Other provisions of £175,000 have been made for unrecorded liabilities, recognition of finance lease obligations in respect of investment properties acquired and adjustments to the valuation of debtors acquired in 2006.

No intangible assets have been recognised in relation to revenue streams from existing customers at the date of acquisition on the basis that these future cash flows are inherently reflected in the investment property valuation on acquisition.

Notes to the financial statements continued

for the year ended 31 October 2006

27 Employees and directors

Staff costs (including Directors) for the Group during the year

	2006 £'000	2005 £'000
Wages and salaries	**11,481**	8,311
Social security costs	**1,764**	1,029
Pension costs (note 28)	**91**	115
	13,336	9,455

Average monthly number of people (including executive directors) employed

	2006 Number	2005 Number
Sales	**378**	346
Administration	**60**	50
	438	396

Key management compensation

	2006 £'000	2005 £'000
Wages and salaries	**1,603**	1,262
Social security costs	**356**	288
Post-employment benefits	**55**	46
Share based payments (a)	**2,523**	-
	4,537	1,596

The key management figures given above include directors.
(a) includes IFRS2 share issue costs and cash payments made in lieu of share issue.

27 Employees and directors continued

Directors

	2006 £'000	2005 £'000
Aggregate emoluments	**616**	517
Company contributions paid to money purchase pension schemes	**32**	32
Share based payments	**715**	-
	1,363	549

There were 2 directors (2005: 2) accruing benefits under a money purchase scheme. Fees of £57,000 (2005: £51,550) were paid to Bridgepoint with respect to the services provided by Vincent Gwilliam and Alan Payne.

Remuneration of highest paid director

	2006 £'000	2005 £'000
Aggregate emoluments	**354**	301
Company contributions paid to money purchase scheme	**22**	22
Share based payment	**451**	-
	827	323

Notes to the financial statements continued

for the year ended 31 October 2006

28 Pension commitments

As part of the acquisition of Mentmore plc in June 2004, the acquired group had a defined benefit scheme in the UK which offers both pensions in retirement and death benefits to members. The defined benefit scheme has had no active members since March 2004. Contributions to the plan for the year beginning 1 November 2006 are expected to be £129,000. The Group has opted to recognise all actuarial gains and losses immediately via the statement of recognised income and expenditure (SORIE).

Defined benefit scheme

A full actuarial valuation was carried out at 31 October 2006 by a qualified independent actuary. The principal assumptions used by the actuary were:

	2006	2005
Rate of increase in salaries	**-**	-
Rate of increase in pensions in payment	**3.2%**	3.0%
Discount rate	**5.0%**	5.1%
Inflation assumption	**3.2%**	3.0%

The expected return on plan assets is based on market expectation at the beginning of the period for returns over the entire life of the benefit obligation.

Pension and other post retirement obligations

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

	2006 £'000	2005 £'000
Present value of funded obligations	**(1,417)**	(1,320)
Fair value of plan assets	**1,170**	949
Net liability	**(247)**	(371)

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

	2006 %	2005 %
Equities	**51**	39
Bonds	**42**	36
Other	**7**	25

28 Pension commitments continued

The amounts recognised in the profit and loss account are as follows:

	2006 £'000	2005 £'000
Interest cost	66	64
Expected return on plan assets	(57)	(48)
Total included within interest payable and similar charges	9	16

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

	2006 £'000	2005 £'000
Present value of obligation, 1 November	1,320	1,167
Interest cost	66	64
Benefits paid	(39)	-
Actuarial losses	70	89
Present value of the obligation, 31 October	1,417	1,320

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

	2006 £'000	2005 £'000
Fair value of plan assets, 1 November	949	673
Expected return on plan assets	57	48
Contributions	130	140
Benefits paid	(39)	-
Actuarial gains on plan assets	73	88
Fair value of plan assets, 31 October	1,170	949

Notes to the financial statements continued

for the year ended 31 October 2006

28 Pension commitments continued

Analysis of movement in the balance sheet

	2006 £'000	2005 £'000
At 1 November	**371**	494
Total interest expense as above	**9**	16
Contributions	**(130)**	(140)
Net actuarial (gain)/loss recognised in the year	**(3)**	1
At 31 October	**247**	371

Cumulative actuarial gains and losses recognised in equity

	2006 £'000	2005 £'000
At 1 November	**(1)**	-
Net actuarial gains/(losses) recognised in the year	**3**	(1)
At 31 October	**2**	(1)

History of experience gains and losses

	2006	2005	2004
Experience adjustment arising on scheme assets			
Amount (£'000)	**73**	88	18
% of plan assets	**6%**	9%	3%
Experience adjustment arising on scheme liabilities			
Amount (£'000)	**70**	(1)	-
% of plan liabilities	**5%**	0%	0%
Present value of scheme liabilities (£'000)	**1,417**	1,320	1,167
Fair value of scheme assets (£'000)	**1,170**	949	673
Deficit (£'000)	**(247)**	(371)	(494)

Expected contributions for the year to 31 October 2007 are £130,000.

29 Operating lease commitments – minimum lease payments

The Group operates from various premises that are held under non-cancellable operating leases. Total commitments under non-cancellable operating leases:

	Land and buildings 2006 £'000	**Vehicles, plant and equipment 2006 £'000**	Land and buildings 2005 £'000	Vehicles, plant and equipment 2005 £'000
Within one year	**-**	**82**	-	88
Later than one year and less than five years	**120**	**-**	216	-
After five years	**-**	**-**	-	-
	120	**82**	216	88

30 Contingent liabilities

As part of the Group banking, the Company has guaranteed the borrowings totalling £237 million (2005: £132.3 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.

31 Capital commitments

The Group did not have any capital commitments as at 31 October 2006 (2005: None).

32 Related party transactions

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

Bridgepoint Capital	**2006 £'000**	2005 £'000
Deep discount bonds repaid in year	**83,135**	-
Interest paid on deep discount bonds	**17,138**	-
Interest accrued on deep discount bonds	**7,460**	6,854
Bridgepoint – director fees	**174**	74

Notes to the financial statements continued

for the year ended 31 October 2006

32 Related party transactions continued

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

	2006 £'000	2005 £'000
Deep discounted bonds	-	92,813
Trade payables	6	-

33 Post balance sheet events

On 21 February 2007 the Company carried out a bonus issue of two Ordinary Shares for each Ordinary Share and two Preferred Ordinary Shares for each Preferred Ordinary Share the Company had in issue. By a resolution passed on 8 March 2007, the Company resolved, conditional upon Admission, to (i) redesignate the Preferred Ordinary Shares as Ordinary Shares, and (ii) to make a further bonus issue of twenty two Ordinary Shares for each Ordinary Share the Company had in issue. This restructuring increased the Company's issued share capital by 165,000,000 Ordinary Shares to 172,500,000 Ordinary Shares.

On 28 February 2007, the Company re-registered as a public limited company, and changed its name to Safestore Holdings plc.

34 Ultimate parent company and controlling party

Bridgepoint Capital Limited and its associated investment funds hold over 50% of the equity of Safestore Holdings Plc. As a result the directors consider that the Group is effectively controlled by Bridgepoint Capital Limited, the registered office of which is at 30 Warwick Street, London, W1B 5AL.

35 Explanation of transition to IFRS

Safestore Holdings Limited reported under UK GAAP in its previously published financial statements for the year ended 31 October 2005. The analysis below shows a reconciliation of net assets and profit as reported under UK GAAP as at 31 October 2005 to the revised net assets and profit under IFRS as reported in these financial statements. In addition, there is a reconciliation of net assets under UK GAAP to IFRS at the transition date for this Group, being 1 November 2004.

The Group has taken advantage of certain exemptions from full retrospective application of IFRS accounting policies under IFRS 1, and the key exemptions taken are included within the accounting policies note 1.

35 Explanation of transition to IFRS continued

Reconciliation of equity at 1 November 2004 and 31 October 2005.

	As at 1 November 2004 £'000
Net liabilities under UK GAAP as previously reported	(4,723)
Valuation gain on investment properties	61,836
Reverse goodwill accounted for within investment properties	(1,092)
Reclassification of convertible shares to debt	(666)
Recognise holiday pay accrual	(46)
Deferred tax liability arising on the investment property revaluation gain	(44,112)
Net assets under IFRS	11,195

	As at 31 October 2005 £'000
Net liabilities under UK GAAP as previously reported	(9,158)
Valuation gain on investment properties	160,200
Reversal of depreciation charged on investment properties	6,458
Writeback negative goodwill	7,455
Reverse goodwill accounted for in investment properties	(1,037)
Deferred tax liability arising on the investment property valuation gain	(72,991)
Recognise holiday pay accrual	(51)
Share based payments	(370)
Reclassification of convertible shares to debt	(666)
Other adjustments	(206)
	89,634

Notes to the financial statements continued

for the year ended 31 October 2006

35 Explanation of transition to IFRS continued

Reconciliation of equity at 1 November 2004

	Notes	Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Non-current assets				
Investment properties	A,B	-	293,841	293,841
Development properties		-	-	-
Plant, equipment and owner occupied properties	A	193,370	(191,990)	1,380
Goodwill		1,092	(1,092)	-
Deferred tax asset	D	-	148	148
Other financial assets	I	-	5,348	5,348
Total non-current assets		194,462	106,255	300,717
Current assets				
Inventories		88	-	88
Trade and other receivables		9,396	-	9,396
Cash and cash equivalents	I	16,766	(5,348)	11,418
Total assets		220,712	100,907	321,619
Current liabilities				
Bank borrowings		(475)	-	(475)
Trade and other payables		(19,661)	(46)	(19,707)
Total current liabilities		(20,136)	(46)	(20,182)
Non-current liabilities and provisions				
Bank borrowings	G	(201,559)	(666)	(202,225)
Trade and other payables		(327)	-	(327)
Deferred tax liabilities	D	(2,791)	(44,114)	(46,905)
Obligations under finance leases	B	-	(40,015)	(40,015)
Provisions		(276)	-	(276)
Pension liability	E	(346)	(148)	(494)
Total liabilities		(225,435)	(84,989)	(310,424)
Net assets / (liabilities)		(4,723)	15,918	11,195
Share capital	G	24	(21)	3
Share premium account	G	896	(645)	251
Retained earnings		(5,643)	16,584	10,941
Total equity		(4,723)	15,918	11,195

35 Explanation of transition to IFRS continued

Reconciliation of equity at 31 October 2005

	Notes	Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Non-current assets				
Investment properties	A,B	-	432,241	432,241
Development properties		-	5,200	5,200
Plant, equipment and owner occupied properties	A	229,511	(227,980)	1,531
Goodwill	C	(6,420)	6,420	-
Deferred tax asset	E	-	7,017	7,017
Other financial assets	I	-	5,348	5,348
Total non-current assets		223,091	228,246	451,337
Non – current assets classified for resale		5,740	-	5,740
Current assets				
Inventories		137	-	137
Trade and other receivables		11,589	-	11,589
Other financial assets	I	-	2,192	2,192
Cash and cash equivalents	I	18,920	(7,540)	11,380
Total assets		259,477	222,898	482,375
Current liabilities				
Bank borrowings		(139)	-	(139)
Trade and other payables	L	(31,559)	(518)	(32,077)
Obligation under finance leases	B	-	(7,575)	(7,575)
Provisions		-	(48)	(48)
Total current liabilities		(31,698)	(8,141)	(39,839)
Non-current liabilities and provisions				
Bank borrowings	G	(223,291)	(666)	(223,957)
Trade and other payables		(2,172)	-	(2,172)
Deferred tax liabilities	D	(2,427)	(80,008)	(82,435)
Obligations under finance leases	B	(8,559)	(35,228)	(43,787)
Provisions		(228)	48	(180)
Pension liability	D	(260)	(111)	(371)
Total liabilities		(236,937)	(115,965)	(352,902)
Net assets / (liabilities)		(9,158)	98,792	89,634
Share capital	G	24	(21)	3
Share premium	G	939	(645)	294
Other reserves	J	-	(600)	(600)
Profit and loss reserves		(10,121)	100,058	89,937
Total equity		(9,158)	98,792	89,634

Notes to the financial statements continued

for the year ended 31 October 2006

35 Explanation of transition to IFRS continued

Reconciliation of profit for the year ended 31 October 2005

	Note	Previous GAAP £'000	Effect of transition to IFRS £'000	**IFRS £'000**
Revenue	F	53,055	(129)	**52,926**
Cost of sales	F,K	(25,426)	7,243	**(18,183)**
Gross profit		27,629	7,114	**34,743**
Administrative expenses		(14,946)	10,737	**(4,209)**
EBITDA (operating profit before exceptional items, depreciation and goodwill amortisation)	A,B,C,K,L	19,665	7,326	**26,991**
Exceptional items	L	(863)	(945)	**(1,808)**
Depreciation	A	(6,578)	6,458	**(120)**
Goodwill amortisation/impairment	C	459	5,012	**5,471**
Operating profit before gains on investment properties		12,683	17,851	**30,534**
Gain on the revaluation of investment properties	A	-	94,381	**94,381**
Operating profit		12,683	112,232	**124,915**
Finance costs – net	L	(16,865)	(3,361)	**(20,226)**
Profit before taxation		(4,182)	108,871	**104,689**
Taxation	D	342	(26,542)	**(26,110)**
Profit for the year		(3,840)	82,419	**78,579**

Explanations of reconciling items between UK GAAP and IFRS

a) IAS 40 – Investment Properties

Under IFRS 40 self-storage sites have been designated as Investment Properties and are valued at fair value.

Investment Properties are revalued on an annual basis by a qualified external valuer, and any movements in the period are recognised in the income statement. Investment Properties are not depreciated.

b) IAS 17 - Leases

Under IFRS 17, operating leases which are designated as Investment Properties under IAS 40 are accounted for as finance leases in accordance with IAS 17. On transition, the present value of the minimum lease payments is recognised as a leased asset and a separate lease liability at 1 November 2004.

c) IFRS 3 – Business combinations

Under IFRS 3, goodwill arising on acquisition is stated at cost. Goodwill is not amortised though subject to an impairment review at each reporting date.

Negative goodwill rising on acquisition is taken directly to the income statement at the time of acquisition.

d) IAS 12 – Taxation

Under IAS 12, full provision has been made for the deferred tax arising on the revaluation of Investment Properties and the tax base has been calculated on the basis of continuing use of the properties.

e) IAS 19 – Retirement

The deferred tax asset associated with the net pension deficit on the Mentmore defined benefit pension scheme has been grossed up and included in non-current assets.

f) Revenue recognition

Sales credit notes have been netted from revenues. Historically these items were charged to the income statement as an expense under UK GAAP.

35 Explanation of transition to IFRS continued

g) Reclassification of convertible shares to debt

Under IFRS the preferred ordinary shares in issue are designated as a debt instrument as the Group has a obligation to pay a cumulative dividend of 15% of net profits from 1 November 2006.

h) Adjustment in respect of share issues

Under IFRS 2 the shares issued to employees have been charged to the income statement based on the share calculation at the date of acquisition. The charge includes the related tax cost of the share issue.

i) Other financial assets

Other financial assets have been reclassified from cash and cash equivalents as they have restrictions such that they do not meet the definition of cash under IAS7.

j) Foreign exchange reserve

Reserves relating to foreign exchange retranslations have been separated from profit and loss reserves.

k) Operating lease rentals

Operating lease rentals have been removed from cost of sales because such operating leases are reclassified as finance leases under IAS40. Depreciation on finance leases is included in operating profit and interest associated with finance leases is recorded in finance costs.

l) Adjustment in respect of share issues

Under IFRS2 the value of shares issued to employees have been charged to the income statement based on the share valuation at the date of acquisition, the charge includes £488,000 related tax costs if the share issue.

Company balance sheet

as at 31 October 2006

	Note	**Company 2006 £'000**	Company 2005 £'000
Fixed assets			
Tangible assets	5	**145**	169
Investments in subsidiaries	6	**979**	979
		1,124	1,148
Current assets			
Inventories		**-**	-
Debtors – amounts falling due within one year	7	**7,792**	101
Debtors – amounts falling due after more than one year	7	**-**	93,432
Cash at bank and in hand		**979**	5,083
		8,771	98,616
Creditors: amounts falling due within one year	8	**(11,046)**	(10,831)
Net current assets/(liabilities)		**(2,275)**	87,785
Total assets less current liabilities		**(1,151)**	88,933
Creditors: amounts falling due after more than one year	8	**-**	(89,259)
Net assets/ (liabilities)		**(1,151)**	326
Shareholders' equity			
Called up share capital	9	**4**	3
Share premium	11	**368**	294
Profit and loss account	10,11	**(1,523)**	(623)
Equity shareholders' funds		**(1,151)**	326

The Company financial statements on pages 74 to 79 were approved by the Board of Directors on 8 March 2007 and signed on its behalf by:

RD Hodsden, Director

SW Williams, Director

Notes to the Company financial statements

for the year ended 31 October 2006

1 Accounting policies and basis of preparation

The financial statements are prepared in accordance with applicable accounting standards in the UK. The particular accounting policies adopted are described below. The financial statements are prepared 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. Notes to the Company financial statements for the year ended 31 October 2006

Investments

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

Tangible fixed assets

Tangible fixed assets are measured at cost, being 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 reducing balance basis.

The new accounting standards adopted during the year are as follows:

- FRS21: Events after the balance sheet date
- FRS25: Financial instruments: disclosure and presentation
- FRS 26: Financial instruments: measurement

There is no impact on adoption of these standards, except for the adoption of FRS25. the deferred ordinary shares which were classed as equity have been reclassified as debt, see note 8 for further details.

Cash flow statement

The company has taken advantage of the exemption given in FRS1 for wholly owned subsidiaries 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.

2 Results of parent company

As permitted by Section 230 of the Companies Act, the profit and loss account of the parent Company is not presented as part of these financial statements. The parent Company's loss for the financial year amounted to £900,000 (2005: £450,000).

3 Director emoluments

The director emoluments are disclosed in note 27 of the Annual Report and Accounts of the Group.

4 Operating profit

The Company does not have any employees (2005: nil). Auditors' remuneration for both 2006 and 2005 have been borne by a subsidiary undertaking.

Notes to the Company financial statements cont.

for the year ended 31 October 2006

5 Property, plant and equipment

Company	Total 2006 £'000
Cost	
As at 31 October 2005 and at 31 October 2006	**196**
Accumulated amortisation	
As at 1 November 2005	27
Depreciation	24
At 31 October 2006	**51**
Net book amount	
At 31 October 2006	**145**
At 31 October 2005	169

6 Fixed asset investments

	2006 £'000	2005 £'000
Cost		
At 31 October 2005 and 31 October 2006	**979**	979

Investments in Group undertakings are stated at cost. The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. A list of principal subsidiary undertakings is given below. A full list of subsidiary undertakings at 31 October 2006 will be annexed to the Company's next annual return.

Interests in subsidiary undertakings

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

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

6 Fixed asset investments continued

Note

1 Safestore Acquisition Limited is a 100% subsidiary of Safestore Group Limited
2 Safestore Limited and Spaces Personal Storage Limited are both 100% subsidiaries of Safestore Acquisition Limited
3 Mentmore Limited is a 100% subsidiary of Safestore Acquisition Limited
4 Safestore Properties Limited is a 100% subsidiary of Mentmore Limited
5 Abbey Une Pièce En Plus SAS and Access Storage Holdings (France) S.a.r.l are both 100% subsidiaries of Mentmore Limited. Une Pièce En Plus SA is a 100% subsidiary of Abbey Une Pièce En Plus SAS

7 Trade and other receivables – current and non-current

	2006 £'000	2005 £'000
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	**7,253**	-
Other debtors	**469**	101
Deferred tax asset	**70**	-
	7,792	101
Amounts falling due after one year:		
Amounts owed by subsidiary undertakings	**-**	93,432

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

Notes to the Company financial statements cont.

for the year ended 31 October 2006

8 Trade and other payables – current and non-current

	2006 £'000	2005 £'000
Amounts falling due within one year:		
Trade payables	**127**	219
Amounts owed to group undertakings	**9,811**	-
Other taxes and social security	**286**	-
Accruals and deferred income	**156**	9,946
Preferred ordinary shares (see note 7)	**666**	666
	11,046	10,831
Amounts falling due after one year:		
Amounts owed to group undertakings	**-**	89,259

Amounts owed to group undertakings are interest free and repayable on demand.

9 Share capital

	2006 £'000	2005 £'000
Authorised		
375,000 (2005: 300,000) ordinary shares of 1p each	**4**	3
Called up, allotted and fully paid		3
375,000 (2005: 300,000) ordinary shares of 1p	**4**	3
At 31 October	**4**	3

During the year, 75,000 ordinary shares of 1p were issued for a consideration of £75,000 generating share premium of £74,250.

The terms of the shares are disclosed in note 21 on page 55 to the Group Annual Report and Accounts.

Preferred ordinary shares

The holders of the ordinary shares shall be entitled to one vote for each ordinary share. On a return of capital on liquidation, capital reduction or otherwise the surplus assets of the company remaining after the payment of its liabilities shall be applied, subject to the payment of all amounts payable to the holders of the preferred ordinary shares.

10 Retained earnings

	£'000
Balance at 1 November 2004	(173)
Loss for the year	(450)
Balance at 31 October 2005	(623)
Loss for the year	(900)
Balance at 31 October 2006	(1,523)

11 Statement of changes in shareholders' equity

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Balance at 1 November 2004	**24**	**896**	**(173)**	**747**
Preferred ordinary shares transferred as debt	(21)	(645)	-	(666)
Balance at 1 November 2004 restated	**3**	**251**	**(173)**	**81**
Loss for the year	-	-	(450)	(450)
Shares issued	-	43	-	43
Balance at 31 October 2005	**3**	**294**	**(623)**	**(326)**
Loss for the year	-	-	(900)	(900)
Shares issued	1	74	-	75
Balance at 31 October 2006	**4**	**368**	**(1,523)**	**(1,151)**

12 Ultimate parent company

Bridgepoint Capital Limited and its associated investment funds hold over 50% of the equity of Safestore Holdings Plc. As a result the directors consider that the Group is effectively controlled by Bridgepoint Capital Limited, the registered office of which is at 30 Warwick Street, London, W1B 5AL.

13 Related party transactions

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

14 Post balance sheet events

On the 21st February 2007 the Company issued a bonus issue of two shares for every one share held which covered both the Ordinary and Preferred Ordinary shares in issue on this date.

Store locator

All stores listed in the UK and Paris

UK Stores

North of England
Bolton
Burnley
Bury
Leeds (Bridge Street)
Leeds (York Rd)
Liverpool (Queens Dock)
Liverpool (Business Centre)
Manchester (Cheltenhem)
Manchester (Worsley)
Newcastle (Forth St)
Newcastle (Walls End)*
Oldham
Preston
Reddish
Stockport (Wellington Rd)
Stockport (Chestergate)
Trafford Park
Warrington

Midlands
Birmingham (Central)
Birmingham (City Centre Digbeth)
Birmingham (Business Centre)
Coventry
Oldbury

Central South
Bedford
Dunstable
Milton Keynes

Southern
Reading (Cow Lane)
Slough

South East
Basildon
Crawley
Eastbourne
Eastbourne (relocation)*
Guildford*
Harlow
High Wycombe
Portsmouth
Southampton
Southend
Stevenage

South West
Bath
Bristol (Ashton Gate)
Bristol (Filton)*
Bristol (Old Market)
Cheltenham*

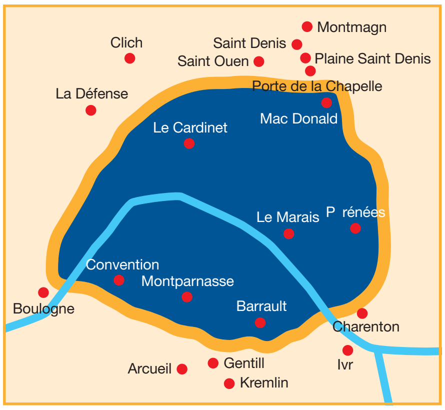
London (within M25)
Acton
Alexandra Palace
Battersea (Lombard Rd)
Battersea (Ingate Place)
Battersea (Business Centre)
Bermondsey
Borehamwood
Birmingham (Business Centre)
Camden
Charlton
Crayford*
Croydon
Deptford
Earls Court
Edgware
Enfield (760 Gt Camb Rd)
Enfield (28 Gt Camb Rd)
Feltham
Fulham
Goodmayes/Ilford
Hayes*
Holloway
New Cross
New Malden
Notting Hill Gate
Orpington
Paddington
Pentonville Road
Ruislip
Stanmore
Staples Corner
Stoke Newington
Swanley
Wandsworth
Whitechapel
Wimbledon
Wimbledon South
Wood Green

Scotland
Edinburgh (Leith)
Edinburgh (Gyle)
Edinburgh (Fort Kinnaird)
Glasgow (Charles St)
Glasgow (Dobbies Loan)*
Glasgow (Lawmoor St)
Glasgow (Rutherglen)*

Wales
Cardiff (Davis St)
Cardiff (Newport Road)*

Paris Stores

Arcueil
Barrault
Boulogne
Le Cardinet
Charenton
Clichy
Convention
Gentilly
Ivry
Kremlin*
La Défense
Le Marais
Mac Donald
Montmagny
Montparnasse
Porte de la Chapelle
Pyrénées
Saint Denis
Saint Denis (La Plaine)
Saint Ouen



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Notes

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