Annual Report 2020

safestore™

Safestore Holdings plc

Annual report and financial statements 2020

A strong performance for the year demonstrating resilience of business model

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

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

The Group has also made significant strategic progress during the year successfully expanding into three new countries in the last eighteen months. After last year's acquisition of M3 in the Netherlands, through our joint venture with Carlyle, the Group entered the Spanish market with the acquisition of four stores in Barcelona early in the year. This was followed by entry into the Belgian market with the acquisition of six stores, also through our joint venture with Carlyle. All new geographies are currently performing ahead of their business plans. The acquisition of Fort Box brought another two London stores into the portfolio and, further to our successful openings this year in Carshalton, Gateshead and Sheffield, we plan to open new stores in Birmingham Middleway and Paris-Magenta during the 2020/2021 financial year.

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

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

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

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

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

Frederic Vecchioli
Safestore's Chief Executive Officer

Highlights

Covid-19

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

Robust financial performance

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

- Group revenue for the year up 6.9% (up 7.0% in CER[1])
- Like-for-like[8] Group revenue for the year in CER[1] up 3.4%:
  - UK up 3.3%
  - Paris up 3.8%
- Underlying EBITDA[2] up 7.4% in CER[1] which, combined with an increased gain on investment properties of £126.5 million (FY2019: £84.2 million), resulted in statutory operating profit[9] of £212.2 million (FY2019: £163.7 million)
- Adjusted Diluted EPRA Earnings per Share[6] up 6.0% at 30.2 pence (FY2019: 28.5 pence). Diluted Earnings per Share was 84.0 pence (FY2019: 62.6 pence) largely due to the higher property valuation gain in FY2020
- 5.8% increase in the final dividend to 12.7 pence (FY2019: 12.0 pence) giving a total for the year of 18.6 pence (FY2019: 17.5 pence)

Operational focus

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

Strategic progress

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

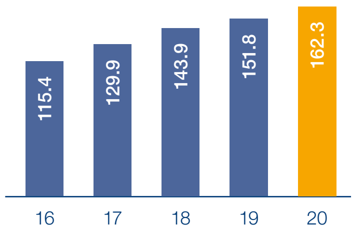
Strong and flexible balance sheet

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

Revenue (£'m)

£162.3m

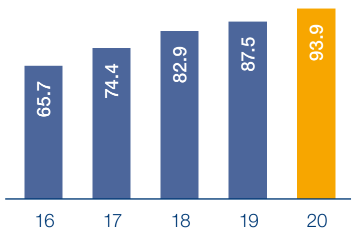
+12.8%



Underlying EBITDA[2] (£'m)

£93.9m

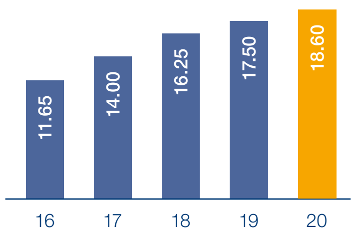
+7.3%



Dividend (pence per share)

18.60p

+14.5%



Financial highlights

Key measures

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

Notes to Highlights, Financial highlights, Chairman's statement & Chief Executive's statement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our purpose is simple – to add stakeholder value

David Hearn
Chairman

Covid-19

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

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

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

Financial and strategic progress

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

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

Over the past year the Group has continued to make strategic progress. The Group has now opened 15 stores over the last five years and all are performing well. Fort Box Self Storage and OMB in Barcelona, acquired in November 2019 and December 2019 respectively, have been fully integrated into the business and we currently have two additional new sites opening over the next 12 months.

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

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

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

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

Financial results

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

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

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

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

Capital structure

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

Dividend

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

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

David Hearn
Chairman
13 January 2021

Chief Executive's statement

Another solid performance for the year despite Covid-19

Frederic Vecchioli
Chief Executive Officer

Summary

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

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

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

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

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

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

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

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

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

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

Outlook

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

In the last five financial years, Safestore has strengthened its market-leading positions in the UK and Paris with the acquisitions of Space Maker, Alligator, Fort Box and our store at Heathrow, as well as opening 15 new stores and establishing a short term pipeline of a further five new stores. In addition, the Group has entered new markets in Spain together with Belgium and the Netherlands through our joint venture with Carlyle. Excluding the joint venture, there is 1.4 million sq ft of fully invested unlet space available, offering significant operational upside in the existing portfolio. We remain focused on further optimising the Group's operational performance whilst our balance sheet strength and flexibility provide us with the opportunity to consider further selective development and acquisition opportunities in our key markets.

The strong performance of the final quarter of 2019/20 has continued into the new financial year with like-for-like Group revenue (CER[1]) up 6.4% for the first two months. Although current Covid-19 restrictions have the potential for disruption, the aforementioned inherent resilience of our business model, combined with encouraging current trading, means that we look forward to the 2020/21 financial year with confidence.

Covid-19

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

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

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

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

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

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

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

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

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

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

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

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

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

- regular communication to colleagues of support and hygiene measures;
- supply of hand sanitiser gels and antibacterial spray to all sites from February 2020;

STRATEGIC PRIORITIES

Optimising the existing portfolio

Maintaining a strong and flexible capital structure

Focusing on portfolio management

Chief Executive's statement *continued*

Covid-19 *continued*

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

- temporary closure of the Head Office site with all Head Office colleagues working from home;
- temporary closure of store reception areas to minimise customer contact and reduction of colleagues in store to one per site;
- Covid-19 risk assessments in all stores;
- further enhanced cleaning schedules of high touch areas;
- additional stocks of PPE for every store, including masks, visors, gloves and hand sanitiser;
- installation of protective screens and 2 metre social distancing floor markers and signage for all stores across the estate;
- provision of disposable gloves for customer use;
- introduction of electronic customer contracts and contact free payment methods;
- continuing to encourage home-working where possible for Head Office employees; and
- Covid-19 risk assessment of the Head Office site to identify appropriate measures required to facilitate a safe re-opening. In line with government recommendations, we introduced a flexible controlled approach to office based working, including implementation of screens and social distancing protocols being put in place with the Covid Action Group continuing to meet on a regular basis to review these guidelines.

Our strategy

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

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

Optimisation of existing portfolio

With the opening of 15 new stores since August 2016, and the acquisitions of 31 stores through the purchases of Space Maker in July 2016, Alligator in November 2017, our Heathrow store, Fort Box in London and OMB in Barcelona in 2019, we have established and strengthened our market-leading portfolio in the UK and Paris and have entered the Spanish market. We have a high quality, fully invested estate in all geographies and, of our 159 stores as at 31 October 2020, 99 are in London and the South East of England or in Paris with 56 in the other major UK cities and four in Barcelona.

We now operate 48 stores within the M25 which represents a higher number of stores than any other competitor.

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

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

- enquiry generation through an effective and efficient marketing operation;
- strong conversion of enquiries into new lets; and
- disciplined central revenue management and cost control.

Digital marketing expertise

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

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

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

During the year, the Group further developed and successfully executed its ability to integrate newly developed and acquired stores into its marketing platform. The Group acquired two stores in London during the financial year (Chelsea and St John's Wood in November 2019) and the stores were successfully integrated onto Safestore systems within weeks of completion. Newly developed stores at Peterborough, Birmingham-Merry Hill, London-Carshalton, Sheffield and Gateshead in the UK have made strong starts in terms of enquiry generation. The Group has also commenced the integration of OMB (Spain, acquired January 2020) onto the Safestore platform with uplifts seen in both enquiry generation and marketing efficiency despite the impact of the pandemic. Safestore was also appointed to provide management services to the joint venture[14] created to acquire M3 Self Storage in the Netherlands and Lokabox in Belgium. These services include the implementation of the full Safestore marketing platform (including use of the brand). Both businesses are now fully operational on the Safestore platform and physical rebranding of the properties is underway.

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

Our People Champions

Consult and collect the views and suggestions of all colleagues that they represent.

Engage in the bi-annual "Make the Difference" forum, raising and representing the views of their colleagues.

Consult with and discuss feedback with management and the leadership team at Safestore.

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

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

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

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

Safestore has been an Investors in People ("IIP") organisation since 2003 and our aim is to be an employer of choice in our sector as we passionately believe that our continued success is dependent on our highly motivated and well-trained colleagues. In April 2018, Safestore was awarded the Gold accreditation under the IIP programme, a significant improvement from the Bronze accreditation awarded in 2015. This puts Safestore as one of the top employers of 14,000 IIP accredited companies. In addition, Safestore was subsequently shortlisted as a finalist for the IIP Gold Employer of the Year in the 250+ employees category, putting us in the top ten of all companies that have achieved Gold accreditation. IIP is the international standard for people management, defining what it takes to lead, support and manage people effectively to achieve sustainable results. Underpinning the standard is the Investors in People framework, reflecting the latest workplace trends, essential skills and effective structures required to outperform in any industry. Investors in People enables organisations to benchmark against the best in the business on an international scale.

We are proud to have our colleagues recognised to such a high standard not only in our industry but across 14,000 organisations in 75 countries.

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

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

Whilst overall training hours were reduced compared to 2019, in excess of 20,000 hours were still delivered.

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

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

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

Chief Executive's statement *continued*

Optimisation of existing portfolio *continued*

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

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

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

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

People Champions:

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

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

Central revenue management and cost control

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

Average rates are predominantly influenced by:

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

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

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

Strong and flexible capital structure

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

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

This LTV and interest cover ratio of 9.0x for the rolling 12 month period ended 31 October 2020 provide us with significant headroom compared to our banking covenants. We had £148 million of undrawn bank facilities at 31 October 2020.

During the first half of the year, the Group took out average rate FX forward contracts to hedge the majority of the Group's exposure to the translation of Euro denominated earnings for the next three years. The value of the contracts were €6.5 million for the second half of the 2020 financial year, €14.5 million and €16 million for the 2021 and 2022 financial years respectively and €8.5 million for the first half of the 2023 financial year. This has the effect of fixing the rate at which Euro earnings are translated to the rate of €1.0751 to £1, up to the value of the contract. Taking into account the improvements we have made in the performance of the business and the reduction in underlying finance charges of c.£9.3 million over the last seven years, the Group is capable of generating free cash after dividends sufficient to fund the building of two to three new stores per annum depending on location and availability of land.

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

Portfolio management

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

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

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

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

New stores

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Chief Executive's statement *continued*

Acquisitions *continued*

Joint venture[14] with Carlyle and investment in Lokabox

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

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

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

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

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

Joint venture[14] with Carlyle – Investment in Opslag XL

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

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

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

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

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

Portfolio summary

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

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

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

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

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

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

In France, we have a leading position in the heart of the affluent City of Paris market with eight stores branded as Une Pièce en Plus ("UPP")

Owned store portfolio by region

	London and South East	Rest of UK	UK Total	Paris	Spain	**Group Total**
Number of stores	71	56	127	28	4	**159**
Let square feet (m sq ft)	2.24	2.08	4.32	1.03	0.10	**5.45**
Maximum lettable area (m sq ft)	2.77	2.67	5.44	1.31	0.11	**6.86**
Average let square feet per store (k sq ft)	32	37	34	37	24	**34**
Average store capacity (k sq ft)	39	48	43	47	27	**43**
Closing occupancy (%)	80.9%	77.9%	79.4%	78.8%	90.0%	**79.5%**
Average rate (£ per sq ft)	29.44	18.66	24.37	34.91	26.70	**26.44**
Revenue (£'m)	76.8	44.5	121.3	38.8	2.2	**162.3**
Average revenue per store (£'m)	1.08	0.79	0.96	1.39	0.55	**1.02**

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

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

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

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

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

Market

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

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

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

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

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

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

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

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

The supply in the UK market, according to the SSA Survey, remains relatively fragmented despite a number of acquisitions in the sector in the last four years. The SSA's estimates of the scale of the UK industry are finessed each year and changes from one year to the next represent improved data rather than new supply. In the 2020 report the SSA estimates that 1,900 self storage facilities exist in the UK market including around 563 container-based operations.

Safestore is the industry leader by number of stores with 126 wholly owned sites followed by Big Yellow with 75 wholly owned stores (103 including Armadillo), Access with 58 stores, Lok'n Store with 34 stores, Shurgard with 31 stores and Storage King with 28 stores. In aggregate, the top ten leading operators account for 23% of the UK store portfolio. The remaining c.1,459 self storage outlets (including 563 container-based operations) are independently owned in small chains or single units. In total there are 972 storage brands operating in the UK.

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

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

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

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

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

Chief Executive's statement *continued*

Market *continued*

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

Business and personal customers

	UK	Paris
Personal customers		
Numbers (% of total)	76%	84%
Square feet occupied (% of total)	57%	69%
Average length of stay (months)	19.8	27.7
Business customers		
Numbers (% of total)	24%	16%
Square feet occupied (% of total)	43%	31%
Average length of stay (months)	29.9	34.7

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

Business model

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

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

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

Currently, around a third of our stores in the UK are leaseholds with an average remaining lease length at 30 October 2020 of 12.0 years (FY2019: 13.1 years). Although our property valuation for leaseholds is conservatively based on future cash flows until the next contractual lease renewal date, Safestore has a demonstrable track record of successfully re-gearing leases several years before renewal whilst at the same time achieving concessions from landlords.

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

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

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

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

Safestore excels in the generation of customer enquiries which are received through a variety of channels including the internet, telephone and "walk-ins". In the early days of the industry, local directories and store visibility were key drivers of enquiries. However, the internet is now by far the dominant channel, accounting for 88% (FY2019: 83%) of our enquiries in the UK and 79% (FY2019: 75%) in France. This dynamic is a clear benefit to the leading national operators that possess the budget and the management skills necessary to invest in leading digital platforms and generate a commanding presence in the major search engines and Safestore has developed a digital marketing platform that has generated 35% enquiry growth over the last five years.

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

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

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

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

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

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

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

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

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

Trading performance

UK

The UK's revenue performance was robust in the year with the business growing total revenue by 5.8% and like-for-like[5] revenue by 3.3%. Performance was consistently strong in Regional UK with like-for-like[5] revenue up 2.8% as well as London and the South East where like-for-like[5] revenue was up 3.6%.

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

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

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

Like-for-like[5] average rate in the UK improved by 1.8% over the course of the year.

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

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

Since the March 2020 lockdown, revenue collections have been largely unaffected by the Covid-19 pandemic. For the final quarter, 98.1% of revenues were collected within 30 days of the period end (FY2019: 97.8%). Since the end of the financial year, the positive collections trend has continued with 97.9% of November revenue collected within 30 days of the period end (FY2020: 97.4%) and 79.1% of December revenues collected within the period (FY2020: 73.4%).

We remain focused on our cost base. During the year, our UK cost base, on a like-for-like[5] basis, increased by 2.8% or £1.4 million. Our total reported UK cost base grew by £3.5 million or 6.9% reflecting the acquisition of our Fort Box portfolio and the cost bases relating to newly and recently opened stores.

As a result, Underlying EBITDA[1] for the UK business was £67.2 million (FY2019: £64.1 million), an increase of £3.1 million or 4.8%.

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

On a like-for-like[5] basis, the business grew revenue by 3.8% for the full year. This was driven by average occupancy growth of 1.0% for the year combined with average rate growth of 3.0%.

Like-for-like[5] occupancy reduced by 7,000 sq ft for the year (FY2019: increase of 52,000 sq ft) resulting in closing occupancy of 80.1%, down 0.6ppts compared to the prior year.

UK – a robust performance

	2020	2019	Change
UK operating performance – total			
Revenue (£'m)	**121.3**	114.7	5.8%
Underlying EBITDA (£'m)[1]	**67.2**	64.1	4.8%
Underlying EBITDA (after leasehold costs) (£'m)	**59.6**	57.4	3.8%
Closing Occupancy (let sq ft- million)[2]	**4.325**	3.963	9.1%
Maximum Lettable Area (MLA)[3]	**5.44**	5.16	5.4%
Closing Occupancy (% of MLA)	**79.4%**	76.9%	+2.5ppts
Average Storage Rate (£)[4]	**24.37**	23.93	1.8%
UK operating performance – like-for-like[5]			
Storage revenue (£'m)	**94.1**	90.1	4.4%
Ancillary revenues (£'m)	**23.9**	24.1	-0.8%
Revenue (£'m)	**118.0**	114.2	3.3%
Underlying EBITDA (£'m)[1]	**66.8**	64.4	3.7%
Closing occupancy (let sq ft – million)[2]	**4.172**	3.934	6.0%
Closing occupancy (% of MLA)	**81.0%**	76.8%	+4.2ppts
Average occupancy (let sq ft – million)[2]	**3.863**	3.762	2.7%
Average storage rate (£)[4]	**24.37**	23.94	1.8%

Notes to trading performance

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

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

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

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

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

Chief Executive's statement *continued*

Trading performance *continued*

Paris

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

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

The cost base in Paris remained well controlled during the year with both like-for-like[5] costs and total costs flat compared to the prior year in local currency. As a result, like-for-like[5] Underlying EBITDA[1] in Paris grew by €1.5 million and Underlying EBITDA[1] grew by €2.0 million to €28.5 million (FY2019: €26.5 million).

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

Recent revenue collections in Paris have also been largely unimpacted by the Covid-19 pandemic. For the final quarter, 86.2% of revenues were collected within 30 days of the period end (FY2019: 83.0%). Since the end of the financial year, the positive collections trend has continued with 87.7% of November revenue collected within 30 days of the period end (FY2020: 84.8%) and 75.1% of December revenues collected within the period (FY2020: 67.8%).

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

Spain

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

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

Frederic Vecchioli
Chief Executive Officer
13 January 2021

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

	2020	2019	Change
Paris operating performance – total			
Revenue (€'m)	**44.1**	42.1	4.8%
Underlying EBITDA (€'m)[1]	**28.5**	26.5	7.5%
Underlying EBITDA (after leasehold costs) (€'m)	**23.2**	21.3	8.9%
Closing occupancy (let sq ft – million)[2]	**1.034**	1.015	1.9%
Maximum lettable area (MLA)[3]	**1.31**	1.31	—%
Closing occupancy (% of MLA)	**78.8%**	77.4%	+1.9ppts
Average storage rate (€)[4]	**39.64**	38.93	1.8%
Revenue (£'m)	**38.8**	37.1	4.3%
Paris operating performance – like-for-like[5]			
Storage Revenue (€'m)	**39.78**	38.22	4.1%
Ancillary Revenues (€'m)	**3.76**	3.74	0.5%
Revenue (€'m)	**43.54**	41.96	3.8%
Underlying EBITDA (€'m)[1]	**28.2**	26.7	5.6%
Closing occupancy (let sq ft – million)[2]	**0.999**	1.006	-0.7%
Closing occupancy (% of MLA)	**80.1%**	80.7%	-0.6ppts
Average occupancy (let sq ft – million)[2]	**0.991**	0.981	1.0%
Average storage rate (€)[4]	**40.13**	38.96	3.0%

Notes to trading performance

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

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

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

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

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

EPS[1] has grown by 182% over the last seven years

Andy Jones
Chief Financial Officer

Underlying income statement

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

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

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

Financial review *continued*

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

	2020 £'m	2019 £'m
Profit before tax	**197.9**	147.3
Adjusted for:		
– Gain on investment properties and investment property under construction	**(133.4)**	(89.6)
– Change in fair value of derivatives	**(0.2)**	2.1
– Net exchange (gain)/loss	**(0.2)**	0.3
– Share of associate's tax	**0.1**	—
– Share-based payments	**6.5**	5.6
– Exceptional items	**0.2**	0.6
– Exceptional finance costs	**—**	0.6
Underlying profit before tax	**70.9**	66.9

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

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

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

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

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

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

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

Reconciliation of Underlying EBITDA

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

	2020 £'m	2019 £'m
Operating profit	**212.2**	163.7
Adjusted for:		
– Gain on investment properties	**(126.5)**	(84.2)
– Share of associate's Underlying EDITDA	**0.3**	—
– Depreciation	**0.9**	0.7
– Variable lease payments	**0.3**	1.1
– Share-based payments	**6.5**	5.6
Exceptional items:		
– Costs incurred relating to corporate transactions and exceptional employee costs	**0.2**	0.6
Underlying EBITDA	**93.9**	87.5

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

Underlying profit by geographical region

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

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

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

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

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

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

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

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

Financial review *continued*

Revenue

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

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

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

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

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

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

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

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

Analysis of cost base

Cost of sales

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

	2020 £'m	2019 £'m
Reported cost of sales	**(56.3)**	(53.8)
Adjusted for:		
– Depreciation	**0.9**	0.7
– Variable lease payments	**0.3**	1.1
Underlying cost of sales	**(55.1)**	(52.0)

Underlying cost of sales for FY 2019	**(52.0)**
– New developments cost of sales	**0.7**
Underlying cost of sales for FY 2019 (Like-for-like)	**(51.3)**
– Volume related cost of sales	**(0.5)**
– Facilities and rates	**(1.3)**
– Enquiry generation savings	**0.6**
Underlying cost of sales for FY 2020 (Like-for-like; CER)	**(52.5)**
– New developments cost of sales	**(2.6)**
Underlying cost of sales for FY 2020 (CER)	**(55.1)**
– Foreign exchange	**—**
Underlying cost of sales for FY 2020	**(55.1)**

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

Analysis of cost base *continued*

Cost of sales *continued*

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

Administrative expenses

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

	2020 £'m	2019 £'m
Reported administrative expenses	**(20.3)**	(18.5)
Adjusted for:		
– Share-based payments	**6.5**	5.6
– Exceptional items	**0.2**	0.6
Underlying administrative expenses	**(13.6)**	(12.3)

	£'m
Underlying administrative expenses for FY 2019	**(12.3)**
– New developments administration costs	**0.3**
Underlying administrative expenses for FY 2019 (Like-for-like)	**(12.0)**
– Employee remuneration	**(0.2)**
– Professional fees and administration costs	**0.1**
Underlying administrative expenses for FY 2020 (Like-for-like; CER)	**(12.1)**
– New developments administration costs	**(1.5)**
Underlying administrative expenses for FY 2020 (CER)	**(13.6)**
– Foreign exchange	**—**
Underlying administrative expenses for FY 2020	**(13.6)**

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

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

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

Exceptional items

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

Gain on investment properties

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

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

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

Financial review *continued*

Operating profit

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

Net finance costs

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

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

Underlying finance charge

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

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

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

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

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

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

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

Net finance costs *continued*

Underlying finance charge *continued*

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

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

Non-underlying finance charge

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

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

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

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

Tax

The tax charge for the year is analysed below:

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

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

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

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

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

Financial review *continued*

Earnings per Share

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

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

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

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

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

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

Dividends

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

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

Property valuation and Net Asset Value ("NAV")

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

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

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

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

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

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

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

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

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

Gearing and capital structure

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

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

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

Financial review *continued*

Gearing and capital structure *continued*

Borrowings at 31 October 2020

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

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

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

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

The Group is in compliance with its covenants at 31 October 2020 and, based on forecast projections, is expected to be in compliance for a period in excess of 12 months from the date of this report.

Cash flow

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

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

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

Cash flow *continued*

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

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

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

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

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

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

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

The strategic report, including pages 4 to 57, was approved by a duly authorised Committee of the Board of Directors on 13 January 2021 and signed on its behalf by:

Andy Jones
Chief Financial Officer
13 January 2021

Engaging with our stakeholders and our Section 172(1) statement

Our purpose: To add stakeholder value by developing profitable and sustainable spaces that allow individuals, businesses and local communities to thrive

This section provides some insight into how we engage with our stakeholders. The Board appreciates the importance of effective stakeholder engagement and that stakeholders' views be considered in its decision-making.

Our formal Section 172(1) statement is set out on page 28, and provides examples of how Section 172 factors have been considered as part of the Board's decision making.

The principles underpinning Section 172 are not only considered at Board level, they are part of our culture and are embedded in all that we do, and are strengthened by our Board setting the right tone from the top. The Company seeks to act fairly with its stakeholders and maintain its reputation for high standards of business and ethical conduct which contribute to Safestore's success in the long term. Pursuant to the Companies Act, this information is incorporated by cross reference in the governance report on pages 59 to 71.

Engaging with our stakeholders

Our stakeholder engagement processes enable the Board to understand what matters to our stakeholders and to inform decision making that leads to our high standards of business and ethical conduct and Safestore's success in the long term. Regular updates received by the Board are set out on page 63. Our key stakeholders, what matters to them and how we engage with them are outlined below.

Key stakeholders	What matters	How we engage	Read more about how we engage
Our people Our excellent, well-trained and highly motivated colleagues are fundamental to the success of our business. Our relationship with our colleagues is open and honest, and they are appropriately supported, developed and rewarded to be the best in all that they do.	To provide a great place to work, which means: • Fair pay and reward • Health and wellbeing and a safe working environment • Colleague engagement • Open and honest communication • Training and development and providing an opportunity for our colleagues to reach their full potential • A diverse and inclusive workplace	• Our operational store-based approach driving our commercial difference • Our "Make the Difference" people forum and our network of People Champions established in December 2018 • Colleague survey, undertaken bi-annually, with results shared across the business and used to shape colleague engagement • Investors in People ("IIP") accreditation assessed every three years • Wellbeing strategy • Internal communications and intranet platform • Regular CEO briefings including result presentations • Comprehensive learning and development tools • Our internal social/business communication platform "Yapster"	Please see pages 39 to 44
Our customers Fulfilling our promise to our customers storing with us, providing a great experience and high rates of customer satisfaction.	To deliver a great customer experience and help customers live and grow sustainably, which means: • Provision of safe and secure storage sites • Well-located and accessible stores • Expertise in providing self storage • Flexible contractual arrangements	• Initial contact with all new customers to understand and meet our customers' requirements and expectations • Seek customer feedback from all new customers • Customer reviews are collected on our website, third party platforms and social media • We serve our customers through face-to-face communication in store, directly through our Customer Support Centre, and online on our website, email and social media channels and through our LiveChat service	Please see pages 44 and 45

Key stakeholders	What matters	How we engage	Read more about how we engage
Our shareholders and investors A strong and flexible capital structure is fundamental to our strategy. Many of our colleagues are shareholders.	To maximise long term value, which means: • Sustainable current and future financial performance and returns • A clear strategy and business model • Strong leadership • Our reputation • Managing and reporting our ESG performance with clear and transparent disclosures	• We maintain dialogue with the investment community through a comprehensive investor relations programme to ensure that our shareholders, investors, including investor bodies, and investor community, have a strong understanding of our strategy, performance and culture • Key shareholder publications include the Annual Report, the full year and half year results announcements and interim management statements • Our AGM provides an opportunity to interact with our shareholders • We report against EPRA's latest recommendations: Best Practice Recommendations on Sustainability Reporting	Please see pages 65 and 85
Our partners We work with a wide range of partners, including our joint venture partner, Carlyle, our landlords at our leasehold sites, our contractors and suppliers of goods and services.	To build strong relationships, which means: • Current and future financial performance • Operational excellence • Stable and long term relationships to ensure sustainable, high quality delivery for the benefit of all stakeholders • Clear communication, fair engagement and prompt payment • Corporate governance	• Quarterly joint venture Board meetings and regular communication with our joint venture partner • Quarterly meetings with our construction management partner • Supplier forums held bi-annually, which facilitate an open exchange of feedback	Please see pages 47 to 50
Our communities We strive to support the local communities in which we operate.	To benefit local communities, which means: • Minimise the impact of our business operations on our environment and local communities • Minimise any local disruption caused by our business operations • Create local employment opportunities • Support community projects and provide support to local and national charities	• Register all our new store developments with the Considerate Constructors Scheme • Report what we do in our annual Sustainability Report and on our website • Engage with our local communities through local charitable initiatives and colleague involvement in local fundraising and volunteering initiatives	Please see pages 45 to 47
Our environment	To protect the planet from our activities, which means: • Awareness of the environmental impact of our activities • Reduction of CO_2 emissions and energy and water consumption • Reducing waste, in particular plastic waste, and diverting waste from landfill • Sustainable development of new stores	• Develop and implement various sustainability schemes across our sites • Engage with our colleagues to increase awareness and education • Align our material sustainability issues with the latest Global Reporting Initiative ("GRI") standards • BREEAM certification for our new stores • Register all of our new store developments with the Considerate Constructors Scheme	Please see pages 48 to 57

Engaging with our stakeholders and our Section 172(1) statement *continued*

Our Section 172(1) statement

The Board has regard to the matters set out in Section 172(1) of the Companies Act 2006, when performing its duties under Section 172 to act in a way it considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters, when making decisions for the long term. Key decisions and matters that are of strategic importance to the Company are appropriately informed by Section 172 factors.

The following provides examples of decisions taken by the Board during the year ended 31 October 2020 and how Section 172 factors have been considered as part of the Board's decision making. These examples also provide further insight into Safestore's corporate culture to act fairly and maintain its reputation for high standards of business and ethical conduct.

Covid-19

The impact of the Covid-19 pandemic has been fast moving and uncertain but the Directors consider that decisions have been made in the best long term interests of all the Company's stakeholders. Since the first national lockdowns the Company has maintained its strategic progress and its dividend policy, as explained on page 3 and pages 5 to 10. The Company's response has also been informed by stakeholders and proactive ongoing engagement as follows:

- **Our people:** Health, safety and wellbeing of our colleagues and customers were of paramount importance and since the first lockdown all sites were operated in accordance with UK government guidelines and providing a Covid-secure workplace. We consulted with our colleagues about managing risks associated with Covid-19, which included collaborating with them about key decisions we made during this time.

  The decision was taken not to access the UK government's Covid-19 related support schemes including the job retention scheme. Our colleagues received full pay, irrespective of whether they were working reduced hours or were unable to work because they were self-isolating.

  In October we awarded a one off bonus to recognise the 396 colleagues who worked in customer-facing roles throughout the lockdown period.
- **Our customers:** Demand for storage has continued throughout the pandemic, and our customers informed us that accessibility of our sites would be essential in managing their supply chains. To support our customers, all our sites in the UK, Paris, Barcelona and the Netherlands remained open or accessible during the first lockdowns, though receptions were closed and were operated in compliance with government legislation and guidance and the respective Safestore operational plans.
- **Our investors:** We communicated regularly with our investors throughout the pandemic. The 2020 AGM was held in the days before the UK national lockdown and shareholders were kept informed concerning the arrangements for our AGM, via our website. Market updates explaining the impact of the pandemic on business performance and operations were provided following the outcome of the 2020 AGM, within our half year announcement and Q3 and Q4 interim management statements.
- **Our partners:** We engaged and worked with our contractors to commence, or recommence, building construction works following the easing of the first national lockdown in the UK. This led to a comprehensive change to ways of working on construction sites, which were operated in compliance with the advice from the Construction Leadership Council and current best practice.
- We reassured suppliers and contractors that Safestore remained committed to its long term plans and re-arranged our minor works programme to provide work and cash flow for our smaller suppliers. We utilised our existing supply base to source additional personal protective equipment for stores and Head Office and landlords and suppliers were paid on time.
- **Our communities:** Engaged and worked closely with our charity partners to support them during this uncertain period.

These actions align with our culture and the high standards of business, ethical conduct and good governance we set ourselves. Indeed, it is indicative of the Safestore culture that our supportive colleagues adapted so successfully to new ways of working that there was little or no disruption to our store and Head Office operations.

Our investment decisions

In line with our strategy set out on pages 5 to 10 this year the Board has considered and approved investment opportunities to acquire new sites and asset management projects, corporate acquisitions including the FortBox group and OhMyBox! and increasing the Group's investment in our joint venture and its expansion into Belgium. These investments are explained more fully on pages 8 to 10.

In making investment decisions, the Board pays due regard to ensure that such decisions are consistent with the Group's strategy, comply with our disciplined and strict investment criteria and are in the interests of stakeholders over the long term. Such decisions take into account:

- **Our people:** Creating development opportunities for our colleagues.
- **Our customers:** Creating new sites and redeveloping existing sites to meet new and existing customer requirements.
- **Our investors:** Creating long term value and achieving long term sustainable success for the Group.
- **Our partners:** Ultimately, investment in our store portfolio provides long term work for our contractors and increased demand for our suppliers.
- **Our communities:** Providing benefits for the community in which we operate.
- **Our environment:** Developing sustainable spaces that minimise the impact of our business operations on our environment.

Risks are considered at every business level and are assessed, discussed and taken into account when deciding upon future strategy, approving transactions and monitoring performance

Risks and risk management

The Board recognises that effective risk management requires awareness and engagement at all levels of our organisation.

Risk management process

The Board is responsible for determining the nature of the risks the Group faces, and for ensuring that appropriate mitigating actions are in place to manage them in a manner that enables the Group to achieve its strategic objectives.

Effective risk management requires awareness and engagement at all levels of our organisation. It is for this reason that the risk management process is incorporated into the day-to-day management of our business, as well as being reflected in the Group's core processes and controls. The Board has defined the Group's risk appetite and oversees the risk management strategy and the effectiveness of the Group's internal control framework. Risks are considered at every business level and are assessed, discussed and taken into account when deciding upon future strategy, approving transactions and monitoring performance.

Strategic risks are identified, assessed and managed by the Board, with support from the Audit Committee, which in turn is supported by the Risk Committee. Strategic risks are reviewed by the Audit Committee to ensure they are valid and that they represent the key risks associated with the current strategic direction of the Group. Operational risks are identified, assessed and managed by the Risk Committee and Executive Team members, and reported to the Board and the Audit Committee. These risks cover all areas of the business, such as finance, operations, investment, development and corporate risks.

The risk management process commences with rigorous risk identification sessions incorporating contributions from functional managers and Executive Team members. The output is reviewed and discussed by the Risk Committee, supported by members of senior management from across the business. The Board, supported by the Risk Committee, identifies and prioritises the top business risks, with a focus on the identification of key strategic, financial and operational risks. The potential impact and likelihood of the risks occurring are determined, key risk mitigations are identified and the current level of risk is assessed against the Board's risk appetite. These top business risks form the basis for the principal risks and uncertainties detailed in the section below.

Principal risks and uncertainties

The principal risks and uncertainties described are considered to have the most significant effect on Safestore's strategic objectives.

Principal risks *continued*

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

Risk	Current mitigation activities	Developments since 2019
Strategy		
The Group develops business plans based on a wide range of variables. Incorrect assumptions about the economic environment, the self storage market, or changes in the needs of customers or the activities of customers may adversely affect the returns achieved by the Group, potentially resulting in loss of shareholder value or loss of the Group's status as the UK's largest self storage provider.	• The strategy development process draws on internal and external analysis of the self storage market, emerging customer trends and a range of other factors. • Continuing focus on yield-management with regular review of demand levels and pricing at each individual store. • Continuing focus on building the Safestore brand, acquisitions and development projects. • The portfolio is geographically diversified with performance monitoring covering the personal and business customers by segments. • Detailed and comprehensive sensitivity and scenario modelling taking into consideration variable assumptions. • Robust cost management.	The Covid-19 pandemic has resulted in a significant reduction in the economic growth of the UK and Europe in 2020. The implications of Covid-19 have been thoroughly considered with respect to the Group's strategy through the annual planning and budgeting process. Covid-19 will continue to be monitored through regular and periodic reforecasts and scenario analysis during the 2021 year. The Group expanded the joint venture with Carlyle, which acquired Lokabox Self Storage in Belgium. Lokabox has six stores in Belgium. The Group continues to earn management fees and a 20% share of the profits of the joint venture. The acquisition of the stores at St John's Wood and Chelsea together with three new store openings have been fully integrated in the Group's store portfolio.
Finance risk		
Lack of funding resulting in inability to meet business plans or satisfy liabilities or a breach of covenants.	• Funding requirements for business plans and the timing for commitments are reviewed regularly as part of the monthly management accounts. • The Group manages liquidity in accordance with Board-approved policies designed to ensure that the Group has adequate funds for its ongoing needs. • The Board regularly monitors financial covenant ratios and headroom. • All of the Group's banking facilities now run to 30 June 2023. The US Private Placement Notes mature in five, seven, eight and ten years.	In October 2019, the Group issued a further £125 million of Sterling and Euro loan notes, maturing in seven and ten years. The Group's loan-to-value ratio ("LTV") has broadly remained constant during the year, decreasing 2ppts from 31% to 29%, with increased debt due to development and acquisition activity being partially offset by the valuation increase in the store portfolio. Following the issue of new loan notes in October 2019, this risk remains low and broadly unchanged from the prior year.
Treasury risk		
Adverse currency or interest rate movements could see the cost of debt rise, or impact the Sterling value of income flows or investments.	• Guidelines are set for our exposure to fixed and floating interest rates and use of interest rate swaps to manage this risk. • Foreign currency denominated assets are financed by borrowings in the same currency where appropriate.	Euro denominated borrowings continue to provide an effective, natural hedge against the Euro denominated net assets of our French and Spanish businesses. This risk remains low. Mitigation of future rate increases is provided by our interest rate swaps and fixed interest borrowings, so the risk of adverse interest rate fluctuations remains broadly unchanged since the prior year.
Property investment and development		
Acquisition and development of properties that fail to meet performance expectations, overexposure to developments within a short timeframe or the inability to find and open new stores may have an adverse impact on the portfolio valuation, resulting in loss of shareholder value. Corporate transactions may be at risk of competition referral or post-transaction legal or banking formalities.	• Thorough due diligence is conducted and detailed analysis is undertaken prior to Board approval for property investment and development. • Execution of targeted acquisitions and disposals. • The Group's overall exposure to developments is monitored and controlled, with projects phased to avoid over-commitment. • The performance of individual properties is benchmarked against target returns and post-investment reviews are undertaken.	Projects are not pursued when they fail to meet our rigorous investment criteria, and post-investment reviews indicate that sound and appropriate investment decisions have been made. The capital requirements of development projects undertaken during the year have been carefully forecasted and monitored, and we continue to maintain significant capacity within our financing arrangements. We continue to pursue investment and development opportunities, and consider our recent track record to have been successful. Therefore, the Board considers that there has been no significant change to this risk since last year.

Risk	Current mitigation activities	Developments since 2019
Valuation risk		
Value of our properties declining as a result of external market or internal management factors could result in a breach of borrowing covenants. In the absence of relevant transactional evidence, valuations can be inherently subjective leading to a degree of uncertainty.	• Independent valuations are conducted regularly by experienced, independent, professionally qualified valuers. • A diversified portfolio which is let to a large number of customers helps to mitigate any negative impact arising from changing conditions in the financial and property markets. • Headroom of LTV banking covenants is maintained and reviewed. • Current gearing levels provide sizeable headroom on our portfolio valuation and mitigate the likelihood of covenants being endangered.	The valuation of the Group's portfolio has continued to grow during the year, reflecting both valuation gains arising from the increasing profitability of our portfolio and additions to our portfolio through corporate acquisitions and the opening of new development stores. The level of this risk is viewed as broadly similar to last year.
Occupancy risk		
A potential loss of income and increased vacancy due to falling demand, oversupply or customer default, which could also adversely impact the portfolio valuation.	• Personal and business customers cover a wide range of segments, sectors and geographic territories with limited exposure to any single customer. • Dedicated support for enquiry capture. • Weekly monitoring of occupancy levels and close management of stores. • Management of pricing to stimulate demand, when appropriate. • Monitoring of reasons for customers vacating and exit interviews conducted. • Independent feedback facility for customer experience. • The like-for-like occupancy rate across the portfolio has continued to grow due to flexibility offered on deals by in-house marketing and the Customer Support Centre.	Covid-19 has resulted in a contraction in economic growth. However, recent like-for-like occupancy trends have been strong and the newly opened stores are performing well. Growth in our store portfolio diversifies the potential impact of underperformance of an individual store; however, with the Covid-19 pandemic the level of this risk is considered to have increased from last year.
Real estate investment trust ("REIT") risk		
Failure to comply with the REIT legislation could expose the Group to potential tax penalties or loss of its REIT status.	• Internal monitoring procedures are in place to ensure that the appropriate rules and legislation are complied with and this is formally reported to the Board.	The Group has remained compliant with all REIT legislation throughout the year. There has been no significant change to this risk since last year.
Catastrophic event		
Major events mean that the Group is unable to carry out its business for a sustained period; health and safety issues put customers, staff or property at risk; or the Group suffers a cyber-attack, hacking or malicious infiltration of websites. These may result in reputational damage, injury or property damage, or customer compensation, causing a loss of market share and income.	• Business continuity plans are in place and tested. • Back-up systems at offsite locations and remote working capabilities. • Reviews and assessments are undertaken periodically for enhancements to supplement the existing compliant aspects of buildings and processes. • Monitoring and review by the Health and Safety Committee. • Robust operational procedures, including health and safety policies, and a specific focus on fire prevention and safety procedures. • Fire risk assessments in stores. • Periodic security review of all systems supported by external monitoring and penetration testing. • Limited retention of customer data. • Online colleague training modules.	Continuing focus from the Risk Committee, with particular attention to specific issues. The threat from cyber-attacks continues to grow. The risk management and mitigation actions have been developed accordingly. The level of risk is considered similar to last year.

Principal risks *continued*

Risk	Current mitigation activities	Developments since 2019
Regulatory compliance risk		
The regulatory landscape for UK listed companies is constantly developing and becoming more demanding, with new reporting and compliance requirements arising frequently. Non-compliance with these regulations can lead to penalties, fines or reputational damage. Changes in tax regimes could affect tax costs. The Group is also subject to the risk of compulsory purchases of property, which could result in a loss of income and impact the portfolio valuation.	• Monitoring and review by the Risk Committee. • Project-specific steering committees to address the implementation of new regulatory requirements. • Liaison with relevant authorities and trade associations. • Where a store is at risk of compulsory purchase, contingency plans are developed. • Legal and professional advice. • Online colleague training modules.	The framework of tax controls has been reviewed during the year, ensuring key tax risks are in line with the Group's obligations. All regulatory compliance risks have been monitored during the year. The level of risk is considered similar to last year.
Marketing risk		
Our marketing strategy is critical to the success of the business. This includes maintaining web leadership and our relationship with Google. A lack of effective strategy would result in loss of income and market share and adversely impact the portfolio valuation.	• Constant measuring and monitoring of our web presence and ensuring compliance with rules and regulations. • Market-leading website. • Use of online techniques to drive brand visibility. • Our pricing strategy monitors and adapts to evolving customer behaviour.	We continue to build functional expertise at Group level in performance marketing, organic and local searches and analytics. The Group marketing forum continues to review performance, market developments and our ongoing improvement plan. We have implemented a new value and quality focused performance marketing strategy. The level of risk is considered to be slightly reduced from last year.
Consequences of the UK's decision to leave the EU ("Brexit")		
Whilst the UK has now departed the EU, there is potential for economic disruption and uncertainty in the short term. There is a risk that this could have an impact on Safestore's business.	• Economic uncertainty is not a new risk for the Group, but Brexit increases the likelihood of previously recognised risks, and is addressed under the finance risk, treasury risk and valuation risk categories above. • Self storage is a localised industry, with a broad and diversified customer base, so demand is unlikely to be significantly impacted by Brexit-related changes. • The Group's workforce in the UK includes a low proportion of employees whose right to work in the UK may be impacted by potential Brexit-related legislation changes.	Whilst the Group has only limited exposure to the direct risks arising from Brexit, it believes that Brexit increases economic uncertainty, so the level of this risk is considered to have slightly increased since last year.

Non-financial information statement

We aim to comply with the non-financial reporting requirements contained in Sections 414CA and 414CB of the Companies Act 2006. The below table, and information it refers to, is intended to help stakeholders understand our position on key non-financial matters.

Reporting requirement	Some of our relevant policies	Where to read more about our policies
Environmental matters		The Company's sustainability strategy has, as one of its four pillars, to mitigate the environmental effects of its activities to reduce its carbon footprint, improve recycling, reduce reliance on packaging, minimise waste and improve efficiencies on finite natural resources in all parts of the Company's operations. How the Company seeks to implement its sustainability strategy is set out in Our Environment on pages 48 to 57 of the sustainability report. The Company's approach to environmental matters is overseen by the Company's sustainability leadership team.
Employees	Code of conduct (page 65) Equality, diversity and inclusion policy (page 44) Bullying and harassment policy Disciplinary and grievance policies Health and safety manual (pages 40 and 41)	The pivotal role of our colleagues is reported within the Our People section of the sustainability report on pages 39 to 44 and within the Chief Executive's statement on pages 6 and 7. Further commentary for individual policies is set out on the pages as detailed in the previous column and/or on the Company's website. These policies are made available to all colleagues within the Company's Colleague Handbook, an internal document available to all colleagues on the Company's intranet. The Company's approach to pay fairness throughout the Group is set out on pages 80 to 82 of the Directors' remuneration report.
Human rights	Code of conduct (page 65) Equality, diversity and inclusion policy (page 44) Data privacy policies Anti-slavery statement Whistleblowing ("Speak Out") policy (page 65) IT policy	Further commentary for individual policies is set out on the pages as detailed in the previous column and/or on the Company's website. These policies are monitored as part of our risk management processes, overseen by the Audit Committee.
Social matters		The Company's approach to social matters is set out in Our Community on pages 45 to 47 of the sustainability report. The Company's approach to social matters is set out in the Company's Colleague Handbook and Operations Manual, which are internal documents available to all colleagues on the Company's intranet. The Company's approach to social matters is overseen by the Company's sustainability leadership team.
Anti-corruption and anti-bribery	Anti-corruption and bribery statement and policy (page 65) Gifts, tips and hospitality policy (page 65)	Further commentary for individual policies is set out on the pages detailed in the previous column. These policies are monitored as part of our risk management processes, overseen by the Audit Committee.
Description of principal risks and impact on business activity	Risk overview (pages 29 to 32 of the strategic report)	The Company's approach to risk management and internal control is set out in the governance report on pages 64 and 65.
Description of the business model		The Company's market and business model are reported on pages 12 and 13 in the Chief Executive's review of the strategic report.
Non-financial key performance indicators		KPIs are summarised in the Chief Executive's statement and reported in the financial highlights section of page 2 and within the trading performance section of the strategic report on pages 13 and 14.

Certain Group policies and internal standards and guidelines are not published externally, but are available to all colleagues on the Company's intranet, and publically within the Governance section of the Company's website.

Viability statement

The UK Corporate Governance Code requires us to issue a "viability statement" declaring whether we believe Safestore can continue to operate and meet its liabilities, taking into account its current position and principal risks. The overriding aim is to encourage Directors to focus on the longer term and be more actively involved in risk management and internal controls. In assessing viability, the Board considered a number of key factors, including our strategy (see page 6), our business model (see page 12), our risk appetite and our principal risks and uncertainties (see pages 29 to 32 of the strategic report).

The Board is required to assess the Company's viability over a period greater than 12 months, and in keeping with the way that the Board views the development of our business over the long term a period of three years is considered appropriate, and is consistent with the timeframes incorporated into the Group's strategic planning cycle, with the review considering the Group's cash flows, dividend cover, REIT compliance, financial covenants and other key financial performance metrics over the period with no borrowings falling due to be repaid during this three-year outlook period. Our assessment of viability therefore continues to align with this three-year outlook.

The Covid-19 pandemic has resulted in a significant reduction in the economic growth of the UK and Europe in 2020. The implications of Covid-19 have been thoroughly considered with respect to the Group's strategy through the annual planning and budgeting process. Covid-19 will continue to be monitored through regular and periodic reforecasts and scenario analysis over the next 12 months and align with the three-year outlook of this review during the 2021 year.

In assessing viability, the Directors considered the position presented in the budget and three-year plan recently approved by the Board. In the context of the current environment, four plausible sensitivities were applied to the plan, including a stress test scenario. These were based on the potential financial impact of the Group's principal risks and uncertainties and the specific risks associated with the Covid-19 pandemic. These scenarios are differentiated by the impact of lockdowns, demand levels post lockdowns and the level of cost savings. A stress test sensitivity was also performed where we have carried out a reverse stress test to model what would be required to breach ICR and LTV covenants which indicated highly improbable changes would be needed before any issues were to arise.

The impact of these scenarios and sensitivities has been reviewed against the Group's projected cash flow position and financial covenants over the three-year viability period. Should any of these scenarios occur, clear mitigating actions are available to ensure that the Group remains liquid and financially viable.

Such mitigating actions available, but not limited to, are reducing planned capital and marketing spend, pay and recruitment measures, making technology and operating expenditure cuts and utilisation of available headroom on existing debt facilities.

The Audit Committee reviews the output of the viability assessment in advance of final evaluation by the Board. The Directors have also satisfied themselves that they have the evidence necessary to support the statement in terms of the effectiveness of the internal control environment in place to mitigate risk.

Having reviewed the current performance, forecasts, debt servicing requirements, total facilities and risks, the Board has a reasonable expectation that the Group has adequate resources to continue in operation, meets its liabilities as they fall due, retain sufficient available cash across all three years of the assessment period and not breach any covenant under the debt facilities. The Board therefore has a reasonable expectation that the Group will remain commercially viable over the three-year period of assessment.

Safe Sustainable Storage

Our business

We acquire, develop and operate real estate assets in European markets to enable a wide range of customers to store their goods in safe and secure locations. We also provide customers with a range of ancillary services including insurance, office space and a range of packaging materials.

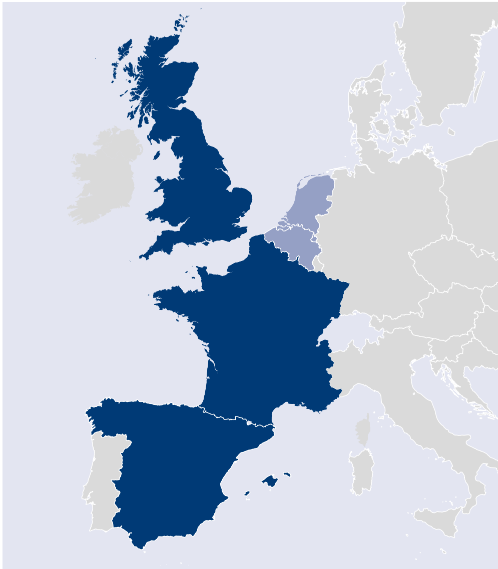
5 countries

159 stores

658 colleagues

6.9m sq ft maximum lettable area

Safestore holds an equity stake in, and provides management services to, a joint venture formed with The Carlyle Group which acquired M3 Self Storage (Netherlands) in August 2019 (since rebranded MijnSafestore) and Lokabox (Belgium) in June 2020.



■ Wholly owned business

■ Managed on behalf of joint venture

Our purpose

To add stakeholder value by developing profitable and sustainable spaces that allow individuals, businesses and local communities to thrive.

Our people
Provide a great place to work

Our customers
Deliver a great customer experience and help customers live and grow sustainably

Our community
Benefit local communities

Our environment
Protect the planet from our activities – reduce waste and carbon emissions

Our values

Our values, created by our store teams, are the foundation of everything we do. (See page 44 for more details.)

- We love customers
- We lead the way
- We have great people
- We dare to be different
- We get it

Sustainability *continued*

Our sustainability strategy

Our material sustainability issues, as identified by internal and external stakeholder engagement (with colleagues, investors, customers, and partners) fall within four areas, which we call the 'pillars' of our sustainability strategy: our people, our customers, our community and our environment. Although these pillars do not fundamentally change, we periodically review our activities to ensure we are focusing clearly on material areas and are aligned not only to our corporate goals but also the principles of the UN Global Compact. We track progress against medium term targets set in 2019 using appropriate key performance indicators ("KPIs").

We report in accordance with EPRA's (European Public Real Estate Association) latest recommendations: EPRA Sustainability Best Practices Recommendations ("sBPR"), third version September 2017. These recommendations are also aligned with the latest Global Reporting Initiative ("GRI") standards. We report sustainability indicators for the subset of the 28 EPRA sBPR performance measures that are relevant to our business.

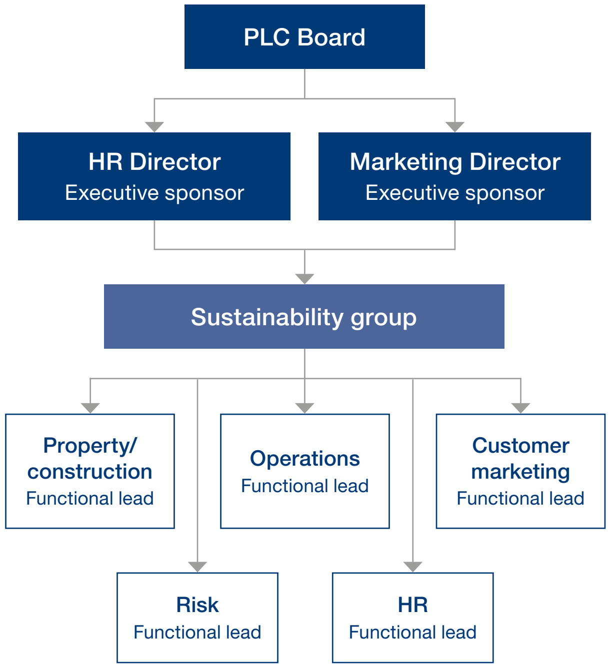
Once finalised, these indicators and supplemental information can be downloaded from the relevant section of our website: www.safestore.co.uk/corporate/investors/report-and-presentations/.

In recognition of the strides made in our sustainability disclosures, Safestore has been given a Silver rating and a 'Most Improved' Award in the 2020 EPRA Sustainability BPR awards. In addition, the Global ESG Benchmark for Real Assets ("GRESB") has awarded Safestore an 'A' rating in its 2020 Public Disclosures assessment (FY2019: C rating).

EPRA sBPR SILVER

Sustainability governance

Sustainability is embedded into day-to-day responsibilities at Safestore and, accordingly, we have opted for a governance structure which reflects this. Two members of the Executive Management team co-chair a cross-functional sustainability group consisting of the functional leads responsible for each area of the business. This group reports on its activities directly to the Board.



Alignment to the UN Sustainable Development Goals

In September 2015, the United Nations Member States adopted 17 Sustainable Development Goals ("SDGs") to provide a blueprint for peace and prosperity to be achieved by 2030. The SDGs or Global Goals are an urgent call to action for stakeholders in all countries to unite and address the environmental, economic and social imbalances that affect the world's population and society.

These goals can only be achieved with the support of governments, businesses and individuals and, as the role businesses must play becomes clearer, the goals have developed into an increasingly important tool for assessing the impact of companies on society more comprehensively.

Our various stakeholders increasingly expect to see how we are contributing to the SDGs, specifically current/future colleagues, our customers and particularly investors.

We have taken the opportunity to align our material sustainability issues with a global movement where governments, businesses and individuals contribute to the ambition of achieving prosperity for everyone, whilst protecting our planet for future generations. Safestore has now joined a growing number of global organisations which are committed to supporting the SDGs.

We reviewed the significance of each goal to our business and the importance of each goal to our stakeholders, and assessed our ability to contribute to each goal. Following this materiality exercise, we have chosen to focus the bulk of our efforts in the priority areas where we can have a meaningful impact. These are:

- Goal 8: Decent work and economic growth
- Goal 11: Sustainable cities and communities
- Goal 12: Responsible consumption and production
- Goal 13: Climate action

We will also seek to progress towards specific aspects of the other SDGs where relevant to our business.

WE SUPPORT THE GLOBAL GOALS
SUPPORT THE GOALS
JOIN THE MOVEMENT
SUPPORTTHEGOALS.ORG

8 DECENT WORK AND ECONOMIC GROWTH
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

Task Force on Climate-related Financial Disclosures ("TCFD")

We are committed to implementing the relevant recommendations of the TCFD, providing our stakeholders and investors insight into the key climate-related risks and opportunities which are relevant to our business and how these are identified and managed.

Governance and risk management

Ongoing oversight of climate-related issues is carried out by our sustainability group (see sustainability governance section). The Group meets quarterly and is the forum for determining our sustainability strategy and reviewing performance. This includes identification of climate-related risks which are included and managed by the Board via our corporate risk management process (see the Audit Committee report for details of our approach to risk management).

In particular, the Board primarily manages climate-related risk through the established investment appraisal process where it scrutinises proposed acquisition, development and refurbishment plans which may include climate-related aspects of design.

Our commitment to address climate-related risks is embedded across the business, through a carbon reduction KPI. The performance against this KPI is linked to executive remuneration, aiming to incentivise progress against carbon reduction target and energy efficiency commitment.

Strategy

Our business is exposed to both risk and opportunity from climate change primarily as a result of owning and operating property assets. The nature and level of risk is dependent on government, business and society's response in the short and long term. In the event of a strong response to climate change in the short term up to 2030, our business will be affected positively and negatively by the transition.

With a limited global response to climate change, our business will be affected in the long term, beyond 2030, by physical effects such as extreme weather and higher temperatures.

Accordingly, our analysis focuses on both transitional risks, up to 2030, and physical risks beyond 2030.

Transitional risks and opportunities

Our primary transition risk is regulatory changes relating to minimum energy efficiency standards. This has the potential to increase both operating and compliance costs. An increase in capital investment may be required to ensure Group assets meet minimum standards.

In the event specific assets cannot be cost-effectively improved, there may be a downward pressure on their valuation due to shifting market demand. The corollary of this is that assets well above minimum standard may attract premium valuations.

As of 2020, 26% of the Group portfolio by floor area was certified with 68% of this area in buildings with an EPC rating of C or higher. It should be noted that prevalence of EPCs for non-residential buildings varies markedly by country within Europe. Very few non-residential buildings in France and Spain are currently certified.

Physical risks

The physical risks to our business relate to the increasing likelihood of extreme weather events and their consequences, including impact on asset availability (local shutdowns) and higher maintenance, capex and insurance costs.

In relation to the UK property portfolio, the primary physical risk is flooding related. Based on current data, our insurer's flood assessment at the last renewal indicates that 88% of Safestore's portfolio is located in zones rates as low, negligible or moderate (both on a store count and insured value basis). Where Safestore does invest in property in higher risk areas, risk mitigation measures are usually proactively deployed.

Metrics and targets

The self storage sector is not a significant consumer of energy when compared with other segments of the real estate landscape.

Nevertheless, as part of our commitment to SDG 13 (Climate action) we have set near and medium term carbon reduction targets to 2020 and 2022 (see sustainability targets and KPIs). We report and analyse our absolute and like-for-like energy consumption and greenhouse gas ("GHG") emissions in line with the EPRA sBPR recommendations.

These are disclosed in the Our Environment section of this report (pages 48 to 57). Supplementary data can be found on our corporate website, www.safestore.co.uk/corporate.

Through a range of energy efficiency initiatives and a switch to 100% renewable electricity we have met our 2020 target to reduce our absolute carbon emissions vs 2013 baseline by 47%, and are on track to meet the 50% reduction vs baseline by 2022. This progress in absolute emissions reduction is despite the significant expansion of our portfolio. Emissions intensity (per sq ft) is currently 60% below 2013 levels exceeding the 2020 target of 53% below baseline.

Sustainability *continued*

Sustainability targets and KPIs

The table below outlines the targets we set ourselves in 2018 in each of the four 'pillar' areas. We are pleased to report that we have exceeded the majority of the 2020 targets (details and commentary in subsequent sections) and we now turn our focus to 2022.

Green = target achieved
Red = target not met

Sustainability strategy "pillar"	Sustainable business goals	Corporate business goals	UN Sustainable Development Goals	Performance measures (KPIs)	Targets 2020	Targets 2022
Our people	The fairest places to work	A great place to work	5 GENDER EQUALITY	Percentage of females applying for roles at Safestore	**35%**	40%
				Mean gender pay gap	**16%**	14%
	A safe working environment		8 DECENT WORK AND ECONOMIC GROWTH	Engagement score	Maintain score of over 80%	
				Number of reportable injuries (RIDDOR)	**Zero**	Zero
				Investors in People	Maintain IIP Gold accreditation	
Our customers	Deliver a great customer experience Help customers live and grow sustainably	Storage provider of choice	8 DECENT WORK AND ECONOMIC GROWTH	Customer satisfaction score	**>90%**	>90%
Our community	Benefit to local communities	Help local economies thrive	11 SUSTAINABLE CITIES AND COMMUNITIES	Pro bono value of space occupied by local community groups	Opportunity led	
Our environment	Improve use of natural resources	Achieve optimal operational efficiency	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Eradicate single-use plastic from the packaging of our merchandise in the UK	**100%**	100%
	Reduce our waste			% construction waste diverted from landfill in the UK	**97.5%**	98%
				% operations waste to landfill in the UK	**2.1%**	1.75%
	Reduce our emissions		7 AFFORDABLE AND CLEAN ENERGY	% of renewables in owned store electricity in the UK	**100%**	100%
			13 CLIMATE ACTION	Scope 1, 2, 3 emissions	**4,427**	3,917
				Intensity (per m^2)	**0.47**	0.42
				Emissions vs 2013 baseline (tonnes)	**(43)%**	(50)%
				Emissions vs 2013 baseline (intensity)	**(53)%**	(58)%

Our people

INVESTORS IN PEOPLE | Gold Until 2021

Target	Performance 2019/20
Engagement score	82%

We strive to ensure that every colleague at Safestore feels like a valued member of our friendly and supportive team. Our leaders operate collaboratively, focusing on empowering their teams and investing considerably in developing ideas and skills within the business. Our Investors in People ("IIP") Gold accreditation demonstrates that Safestore is a place where colleagues love to work.

Focusing on our colleagues and culture has never been more critical than during the Covid-19 pandemic. Our established wellbeing strategy remains at the heart of our long term people agenda and, this year, we have worked harder than ever to ensure our colleagues are happy, healthy, safe, and engaged in supporting Safestore to deliver sustainable business performance.

We endeavour to operate employment practices that support SDG 3 (Good health and wellbeing), SDG 8 (Decent work and economic growth) and SDG 10 (Reduced inequalities) through building, improving and maintaining safe and secure working environments and advocating a diverse and inclusive workforce, free from harassment and victimisation. Our Wellbeing Strategy and People Principles documents further expand on how we seek to achieve this.

Sustainability *continued*

Positive environment

Make the Difference people forum

Our 'Make the Difference' people forum, launched in 2018, is a formal workforce advisory panel which enables frequent opportunities for us to hear and respond to our colleagues.

Our network of 14 'People Champions' collect questions and feedback from their peers across the business and put them to members of the Executive Committee.

> "Information release has been great, with the Company responding to feedback. Positive messages from the Executive Committee have really instilled confidence."*

We drive change and continuous improvement in responding to the feedback we receive, via our internal communication channels and back through our network of People Champions.

During the Covid-19 lockdown period our People Champions, supported by our HR team, conducted welfare calls to over 200 colleagues. This enabled us to obtain a 'temperature check' on how they were coping with the changes and to obtain feedback and ideas about our Covid-secure workplace.

> "I feel supported from all aspects of the business."*

Engagement (sustainability)

Our colleagues play a crucial role in helping to deliver our sustainability goals, for example, by delivering a great customer experience, reducing our waste, and helping to raise levels of awareness.

This year, we ran a series of engagement campaigns to:

- educate our colleagues about Safestore's alignment to the United Nations' Sustainable Development Goals ("UNSDGs"), in particular addressing our three priority areas
- promote the eradication of single-use plastic, for example, during 'Plastic Free July', inspiring our colleagues to make changes at work and at home
- capture the imagination of our colleagues through a sustainability ideas competition. This involved suggesting solutions to enhance Safestore's social impact or reduce our environmental impact

Health and safety

The Covid-19 pandemic has had an extraordinary impact on all of us. In order to continue to manage risk, we have had to anticipate these new health and safety challenges and to respond with pace in order to ensure a healthy and safe environment for our colleagues, customers, suppliers, and contractors. This has involved commitment from all levels of the organisation as well as daily decision making on how to respond to a constantly changing and uncertain situation.

> "All of the information has been comprehensive and is easy to locate. The process for lockdown seems to have been well planned and has definitely put our teams first."*

Some of the key actions we have taken to ensure we have been working safely during Covid-19 are:

- practising strict social distancing measures, including reduced store opening hours, allowing only one customer per colleague in reception at any one time, locking reception areas during the lockdown period, and encouraging customers to access their units only where absolutely necessary
- increased cleaning and hand hygiene measures
- installation of protective screens and signage/floor tape and provision of PPE to every site, including masks, visors, and gloves
- reduced access to our Head Office building during the lockdown period and encouraging home working where possible
- Covid-19 risk assessments conducted for every site to ensure appropriate measures are in place for a Covid-secure workplace
- all of our sites continue to operate according to our 'Policy on safe working during the Covid-19 pandemic', informed by the results of the Covid-19 risk assessments

** Colleague feedback in relation to Safestore's Covid-19 response.*

Positive environment *continued*

Our pandemic response in numbers

Covid Action Group meetings
40

Colleague announcements or communications
26

Social distancing/ hygiene signage displayed
75,094

Colleague letters from the CEO
4

Investment in PPE
£178.5k

Investment in supporting Covid-related absence
£28k

Recognition bonus
£109k

Covid-secure risk assessments completed
382

Health and safety *continued*
Safestore strives to meet and, wherever possible, exceed best practice through:

- regular and robust health and safety checks across our portfolio
- regular independent audits of sites, performed by our external health and safety consultants on a rolling programme, to ensure that procedures are followed and that appropriate standards are maintained
- ensuring all colleagues understand their responsibility for health and safety at Safestore. If a site is highlighted as falling below our health and safety standards, colleagues onsite are urgently required to make improvements
- comprehensive compulsory health and safety training programmes for all colleagues
- regular Health and Safety Committee meetings to review issues, processes, policy, and actions. The Health and Safety Committee minutes are shared with both our Risk and Audit Committees
- accident reports to identify, prevent, and mitigate against potential risks managed using our online incident reporting systems. All reports are reviewed by the Health and Safety Committee to consider what preventative measures can be implemented

There were no fatal injuries, notices or prosecutions during the year ended 31 October 2020 in any part of Safestore operations.

Group health and safety statistics

Customer, contractor and visitor ("CCV") health and safety
Summary:

- 36 minor injuries were recorded over the past year, none of which were reportable under RIDDOR*.
- 3 minor injuries were recorded to contractors and 33 to customers. No injuries were recorded to visitors.
- Injuries were recorded as 23 minor cuts, 11 bumps and bruises and 2 strains mainly relating to customers handling their goods.

Year ended 31 October	2018	2019	**2020**
Number of stores	146	150	**155**
Customer, contractor and visitor movements	137,882	143,651	**120,995**
Number of minor injuries	46	26	**36**
Number of reportable injuries (RIDDOR)	0	0	**0**
RIDDOR per 100,000 CCV movements	0.0	0.0	**0.0**

Colleague health and safety
Summary:

- 21 minor injuries were recorded over the past year, all cuts and bruises.
- 2 accidents/incidents resulting in over 7 days' absence were reportable under RIDDOR*.

Year ended 31 October	2018	2019	**2020**
Average number of colleagues	650	650	**658**
Number of minor injuries	5	24	**21**
Number of reportable injuries (RIDDOR)	1	0	**2**
AIIR** per 100,000 colleagues	202	0	**303**

* RIDDOR = Reporting of Injuries, Diseases and Dangerous Occurrences.
** Annual injury incident rate = the number of reportable injuries ÷ average number of colleagues (x100,000).

Sustainability *continued*

Great lifestyle choices

This year, we have continued to focus on offering simple, practical wellbeing initiatives, to support our colleagues to lead healthier and happier lives. We recognise that it is more important than ever for our colleagues to take care of themselves and their loved ones during the Covid-19 pandemic.

- We have further promoted our Employee Assistance Programme ("EAP") and other external support organisations such as Mind and Mental Health UK, providing our colleagues with expert guidance and support on everyday matters whenever they need it.
- We continue to work closely with our occupational health provider including provision of private counselling for colleagues in crisis requiring immediate support.
- We have upgraded our private healthcare scheme to improve the number of additional services available to participating colleagues.
- We have raised awareness of our Cycle to Work scheme and, as a result, participation has significantly increased.
- We have made changes to our holiday policy to ensure colleagues get plenty of time for rest and relaxation, and that we can manage our internal resourcing demands.
- We have launched our new Conflict Resolution policy, with additional training, enabling us to change the way we approach disagreements in the workplace, encouraging open and honest communication through facilitated discussions and mediation sessions.
- In addition to our 'My Wellbeing' webpage (our internal wellbeing resource hub), we have also communicated a number of wellbeing events and offers using our internal platform, Yapster. We believe good wellbeing communications promote and embed our positive and supportive working environment.

Personal growth and education

Learning and development

In order to continue delivering high standards of customer service whilst providing a great sales experience, our learning and development portfolio was predominantly delivered online. This was achieved via our Learning Management System and use of digital platforms, allowing us the flexibility to continue with high quality delivery of our core sales and development modules without the need to meet face to face.

We have introduced the 'Video Hub' within our online learning platform which has over 20 digital tutorials, created in house by our Store Managers. These on-demand tutorials focus on our system-based sales processes allowing learners to re-visit and refresh their knowledge as required.

We have also introduced 'Live Learning' digital workshops for all colleagues with a focus on supporting customer interactions.

Our Store Manager Development ("SMD") programme is the next step for those who have successfully completed the Sales Consultant framework. Colleagues on the programme also have the opportunity to work towards a nationally recognised qualification in Leadership and Management provided by the Institute of Leadership & Management ("ILM").

In addition, we launched our first Level 5 accredited Leadership and Management programme ("LEAD"). This programme gives colleagues the opportunity to gain a nationally recognised qualification through either the ILM or Chartered Management Institute ("CMI").

During 2020 we have adapted our learning strategy in response to environmental factors, and are proud to have maintained our high standards of learning and development, continuing to foster a people-centric culture within our business.

"What sets us apart is our culture of being friendly, supportive and showing a genuine interest in our colleagues and their development."

Personal growth and education *continued*

Financial wellbeing

We recognise that colleagues' overall household income could have been impacted by the Covid-19 pandemic. We acted promptly to offer colleagues a number of financial wellbeing initiatives:

- support in money management including helpful ideas such as taking a payment holiday from Sharesave
- enhanced Company Sick Pay ("CSP") in order to alleviate the financial burden. We guaranteed that any Covid-related sickness was paid in full, including test and trace self-isolation cases
- full pay to any colleagues instructed to shield, regardless of whether they were able to work from home
- applied an annual pay increase to all eligible colleagues
- awarded a one off bonus to recognise the 396 colleagues who worked in customer-facing roles throughout the lockdown period

Our workplace pension is provided by Scottish Widows, one of the UK's leading workplace pension providers. We are pleased to offer eligible colleagues the opportunity to make their pension contributions through a salary sacrifice arrangement, recognised as the most tax-efficient way of making pension contributions.

In August, we opened entry into our 2020 Sharesave scheme, attracting 74 new members. In addition, 108 colleagues who are members of existing schemes also enrolled onto the new 2020 scheme. This means 51.5% of our colleagues now share in our success by being a member of at least one of our Sharesave schemes.

Active leaders and engaged teams

Leadership

Role model leadership and high levels of trust are key strengths at Safestore, recognised as part of our Gold IIP accreditation in 2018. In our 2019 pulse survey, we are delighted to have maintained those high standards, with a leadership engagement score of over 80%.

During the Covid-19 pandemic, our leaders have acted swiftly to provide extraordinary levels of communication via regular email, newsletter, internal intranet, and weekly telephone and video conferences. We set up a buddy system for new starters joining during the pandemic.

This year we also launched our new careers website featuring refreshed and rebranded content. Our aim is to improve engagement with our candidates and to convey the culture of Safestore through an increased use of video and image content incorporating the 'Our people make the difference' employer branding.

Sustainability *continued*

Active leaders and engaged teams *continued*

Values and behaviours

Our values, created by our colleagues, form a core part of each element of the employee life cycle. We test prospective colleagues' affinity to our values, and continue to assess against them bi-annually. Our culture has been built on the values which are fundamental to the way our business is run and our decisions are made.

We are empowered to do the right thing, not necessarily the easiest. This enables us to feel comfortable challenging behaviours that are not in line with our values.

We love customers – we deliver much more than storage; we provide solutions that exceed our customers' expectations and we expect our people to show appreciation of our customers and their businesses.

We lead the way – we want people who talk with pride about Safestore, set themselves high standards and demonstrate passion for what they do.

We have great people – everyone has a key role to play within Safestore and we need people who show respect for everyone, no matter their position. Our people drive their own performance and are keen to learn from others.

We dare to be different – we want people that adapt to change and are willing to try new things. Part of daring to be different involves actively seeking feedback in order to develop new and existing skills.

We get it – we want people to be clear on our vision and goals and, in turn, know what part they play in achieving them. "We get it" is also about communicating in a clear, open and honest way to enable sound decision making.

Equality, diversity and inclusion

We are committed to providing an inclusive workplace, encouraging and welcoming diversity with a zero tolerance of harassment and discrimination. More detail can be found in our 'People Principles' document (online).

Our 'Leading Through Inclusion and Diversity' programme continues to support our leaders to recognise and celebrate diversity and to lead our diverse teams to success. This year's workshop was 'Mental health awareness for work and life' delivered to our operational leaders by an external expert.

Gender equality

The ratio of male to female colleagues at 31 October 2020 is outlined in the table below. Further analysis of our gender pay gap can be found in the 2019 gender pay gap report on our website. The report also sets out a range of actions we are taking to help close the gap.

Group gender split at 31 October 2020

	Male	Female
Board Directors	6	2
Senior Managers (excluding Directors)	6	1
All colleagues	438	205

Our customers

Target	Performance 2019/20
Maintain 90%+ satisfaction scores in each market	UK: 94% Feefo/ 93% Trustpilot France: 93% Trustpilot Spain: 96% Google

Safestore understands the importance of customer service and we are committed to enhancing this at a local level. We listen to and engage with our customers in order to deliver great service that they value.

We have a diverse customer base across the UK and Europe which we serve in a variety of ways: face to face in store, through telephony via our Customer Support Centre, online on our website, email and social media channels, and through our LiveChat service. By offering these different channels we can ensure that our customers can get in touch with us through their preferred mode of communication.

We continue to invest in customer service training, tools, coaching and evaluation. We also use customer feedback and testimonials collected on our website, third party platforms and social media, to gauge satisfaction and to raise standards.

We aim to provide a service which is professional, efficient and helpful. Our values drive us to aim to exceed our customers' expectations from initial enquiry through to move in and this shines through in the way that our colleagues operate to handle customer enquiries, claims and issues.

We understand that the Covid-19 pandemic has made day-to-day operations difficult and complex for our customers. We believe that Safestore has a role to play in supporting our customers including key workers and vulnerable members of society during this difficult period. We have provided support in the form of deferred payment and rental reductions for those customers who were in genuine and immediate financial distress.

Responding to the developing Covid-19 pandemic dominated the second quarter of our financial year. Safestore's top priority was to do the right thing for our colleagues, in the knowledge that they would look after our customers, and this included helping our Customer Support Centre to successfully work from home so they could continue to serve our customers.

As we have continued to work through the impact of the evolving pandemic, Safestore has taken many steps to implement new and comprehensive safety, health and hygiene protocols to reassure our customers that we can continue to deliver the very high quality standards that they expect from us.

Our customers *continued*

We continue to seek customer feedback through Feefo, the online review platform which guarantees 100% genuine feedback. All UK stores receive feedback allowing customers to view ratings. This year, Safestore achieved a customer service rating of 94% based on UK customers who rated their experience as ‘Excellent’ or ‘Good’.

In 2020, Safestore won the Feefo Platinum Trusted Service award given to businesses which have achieved Gold standard for three consecutive years. It is an independent mark of excellence that recognises businesses for delivering exceptional experiences, as rated by real customers. This is a highly valued award and as all reviews are verified as genuine, the accreditation is a true reflection of Safestore’s commitment to delivering outstanding service.

In addition to using Feefo, Safestore invites customers to leave a review on a number of other platforms, including Facebook, Google and Trustpilot. As a result, wherever customers look for trust and reputational signals about Safestore, they will see an impartial view of our excellent customer satisfaction.

Trustpilot is a well recognised and authoritative third party review platform. This year we are delighted that Safestore has maintained a TrustScore of 4.7 out of 5 in the UK. We are committed to delivering an excellent customer experience and our independent customer feedback shows a high level of customer satisfaction at 93% from 1,135 reviews.

Une Pièce en Plus also continues to use Trustpilot to obtain independent customer reviews. In 2020, 275 reviews have been collected with 93% of customers rating their service experience as ‘Excellent’ or ‘Great’ resulting in a TrustScore of 4.6 out of 5. In Spain, OhMyBox! collects customer feedback via Google reviews and has maintained a score of at least 4.8 out of 5.

We are proud to be recognised for delivering exceptional customer service and we see this as a great achievement and a testament to the hard work of our colleagues in store and in the Customer Support Centre.

Our community

Target	Performance 2019/20
Provision of free/discounted space and additional support to high impact local community groups	15,239 sq ft provided worth £451,508

Safestore has an important role to play in the advancement of SDG 11 (Sustainable cities and communities). We are committed to being a responsible business in making a positive contribution to the communities we serve so that they are resilient, productive, and prosperous at a local level.

We do this by:

- developing brownfield sites
- actively engaging with local communities when we establish a new store
- identifying and implementing greener approaches in the way we build and manage our stores
- helping charities and communities to make better use of limited space
- creating and sustaining local employment opportunities directly and indirectly through the many small and medium-sized enterprises which use our space

Throughout our 22-year history, we have supported our local communities by partnering with many charities across the UK giving us the opportunity to have a positive impact.

We are committed to being a brand that our current and prospective colleagues are proud to work for as well as one that our customers can trust. Therefore, our approach covers our whole value chain including our colleagues, customers, partners within our supply chain, and charity partners and local communities across the UK. More detail can be found in our ‘People Principles’ document (online).

Partnering with local and national charities means that we can support causes that are important to our colleagues, customers and communities. This enables us to address issues such as rising homelessness, enhancing social mobility and creating opportunities for people living in the communities where we are based.

Sustainability *continued*

Our community *continued*

With 125 stores across the UK we continue to:

- provide fundraising support to existing and new local charity partners
- offer free or discounted storage space for charities within our local communities through our ‘charity room in every store’ scheme
- actively seek out practical and creative solutions by working with and supporting a number of charitable causes
- leverage social media and our blog platform to promote our charity partners and raise awareness of their cause

During the year, the space occupied by local charities in 206 units across 101 stores was 15,239 sq ft and worth £451,508 (FY2019: £434,771). Our aim is to have at least one charity room in every store.

We regularly monitor the free and discounted space occupied by charities, ensuring that the partnerships are running smoothly. In addition, our colleagues maintain ongoing relationships with the charities and we continually review the scheme to ensure that it is beneficial for all involved.

Hands On London

Safestore has been supporting Hands On London’s “Wrap Up London” campaign for the past eight years.

The charity, which promotes community-based volunteering, organises the annual campaign encouraging Londoners to donate any unwanted coats ahead of the winter season. The Wrap Up London campaign has collected 158,640 coats since it launched.

In November 2019, we provided storage space at several stores across the UK to facilitate the sorting, storage and distribution of 33,449 coats to over 100 charities and projects including homeless shelters, refugees, vulnerable women and children’s centres.

The rapidly growing annual campaign added further collection locations as part of a plan to expand nationwide. Wrap Up London worked with Human Appeal and the Rotary Club to run the coat drive for a fourth year in Manchester, a third year in the cities of Birmingham and Glasgow, and a launch in Bath, Cardiff, Essex and Greater Lancashire.

Safestore’s involvement included:

- providing storage space across five stores in London, four stores in Greater Manchester and one each in Birmingham, Glasgow, Cardiff, Bath, Preston, Bolton, Burnley and Chelmsford
- provision of 6,350 sq ft of storage space enabling 1,370 campaign volunteers to spend over 3,839 hours sorting and packing up coats for distribution
- the stores acting as a drop-off point beyond the campaign week and receiving numerous donations from other businesses, community organisations and the general public
- several members of our Head Office joining in with volunteers to help at London tube station collection points including King’s Cross, Liverpool Street and London Bridge
- using our internal and external communications platforms to raise awareness of the Wrap Up London cause and inspiring our colleagues to get involved

Jon Meech, CEO, Hands On London, said:

“It’s incredible that we are in our eighth year of partnering with Safestore and we at Hands On London have seen the Wrap Up campaign grow from strength to strength over the years. We could not have done this without the support of Safestore and the provision of vital storage space enabling our many volunteers to sort and pack all the donated coats.

As we have expanded further across the UK, from London, to Birmingham, Manchester and Glasgow and even further afield to Cardiff, Bath and Essex, we’d like to take this opportunity to thank Safestore for playing their part in helping us ensure these coats get to the most vulnerable people across the UK.”

Local charity support

Making a difference to the communities within which we operate through partnerships with charities and not-for-profit organisations is an integral part of our sustainability strategy. We provide financial support to local and national charities and encourage our colleagues to get involved in fundraising and volunteering.

We believe it is important for our colleagues to recognise how our activities can have an impact on those around us. Volunteering and fundraising opportunities can inspire and encourage them to get involved and provide hands-on help where it matters.

Alongside donating storage space, Safestore colleagues often take part in a number of events each year in order to raise money for charitable causes. One such example is Adam, Store Manager at Safestore Crayford, who took part in YMCA’s ‘The Big Sleepout’ which involved sleeping in a local park to raise money and awareness of homelessness – as well as raising over £300. Safestore also donated cardboard boxes for participants to use as part of the campaign.

Adam Wright, Store Manager, Safestore Crayford, said:

“Cardboard boxes represent sleeping rough in such an iconic way; the hope is that the donated boxes will go some way to helping ‘The Big Sleepout’ participants experience what sleeping rough is really like – if only for one night.

It’s important for us to recognise the importance of organisations like the YMCA who can inspire and encourage us to challenge our own perspectives on homelessness as well as help those who are living on the streets – after all, homelessness can happen to anyone.”

Our community *continued*

Another community fundraising initiative took place during the construction of our new store in Sheffield whereby we teamed up with our construction management partners and sub-contractors to support a local charity, Framework Housing Association.

A van full of new sleeping bags was collected and handed over to the Association for distribution across a number of local charities including Ben's Centre, which provides a place of sanctuary for vulnerable people in the local area.

Andy Robinson, Safestore Construction Manager, said:

"We are very happy to have been able to contribute to the local community in this way and support the brilliant work that the Association carry out helping vulnerable people in the local area."

Safestore and our construction managers (UC Build) registered the new Sheffield site with the Considerate Constructors Scheme. The scheme is dedicated to improving the image of the construction industry and encourages developers to leave a positive legacy for the local community. The project was awarded 'Performance Beyond Compliance' at the monitor visits.

As part of our continuing work in the Carshalton area where we opened a new store in February 2020, the construction management team held site visits and talks with the local building college. In addition, UC Build's Design and Compliance Manager, Bryony Levermore, attended the local Carshalton High School for Girls to give a presentation on 'Women in Construction' to sixth form students.

In December, our HR colleagues teamed up with UC Build, attending the local college at Carshalton to participate in a careers fair. This gave students the opportunity to gain career advice, specifically regarding the construction industry.

During 2020, Safestore donated £25,000 to Quartet Community Foundation which brings together people who want to help the local community with projects that make a real difference.

Quartet manages and distributes charitable funds to meet local needs on behalf of individuals, companies, families and other organisations. Between March and August 2020 Quartet awarded over £1 million in Covid-19 response grants to more than 200 charitable organisations across Bristol, Bath and North East Somerset, North Somerset and South Gloucestershire helping those most in need during the pandemic.

Each year Quartet awards around 1,000 grants, supporting hundreds of thousands of people through local frontline charities and voluntary groups.

In Spain, OhMyBox! has been supporting 'Casal dels Infants', a charitable organisation based in Barcelona committed to helping children, young people and families in vulnerable situations through educational intervention. Earlier in the year, as part of a fundraising dinner – 'The Great Solidarity Night' – OhMyBox! was one of more than 40 companies which together raised €67,000 for the charity.

In addition to our fundraising and voluntary activities, we continue to support individuals and local charities with free and discounted storage space through our 'charity room in every store' scheme.

The provision of free or discounted storage space has helped our charity partners provide immediate support to people facing challenges in our local communities. These include charities supporting the homeless, families struggling with food poverty and vulnerable individuals in isolation as well as organisations producing and supplying personal protective equipment ("PPE") and offering mental health services.

Our support will ensure our charity partners can continue to provide their services in the coming months particularly where they have seen demand significantly increase during the pandemic.

In addition, in response to the immediate needs of the charities we support, we provided them with financial relief including waiving storage rental fees and offering discounted or deferred payments enabling them to do their vital work supporting local communities through these unprecedented times.

We are continuing to work collaboratively with our teams and supply chain as we support our charity partners in helping the communities in the locations within which we operate.

Sustainability *continued*

Our environment

Target	Performance 2019/20
UK owned stores powered by 100% renewable electricity	✓ Complete 100% like-for-like
Reduce UK store waste to landfill by 50% by 2025 vs 2016/17 level	On track – 1.7% of total waste sent to landfill from UK like-for-like stores (2.9% in 2016/17)
Reduce carbon emissions by 50% of 2012/13 baseline by 2022 (2018 store portfolio)	On track – total emissions 47% below baseline despite portfolio growth, intensity 60% below

Sustainable construction

Safestore is committed to ensuring our buildings are constructed responsibly and their ongoing operation has a minimal impact on local communities and the environment. This is how we believe our business can make a meaningful contribution towards achieving SDG 12 (Responsible consumption and production) and SDG 13 (Climate action).

Our construction team follows sustainable construction principles and, wherever practicable, we use materials that have recycled content or are from sustainable sources.

We monitor the amount of waste and energy usage on every site and introduce efficiencies identified to future building projects.

We design our stores to provide a safe, secure home for our customers' possessions and we build them with consideration given to our people, our customers, our communities, our investors and the environment.

Standards in construction

Building Research Establishment Environmental Assessment Methodology ("BREEAM")

BREEAM certification is a local planning requirement for some of our new stores. The methodology assesses impact and opportunity for enhancing the environmental aspects of design and construction.

The certification includes a review of new store energy, sustainable building materials, water efficiency, waste recycling, and ecology. The review also includes social aspects of the building life including resource management, health, wellbeing, modes of transport, and pollution reduction.

One of our newest builds in Carshalton achieved a 'Very Good' rating which placed it in the second highest tier in the areas of land use and ecology, transport, waste, pollution, and energy efficiency.

Regardless of whether a site is BREEAM certified, we are committed to build to a minimum standard of BREEAM 'Very Good' on all of our new store developments.

Considerate Constructors Scheme

Construction sites, companies and suppliers voluntarily register with the Considerate Constructors Scheme ("CCS") scheme and agree to abide by the Code of Considerate Practice, designed to encourage best practice beyond statutory requirements.

The scheme's purview is any area of construction activity that may have a direct or indirect impact on the image of the industry as a whole. The main areas of concern fall into three categories: the general public, the workforce, and the environment.

We register all of our new store developments with the CCS setting a target score of 36 points for both the shell construction and fitting out of the facility with our construction management partners.

Our 2019/20 new stores scored very highly – with Bedford shortlisted for a CCS award and Carshalton winning a 'Bronze Considerate Constructors Scheme 2020 National Site Award'. This fantastic achievement highlights the exceptional effort and commitment that our construction team made in raising standards of our new store developments. Our four registered sites this year produced an average CCS score across the board of 40.25 points.

CONSIDERATE 2020 BRONZE CONSTRUCTORS

2019/20 highlights

- 27,000 lights replaced with LED leading to a 72.3% reduction in lighting maintenance.
- Our renewable energy supply for electricity is at 100% in UK owned stores.
- We have reduced waste diverted to landfill by 1.67% in the UK (like-for-like).
- Our electricity usage has decreased by 6% as a Group.
- Emissions per sq ft have been reduced by 17%.
- Our water usage has been reduced by 21% as a Group.

Our environment *continued*

Safestore standards

We have a long-standing commitment to providing both a long term sustainable investment and a pleasant and safe environment for our customers and colleagues.

Our stores are built or converted to achieve similarly high standards; however, the configuration of an individual store may vary.

Safestore commitments from 2019/20 onwards are:

Best practice – internal/ external expectation	Safestore commitment	Applicability
BREEAM	Equivalent to 'Very Good'	Across all new build stores
BREEAM	Very Good/Excellent	Where part of local planning
SUDS	Included	Across all new build stores
Solar PV	Roof-mounted PV	Where part of local planning
CCS	Score 36 or higher	All new stores
Ecology	Protect existing and improve biodiversity	Across all new build stores
Energy	Efficient LED lighting with built-in motion sensors	Across all existing and new stores
Security	Operate safe and secure facility	Across all existing and new stores
EPC	Rated C or higher	All new stores

Construction material: recycled content

Typically, the construction of one of our stores may include the following:

Building material	% of build cost	% recycled content
Steel (main frame)	4%–5%	Minimum 56%
Concrete	3%–4%	29%–37%
Cladding (walls and roof)	7%–9%	3% but Kingspan target improvement using recycled bottles by 2030
Particle board (mezzanine floors)	2%	85%
Brick and block walls	3%–5%	9%–55%
Glazing	2%	Glass 25%, aluminium frames 60%
Hardcore (piling mat)	1%	100%

Waste and recycling – construction

We carefully monitor our new store construction waste and ensure we separate waste for recycling where possible.

We are currently diverting 97% of all of our construction waste away from landfill, an improvement of 2% from 2016. We aim to increase this to 99% by 2025.

Across our new store projects this year, we recycled or recovered 99% of all soft and hard plastics. We continue to work with our suppliers to minimise plastic packaging arriving on site. We remain committed to ensuring that all plastics are sent for recycling.

We are still working on reducing the use of single non-recyclable plastics at our construction sites in the form of material packaging. We continue to work with our partners and suppliers to cut usage by 50% next year, rising to 75% in 2021/22 and a total ban in 2022/23.

Health and safety

Our health and safety record is excellent. We register all of our new store schemes with the CCS and we are constantly challenging our teams to exceed minimum standards. Safestore has a robust health and safety policy and we have very low incident levels compared with our peers. This year, the number of reportable incidents on our construction sites was zero.

Consultation process

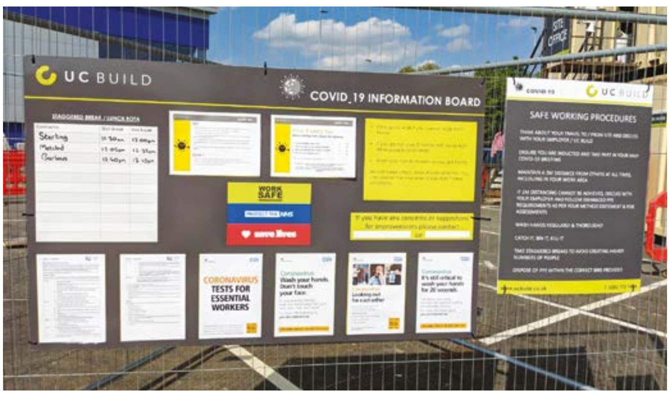
We build our stores with our key stakeholders in mind. As part of the town planning process, we consult widely amongst the community and those most likely to be affected by any development.

Covid-19

During the Covid-19 lockdown period, we closed our active construction sites in Bedford and Sheffield. Following a period of six weeks and having conducted risk assessments with our partners, we were able to safely reopen Covid-secure sites with strict measures in place. These included:

- social distancing across the site to reduce the number of people working in any one area
- mandatory face coverings where social distancing was not possible
- additional hand washing and sanitising facilities across the site
- limiting of people in communal areas
- additional signage across the site including entrance and exit procedures
- distanced parking and unloading of material
- video conference site meetings

With these measures in place, we successfully completed the construction of the stores and both opened in June 2020.



Sustainability *continued*

Our environment *continued*

Merchandise

Safestore is proud that our sourced merchandise packaging no longer contains single-use or non-biodegradable plastics. These changes have prevented 1.5 tonnes of plastic being sent to landfill or general waste.

The benefits of our merchandise packaging are:

- Void fill is made from potato starch and cellulose fibres and is 100% biodegradable, compostable (EN13432) and independently proven to offer better all-round protection than a polystyrene equivalent.
- Boxes are made from 100% recycled card and are 100% recyclable, which has saved the equivalent of 508 trees this year. We continue to uphold our 'box for life promise'.
- Cord has been changed from a nylon-based product to a sisal rope. Sisal rope is a hard natural fibre, sunlight resistant and biodegradable.
- Bubble wrap is oxi-biodegradable and 100% recyclable. It is treated with raw materials which do not contain heavy metals.
- Single-use plastic outer packaging has been removed from our moving blankets, bubble wrap and padlocks.

We continue to work closely with our suppliers to help minimise our carbon footprint by reducing delivery mileage with products delivered from local depots.

Uniform

Our uniform supplier processes are compliant with the Ethical Trading Initiative ("ETI") and on the International Register of Certificated Auditors ("IRCA") which audit and inspect their factories.

Electricity

We continue to reduce our carbon footprint, implementing changes we believe will have a lasting impact. In 117 of our UK wholly owned stores, 100% of our electricity is from renewable energy sources. This equates to a 5,218 tonne CO_2 reduction in our overall carbon footprint since 2018. We are delighted to say that we are now contracted to the supply of renewable energy until 2023 and committed to continuing beyond 2023.

The electricity for our UK owned portfolio is supplied by three different wind farms and three solar farms as of summer 2020. The largest contributors to our energy are New Rides Farm based in Kent which has four turbines producing 9.4 MW per annum and Burton Solar Farm based near Stratford upon Avon producing 4.6 MW per annum.

We have now been using renewable energy for two years and we are proud of the Certificate of Cleaner Power issued to us by British Power and Gas. We have seen a 19% reduction in usage in the UK like-for-like, partially due to the installation of LED lighting.

Safestore is proud to show a continued year-on-year reduction demonstrating our commitment as set out in our SDG sustainability targets.

We continue to monitor technology and any viable solutions for the future.

Energy Savings Opportunity Scheme ("ESOS") Phase 2

We remain 100% compliant following the ESOS assessment in 2019 and are working towards completing Phase 3 due in 2023.

Lighting our stores

In 2018 Safestore began installing over 27,000 LED lights across our UK stores. The project was completed during 2019 and has been a major contributing factor in the reduction of CO_2 emissions. For the year ended 2018/19 the reduction was 458 tonnes. For the year ended 2019/20 the reduction has been further improved following an annual cycle of the change.

The new Safestore branded luminaires have an operating range of 10–90%, meaning that each light remains illuminated at 10% until individually activated by movement. This luminaire has been adopted as the default fitting in all our new builds, extensions and renovations across the Group.

The additional benefits include a carbon reduction equivalent to the removal of over 900 diesel cars from the road and a 72.3% reduction in average lighting maintenance spend over the course of the financial year. The 62% fewer contractor visits to our stores further reduced our carbon footprint.

Aside from the significant environmental benefits, the project's return on investment has exceeded the expectations of the initial business case.

Like-for-like usage (UK)

	Last year	This year	% change
Electricity (MWh)	15,048.8	12,224.4	(19%)

Our environment *continued*

Gas

Gas is used in just 38% of our UK stores. We do not install gas in new-build facilities and continue to look for opportunities to reduce our consumption, removing gas wherever possible.

Like-for-like usage (UK)

	Last year	This year	% change
Gas (MWh)	3,912.0	3,507.3	(11%)

Water

Relatively little water is used in our stores and we strive to further minimise consumption wherever possible through the installation of efficiency schemes.

Like-for-like usage (UK)

	Last year	This year	% change
Water (m^3)	54,596	37,661	(31%)

Waste

Working with our new waste business partner, Biffa, has enabled better control over the processing and destination of our waste.

Like-for-like landfill waste (UK)

	Last year	This year	% change
Waste (tonnes)	44	43	(2%)

Actions from waste efficiency surveys were implemented in 2019/20, including optimised journeys and collections for all stores and increased recycling capacity. This has resulted in a greater proportion of waste being diverted to recycling or energy from waste ("EfW"), and less than 1.75% of overall waste going to landfill in the UK.

Once again we supported the 'Plastic Free July' campaign in order to raise and maintain colleague awareness of plastic pollution in support of SDG 14 (Life below water).

Mandatory greenhouse gas ("GHG") emissions reporting (wholly owned stores only)

This report was undertaken in accordance with the mandatory Greenhouse Gas ("GHG") emissions reporting requirements outlined under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 (the '2013 Regulations') and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (the '2018 Regulations'). This requires Safestore Holdings plc ("Safestore") to produce a Streamlined Energy and Carbon Report. This report contains our GHG disclosure for the 2019/20 reporting period.

We have 125 stores in the UK, 28 stores in France and four stores in Spain. During the 2019/20 reporting period we have purchased Fort Box Self Storage with two stores in Chelsea and St John's Wood, and OhMyBox! in Spain with four stores located in Barcelona. In addition, we opened three new stores in Carshalton, Gateshead and Sheffield. This report contains the following environmental data for all our stores which were operational during the reporting period: GHG emissions, electricity consumption, electricity transmission and distribution, gas consumption, water consumption, waste generation, and business travel.

Methodology

Scope of analysis and data collection

Over 2019/20 we have collected primary data for all of our stores, including: building size (sq ft), electricity consumption (MWh), electricity transmission and distribution ("T&D") (MWh losses), gas consumption (MWh), water consumption (m^3), waste generation (tonnes by waste disposal method), and business travel (mileage). We do not have any refrigerant leakage to report for any of our stores in the UK, France or Spain. All primary data used within this report is from 1 September 2019 to 31 August 2020, covering the same reporting period as last year. Where electricity, gas or water consumption data is not available or incomplete, we have estimated consumption based on a combination of pro-rata methods including:

- pro-rata extrapolation from known reliable data
- average consumption per sq ft of lettable area of the stores where we have reliable data
- direct comparison using a corresponding period

KPI selection and calculation

For the purposes of this report stationary energy use (electricity and gas consumption), water consumption, waste generation, and business travel have been selected as the most appropriate key performance indicators ("KPIs") for the Group. To ensure consistency in our reporting, particularly where there are differences between the UK, France and Spain, we are reporting all GHG emissions in units of CO_2e. We have used the 2020 GHG conversion factors published annually by Defra (Department for Environment, Food and Rural Affairs) and BEIS (Business, Energy and Industrial Strategy) with the exception of the French and Spanish CO_2e conversion factors associated with electricity consumption and T&D which are no longer published by BEIS. These were sourced from the International Energy Agency ("IEA").

Sustainability *continued*

Mandatory greenhouse gas ("GHG") emissions reporting (wholly owned stores only) *continued*

Methodology *continued*

GHG emissions scope

The Greenhouse Gas Protocol ("GHG Protocol") differentiates between direct and indirect emissions using a classification system across three different scopes:

- **Scope 1 Emissions:** includes direct emissions from sources which Safestore owns or controls. This includes direct emissions from fuel combustion and industrial processes.
- **Scope 2 Emissions:** covers indirect emissions relating solely to the generation of purchased electricity that is consumed by the owned or controlled equipment or operations of Safestore.
- **Scope 3 Emissions:** covers other indirect emissions including third party-provided business travel.

GHG emissions – scopes included in this report

- **Scope 1 Emissions:** we are reporting our gas consumption and business mileage.
- **Scope 2 Emissions:** we are reporting our electricity consumption.
- **Scope 3 Emissions:** we are reporting our electricity transmission and distribution, waste generation and water consumption.

Group environmental performance

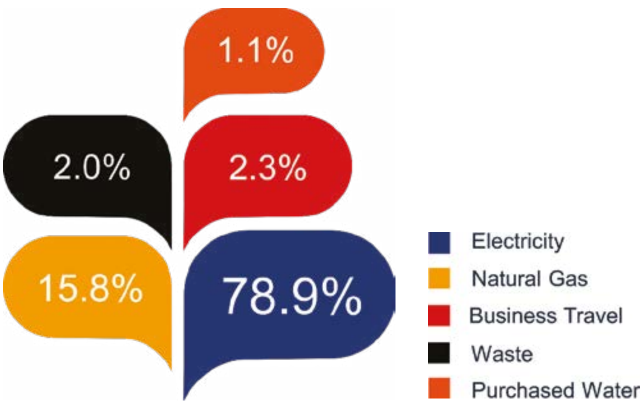
We recognise the importance of taking a proactive, strategic approach to environmental management and we aim to ensure that good environmental practices are applied throughout our stores, and that those working for or on behalf of Safestore are aware of the need to act responsibly and sustainably. Our most significant environmental impacts arise from the construction of new stores and the operational energy consumption of our existing stores.

Safestore is committed to the protection of the environment, the prevention of pollution and continually improving its environmental performance. We will comply with all relevant legislation and strive to exceed legal requirements where possible in order to avoid or minimise any potential environmental impacts.

The following table displays our total Group performance for electricity consumption, gas consumption, water consumption, waste generation (recycling, landfill, energy from waste) and business travel against the previous years.

Emissions source	Units	2015/16 (Sep–Aug)	2016/17 (Sep–Aug)	2017/18 (Sep–Aug)	2018/19 (Sep–Aug)	**2019/20 (Sep–Aug)**
Natural gas	MWh	1,887	2,349	4,358	4,136	**3,572**
Electricity	MWh	19,165	22,005	17,416	15,372	**14,435**
Purchased water	m^3	37,005	45,129	61,655	55,113	**43,372**
Recycling	tonnes	757	787	1,211	586	**1,448**
Landfill	tonnes	56	49	57	44	**58**
Energy from waste	tonnes	419	721	730	1,320	**1,224**
Business travel	miles	612,588	602,240	628,822	396,088	**346,076**

Breakdown of associated GHG emissions by source (2019/20)



Mandatory greenhouse gas ("GHG") emissions reporting (wholly owned stores only) *continued*

Group environmental performance – analysis

We have analysed the year-on-year change in our performance and provided commentary on our Group environmental performance, as below:

Gas performance

We are continually seeking opportunities to reduce energy consumption to the lowest practicable levels appropriate with the operational needs of the business and to satisfy the needs of our customers. We are phasing out the use of gas in our stores wherever possible, but some of our stores still consume low volumes of gas for heating in reception and office locations. At the design and construction stage we seek opportunities to design efficient, low consuming working environments and are ensuring that all new stores are built and rely just on electricity.

Gas performance Year ended 31 August		2015/16	2016/17	2017/18	2018/19	**2019/20***	**% change**
Gas use	MWh	1,887.9	2,349.3	4,358.3	4,136.2	**3,572.0**	**(13.6)**
Scope 1 Emissions	tCO_2e	347	434	801.8	760.4	**656.8**	**(13.6)**

* 2.9% of the 2020 consumption data has been estimated for stores where consumption data was incomplete.

Total gas consumption across all of our stores was 3,572.0 MWh, which is a 13.6% reduction compared with the previous financial year. This reduction can be attributed to our ongoing programme of replacing gas heating. We have replaced gas boilers and changed to electric in three of our stores in 2020.

Electricity performance

We are continuing to identify opportunities to reduce electricity consumption across our stores. To support this, we have installed smart meters across 92% of our UK stores to enable us to better accurately monitor our electricity consumption and identify further opportunities to improve energy efficiency.

Recognising that our electricity consumption is predominantly derived from our lighting requirements we have completed a portfolio wide LED lighting upgrade programme, across all of our UK stores.

Electricity performance Year ended 31 August		2015/16	2016/17	2017/18	**2018/19**	**2019/20***	**% change**
Electricity use	MWh	19,165.2	22,005.2	17,416.0	**15,372.7**	**14,434.9**	**(6.1)**
Scope 2 (Market Based)	tCO_2e	6,707.7	6,563.3	4,376.7	**3,527.0**	**3,022.5**	**(14.3)**
Scope 2 (Location Based)	tCO_2e	n/a	n/a	n/a	**n/a**	**171.1**	**n/a**
Scope 3 Emissions	tCO_2e	604.0	613.6	371.4	**299.1**	**261.4**	**(12.6)**

* 2.7% of the 2020 consumption data has been estimated for stores where consumption data was incomplete.

Total electricity consumption across all of our stores was 14,434.9 MWh which is a 6.1% year-on-year reduction in consumption. This was achieved whilst adding nine stores to our portfolio.

This saving demonstrates the continued significant positive impact that the LED lighting installation has had on reducing our consumption. In addition, this demonstrates that we have been able to decrease our overall electricity use whilst adding stores and removing gas.

Water performance

Our stores consume very low volumes of water and we strive to further minimise our consumption of water wherever possible through the installation of efficiency schemes.

Water performance Year ended 31 August		2015/16	2016/17	2017/18	2018/19	**2019/20**	**% change**
Water use	m^3	37,005	45,129	61,655	55,113	**43,372**	**(21.3)**
Scope 3 Emissions	tCO_2e	38.9	47.5	64.9	58.0	**45.6**	**(21.3)**

Between September 2018 and August 2019, the total water consumption across all of our stores was 43,372 m^3, which is a decrease of 21.3% compared to the previous financial year.

Waste performance

We produce a relatively small amount of waste and we are seeking opportunities to further reduce or avoid the use of natural resources and minimise waste production by promoting recycling where possible. We continue to improve our waste segregation at our stores and are actively enhancing our recycling facilities to divert waste from landfill.

Waste performance Year ended 31 August		2015/16	2016/17	2017/18	2018/19	**2019/20**	**% change**
Waste – recycling	tonnes	756.7	787.1	1,211.2	585.6	**1,447.9**	**147.2**
Waste – EfW	tonnes	419.2	721.6	730.0	1,320.5	**1,124.1**	**(14.9)**
Waste – landfill	tonnes	56.0	49.2	57.3	44.2	**57.7**	**30.5**
Scope 3 Emissions	tCO_2e	35.8	37.8	47.2	45.1	**81.2**	**80.1**

* 10.3% of the 2020 waste data has been estimated for stores where waste data was unavailable.

Sustainability *continued*

Mandatory greenhouse gas ("GHG") emissions reporting (wholly owned stores only) *continued*

Waste performance *continued*

In the last 12 months to August 2020, a total of 2,629.6 tonnes of waste has been generated which is an increase compared with the previous year. We have completed a waste efficiency programme across our portfolio to ensure that we have the correct facilities onsite to enable our stores to minimise landfill waste and ensure that waste will be recycled where possible. As part of our waste efficiency programme, we are undertaking site audits to identify actions that we can take to further improve our site waste segregation facilities. This also includes looking at the waste our customers produce and encouraging a behavioural change to continue to progress our mission to reduce and recycle.

Business travel performance

We report on our business travel, which includes vehicles owned by Safestore and business mileage. We continue to promote public transport and car sharing where possible, notwithstanding the Covid-19 pandemic.

Business travel performance Year ended 31 August		2015/16	2016/17	2017/18	**2018/19**	**2019/20**	**% change**
Business travel	miles	612,588	602,240	628,822	**396,088**	**346,076**	**(12.6)**
Business travel	MWh	n/a	n/a	n/a	**440.7**	**395.4**	**(10.3)**
Scope 1 Emissions	tCO_2e	176.1	168.5	175.6	**108.8**	**96.4**	**(11.4)**

* 2018/19 business MWh has been estimated using 2020 BEIS SECR kWh factors as this has not been previously reported.

In our business we travelled 346,076 miles in the 12 months to 31 August 2020, resulting in a 12.6% decrease compared with the previous year. The primary reason for this is due to reduced staff movement during the Covid-19 pandemic.

Group GHG performance (mandatory GHG reporting)

We have used the Environmental Reporting Guidelines including Streamlined Energy and Carbon Reporting guidance[1] and Greenhouse Gas Protocol[2] methodology for compiling this GHG data and, for UK energy consumption and emissions, included the following material GHGs: CO_2, N_2O and CH_4. In accordance with the BEIS reporting guidelines and data conversion factors for Greenhouse Gas emissions, the equivalent reports on our French and Spanish properties used the CO_2e factors provided by the International Energy Agency ("IEA"[3]) for emissions associated with electricity consumption and T&D. Our GHG emissions for 2019/20 covered 100% of floor space. All of the data is from the UK and Spanish vehicle fleet, both directly controlled and owner-driven vehicles (Company mileage only). No data associated with business travel has been provided for France. We used the following GHG emission conversion factors:

1 Streamlined Energy and Carbon Reporting guidance: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/850130/Env-reporting-guidance_inc_SECR_31March.pdf

2 Greenhouse Gas Protocol: https://ghgprotocol.org

3 IEA (2019) Emission Factors: https://www.iea.org/t_c/termsandconditions

UK government GHG emission conversion factors for company reporting

Standard set for 2020 as this set covers the greatest proportion of the current GHG reporting year

Scope	Emissions source	Unit	Conversion factors
1	Natural gas (gross CV)	kWh	0.1839
1	Business travel (petrol)	miles	0.2805
1	Business travel (diesel)	miles	0.2711
1	Business travel (unknown)	miles	0.2758
2	UK electricity grid supply	kWh	0.2331
2	France electricity grid supply	kWh	0.0486
2	Spain electricity grid supply	kWh	0.2537
3	UK electricity transmission and distribution	kWh losses	0.0201
3	France electricity transmission and distribution	kWh losses	0.0048
3	Spain electricity transmission and distribution	kWh losses	0.0273
3	Water supply	m^3	0.3440
3	Water treatment	m^3	0.7080
3	Commercial waste – recycling	tonnes	21.3167
3	Commercial waste – energy from waste	tonnes	21.3167
3	Commercial waste – landfill	tonnes	458.1763

* The data for France has been produced using the Association of Issuing Bodies ("AIB"), European Residual Mixes 2018 and Production Mix conversion factor. (Note: Defra no longer provides overseas electricity generation conversion factors. The conversion factors are obtained directly from the IEA).

Mandatory greenhouse gas ("GHG") emissions reporting (wholly owned stores only) *continued*

Streamlined Energy and Carbon Report ("SECR") summary

In accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 (the '2013 Regulations') and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (the '2018 Regulations') we have reported our Streamlined Energy and Carbon Report disclosure for 2019/20.

UK – GHG emissions (tCO_2e)	Units	2019/20
Scope 1	tonnes CO_2e (UK)	**741**
Scope 2 (LB)	tonnes CO_2e (UK)	**2,915**
Scope 2 (MB)	tonnes CO_2e (UK)	**47**
Scope 3	tonnes CO_2e (UK)	**349**
Total GHG CO_2e (MB)	**total tonnes CO_2e (UK)**	**4,005**
Total GHG CO_2e (LB)	**total tonnes CO_2e (UK)**	**1,137**
GHG CO_2e intensity (MB)	tonnes CO_2e/floor space (UK – thousand sq ft)	**0.5**
GHG CO_2e intensity (MB)	tonnes CO_2e/floor space (UK – thousand sq m)	**5.2**

Offshore – GHG emissions (tCO_2e)	Units	2019/20
Scope 1	tonnes CO_2e (offshore)	**12**
Scope 2 (LB)	tonnes CO_2e (offshore)	**107**
Scope 2 (MB)	tonnes CO_2e (offshore)	**125**
Scope 3	tonnes CO_2e (offshore)	**39**
Total GHG CO_2e (MB)	**total tonnes CO_2e (offshore)**	**159**
Total GHG CO_2e (LB)	**total tonnes CO_2e (offshore)**	**176**
GHG CO_2e intensity (MB)	tonnes CO_2e/floor space (offshore thousand sq ft)	**0.1**
GHG CO_2e intensity (MB)	tonnes CO_2e/floor space (offshore thousand sq m)	**0.8**

UK – underlying energy use (MWh)	Units	2019/20
Scope 1	MWh (UK)	**3,901**
Scope 2	MWh (UK)	**12,504**
Total Scope 1 and 2	**MWh (UK)**	**16,405**
MWh intensity	MWh/floor space (UK – thousand sq ft)	**2.0**
MWh intensity	MWh/floor space (UK – thousand sq m)	**21.2**

Offshore – underlying energy use (MWh)	Units	2019/20
Scope 1	MWh (offshore)	**66**
Scope 2	MWh (offshore)	**1,931**
Total Scope 1 and 2	**MWh (offshore)**	**1,997**
MWh intensity	MWh/floor space (offshore – thousand sq ft)	**0.9**
MWh intensity	MWh/floor space (offshore – thousand sq m)	**10.1**

GHG emissions (tCO_2e)	Units	2015/16	2016/17	2017/18	2018/19	2019/20	% change
Scope 1	tonnes CO_2e (UK, France, Spain)	524	602	977	869	**753**	**(13.3)**
Scope 2 (LB)	tonnes CO_2e (UK, France, Spain)	6,708	6,563	4,376	3,527	**3,022**	**(14.3)**
Scope 2 (MB)	tonnes CO_2e (UK, France, Spain)	n/a	n/a	n/a	n/a	**171**	**—**
Scope 3	tonnes CO_2e (UK, France, Spain)	679	699	483	402	**388**	**(3.4)**
Total GHG CO_2e (MB)	**total tonnes CO_2e (UK, France, Spain)**	**7,911**	**7,864**	**5,836**	**4,798**	**4,164**	**(13.2)**
Total GHG CO_2e (LB)	**total tonnes CO_2e (UK, France, Spain)**	**n/a**	**n/a**	**n/a**	**n/a**	**1,313**	**—**
GHG CO_2e intensity (MB)	tonnes CO_2e/floor space (thousand sq ft)	0.9	0.9	0.6	0.5	**0.4**	**(16.9)**
GHG CO_2e intensity (MB)	tonnes CO_2e/floor space (thousand sq m)	—	9.8	6.6	5.2	**4.3**	**(16.9)**

Sustainability *continued*

Mandatory greenhouse gas ("GHG") emissions reporting (wholly owned stores only) *continued*

Streamlined Energy & Carbon Report ("SECR") summary *continued*

Underlying Energy Use (MWh)	Units	2018/19	2019/20	% change
Scope 1	MWh (UK, France, Spain)	4,577	**3,967**	**(13.3)**
Scope 2	MWh (UK, France, Spain)	15,373	**14,435**	**(6.1)**
Total kWh	**total MWh (UK, France, Spain)**	**19,950**	**18,402**	**(7.8)**
MWh intensity	MWh/floor space (thousand sq ft)	2.0	**1.8**	**(11.7)**
MWh intensity	MWh/floor space (thousand sq m)	21.5	**18.9**	**(11.7)**

Energy efficiency narrative

Through a range of energy efficiency initiatives and a switch to 100% renewable electricity we have met our 2020 target to reduce our absolute energy use, with carbon emissions vs 2013 baseline reduced by 47%.

We have now been using renewable energy for two years and we are proud of the Certificate of Cleaner Power issued to us by British Power and Gas. In 117 of our UK wholly owned stores, 100% of our electricity is from renewable energy sources. The electricity for our UK owned portfolio is supplied by three different wind farms and three solar farms as of summer 2020. The largest contributors to our energy are New Rides Farm based in Kent which has four turbines producing 9.4 MW per annum and Burton Solar Farm based near Stratford upon Avon producing 4.6 MW per annum.

We have seen a 19% reduction in usage in the UK like-for-like. This is largely due to the installation of efficient LED lighting with built-in motion sensors across all existing and new stores. This project began in 2018 and since then, Safestore have installed 27,000 LED lights across the UK stores. The project was completed during 2019 and has been a major contributing factor in the reduction of energy use across our UK store portfolio. The new Safestore branded luminaires have an operating range of 10–90%, meaning that each light remains illuminated at 10% until individually activated by movement. This luminaire has been adopted as the default fitting in all our new builds, extensions and renovations across the Group.

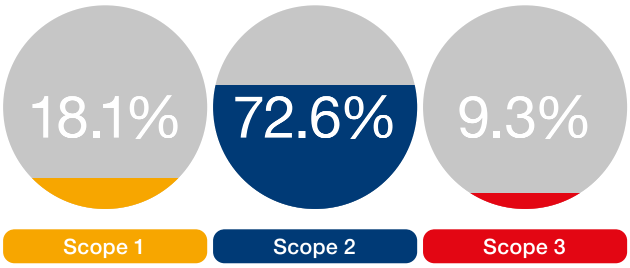
This year we have also continued our programme of replacement of gas boilers across our estate with more efficient alterative heating sources. During this financial year, we replaced three boilers with electric heat pump alternatives; the remainder of our summer upgrade programme was impacted by the Covid-19 pandemic and will be addressed in 2021.

Procurement of renewable energy

We are actively pursuing renewable energy within our purchasing decisions. During 2019/20, 86% of our global electricity or 99% of our UK electricity consumption in our 117 wholly owned stores (100% like-for-like) was purchased from Ofgem accredited renewable sources and is covered with associated renewable energy certificates. The energy sources that we use include onshore wind farms and solar fields. Our objective here is to help meet our sustainability goals and to reduce our market-based GHG emissions. We are in the process of transitioning to 100% renewable energy for our UK owned stores (100% like-for-like) purchased electricity supply.

Group GHG performance (mandatory GHG reporting) analysis

Total GHG emissions for Scope 1, Scope 2 and Scope 3 for the 12 month period to 31 August 2020 have decreased by 13.2% (or 634 tonnes CO_2e) to 4,164 tonnes CO_2e. Of the total GHG emissions Scope 1 accounts for 18.1%, Scope 2 accounts for 72.6% and Scope 3 accounts for 9.3%.



The reductions we have achieved in reducing electricity and gas consumption across our sites have translated into significant reductions in our GHG emissions. Our reduction activities completed during 2019/20 include the completion of LED lighting installation, along with additional smart metering.

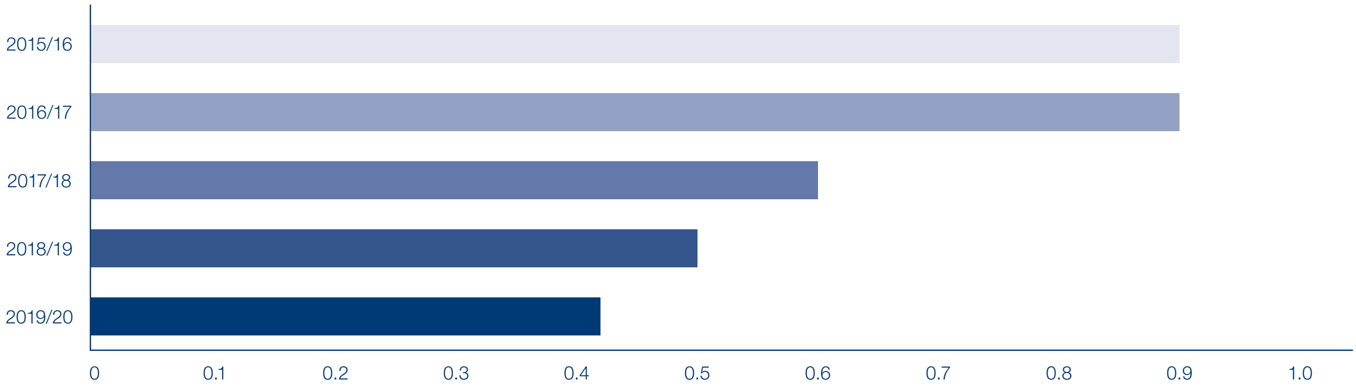
Our overall floor space has increased from 10,009,960 sq ft (2018/19) to 10,456,066 sq ft (2019/20).

The reduction in our GHG emissions, particularly Scope 2 Emissions (purchased electricity), is also partially attributed to rebasing of the GHG conversion factors. The rebasing of GHG conversion factors has seen the GHG emissions conversion factor for electricity reduced by 8.8%. This reflects changes to the UK's energy mix during 2019/20 which saw a further reduction in the use of coal-powered electricity generation and increases in the generation of gas and renewables.

Our GHG emissions CO_2e intensity has decreased from 0.5 tonnes CO_2e per thousand sq ft in 2018/19 to 0.4 tonnes CO_2e per thousand sq ft in 2019/20, which is a decrease of 16.9%.

Mandatory greenhouse gas ("GHG") emissions reporting (wholly owned stores only) *continued*

Our GHG emissions in tCO_2e per '000 sq ft floor area since 2015



British Independent Utilities ("BiU") has collated the data set covering Scope 1–3 emissions for the period 1 September 2019 to 31 August 2020. BiU has direct visibility of the raw data used to calculate ~94% of the total global Scope 1–3 emissions and as such is able to provide confirmation on the completeness and accuracy of these emissions as well as around the emissions factors applied, their relevance and source; reference to these has been provided within this report. Where estimations have been made these have been noted within this report and efforts continue to be made to improve the quality of the data used within our annual energy and emissions report.

Corporate governance

Corporate governance

Introduction

The Board recognises the importance of, and is committed to, high standards of corporate governance

The Board is consistently challenging processes, plans and actions in order to promote continuous and sustained improvement across the business.

Dear shareholder

Following completion of my first year as Chairman, I am pleased to present the Company's corporate governance report for 2020. This year, for the first time, the Company is reporting in full against the principles of the UK Corporate Governance Code 2018 (the "Code"). The Board recognises the importance of, and is committed to, high standards of corporate governance and the Board is consistently challenging processes, plans and actions in order to promote continuous and sustained improvement across the business. Throughout the year ended 31 October 2020 and to the date of this report, the Company has complied in full with the provisions of the Code, except in relation to the alignment of existing Executive Director pension contributions with the workforce which are being kept at their current levels. This was set out in our new Directors' Remuneration Policy that was approved by shareholders. Notwithstanding this, there is full alignment of pension contributions between the workforce and any incoming Executive Directors. For existing Executive Directors, the intention remains to establish a plan around alignment of pension contributions to the workforce by the end of 2022. The Code is available on the website of the Financial Reporting Council ("FRC") at www.frc.org.uk.

Board activities

We were encouraged that our new Directors' Remuneration Policy, which aligns with the Company's strategy, was overwhelming approved by our shareholders at our 2020 Annual General Meeting ("AGM"). Since our AGM in March, the Covid-19 pandemic has presented unprecedented challenges and, against this background, the Board has continued to focus on delivering its strategy. Safestore's well-communicated strategy is well understood by our stakeholders and is particularly well understood by our colleagues. More information on our strategy and our colleagues is set out on pages 6 to 10 and 39 to 44 respectively.

Safestore's resilient business model has delivered a strong performance this year. Our stakeholder engagement and of course our colleague engagement have been fundamental to our success. The results of this programme have been demonstrated very well in the corporate culture at Safestore which has enabled Safestore to respond to the ongoing uncertainty resulting from the Covid-19 pandemic positively. Further information in relation to Safestore's corporate culture and how it has engaged with its stakeholders is set out within our new engaging with our stakeholders and Section 172(1) statement on pages 26 to 28. The culture of the business is a key part of our success. We are also very pleased to report the external recognition we have received during this year for our sustainability reporting which is highlighted on page 36.

Of course, as a Board we have remained alert to the evolving guidance being issued by FRC and central government in the UK and by other governments in the territories in which we operate. Our first priority has been the safety and wellbeing of our colleagues and customers. Also mindful of our governance obligations, the Board has scrutinised the Group's control environment as it adapted to new ways of working, and increased its focus on the Group's forecasting process, which is explained in more detail on page 34.

Non-Executive changes

As explained in the 2019 Annual Report, on 1 January 2020, Alan Lewis stepped down from the Board and, following my appointment as a Non-Executive Director on 1 December 2019, I was formally appointed as Chairman on 1 January 2020.

This year I have been delighted to welcome Gert van de Weerdhof to the Board as a Non-Executive Director. Gert brings a wealth of international expertise to the Board, having served in executive and non-executive positions in Dutch listed companies. Gert's experience will be valuable as the Board continues to deliver the continued expansion strategy, especially in continental Europe. Gert joined the Board on 1 June 2020. We continue to appoint only the most appropriate candidates to the Board and our recruitment process in selecting and appointing Board members is explained in more detail in the Nomination Committee report on page 66.

I am well aware that the recent Board appointments mean that the Safestore Board will not meet the Hampton-Alexander target of 33% representation of women by 31 December 2020. The Board remains committed to this target and is targeting to comply with the Hampton-Alexander recommendations on Board diversity by the time the Company holds its AGM in 2022, as detailed on page 67.

2021 AGM

Our 2021 AGM will be held on Wednesday 17 March 2021 at 12.00 noon at Brittanic House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT. However, to protect the safety and well being of our shareholders and other attendees we have altered the arrangements for the 2021 AGM and it is with regret that shareholders are requested not to attend the meeting.

We plan to broadcast the 2021 AGM using teleconference facilities and we encourage shareholders to listen to the proceedings of the meeting. The Board is keen to maintain engagement with shareholders and, to facilitate this, we are inviting shareholders to submit written questions on the business of the 2021 AGM. You will find details of the conference facility we are providing and how to submit written questions on our website at https://www.safestore.co.uk/corporate and in the Notice of the Meeting.

We will continue to closely monitor the impact of Covid-19, including the latest government guidance and restrictions. If it becomes necessary or appropriate to revise the current arrangements for the 2021 AGM, further information will be made available on our investor website at www.safestore.co.uk/corporate, by RIS announcement and by any other means legally required at that time.

David Hearn
Non-Executive Chairman
13 January 2021

Board of Directors as at 13 January 2021

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David Hearn
Non-Executive Chairman

Commenced role
1 January 2020 (appointed to the Board and as a member of the Remuneration Committee on 1 December 2019 and appointed as Nomination Committee Chair on 1 January 2020).

Skills and experience
David Hearn is an experienced chair and brings a wealth of international board and senior executive experience in public companies, having previously been CEO of leading consumer goods businesses Goodman Fielder in Australasia, United Biscuits in Europe and Asia, Cordiant Plc in the US and the UK and also international private equity and advisory firm Committed Capital.

External appointments
David is currently chair of The a2 Milk Company and a director of Lovat Partners, Committed Capital and the architectural firm Robin Partington & Partners.

Other listed directorships
The a2 Milk Company is listed on the New Zealand Stock Exchange and dual listed on the Australian Stock Exchange.

Frederic Vecchioli
Chief Executive Officer

Commenced role
September 2013

Skills and experience
Frederic Vecchioli founded our French business in 1998 and has overseen its growth to 28 stores in Paris operating under the “Une Pièce en Plus” brand. He joined the Group as President and Head of French Operations following the Mentmore acquisition in 2004. Frederic was appointed to the Board in March 2011 and became Chief Executive Officer of the Group in September 2013.

External appointments and other listed directorships
None

Andy Jones
Chief Financial Officer

Commenced role
May 2013

Skills and experience
Andy Jones joined the Group in May 2013 as Chief Financial Officer. Andy’s previous role was director of group finance at Worldpay Limited, prior to which he held the positions of director of finance and investor relations at TUI Travel PLC and chief financial officer at Virgin Entertainment Group in the US. Andy began his career at Ernst & Young, where he qualified as a chartered accountant in 1992. Andy is a graduate of the University of Birmingham.

External appointments and other listed directorships
None

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Joanne Kenrick
Non-Executive Director

Commenced role
October 2014

Skill and experience
Joanne Kenrick was the marketing director for Homebase until the end of 2015. Prior to that Joanne was chief executive officer of Start, setting up and running HRH the Prince of Wales’ public facing initiative for a more sustainable future. Former roles include marketing and customer proposition director for B&Q and marketing director at Camelot Group plc. Until September 2015 Joanne was a non-executive director of Principality Building Society, where she was also a member of the audit and conduct risk committees. Joanne has extensive experience in developing ESG strategies within the charitable sector, for listed and larger private companies. Joanne has a law degree and started her career at Mars Confectionery and PepsiCo.

External appointments
Joanne is currently a non-executive director and remuneration committee chair for Welsh Water and Coventry Building Society and chair of Switching Services Participant Committee and of PayM for Pay.uk. Joanne is also chair of trustees of the children’s charity Make Some Noise.

Other listed directorships
None

Committee membership

Chairman of Committee | A Audit Committee | N Nomination Committee | R Remuneration Committee

Ian Krieger
Senior Independent Director

Commenced role
March 2015

Skills and experience
Ian Krieger joined the Board in October 2013 as a Non-Executive Director and was appointed Chair of the Audit Committee in April 2014 and Senior Independent Director in March 2015. Ian is a chartered accountant and was a senior partner and vice-chair at Deloitte until his retirement in 2012. Ian brings a wealth of recent financial experience to the Board as well as his experience as audit committee chair for two other UK-listed companies in the property sector.

External appointments
Ian is a non-executive director and audit committee chair of Capital & Regional plc and non-executive director, senior independent director and audit committee chair of Primary Health Properties plc. He is also chair of Anthony Nolan, a blood cancer charity.

Other listed directorships
Capital & Regional plc and Primary Health Properties plc.

Claire Balmforth
Non-Executive Director

Commenced role
August 2016

Skills and experience
Previously Claire Balmforth was group HR director of the Priory Group and, at Carpetright plc, she served as group human resources director from 2006 and as operations director UK from 2011. She also served as its people and customer director. She began her career in Selfridges, and has worked in many retail businesses including Tesco and Boots and has experience in the B2B sector with RAC plc. Claire has extensive operational experience and significant knowledge of leadership and human resources, including employee engagement.

External appointments
Claire is a non-executive director and remuneration committee chair for Trifast plc and FRP Advisory Group plc. She is also a member of the British Heart Foundation retail committee and remuneration committee.

Other listed directorships
Trifast plc and FRP Advisory Group plc.

Bill Oliver
Non-Executive Director

Commenced role
November 2016

Skills and experience
Bill Oliver is a chartered accountant with over 35 years' experience with residential and commercial development companies such as Alfred McAlpine, Barratt Developments and the Rutland Group. He joined St Modwen Properties PLC in 2000 as finance director and was subsequently appointed managing director in 2003 and chief executive in 2004, and he retired from this role in November 2016.

External appointments
Bill is non-executive deputy chair of Churchill Retirement plc, and non-executive chair for Placefirst Limited.

Other listed directorships
None

Gert van de Weerdhof
Non-Executive Director

Commenced role
June 2020

Skills and experience
During his extensive and varied career, Gert van de Weerdhof has held a number of senior executive positions including as CEO of GrandVision Europe BV before progressing to become chief retail officer for Esprit Holdings Ltd and latterly as CEO of RFS Holland Holdings BV and its subsidiary Wehkamp BV. Until recently he was also a non-executive director, vice-chair and chair of the remuneration and nomination committees for Wereldhave NV. Gert brings a wealth of international expertise to the Board having held roles across multi-site retail, e-commerce, consumer goods and real estate.

External appointments
Gert is currently Chair of CTAC NV, non-executive director and vice-chair of Accell Group NV and non-executive director of Sligro Food Group NV.

Other listed directorships
CTAC NV, Accell Group NV and Sligro Food Group NV are listed on Euronext Amsterdam.

Corporate governance

Our purpose: To add stakeholder value by developing profitable and sustainable spaces that allow individuals, businesses and local communities to thrive

Leadership

The role of the Board

The Board is collectively responsible for the Company's long term success as defined by its purpose.

The Group's proven strategy to deliver its purpose remains unchanged. Our strategy is underpinned by our values, as defined on page 35, our behaviours and our governance structure which shape our culture, and remain central to the way we conduct our business. The culture of the business is a key part of our success.

The Non-Executive Directors are responsible for challenging the Group's strategy and monitoring the performance of Executive Directors against strategic and operational objectives.

The Board is supported by an Audit, Remuneration and Nomination Committee. Each Board Committee has defined terms of reference, which can be found online within the Governance section of the Company's website: www.safestore.com. The activities of each Board Committee are set out in separate sections of this report. The Audit Committee is, in turn, supported by the Risk Committee.

The Board also has an established Standing Committee and a Disclosure Committee, which are sub-committees of the Board and meet as required. The Standing Committee has delegated authority to approve routine matters such as matters relating to the operation of the Company's share scheme arrangements, and any other matters, which may be expressly delegated to it by the Board from time to time. The Disclosure Committee has delegated responsibility for overseeing the disclosure of information by the Company to meet its obligations under the Market Abuse Regulations.

All Committees and all Directors have the authority to seek information from any Group colleague and to obtain professional advice.

Implementation of agreed plans, budgets and projects in pursuit of the Group's strategy and the actual operation of the Group's system of internal control and risk management are delegated to the Executive Directors, who are supported by an Executive Committee. This includes implementing Group strategy to optimise the trading performance of the existing store portfolio, to monitor financial performance and our capital structure, to identify selective portfolio and expansion opportunities and to develop our colleagues.

The Board and its independence

At the date of this report, the Board consists of eight Directors, the Chair, two Executive Directors and five independent Non-Executive Directors, with Ian Krieger appointed as the Senior Independent Director. The Chair was considered to be independent on appointment. The skills and experience of each of the Directors, along with the dates they commenced their role, are set out on pages 60 and 61.

Both on an individual and collective basis, the Directors have the skills, understanding, experience and expertise necessary to ensure the effective leadership of the Group. At least half of the Board, excluding the Chair, are independent. The Board monitors the independence of its Non-Executive Directors. The Board is aware of the other commitments of its Directors and is satisfied that these neither conflict with their duties, nor impact their time commitment as Non-Executive Directors of the Company. Each Non-Executive Director continues to bring independent judgement to the Board's decision-making process. Frederic Vecchioli was appointed as a director of CERF Storage JV BV, a company incorporated in the Netherlands and an associated company of the Group; apart from this appointment the Executive Directors do not hold any executive or non-executive directorships in other companies.

Key roles and responsibilities

The roles of Chair, Chief Executive Officer and Senior Independent Director are separate and clearly defined, with the division of responsibilities set out in writing and agreed by the Board. The Chair is responsible for the management of the Board and for aspects of external relations, while the Chief Executive Officer has overall responsibility for the management of the Group's businesses and implementation of the strategy approved by the Board. The Senior Independent Director is also responsible for supporting the Chair on all governance issues. The statement of the division of responsibilities between the Chair, the Chief Executive Officer and the Senior Independent Director is available on the Governance section of the Company's website: www.safestore.com.

Effectiveness

Activities of the Board

The Board normally schedules at least eight meetings throughout the year, including an extended strategy review. Additional Board meetings are held as and when required and this year an additional meeting was held to discuss the Company's response to the Covid-19 pandemic. Since April, the Board has held its meetings by video conference and whilst strategy has been discussed at each Board meeting, the Board has not held an extended strategy review this year.

The Board has a formal schedule of matters specifically reserved for its decision, which includes (amongst other things) various strategic, financial, operational and governance responsibilities. A summary of the key activities of the Board during the year, in accordance with the formal schedule of reserved matters, can be found on page 63.

The services of the Company Secretary are available to all members of the Board. Board minutes are circulated to all Board members. There is also regular informal contact between Executive and Non-Executive Directors to deal with important matters that arise between scheduled Board meetings. A separate meeting for Non-Executive Directors is held at least once in every year.

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

Board meetings held in 2019/20

Attendance of the individual Directors of the Board at meetings that they were eligible to attend during the financial year is shown in the table below:

Director who served during the year ended 31 October 2020	No. of meetings held during tenure during the year	Number of meetings attended
Alan Lewis	2	2
David Hearn	8	8
Frederic Vecchioli	9	9
Andy Jones	9	9
Ian Krieger	9	9
Joanne Kenrick	9	9
Claire Balmforth	9	9
Bill Oliver	9	9
Gert van de Weerdhof	3	3

In addition to the scheduled Board meetings, the Standing Committee has met on 14 occasions and was granted express delegation by the Board and approved year-end and interim results announcements and final form agreements for the Group's additional investment in its joint venture with Carlyle. The Standing Committee also approved routine administrative matters which related to the administration of the Company's share schemes, intercompany funding arrangements and corporate simplification project. The Disclosure Committee has met once during the year.

Since April, to comply with the UK government's Covid-19 restrictions, the Board has held its Board meetings using video conference facilities.

A summary of the key activities of the Board during the year

Responsibilities	Activities
Strategy	The development and implementation of the Company's strategy has included: • General updates from the CEO and CFO. • Presentations from members of the management team on strategy implementation in their operations. • Considering selective portfolio management and expansion opportunities and approving corporate acquisitions, which included the Group's expansion into Spain, property acquisitions and additional investments in the Group's joint venture with Carlyle, and its expansion into Belgium.
Performance and operational matters	• Regularly reviewed the financial impact of Covid-19 on the business, alongside the potential price sensitivity of this information on the Company's listed securities. • Reviewed the 2020 performance against budget and forecast for the UK, French and Spanish operations and for the joint venture operation in the Netherlands and Belgium. • Approved the 2021 budget. • Reviewed and approved the Group's investment appraisal policy. • Received regular operational updates from members of the management team, relating to property, colleagues, marketing, IT, retail services, company secretarial and legal matters.
Finance and capital	• Reviewed the Group's capital structure. • Monitored the Company's going concern and long term viability statements. • Reviewed cash flow, dividend and shareholder returns, particularly in the context of the impact on the business of Covid-19. • Approved an average rate FX forward contract to hedge the majority of the Group's exposure to the translation of Euro denominated earnings for the next three years.
People, culture and values	• Received regular updates on colleague wellbeing and HR matters, including updates from the "Make the Difference" employee forum. • Reviewed and approved the Group's key policies including the Company's Modern Slavery Act Statement, anti-corruption and bribery (statement and policy), whistleblowing ("Speak Out") policy and the health and safety policy statement. • Considered and reviewed the gender pay gap report for 2019. • Reviewed and approved the Company's sustainability strategy and approach to stakeholder engagement.
Governance and risk	• Reviewed reports on governance and legal issues, particularly in relation to the Covid-19 pandemic. • Reviewed the Company's principal risks. • Considered the Company's risk appetite in relation to its strategy. • Reviewed the outcome of the Board and its Committees' effectiveness review. • Discussed the implications ahead of the UK's departure from the European Union. • Reviewed the Directors' Conflict of Interests Register.
Shareholder engagement	• Discussed feedback from investors' and analysts' meetings following the release of our annual and interim results announcements and trading updates and meetings with existing and potential shareholders. • Received regular updates from brokers and advisers on the market perception of Safestore.
Other	• Approved the Annual Report and Financial Statements and the recommendation for the final dividend for shareholder consideration. • Approved the 2020 interim results and declared interim dividend. • Received and reviewed monthly shareholder analysis reports. • Approved the re-appointment of Cushman & Wakefield as the Company's independent external valuers.

Corporate governance *continued*

Effectiveness *continued*

Board effectiveness review 2020

The Board recognises that it continually needs to monitor and improve its performance. This is achieved through annual Board effectiveness reviews, full induction of new Board members and ongoing Board development activities.

Each year the Board conducts an effectiveness review and every three years the review is carried out externally. An external effectiveness review was conducted in 2019. This year the Board carried out an internal evaluation of its performance, its Committees and individual Directors.

The scope of this year's Board and Committee evaluation process was agreed with the Chair and undertaken by the Company Secretary. Directors were invited to complete a detailed questionnaire that covered a number of key areas including strategy, succession planning, Board size, composition and balance of skills, risk management and the relationship between the Board and management. The responses were considered by the Chair and were collated and shared with the Board. The Chair discussed the outcome of the evaluation with each Director and shared his findings with the Board.

The anonymity of respondents was ensured in order to promote an open and frank exchange of views. The key findings arising from the review were reviewed by the Board and recommendations were made to:

- continue to develop and refresh the responsibilities of the Nomination Committee and develop the Board's succession plans;
- keep under review the training and development needs of the Board; and
- make time available within the Board calendar for Board training on matters of interest to the Board and relevant to the Company.

The Directors concluded that the Board and its Committees operate effectively.

The content for any subsequent effectiveness reviews will be designed to build upon insights gained in the previous exercise to ensure that the recommendations agreed in the review have been implemented and that year-on-year progress is measured.

The Chair reviewed the performance of the Chief Executive Officer and the Non-Executive Directors. The Chief Executive Officer reviewed the performance of the Chief Financial Officer and the Chair's own performance was assessed by the Senior Independent Director.

Board development

The Chair is responsible for ensuring that all Non-Executive Directors receive ongoing training and development. Our Non-Executive Directors are conscious of the need to keep themselves properly briefed and informed about current issues. Specific and tailored updates are provided at Board meetings and to members of the Audit Committee and have included presentations from the Company's advisers.

There is a procedure to enable Directors to take independent legal and/or financial advice at the Company's expense, managed by the Company Secretary. No such independent advice was sought in 2020.

During the year the Company has delivered an induction programme for the new Chair and for Gert van de Weerdhof which has been led by the Chief Executive Officer. The induction programme has been prepared to ensure that it provides a comprehensive introduction to the Group as a whole.

Board appointments

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

During the year the Nomination Committee engaged in an extensive and rigorous search for a new Non-Executive Director. The process for identifying and overseeing the appointment of the new Non-Executive Director has been explained in the Nomination Committee report on page 66.

Appointment terms and elections of Directors

All Directors have service agreements or letters of appointment and the details of their terms are set out in the Directors' remuneration report on page 94. The service agreements of the Executive Directors and letters of appointment of the Non-Executive Directors are available for inspection at the Company's registered office during normal business hours, including the 15 minutes immediately prior to the Annual General Meeting. The letters of appointment for Non-Executive Directors are in line with the provisions of the Code relating to expected time commitment.

At each Annual General Meeting of the Company, all Directors will stand for re-election in accordance with the Code.

Directors' conflicts of interest

The Company's Articles of Association give the Directors the power to consider and, if appropriate, authorise conflict situations where a Director's declared interest may conflict or does conflict with the interests of the Company.

Procedures are in place at every meeting for individual Directors to report and record any potential or actual conflicts which arise. The register of reported conflicts is reviewed by the Board at least annually. The Board has complied with these procedures during the year.

Diversity

The Company has an equality, diversity and inclusion policy, which includes the Company's policy on diversity and the Board's diversity policy. Details of the Company's equality, diversity and inclusion policy are detailed on page 44.

The Board understands the importance of having a diverse membership on its Board and across the Group. The gender balance for the Group is set on page 44. The Board recognises that a diverse Board, with an appropriate balance through a diverse mix of experience, background, skills and deep knowledge and insight, is a key driver of an effective Board. The Chair leads the Safestore Board diversity agenda and with the aim of continuously improving diversity generally, including the gender balance, which ultimately leads to better Board debate and decisions. The Board's diversity policy seeks to ensure that diversity in its broadest sense, including gender diversity, continues to remain a significant feature of the Board.

Following the Board's recent appointments, as at the date of this Annual Report and Financial Statements, the Board comprises 25% women (FY2019: 29%). The Board must continue to provide strong leadership at Safestore and therefore continues to appoint only the most appropriate candidates to the Board. The Nomination Committee's commitment to review Board diversity further in 2021 is set out on page 67.

Accountability

Risk management and internal control

A summary of the principal risks and uncertainties within the business is set out on pages 29 to 32.

The Board retains overall responsibility for setting Safestore's risk appetite and establishing, monitoring and maintaining the Group's risk management and internal control systems. These systems are designed to enable the Board to be confident that such risks are mitigated or controlled as far as possible, although no system can eliminate risk entirely.

The Board has established a number of ongoing processes to identify, evaluate and manage the strategic, financial, operating and compliance risks faced by the Group and for determining the appropriate course of action to manage and mitigate those risks. The Board delegates the monitoring of these internal control and risk management processes to the Audit Committee. These measures have been in place throughout the year and up to the date of this report.

The Risk Committee supports the Group's risk management strategy and undertakes regular reviews of the formal risk assessment and reports regularly to the Audit Committee of the Board. The Risk Committee is chaired by the Chief Financial Officer and comprises representatives from the operations, finance, human resources and property functions. Risk management remains an ongoing programme within the Group and is formally considered at operational meetings as well as at meetings of the Board.

The Group currently employs a risk manager in the UK supported by two store auditors responsible for reviewing operational and financial control at store level in the UK and for the joint venture. The store assurance team operates with a mandate to provide assurance that the stores' risk management and control processes are operating effectively and to the expected and required standard. The Group also employs an Audit Manager in France who is responsible for arranging a combination of external safety audits and internal audits for measuring and developing quality, process and safety. The UK Risk Manager reports to the Chief Financial Officer; the French Risk Manager reports to the President of the French business. Further details are provided in the Audit Committee report set out on pages 68 to 71.

During the financial year, the Board has directly, and through delegated authority to the Audit and Risk Committees, overseen and reviewed the performance and evolution of risk management activities and practices and internal control systems within the Group. Through both its ongoing involvement and overview in risk management and internal control activities, the Board is satisfied that there have been no significant failings or weaknesses identified and the Directors believe that during 2020 the system of internal control has been appropriate for the Group.

Budgetary process

A comprehensive budgeting process is in place, with an annual budget prepared and validated at a country and functional level. The budget is subject to consideration and approval by the Board. The Directors are provided with relevant and timely information required to monitor financial performance.

Investment appraisal (including acquisitions)

Budgetary approval and defined authorisation levels regulate capital expenditure. Acquisition activity is subject to internal guidelines governing investment appraisal criteria, financial targets, negotiation, execution and post-acquisition management.

Company ethics and whistleblowing

The Company is committed to the highest standards of integrity and honesty and expects all colleagues to maintain the same standards in everything they do at work. The Company recognises that effective and honest communication is essential to maintain its business values and to ensure that any instances of malpractice are detected and dealt with.

The Company has a number of policies available online for its colleagues. These include a code of conduct, an anti-bribery and corruption policy, a receipt of gifts and corporate hospitality policy and a whistleblowing ("Speak Out") policy. The anti-bribery and corruption policy enforces our zero tolerance approach to tax evasion and the Group's commitment to uphold all laws relevant to countering, bribery, tax evasion and corruption as it seeks to comply with the Bribery Act 2010 and the Criminal Finances Act 2017.

The whistleblowing policy has procedures for disclosing malpractice and, together with the code of conduct, is intended to act as a deterrent to fraud or other corruption or serious malpractice. It is also intended to protect the Group's business and reputation.

No whistleblowing issues were reported during the year.

The Board considers the payment of taxes as a responsibility that brings positive socio-economic impacts through its presence and employment creation in the countries it operates in. A Group tax policy has been in place since 2016, which is approved by the Board and reviewed annually by the Audit Committee. It is the Group's policy to pay the right amount of tax wherever it does business, based on a fair and sound application of local tax laws to the economic substance of its business transactions. Safestore does not use artificial tax avoidance schemes or tax havens to reduce the Group's tax liabilities.

Investor relations and shareholder engagement

We are committed to proactive and constructive engagement with shareholders and consider shareholders' views as part of the Board's decision-making process. The Group places a great deal of importance on communication with its shareholders and maintains a dialogue with them through an investor relations programme. This includes formal presentations of the full year and interim results and meetings with institutional investors and analysts as required.

To ensure all Board members share a good understanding of the views of major shareholders, the Board receives regular updates on the views of our shareholders and receives summaries of institutional investor comments following meetings on the full year and interim results.

In the event that shareholders have any concerns, which the normal channels of communication through the Chief Executive Officer or Chief Financial Officer have failed to resolve or for which such contact is inappropriate, our Chair or Senior Independent Director are available to address such concerns. Both make themselves available when requested for meetings with shareholders on issues relating to the Company's governance and strategy.

The Board considers the Annual Report and Financial Statements, the AGM and its website to be the primary vehicles for communication with private investors. Resolutions at the Company's AGM are proposed on each substantially separate issue and the Company indicates the level of proxy voting lodged in respect of each resolution. The AGM this year will be broadcast using teleconference facilities and shareholders are being encouraged to listen to the proceedings of the Meeting. Details of the conference facility and how to submit written questions ahead of the 2021 AGM are available on our website at www.safestore.co.uk/corporate and in the Notice of the Meeting.

Nomination Committee report

The Board, on the advice of the Committee, recommends the re-election of each Director

David Hearn
Chair of the Nomination Committee

Meetings held in 2019/20

Members of the Committee during the year ended 31 October 2020	No. of meetings held during tenure during the year	Number of meetings attended
Alan Lewis	2	2
David Hearn (Chair)	2	2
Ian Krieger	4	4
Joanne Kenrick	4	4

Membership

The Nomination Committee comprises Non-Executive Directors and is chaired by David Hearn, following his appointment as Chair on 1 January 2020, replacing Alan Lewis. Other Directors and management are invited to attend meetings as appropriate.

Key objectives

To ensure the Board and executive leadership comprises individuals with the necessary skills, knowledge and experience and to ensure that the Board is effective in discharging its responsibilities.

Responsibilities

The Board has approved terms of reference for the Nomination Committee which are available on the Governance pages of the Group's website, www.safestore.com, within "Governance Documents". These provide the framework for the Committee's work in the year and can be summarised as:

- assessing the composition of the Board and making recommendations on appointments to the Board and senior executive succession planning; and
- overseeing the performance evaluation of the Board, its Committees and individual Directors.

How the Committee operates

The Nomination Committee met as necessary and each meeting had full attendance.

Activities of the Committee during the year

Appointment of new Chairman and Non-Executive Director

At the beginning of the year the Committee concluded its recommendation to the Board to appoint David Hearn as the new Chairman of the Company and this process was disclosed in the 2019 Nomination Committee report.

During this year, the Committee has focused its attention on an extensive and rigorous search for a new additional Non-Executive Director.

In 2019, following a tender process, the Committee engaged Russell Reynolds Associates to undertake an executive search for the new Chair. The Committee decided to re-engage Russell Reynolds Associates to facilitate and advise on the executive search for a new Non-Executive Director.

Russell Reynolds Associates has signed up to the voluntary code of conduct on gender diversity and best practice, and is accredited under the enhanced code of conduct for executive search firms, which specifically acknowledges those firms with a strong track record in and promotion of gender diversity in FTSE 350 companies. Russell Reynolds Associates has no other connection with the Group.

The Nomination Committee prepared a job specification and agreed a candidate profile for Russell Reynolds Associates to undertake a search. A diverse range of candidates with a breadth of experience and international market exposure were considered. An extensive search of the market was conducted to develop a long list of 15 candidates (66% female). The Nomination Committee reviewed the long list of potential candidates from which a shortlist of four candidates (50% female) was drawn up for further review and discussion by the Committee. The Committee reviewed the respective skills and experience of the shortlisted candidates and their fit with the Board's candidate profile. The members of the Committee unanimously recommended Gert van de Weerdhof to the Board and the Board approved Gert's appointment as a Non-Executive Director and member of the Audit and Remuneration Committees with effect from 1 June 2020.

Clearly, a significant amount of the Committee's time in 2020 was spent on Board composition; other activities of the Nomination Committee included:

Responsibilities	Activities
Board and Committee composition	• Assessed the diversity, skill set and composition of the existing Board and its Committees, informed by the output of the Board and Committee evaluation process. • Oversaw the process for appointing an additional Non-Executive Director. • Considered the performance of the Chief Executive Officer and the Chief Financial Officer.
Succession planning	• Discussed succession planning both in respect of Board members and senior management within the Group.
Board development	• Reviewed the programme for Non-Executive Director development.
Governance	• Reviewed the Group's culture, values and behaviours. • Discussed the remit and role of the Committee and reviewed its terms of reference.

Succession planning

It is a key responsibility of the Committee to advise the Board on succession planning. The Committee ensures that future changes in the Board's membership are anticipated and properly managed and that, in the event of unforeseen changes, management and oversight of the Group's business and long term strategy will not be disrupted. The Committee also addresses continuity in, and development of, the Executive Team below Board level.

Diversity

The Board's diversity policy recognises the benefit and value of diversity across the Group. We are committed to the creation of an inclusive culture where our colleagues reflect the diverse communities we serve and where each person is given the opportunity to contribute and use their talents and abilities, experiences and skills to participate in developing sustainable commercial opportunities. The Board recognises that a diverse Board, with an appropriate balance through a diverse mix of experience, backgrounds, skills and deep knowledge and insight, is a key driver of an effective Board. The Chair leads the Safestore Board diversity agenda with the aim of continuously improving diversity generally, including, but not limited to, the gender balance, which ultimately leads to better Board debate and decision. The Board's diversity policy seeks to ensure that diversity in its broadest sense, including gender diversity, continues to remain a significant feature of the Board.

The Committee is committed to reviewing further the Board's size, skill set and diversity during 2021 and is targeting to comply with the Hampton-Alexander recommendations on Board diversity by the time the Company holds its AGM in 2022.

Board and Committee performance evaluation

The Committee's performance was reviewed as part of the 2020 internally facilitated Board evaluation, which is explained on page 64. The review found that the Committee functions effectively and should continue to develop and refresh its responsibilities.

Directors standing for election and re-election

Following Gert's appointment, Gert will be subject to election at the Company's 2021 AGM. The remaining Directors will stand for re-election at the 2021 AGM. Following the annual Board performance reviews of individual Directors, the Chair considers:

- that each Director subject to re-election continues to operate as an effective member of the Board; and
- that each Director subject to re-election has the skills, knowledge and experience that enables them to discharge their duties properly and contribute to the effective operation of the Board.

The Board, on the advice of the Committee, recommends the election or re-election of each Director and the skills and experience of each Director are available on pages 60 and 61.

I will be delighted to receive written questions on the work of the Nomination Committee. Please submit your questions by email to cosec@safestore.co.uk, or by post, marked for my attention, to Safestore Holdings plc, Brittanic House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT.

David Hearn
Chair of the Nomination Committee
13 January 2021

Audit Committee report

The Company's control environment remains robust despite the ongoing challenges created by Covid-19

Ian Krieger
Chair of the Audit Committee

Meetings held in 2019/20

Members of the Committee during the year ended 31 October 2020	No. of meetings held during tenure during the year	Number of meetings attended
Ian Krieger (Chair)	4	4
Joanne Kenrick	4	4
Bill Oliver	4	4
Gert van de Weerdhof	2	2

Membership

The Audit Committee comprises solely independent Non-Executive Directors. Gert van de Weerdhof joined the Committee on 1 June 2020. The members of the Committee have been selected to provide the wide range of financial and commercial expertise necessary to fulfil the Committee's duties and responsibilities and I am the Committee's designated financial expert for the purposes of the Code.

In order to ensure that the Committee continues to have experience and knowledge relevant to the sector in which the Company operates, all of the Non-Executive Directors receive regular updates on business, regulatory, financial reporting and accounting matters. The Committee's performance was reviewed as part of the 2020 internally facilitated Board evaluation, which is explained on page 64. The review found that the Committee functions effectively and that issues are dealt with in a thoughtful, clear and rigorous manner.

Key objectives

The provision of effective governance over the appropriateness of the Company's financial reporting, the performance of both the store assurance arrangements and the external auditor and oversight over the Company's system of internal control.

Responsibilities

The Board has approved terms of reference for the Audit Committee, which are available on the Governance pages of the Group's website, www.safestore.com, within "Governance Documents". These provide the framework for the Committee's work in the year and can be summarised as providing oversight of the:

- appropriateness of the Company's external financial reporting;
- relationship with, and performance of, the external auditor;
- Group's store assurance arrangements and the risk management framework; and
- Group's internal control framework.

How the Committee operates

The Audit Committee met four times during the year and each meeting had full attendance. In addition to the Committee members, the following individuals attended by invitation:

- the Chief Financial Officer and the Group Financial Controller;
- the Chair and the Chief Executive Officer;
- other senior managers, as appropriate, including those responsible for IT security, GDPR compliance and risk management;
- the audit partner, directors and senior managers from Deloitte; and
- the valuation team for the Company's valuers, Cushman & Wakefield.

At least once a year, during an Audit Committee meeting, the Committee meets separately with Deloitte without any other member of management being present.

Main activities of the Committee during the year

A summary of the Audit Committee's main activities during the year included the following items:

Responsibilities	The Audit Committee has reviewed:
Financial reporting	• the Annual Report and Financial Statements and that, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; • the appropriateness of adopting the going concern basis of accounting and whether the Group can meet its liabilities as they fall due over a three-year period (the viability assessment); • the significant issues and material judgements which were made in preparing the 2020 interim results and the Annual Report and Financial Statements; • the implementation and reporting of the new IFRS 16 accounting standard; • the integrity of the financial statements and announcements relating to the financial performance and governance of the Group at year end and half year; and • the principal judgemental accounting matters affecting the Group based on reports from both the Group's management and the external auditor.
External auditor	• reviewed and approved the audit plan with the external auditor, and that it was appropriate for the Group, including in respect of scope and materiality and aligned to the key risks of the business; • considered external audit effectiveness, independence and re-appointment; and • approved auditor remuneration.
Internal audit arrangements	• challenged the effectiveness of the Group's store audit arrangements; and • considered an annual assessment of the effectiveness and independence of the store assurance team and whether there was a need for the Company to establish an internal audit function.

Governance and risk	• monitored the adequacy and the effectiveness of the Group's ongoing risk management systems and processes, through risk and assurance plans and reports, including:
	  • store assurance audit reports;
	  • internal financial control assessments;
	  • fraud and loss prevention reports; and
	  • operational risk updates, including health and safety, with a deep-dive on fire safety arrangements, customer goods insurance and customer complaints;
	• reviewed the Company's anti-corruption and bribery (statement and policy) and whistleblowing ("Speak Out") policy and procedures;
	• monitored the effectiveness of the Company's information security and business continuity arrangements; and
	• reviewed the Company's REIT compliance and tax strategy.

Financial reporting and significant financial judgements

The Committee assessed whether suitable accounting policies had been adopted and whether management had made appropriate estimates and judgements. The Committee reviewed accounting papers prepared by management which provided details on the main financial reporting judgements.

The Committee also reviewed reports by the external auditor on the full year and interim results which highlighted any issues with respect to the work undertaken on the year-end audit and half year review.

The Committee paid particular attention to matters it considered important by virtue of their impact on the Group's results and remuneration, and particularly those which involved a high level of complexity, judgement or estimation by management.

Property valuations

The key area of judgement that the Committee considered in reviewing the financial statements was the valuation of the investment property portfolio. Whilst this is conducted by independent external valuers, it is one of the key components of the financial results and is inherently complex and subject to a high degree of judgement. As well as detailed management procedures and reviews of the process, members of the Committee met the Group's valuers to discuss the valuations, review the key judgements and discuss whether there were any significant disagreements with management. The Committee reviewed and challenged the assumptions with the valuers in order to agree and conclude on the appropriateness of the assumptions applied. The Committee considered the valuation in detail at its meeting to approve the financial statements.

Audit Committee report *continued*

Financial reporting and significant financial judgements *continued*

Financial statements

The Committee considered and was satisfied with management's presentation of the financial statements.

Management confirmed to the Committee that it was not aware of any material misstatements and the auditor confirmed that it had found no material misstatements during the course of its work. The Committee is satisfied that the judgements made by management are reasonable and that appropriate disclosures have been included in the financial results. After reviewing the reports from management and following its discussions with the valuers and auditor, the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates, both in respect of the amounts reported and the disclosures. The Committee is also satisfied that the processes used for determining the value of the assets and liabilities have been appropriately reviewed and challenged and are sufficiently robust.

Fair, balanced and understandable assessment

At the request of the Board, the Committee also considered whether the Annual Report and Financial Statements was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Company's performance, business model and strategy. The Committee has advised the Board that in its view, taken as a whole, the Annual Report and Financial Statements is fair, balanced and understandable. In reaching this conclusion, the Committee considered the overall review and confirmation process around the Annual Report and Financial Statements, going concern and viability.

The Committee was provided with, and commented on, a draft copy of the Annual Report and Financial Statements. In carrying out the above processes, key considerations included ensuring that there was consistency between the financial results and the narrative provided in the front half of the Annual Report. The Committee is satisfied that alternative performance measures, not defined under IFRS or "non-GAAP" measures, are consistent with how management measures and judges the Group's financial performance.

Going concern and viability statement

The Committee has reviewed the Group's assessment of viability over a period greater than 12 months. The Committee's approach in assessing the viability statement is set out on page 34.

Risk management and internal control

The Board, as a whole, including the Audit Committee members, considered whether the nature and extent of Safestore's risk management framework and risk profile was acceptable in order to achieve the Company's strategic objectives. As a result, the Committee considered that the Board has fulfilled its obligations under the Code.

Safestore's internal controls, along with its design and operating effectiveness, remain a key priority for the Group and are subject to ongoing monitoring by the Audit Committee through reports received from management, along with those from the external auditor. During the year, the Committee considered the FRC's guidance that boards, together with management, should ensure businesses can continue to operate in an effective control environment during the Covid-19 pandemic. As a result, a comprehensive review of the controls across the business was undertaken to ensure that the controls remained effective given the change in operating environment. This careful consideration of the controls and the potential impact of Covid-19 has ensured that where a control required a mitigating action the control was still effective and in some cases enhanced. The Committee is satisfied that the Company's control environment remains robust despite the ongoing challenges created by Covid-19. Further details of risk management and internal control are set out on pages 64 and 65.

Internal audit

The Audit Committee had oversight responsibilities for the store assurance team, which is responsible for reviewing operational and financial controls at store level. Currently, the Group does not have a separate internal audit function and the Board, at least annually, reviews the requirement for establishing one. During the period the Committee reviewed an analysis of how the key risks in the business are mitigated by existing controls as well as by the store assurance team. This year, the Committee concluded that the expansion of the Group's geographical presence meant that the recruitment of an additional internal resource should be pursued. A job specification and candidate profile for this newly created role has been agreed and the search for a suitable candidate is underway.

External audit

The remit of the Audit Committee included:

- advising the Board on the appointment, re-appointment, and removal of the external auditor and on its remuneration both for audit and non-audit work;
- approving the nature and scope of the external audit with the external auditor;
- discussing the findings of the external audit with the external auditor and assessing the effectiveness of the audit; and
- reviewing and monitoring the independence and objectivity of the external auditor, including the level of fees paid.

Audit effectiveness

One of the key responsibilities of the Audit Committee was to assess the effectiveness of the external audit process. Since September 2014, Deloitte LLP has served as the Company's external auditor.

During the year, the Audit Committee reviewed the reports it received from the external auditor, including audit plans and the results of the audit work performed. The Audit Committee challenged, where necessary, the risks identified and the results of the work performed and sought feedback from management on the effectiveness of the audit process.

The Audit Committee reviewed the effectiveness, independence, objectivity and expertise of the external auditor and following this review recommended to the Board that Deloitte be proposed for re-appointment as external auditor for 2021.

It is standard practice for the external auditor to meet privately with the Audit Committee, without any member of management or the Executive Directors being present, at least once a year.

External auditor independence and non-audit services

The Audit Committee's terms of reference set out that it is responsible for the formal policy on the award of non-audit work to the auditor. The Committee has formalised procedures for the approval of non-audit services which stipulate the services for which the auditor will not be used. The policy also stipulates projects where the auditor may be used subject to certain conditions and pre-approval requirements. In order to preserve auditor objectivity and independence, the external auditor is not asked to provide consulting or advisory services unless this is in the best interests of the Company. A report of all audit and non-audit fees payable to the external auditor is provided to the Committee at each meeting, including both actual fees for the year to date and a forecast for the full year, analysed by project and into pre-defined categories. In the current financial year, Deloitte LLP provided services of £35,700. It was determined that the nature of the work would not impact auditor objectivity and independence given the safeguards in place.

It is the Committee's policy to ensure that there is audit partner rotation every five years to safeguard the external auditor's independence and objectivity. Deloitte was appointed as external auditor to conduct the audit for the 2014 financial year. The first lead audit partner retired following the 2017 audit and Darren Longley was appointed as the new lead audit partner with effect from 1 May 2018.

The auditor is asked on an annual basis to articulate the steps that it has taken to ensure objectivity and independence, including where the auditor provides non-audit services. As part of the 2020 audit, Deloitte confirmed that it was independent within the meaning of applicable regulatory and professional requirements. Taking this into account and having considered the steps taken by Deloitte to preserve its independence, the Committee concluded that Deloitte's independence had not been compromised notwithstanding the level of non-audit fees incurred during the year.

Audit tendering

Deloitte was appointed by shareholders as the Group's statutory auditor in 2014 following a formal tender process. There are no contractual obligations that restrict the choice of external auditor. The Committee confirms that Safestore has complied with the Statutory Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Responsibilities) Order 2014 with regard to the requirement for formal tendering every ten years and partner rotation every five years. As noted above, Darren Longley was appointed as the new lead audit partner with effect from 1 May 2018.

Resolutions to re-appoint Deloitte as auditor and to authorise the Directors to agree its remuneration will be put to shareholders at the Annual General Meeting that will take place on Wednesday 17 March 2021.

I will be delighted to receive written questions on the work of the Audit Committee. Please submit your questions by email to cosec@safestore.co.uk, or by post, marked for my attention, to Safestore Holdings plc, Brittanic House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT.

Ian Krieger
Chair of the Audit Committee
13 January 2021

Directors' remuneration report

for the year ended 31 October 2020

Our new Directors' Remuneration Policy and the remuneration report were positively received by our shareholders

Claire Balmforth
Chair of the Remuneration Committee

Part A: annual statement

Dear shareholder

On behalf of the Remuneration Committee ('the Committee'), I am pleased to provide an overview of our work in relation to both Director and wider workforce remuneration for the year ended 31 October 2020. Following this year's AGM, both I and the other members of the Committee were encouraged to see that our new Directors' Remuneration Policy ("Policy") and the remuneration report were positively received by our shareholders, with 97.9% and 96.8% of the votes in favour of the Policy and the remuneration report respectively. I would like to thank all our shareholders and the investor bodies for their constructive feedback during our consultation exercise on our new Policy at the start of the year, and for their overwhelming support on remuneration matters at Safestore at our 2020 AGM.

Responding to Covid-19

As set out in this Annual Report, the Board is proud of Safestore's achievements this year, with the business performing well despite the challenges that have arisen due to Covid-19. We achieved another set of strong financial results, well ahead of budget, and continue with our progressive dividend policy. We have made good strategic progress in the year including acquiring two new stores in London, expanding into two new countries with the acquisition of four stores in Barcelona and the joint acquisition with our JV partner of six stores in Belgium, in addition to opening new stores and completing store extensions in various locations. The inherent resilience of the business model has allowed us to respond to the economic uncertainty without having to access the UK government's Covid-19 related support funds and schemes, albeit that we have accessed a non-material tax relief scheme of €95k, equivalent to 0.1% of EBITDA, from the French government.

Over the last eight months, our priority has been the health and wellbeing of our customers and colleagues. We have continued to operate our stores in all geographies in line with government guidance on social distancing measures and provided personal protective equipment to employees working in stores. We are fortunate to be in a position to provide stability and security of pay for our workforce through this difficult period and are pleased to say that we have continued to pay all colleagues in full, regardless of hours worked during lockdown, and especially those who had to shield for medical reasons. We have not had to furlough any of our colleagues or make any redundancies as a result of Covid-19.

The Company continues to increase base salaries for all employees (including Board Directors). In addition, to show our appreciation for the commitment and resilience of our onsite colleagues, we introduced a one off recognition award for all those working in stores.

Non-Executive Director changes

As set out in this report, Alan Lewis stepped down as Non-Executive Chairman on 1 January 2020. David Hearn joined the Board as a Non-Executive Director on 1 December 2019 and succeeded Alan as Chairman of the Board on 1 January 2020. The Committee determined David's Chairman fee of £180,000 which is in line with the FTSE 250 lower quartile. We also welcomed Gert van de Weerdhof as a Non-Executive Director on 1 June 2020. Gert's fee is in line with those of the existing Non-Executive Directors.

Committee activities in 2020

Clearly, a significant amount of the Committee's time in 2020 was spent assessing the impact of Covid-19 and on overseeing the implementation of our new Remuneration Policy, which will be further detailed in this section and the rest of the remuneration report. In addition, we also did the following:

- reviewed and approved the Directors' remuneration report for 2019/20;
- discussed and approved Executive Director and senior manager remuneration outcomes for 2020;
- approved the salary increase for Executive Directors in line with that of the workforce;
- further considered pension contribution levels for Executive Directors;
- agreed annual bonus targets for 2020 and measured performance against them;
- reviewed and approved the 2020 LTIP grant and the associated performance conditions;
- approved a further 195,000 awards granted under the 2017 LTIP to a small number of colleagues;
- reviewed the gender pay gap analysis results and signed off actions;
- considered further reporting in relation to the wider workforce pay policies and practices and feedback from the workforce panel; and
- reviewed and amended the Committee's terms of reference.

Planned activities for 2021

We set out below the activities which the Committee expects to undertake next year:

- our normal oversight of the annual remuneration cycle including approving Company-wide salary increases, approving the annual bonus and LTIP targets for 2021, measuring performance against the bonus targets and determining the outcome of the EPS element of the 2017 LTIP;
- review of Executive Director salaries; and
- review of wider workforce pay policies and practices and feedback from the workforce panel.

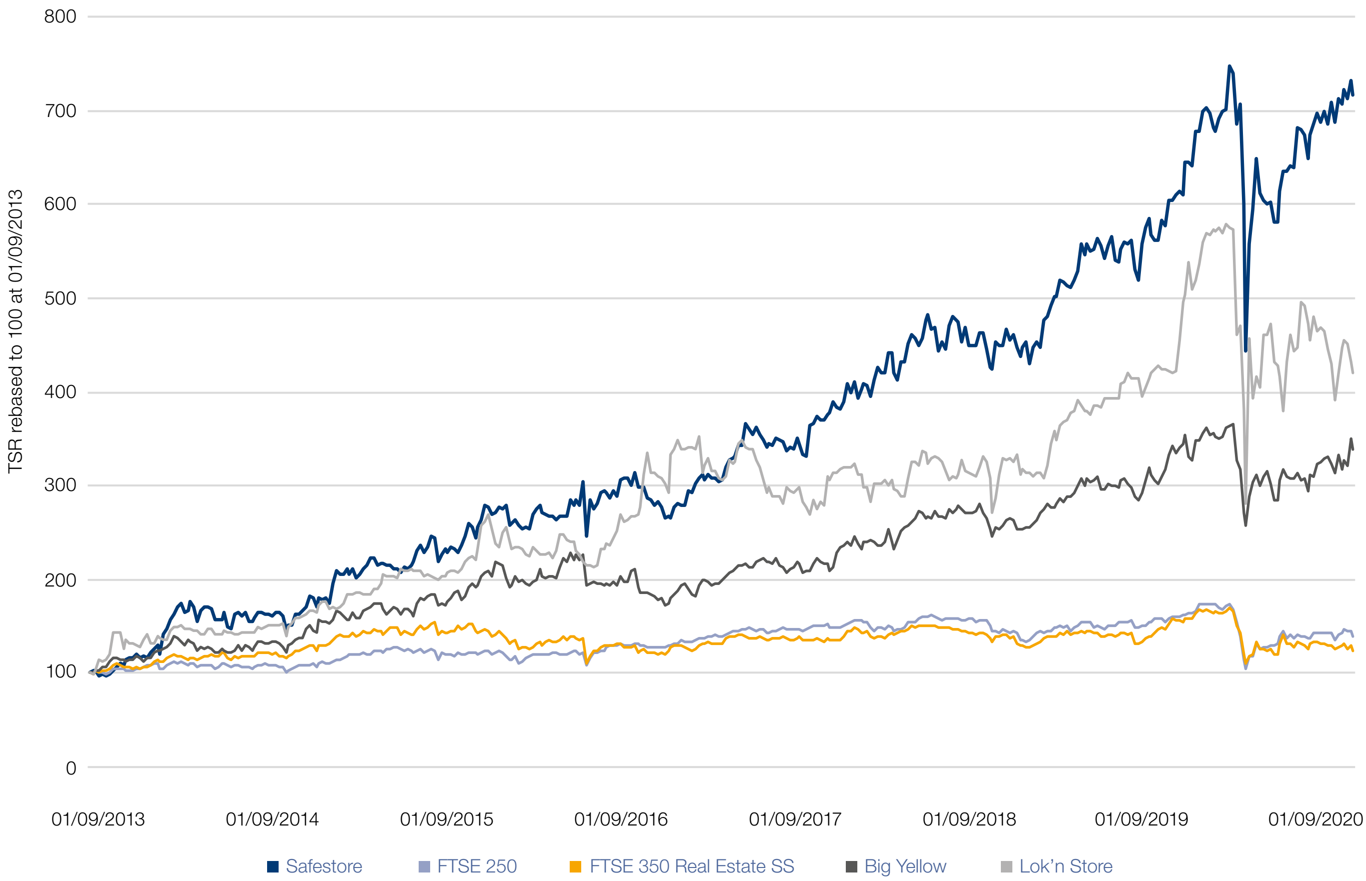
Remuneration outcome for 2020

How we have performed in 2020

You will have read earlier in this Annual Report that the Company delivered strong results for 2020 against the backdrop of Covid-19. Highlights for 2020 include:

- Group revenue up 6.9%;
- Underlying EBITDA up 7.3%;
- Adjusted Diluted EPRA Earnings per Share up 6.0%;
- acquisitions of two stores in London and four in Barcelona, and opening of three new stores and three store extensions;
- significant progress on the Company's joint venture with Carlyle and acquisition of Lokabox in Belgium; and
- significant strides made in relation to the new ESG strategy as shown by the EPRA Silver and Most Improved Awards and GRESB A rating.

The results for 2020 are a continuation of the strong performance of the business since 2013, when the current team took over the management of Safestore. £100 invested in Safestore in September 2013 would be worth about £717 as at 31 October 2020, taking account of share price growth and reinvested dividends, and represents significant outperformance against key competitors and industry benchmarks as shown below.



Base salary increases

Consistent with policy, Executive Directors' salaries were increased by 1% on 1 September 2020, below the 2.3% average increase applied to the wider workforce.

Annual bonus outcome

Targets for the 2020 annual bonus set by the Committee were based on adjusted EBITDA (two-thirds) and strategic/operational measures (one-third) with a maximum opportunity of 150% of salary. The Committee confirms that no performance target has been adjusted in the year as a result of the pandemic or any other reason.

The adjusted EBITDA (Underlying EBITDA adjusted for budgeted exchange rates and reduced by the French government tax relief received) outcome of £94.4 million exceeded the maximum EBITDA target of £93.7 million and resulted in 100% of the maximum for this element paying out.

The Committee assessed that 100% of maximum for the strategic/operational measures would pay out (full details of this assessment are set out on pages 88 and 89).

In total, the overall bonus payout was 100% of maximum and 150% of salary for both Executive Directors, versus a maximum opportunity of 150% of base salary. In line with policy, 100% of salary will be paid in cash and 50% of salary will be deferred into shares.

Directors' remuneration report *continued*

for the year ended 31 October 2020

Part A: annual statement *continued*

Remuneration outcome for 2020 *continued*

Annual bonus outcome *continued*

In determining the payouts under the annual bonus plan for the Executive Directors, the Committee has been mindful not only of the formulaic outcome against the targets set, but also of the underlying performance of the business. Specifically, the Committee took account of the following factors:

- The Company achieved another set of strong financial results with year-on-year growth in all its financial KPIs.
- There was a strong rebound in share price in the second half of the year which led to TSR growth of 19.8% over 2020 equating to £285 million of value created for shareholders.
- The Company paid its final dividend for 2019 to shareholders with the 2020 dividend increasing by £2.7 million despite the impact of Covid-19.
- The Company-wide bonus pool has increased by 15%, including the one off colleague recognition bonus, reflecting the exceptional work of all our colleagues.
- The Company has not taken advantage of any UK government support schemes or loans during the pandemic and no redundancies have been made as a result of Covid-19 with all colleagues paid in full.
- The storage industry has not benefited, directly or indirectly, from Covid-19.

On this basis, the Committee felt comfortable that the formulaic bonus outcome reflected the individual Executive Director and Company performance and, as a result, the Committee determined that no overriding discretion will be applied to the bonus outcome as corporate performance was strong.

Long Term Incentive Plan grants and vesting

The Committee made the first grant of nil-cost option awards under the 2020 LTIP on 18 March 2020. In line with the new policy the awards had a face value of 200% of base salary, vesting over three years subject to Adjusted Diluted EPRA Earnings per Share growth (two-thirds of the weighting) and relative TSR (one-third of the weighting) with a "cash on cash" return underpin. The awards were also subject to a two-year post-vesting holding period.

Full details of the performance conditions attached to the awards can be found in the annual report on remuneration on pages 90 and 91. In line with our commitment in the 2019 remuneration report, the EPS targets of 5% p.a. growth for threshold vesting increasing on a straight-line basis to 8% p.a. growth for full vesting was disclosed in the RNS announcement of 20 March 2020. The Committee will have overriding discretion to change the formulaic outcome (both downwards and upwards) if it is out of line with the underlying performance of the Company.

No long term incentive awards completed their performance period during 2020 such that there was no vesting determination required by the Committee. The 2017 LTIP EPS elements' performance period will end on 31 October 2021 (two-thirds of the award) and will be reported on in our 2021 remuneration report. The balance will vest based on relative TSR measured over the five-year period ending on 29 September 2022 and will be reported on in our 2022 remuneration report.

Deferred bonus award shares granted in respect of annual bonus earned in the year to 31 October 2017 under our previous remuneration policy vested on 1 November 2019. This was in relation to 20,881 shares for the CEO and 14,877 shares for the CFO, including dividend equivalents.

Implementation of the Policy for 2021

On the basis the Committee feels that the approved Policy remains fit for purpose, it is not intended that there will be any deviation from it during 2021. The Committee is comfortable that the Policy, and its overarching remuneration principles, remains relevant for Safestore taking account of the challenges faced by the business and the wider economy. In particular, the Committee tested that the Policy continues to meet the six factors set out in Provision 40 of the UK Corporate Governance Code (see pages 81 and 82 for details). Implementation details for 2021 are set out below:

Base salary

Base salary for the CEO and CFO for 2020/21 was reviewed in September 2020 (deferred from May 2020). A 1% increase was awarded such that base salary is £420,322 for the CEO and £299,479 for the CFO respectively. This is in line with the general workforce increase.

Pension

There is no change to the current pension contributions for 2021 of 10% of salary (less employer's National Insurance contributions where paid in the form of a cash supplement). Last year's remuneration report set out our intentions to establish a plan around alignment to the workforce by the end of 2022. For newly appointed Executive Directors, the pension contribution level will be aligned to that received by the majority of the workforce which is currently 4.1% of salary, in line with Policy.

Annual bonus

The CEO and CFO will be eligible to participate in the annual bonus scheme with a maximum opportunity of 150% of salary. Performance will be assessed against performance on financial (two-thirds of the weighting) and strategic/operational (one-third of the weighting) measures with a financial underpin ensuring no payout for the strategic/operational element if financial performance is below threshold. The specific targets and their achievement, where not deemed commercially sensitive will be disclosed in the 2021 annual report on remuneration.

Any bonus in excess of 100% of salary will be held in shares on a net of tax basis, via an agreement with the Executive, until the end of two years following the financial year in which the bonus is earned, with malus applying for this period and claw-back for three years thereafter.

LTIP

The CEO and CFO will receive LTIP awards of 200% of base salary for the 2021 LTIP. The structure and performance conditions of the awards would remain unchanged from 2020, noting the EPS performance targets will be 5% p.a. growth for threshold vesting increasing on a straight-line basis to 8% p.a. growth for full vesting. The Committee determined that the EPS targets should remain the same as those used in 2020 taking account of internal and external forecasts and the wider economic environment. The Committee will have overriding discretion to change the formulaic outcome (both downwards and upwards) if it is out of line with the underlying performance of the Company.

Please see the "at a glance" section for further details on the process the Committee follows to determine performance targets.

Wider workforce pay

The strong performance of the Company since 2013 would not have been possible without developing all our people which includes significant formal training, full support and incentives to perform to the best of their abilities. We recognise that it is also critical for our colleagues to feel valued as well as to be paid fairly.

I am pleased to report that our approach to colleague engagement through our formal workforce advisory panel has now been successfully embedded in the business. Our 14 People Champions have continued to engage directly with the CEO on a wide range of remuneration related subjects including Company sick pay entitlement, private health care scheme, holiday policy and store colleague bonus scheme. This engagement has resulted in improved sick pay and health care schemes, a more generous holiday policy and a re-structured store bonus opportunity with a clearer line of sight for our store colleagues.

We are committed to providing an inclusive workplace, encouraging and welcoming diversity with zero tolerance of harassment and discrimination. We promote equality of opportunity in all our employment practices, policies and procedures. No colleague or potential colleague will receive less favourable treatment due to a protected characteristic. We know that our gender pay gap is not as a result of paying men and women differently for the same or equivalent work. Rather, our gender pay gap is the result of a higher proportion of men in senior roles. Whilst encouraged by the year-on-year reduction in both our gender and bonus pay gaps, we know we still have work to do. Our colleague engagement levels show that people enjoy working at Safestore, but high retention, particularly in more senior roles, means the pace of change is slower than we would like. We would like to see more women at Safestore, and we are working hard on attracting, retaining and supporting women in our workforce. Our aim is that at least 40% of our applicants will be female by 2022.

We have also published our CEO pay ratio for the second time in line with the new reporting regulations. The Committee acknowledges that the ratio will be volatile, particularly in the early years, reflecting the vesting timeline of the 2017 and 2020 LTIP and the nature of executive incentives, which form a larger proportion of our CEO's package than in the package of other colleagues.

I am also pleased that we have continued to invest in our reward offering for the wider workforce through the one off recognition award for store colleagues, increased bonus payouts and targeted above market salary increases for selected roles.

Widespread share ownership reflects our remuneration principles by rewarding our colleagues for the successful execution of our strategy over a multi-year horizon. We are delighted that 52% of UK colleagues are enrolled in our Sharesave plan, which we are now offering annually, and that the 2017 three-year scheme vested on 3 November 2020 provided a significant gain to participants above the £3.528 option price.

Summary

Overall, the Company has shown strong performance and continued to deliver shareholder value during 2019/20. The Committee believes that the 2020 remuneration outcomes are appropriate and reflective of the business performance and the wider economic and social context.

I am delighted that over 97% of shareholders voted in favour of our new Policy and we will be asking shareholders to vote in favour for our Directors' remuneration report at our 2021 AGM. I would welcome any feedback or comments on this report or our remuneration principles and Policy in general and look forward to receiving any written questions ahead of our AGM, which will be broadcast using teleconference facilities this year. You will find details of the conference facility and how to submit written questions on our website at www.safestore.co.uk/corporate.

Finally, I want to recognise that the Company's performance would not be possible without the resilience and flexibility shown by our colleagues during these unprecedented times. Colleagues have been working extremely hard to make these strong results possible, with many continuing to work in our stores and supporting our customers, enabling our customers to maintain their key supply chains throughout the pandemic. To all colleagues – thank you for your hard work and commitment to making Safestore the strong business it remains today.

Approved by the Board on 13 January 2021 and signed on its behalf by:

Claire Balmforth
Chair of the Remuneration Committee
13 January 2021

Directors' remuneration report *continued*

for the year ended 31 October 2020

Part B: Our remuneration at a glance

Ahead of the annual report on remuneration, we have summarised below the key elements of our current Policy approved at the AGM held on 18 March 2020 and how we intend to implement it in 2021 in line with the changes set out in the Remuneration Committee Chair's annual statement on pages 72 to 75. We also summarise the key remuneration outcomes for 2020.

Our full Policy can be found on the Safestore website at www.safestore.co.uk.

Summary of our Directors' Remuneration Policy and implementation of the Policy for 2021

Element	Key features of Policy	Implementation for 2021	
Executive Directors		**Frederic Vecchioli**	**Andy Jones**
Base salary	Reflects an individual's responsibilities, experience and role. It is anticipated that salary increases will generally be in line with the colleague population. In certain circumstances the Committee has discretion to make appropriate adjustments to salary levels. Such circumstances could include where an Executive Director is paid significantly below the market rate or there is a change in role or responsibilities.	Base salary of £420,322. A 1% increase was awarded in September 2020 (deferred from May). The next salary review will take place in May 2021.	Base salary of £299,479. A 1% increase was awarded in September 2020 (deferred from May). The next salary review will take place in May 2021.
Benefits and pension	Maximum contribution to personal pension scheme or cash in lieu is equal to 10% of salary. New hires will receive the pension contribution received by the majority of the workforce (the average employer contribution rate is currently 4.1% of salary). Market-competitive benefits package provided.	10% of salary as Company pension contribution less employer's National Insurance contributions where paid as cash supplement. Benefits in line with policy.	
Annual bonus	Maximum award equal to 150% of salary per annum. Any bonus in excess of 100% of salary will be held in shares on a net of tax basis (referred to hereinafter as deferred shares). The deferred shares will be held by the Executive Directors by agreement. The deferred shares are subject to a two-year holding period that expires on the second anniversary of the end of the financial year in which the bonus was earned. Malus provisions apply during the holding period and claw-back provisions apply for three years thereafter. Performance measures are two-thirds financial and one-third strategic/operational, with financial underpin ensuring that no payout for strategic/operational element if financial performance is below threshold. Payout for threshold performance is 20% of maximum and for target performance is 50% of maximum. Dividend equivalents are payable on deferred shares. The Committee will continue to have overriding discretion to change formulaic outcomes (both downwards and upwards) if they are out of line with underlying performance of the Company.	No change to maximum opportunity of 150% of salary. Deferral, performance measures, their weighting and the payout curve will be as described in the column to the left. Specific targets and their achievement, where not deemed commercially sensitive, will be disclosed in the 2021 annual report on remuneration.	
LTIP	Annual award of nil-cost options of up to 200% of salary. Vesting period of three years followed by a holding period of two years, via an agreement with the Executive (during which any vested and exercised awards cannot be sold except for tax purposes on exercise). Two-thirds of award subject to Adjusted Diluted EPRA Earnings per Share growth and one-third subject to relative TSR balanced equally against the FTSE 250 (excluding Investment Trusts) and the FTSE 350 Real Estate Super Sector. 8% p.a. cash on cash return underpin. 25% vesting for threshold performance increasing on a straight line to 100% for maximum performance. Dividend equivalents are payable on vested shares. The Committee will have overriding discretion to change formulaic outcomes (both downwards and upwards) if it is out of line with underlying performance of the Company.	200% of salary for both Executives under the 2020 LTIP. Performance measures, their weighting and the associated vesting schedule will be as described in the column to the left. Threshold performance (25% vesting) for the relative TSR elements will equate to median performance amongst each peer group with maximum performance (100% vesting) equal to upper quartile. The EPS targets will be 5% p.a. growth for threshold vesting increasing on a straight-line basis to 8% p.a. growth for full vesting.	

Element	Key features of Policy	Implementation for 2021	
Executive Directors		**Frederic Vecchioli**	**Andy Jones**
Shareholding guidelines	350% of salary. Executive Directors are expected to meet the guideline by 27 September 2022 (the vesting date of the 2017 LTIP) or five years after joining if later. Deferred and vested but unexercised awards on a net of tax basis and beneficially owned shares would count towards the shareholding guidelines. These guidelines will continue to apply for two years post cessation of employment. For the avoidance of doubt shares beneficially owned at the date of adoption of the current Policy and the 2017 LTIP award will be exempt from this post cessation of employment guideline but all share-based awards granted under the current Policy approved by shareholders at the 2020 AGM, including those granted in March 2020, would be captured.	350% of salary.	
Non-Executive Directors			
Fees	Non-Executive Directors may receive a base fee and additional fees for chairing a Committee or being the Senior Independent Director.	The Chairman's fee: £181,800. Non-Executive base fee: £43,784. Committee Chair fee: £10,302. Non-Executive Director fees were increased by 1% in September 2020. The next fee review will take place in May 2021.	

Executive Directors are eligible to receive payment under any award made prior to the approval and implementation of the Policy set out in this report including under the existing 2017 LTIP. For the avoidance of doubt, it is noted that the Company will honour any commitments entered into that have been disclosed previously to shareholders.

In setting the performance targets for the incentive arrangements, the Committee follows the process as set out below:

Arrangement	Process for setting performance targets
Annual bonus	The performance targets are determined annually by the appropriate line manager and calibrated by the Committee considering the Company's business plan, market conditions and external forecasts.
LTIP	EPS targets: The performance targets are determined annually taking account of the business plan, external forecasts and the economic environment. In addition, for awards granted in 2020, the Committee took account of the potential outturn of the 2017 LTIP award. Relative TSR targets: These are defined in full in the Policy, so no process required.

The Committee is satisfied that the Remuneration Policy is in the best interests of shareholders and does not promote excessive risk taking.

Directors' remuneration report *continued*

for the year ended 31 October 2020

Part B: Our remuneration at a glance *continued*

Business performance and incentive outcomes in 2020

KPI	Measured in	2020 performance	2020 Incentive outcome
Underlying EBITDA growth in 2020	Annual bonus	7.3%	●
Adjusted Diluted EPRA Earnings per Share growth in 2020	LTIP	6.0%	n/a – 2017 and 2020 LTIPs remain in-flight
Three-year TSR growth	LTIP	95%	n/a – 2017 and 2020 LTIPs remain in-flight
Optimisation of performance of existing portfolio	Annual bonus	Focusing on our colleagues and culture has never been more critical than during the Covid-19 pandemic. Significant value was delivered through our store sales teams, marketing and pricing strategy execution. Despite Covid-19 lockdowns, enquiry growth was captured in all territories at lower cost per enquiry and, ultimately, lower cost per new let as a result of extensive training and innovation.	●
Strong and flexible capital structure	Annual bonus	Group's free cash flow (before investing and financing activities) increased by £7.6 million and Group leverage was well within the targeted level at an LTV ratio at 29% for 2020. The Company's strong capital structure allowed it to continue to take advantage of opportunities across the Group and with its joint venture partner in order to deliver incremental earning growth over the longer term.	●
Take advantage of selective portfolio management and expansion opportunities	Annual bonus	Successfully embedded the Company's joint venture arrangement managing the joint venture's operations in the Netherlands and expanding into Belgium. Acquired new stores in London and Barcelona, in addition to opening new stores and completing store extensions in various locations. Development pipeline build outs delivered on or below budget and on time.	●

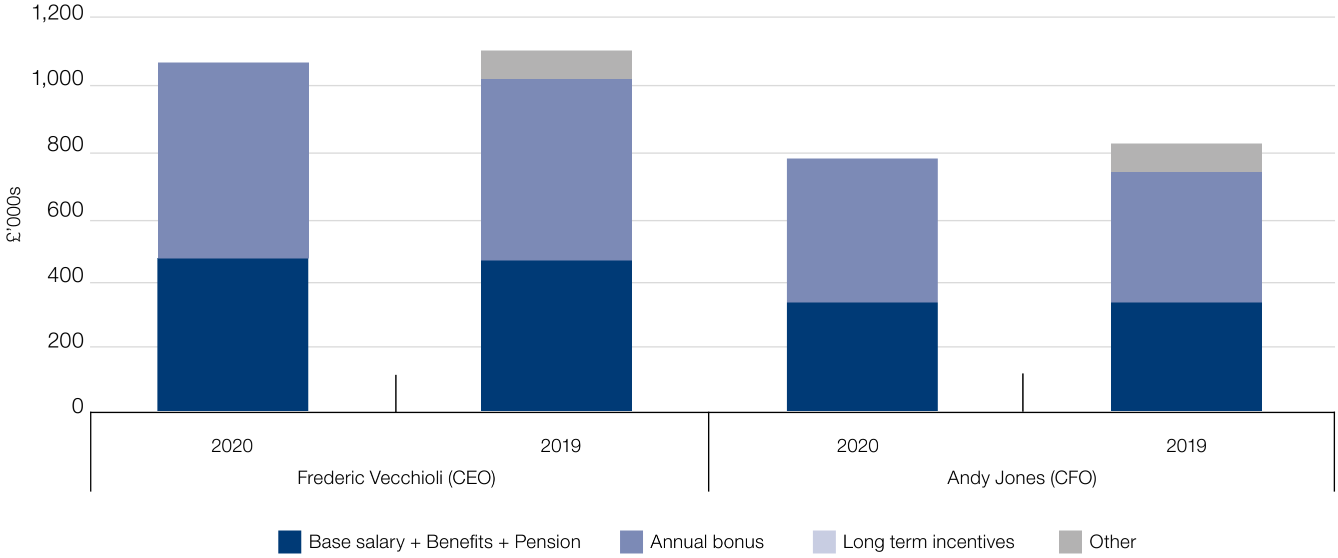
Key: ● Threshold or below ● Threshold to target ● Target to maximum

This resulted in the following incentive outcomes:

- The annual bonus is assessed against adjusted EBITDA growth (two-thirds of the weighting) and strategic/operational measures (one-third of the weighting). Based on the formulaic outcome, 100% of maximum was achieved in relation to the EBITDA measure and 100% of maximum for the strategic/operational element, noting that the EBITDA threshold financial gateway had been met.
- In determining the payouts under the annual bonus, the Committee has been mindful not only of the formulaic outcome against the targets set, but also of the underlying performance of the business.
- The factors considered by the Committee in making this judgement are set out on pages 73 and 74 of the Remuneration Committee Chair's annual statement and the annual report on remuneration.
- The Committee determined that the formulaic outcomes were representative of overall performance and, as a result, the 2020 annual bonus payout for the Executive Directors was 100% of maximum.
- In line with the approved Directors' Remuneration Policy, any bonus payment above 100% of salary will be deferred into shares for two years on a net of tax basis.
- No legacy LTIP awards or LTIP awards under the current Policy completed their performance period during the 2020 financial year.
- The Committee is comfortable that the current Policy operated as intended and that the overall 2020 remuneration paid to Executive Directors set out below was appropriate.

Summary of Executive Directors' remuneration in 2020

The charts below show the 2020 actual remuneration achieved, as disclosed in the single total figure of remuneration on page 87 (and 2019 for comparison purposes).



Please note that Other in 2019 represents the gain on vesting of the five-year 2014 Sharesave awards.

Remuneration in the wider context

Context to our Executive Director remuneration in light of wider workforce considerations:

- The wider workforce predominantly has access to competitive bonus arrangements, can participate in all-colleague share plans and/or recognition schemes and are eligible to be auto-enrolled into the Safestore Group Personal Pension Plan.
- For 2020, the salary adjustment for the Executive Directors was in line with the average increase for colleagues across the Group.
- Company-wide bonus pool was up by 15%, including the one off colleague recognition bonus, and the three year Sharesave award vested in November 2020 providing a significant gain to participants above the £3.52 option price.
- A one off recognition award introduced for all those working in stores of £275.
- Ratio of CEO pay to pay of median employee of 41:1.
- Safestore's UK mean gender pay gap of 14.1% and median gender pay gap of 3.3%.

Directors' remuneration report *continued*

for the year ended 31 October 2020

Part C: Annual report on remuneration

The 2020 annual report on remuneration contains the details of how the Company's Policy for Directors was implemented during the financial year ended 31 October 2020. An advisory resolution to approve this report and the Remuneration Committee Chair's annual statement will be put to shareholders at the 2021 AGM.

Pay fairness

To attract and retain the highest calibre individuals, we aspire to become the employer of choice within our sector, maintaining a competitive reward package that balances fairness to the colleague with the responsible use of shareholders' funds.

The colleague value proposition

We review our pay principles, which set out a framework for making decisions on colleagues' pay, annually. The aim is to:

- support the recruitment and retention of high quality colleagues;
- enable us to recognise and reward colleagues appropriately for their contribution;
- help to ensure that decisions on pay are managed in a fair, just and transparent way; and
- create a direct alignment between Company culture and our reward strategy.

As part of our commitment to fairness, we have set out further information about our colleague offering. The various factors which make up our colleague value proposition are set out below:

Pay and benefits

- We pay all our colleagues above the over-25 National Living Wage rate, regardless of their age. The average annual salary for our store sales colleagues is £21,863, over £3,700 above the current National Living Wage for an over-25 year old on a 40-hour contract.
- All our sales colleagues are eligible for our performance-based monthly bonus scheme and can earn up to 50% of their monthly salary. Our Head Office colleagues are eligible to receive a discretionary annual bonus, which is calculated against business targets and objectives.
- For 2020, bonus payouts were increased for all roles commensurate with Company performance.
- Colleagues can join our Sharesave scheme on an annual basis for a fixed three-year term. Membership across all the current schemes is at 52% with 33% of our colleagues participating in the 2020 scheme.
- Under the 2020 LTIP c.55 key colleagues were invited to participate allowing them to share in the success of the Company. The performance conditions for below Board-level colleagues in the LTIP are the same as those for the Executive Directors.
- All eligible colleagues are auto-enrolled into the Safestore Group Personal Pension Plan provided through Scottish Widows with a minimum employer contribution rate of 4% of salary.
- Additional benefits include private healthcare cover, life insurance from day one of employment, paid holiday allocation and a cycle to work scheme.
- Our family friendly policy means we offer new mothers twelve weeks' full pay and new fathers two weeks' full pay, as well as sending new parents a beautiful gift when their child is born.

Working environment

- Our leadership teams have created an environment where our managers and leaders are provided with the skills, tools, and crucially, time, to dedicate to their teams. This has been achieved through maintaining good colleague–manager ratios; for example, no Regional Manager oversees more than twelve stores.
- Our "Make the Difference" people forum, launched in 2018, is a formal workforce advisory panel which enables frequent opportunities for us to hear and respond to our employee voice. We drive change and continuous improvement in responding to the feedback we receive, via our internal communications channels and through our network of People Champions. During the Covid-19 lockdown period, our People Champions, supported by our HR team, conducted welfare calls to over 200 colleagues, to obtain a "temperature check" on how they were coping with the changes and to obtain feedback and ideas about our new Covid-secure workplace.
- We have a comprehensive Colleague Assistance Programme where our teams are able to find guidance on coping strategies. They can speak to a professional who is ready to support and guide them through any concerns they have: in addition, for those who need it, they can access up to five counselling sessions.
- We support a healthy work–life balance through offering a Company sick pay scheme and encouraging all team members to take their rest breaks. We welcome and consider all requests for flexible working and at-home working. At-home working has increased significantly since the Covid-19 pandemic and we have further enabled this through digital developments.
- Sustainability is embedded into day-to-day responsibilities at Safestore and our people are at the heart of this. We strive to ensure that every colleague at Safestore feels like a valued member of our friendly and supportive team. We achieve this through building, improving and maintaining safe and secure working environments and advocating a diverse and inclusive workforce, free from harassment and victimisation. Our People Principles set out our commitments in relation to respecting the rights of our people.
- The Covid-19 pandemic has had an extraordinary impact on all of us. In order to continue to manage risk, we have had to anticipate new health and safety challenges and respond with pace in order to ensure a healthy and safe environment for our colleagues, customers, suppliers and contractors. This has involved commitment from all levels of the organisation as well as daily decision making on how to respond to a constantly changing and uncertain situation.

Development opportunities	
• In 2020 we invested over 20,000 hours into developing our people. From online learning modules to face-to-face sales training, every one of our team members can take part in structured learning. • We offer health and safety training including first aid, forklift and fire safety. In June 2020 every colleague was offered training about supporting a Covid-secure working environment.	• Our Store Manager Development Programme offers the opportunity to gain a nationally recognised qualification from either the Institute of Leadership & Management ("ILM") or the Chartered Management Institute ("CMI") utilising the Apprenticeship Levy.
Recognition	
• We recognise great performance and behaviours through our annual appraisal process. • Our values, created by our store teams, are at the heart of everything the organisation does. The values are accompanied by a set of behaviours and everyone is assessed against these every six months.	• To show our appreciation for the commitment and resilience of our onsite colleagues during Covid-19, we introduced a one off recognition award for all those working in stores of £275. • Our annual pay review/bonus schemes are based on individual performance ratings. • We also reward our sales consultants for completion of training modules through a pay for skills approach.

Informing the Committee on the wider workforce

To build the Remuneration Committee's understanding of reward arrangements applicable to the wider workforce, the Committee is provided with data on the remuneration structure for management level tiers below the Executive Directors and pay outcomes for these roles. The Committee has been provided with feedback from the formal workforce advisory panel, which provides further context for the Committee in making decisions on future pay outcomes in line with the current Policy. The Committee used this information to ensure consistency and fairness of approach throughout the Company in relation to remuneration.

Aligning with Provision 40 of the Corporate Governance Code and Company strategy

The table below sets out how the current Policy addresses factors in Provision 40 of the Corporate Governance Code, the objective of which is to ensure the remuneration operated by the Company is aligned to all stakeholder interests including those of shareholders.

Factor	How this was addressed in the current Remuneration Policy
Clarity *Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.*	In line with our commitment to full transparency and engagement with our shareholders, the Company engages directly with the broader colleague population on their remuneration through a variety of methods including town hall events led by the CEO.
Simplicity *Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.*	Taking on board shareholder feedback, we reverted to a traditional LTIP construct in 2020, which is well understood by shareholders and participants alike.
Risk *Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.*	Identified risks have been mitigated as follows: • deferring an element of bonus into shares and a two-year holding period on the LTIP helps ensure that the performance earning awards was sustainable and thereby discouraging short term behaviours; • aligning any reward to the agreed strategy of the Company; • reducing the awards or cancelling them if the behaviours giving rise to the awards are inappropriate through malus and claw-back; • reducing annual bonus or LTIP awards (made under the current Policy) or cancelling them, if it appears that the criteria on which the award was based do not reflect the underlying performance of the Company.
Predictability *The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the Policy.*	The Committee undertook external benchmarking of the current Policy (see page 84) which determined that the new packages will pay out below median of the FTSE 250 companies on a reasonable range of performance outcomes. The Remuneration Policy in the 2019 DRR sets out the potential remuneration available in several performance scenarios. The Committee is comfortable that the discretions available to it set out in the Policy are sufficient.

Directors’ remuneration report *continued*

for the year ended 31 October 2020

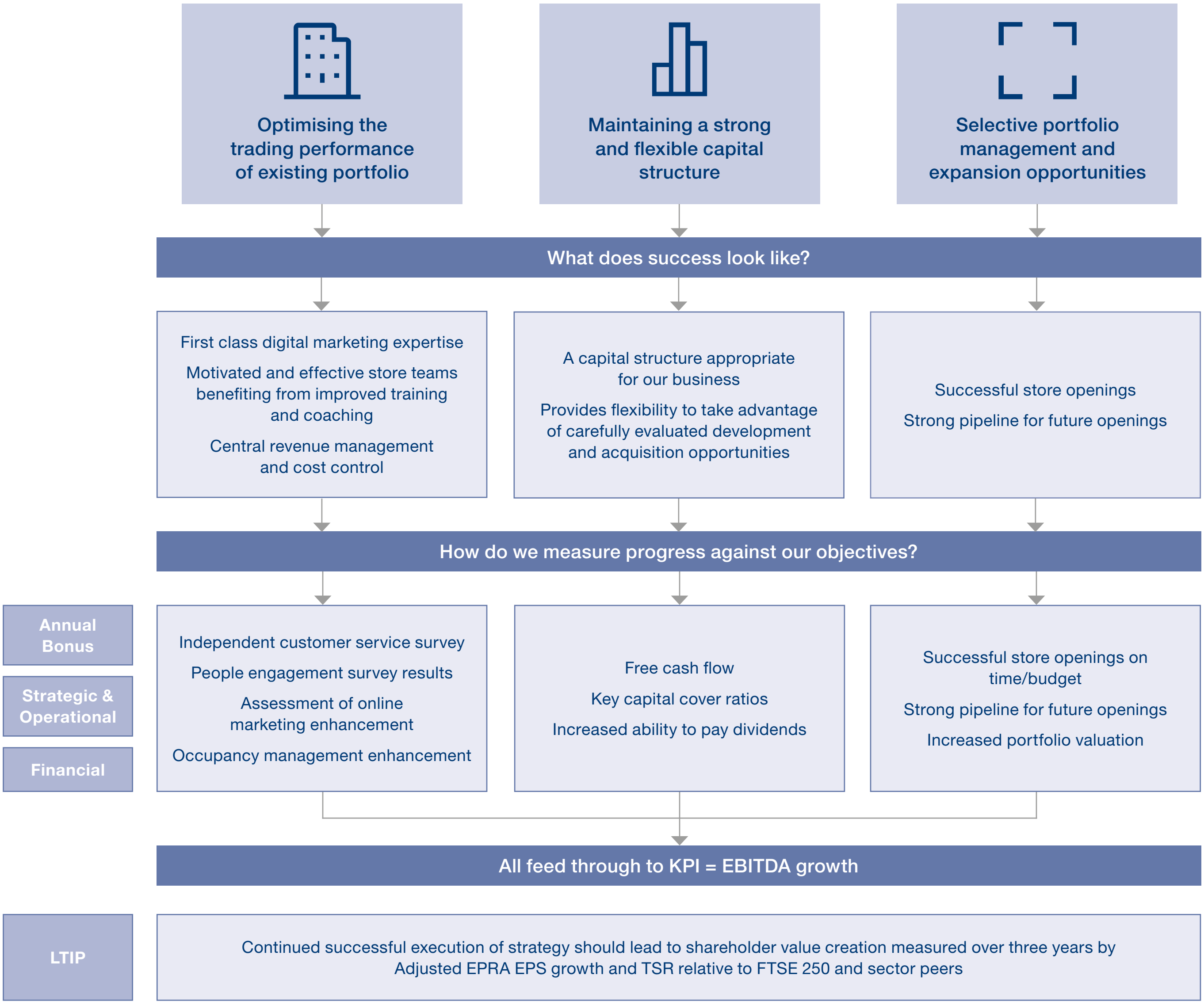
Part C: Annual Report on Remuneration *continued*

Pay fairness *continued*

Aligning with provision 40 of the Corporate Governance Code and Company Strategy *continued*

Factor	How this was addressed in the current Remuneration Policy
Proportionality *The link between individual awards, the delivery of strategy and the long term performance of the company should be clear. Outcomes should not reward poor performance.*	One of the key strengths of the current approach of the Company to remuneration is the direct link between the returns strategy and the value received by Executive Directors. Please see the schematic below which sets out in detail the link between Company strategy and the performance measures in the incentive arrangements.
Alignment to culture *Incentive schemes should drive behaviours consistent with Company purpose, values and strategy.*	The 2020 LTIP rewards long term sustainable performance. This focus on long term sustainable value is a key tenet of the Company’s strategy and its purpose and values are set out in our sustainability report on page 35.

In line with the proportionality factor from Provision 40 of the Corporate Governance Code set above, the Committee designed the incentive arrangements such that they were closely aligned with Company strategy as set out in the schematic below:



Pay relativities

Internal – CEO pay ratio

Our CEO to colleague pay ratios for 2020 are set out in the table below. We also provide the 2019 data for comparison purposes.

Financial year	Method used	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2019	Option B (gender pay gap data)	60:1 Total pay and benefits: £19,067 Salary: £17,197	55:1 Total pay and benefits: £20,669 Salary: £18,175	37:1 Total pay and benefits: £31,278 Salary: £25,029
2020	Option B (gender pay gap data)	49:1 Total pay and benefits: £22,820 Salary: £18,500	41:1 Total pay and benefits: £27,244 Salary: £24,240	32:1 Total pay and benefits: £34,857 Salary: £30,852

For 2020, the Company continues to use Option B as the method for calculating the CEO pay ratio. Option B uses the most recent hourly rate gender pay gap data converted on a full-time equivalent basis, as at 5 April 2020, for all UK employees to identify three UK employees as the best equivalents of the 25th, 50th (median) and 75th percentile employees. It was chosen by Safestore as it enabled the Company to utilise actual remuneration data throughout the calculation and removed any requirement for estimation of data.

Once the employee at each quartile had been selected, the salary and total pay and benefits shown in the table above were calculated in line with the CEO's single figure of remuneration disclosure and included the following elements of pay:

- annual basic salary;
- private medical insurance value;
- car/car allowance;
- employer pension contribution;
- bonus earned;
- overtime and extra pay; and
- sharesave.

To ensure that Option B provides a sufficiently accurate representation of the UK workforce, we have performed sensitivity analysis around the three quartiles. Our approach has been to compare the total pay and benefits for a small number of employees centred around each quartile to eliminate any anomalies. As our Sales Consultants represent around 50% of our workforce, the 50th percentile employee may vary annually between a Sales Consultant and a Store Manager, dependent on gender pay gap data exclusions. This year, the 50th percentile employee was a Store Manager, compared with last year when the 50th percentile employee was a Sales Consultant. The Committee considers the 50th percentile pay ratio to be consistent with pay and progression policies for UK employees.

No estimates or adjustments were made for the purposes of the 2020 CEO pay ratio calculation.

There has been a decrease in 50th percentile ratio this year as a result of a difference in the job role of the 50th percentile employee, a small reduction in the CEO's single figure of remuneration, and an increase in the variable pay element of the 50th percentile employee. However, we expect the ratio to increase next year as CEO's remuneration will include the value of shares vesting under the 2017 LTIP's EPS element as its performance period completes on 31 October 2021.

We also recognise that the ratio is driven by the different structure of the pay of our CEO versus that of our colleagues, as well as the make-up of our workforce. This ratio varies between businesses even in the same sector. What is important from our perspective is that this ratio is influenced only by the differences in structure, and not by divergence in fixed pay between the CEO and wider workforce.

Internal – gender pay gap reporting and diversity

Safestore is committed to the principle of equal opportunities and equal treatment for all colleagues, regardless of sex, race, religion or belief, age, marriage or civil partnership, pregnancy/maternity, sexual orientation, gender reassignment or disability. We have a clear policy of paying colleagues equally for the same or equivalent work, regardless of their sex (or any other characteristic set out above).

We know that our gender pay gap is not as a result of paying men and women differently for the same or equivalent work. Rather, our gender pay gap is the result of a higher proportion of men in senior roles. Whilst we are encouraged by the year-on-year reduction in both our gender and bonus pay gaps, we know we still have work to do. Our colleague engagement levels show that people enjoy working at Safestore, but high retention, particularly in more senior roles, means the pace of change is slower than we would like. We would like to see more women at Safestore, and we are working hard on attracting, retaining and supporting women into our workforce. Our aim is that at least 40% of our applicants will be female by 2022.

This year, the number of women in the lower quartile has increased, whilst the number of women in the upper mid and upper quartiles has reduced, resulting in slightly higher mean and median gender pay gaps compared to 2019. Our mean gender pay gap remains comparable with the UK average and our median gender pay gap remains significantly lower than the UK average.

Directors' remuneration report *continued*

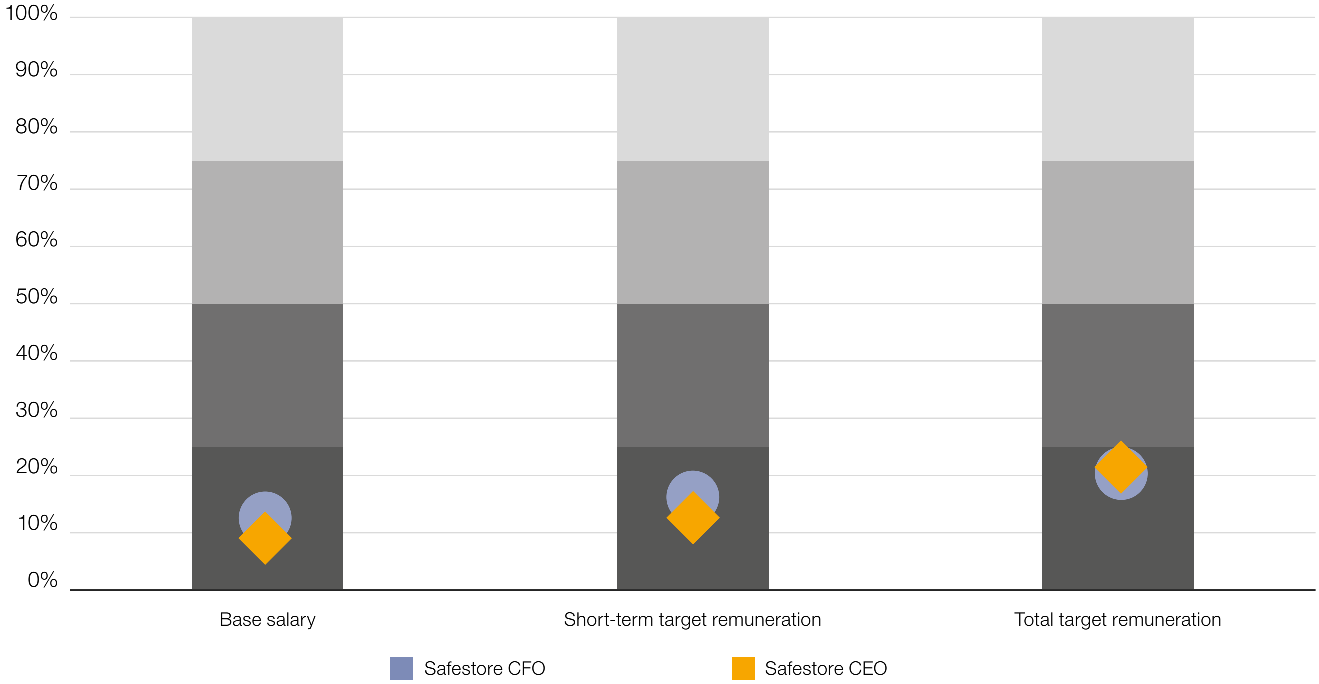
for the year ended 31 October 2020

Part C: Annual Report on Remuneration *continued*

Pay relativities *continued*

External – Executive Director benchmarking

The following chart shows the relative position of salary, short term target remuneration (salary plus on-target annual bonus and pension contributions) and total target remuneration (short term target remuneration plus expected value of LTIP) for our Executive Directors compared to the FTSE 250 based on the current Policy. For example, 25% would represent lower quartile positioning against the FTSE 250.



The chart demonstrates that the remuneration levels under the current Policy are at a relatively conservative level when compared to companies of a similar size and scale in the FTSE 250. The analysis excludes the impact of the 2017 LTIP awards that vest during the current Policy period.

Remuneration justification

The Committee is comfortable that the internal and external pay relativity reference points set out above provide justification that the 2020 incentive outcomes and the implementation of the Policy in 2021 are entirely appropriate, whilst noting the potential volatility of the CEO pay ratio in future years.

Communication with colleagues

As set out in the Committee Chair's statement, in 2018 the Company established a formal workforce advisory panel to facilitate engagement with colleagues. The formal workforce advisory panel has now been successfully embedded in the business. Our 14 People Champions have continued to engage directly with the CEO across a wide range of subjects including remuneration. Appropriate feedback from these sessions was presented to the Remuneration Committee, which the Committee considered when deciding on the remuneration levels for Executive Directors in 2020. In addition, the CEO also ran a virtual town hall session where colleagues had the opportunity to raise questions on subjects including remuneration.

Communication with shareholders

The table below shows the results of the latest shareholder votes on the Directors' remuneration report and Policy resolutions:

	Votes for	%	Votes against	%	Votes withheld
2020 AGM vote on Remuneration Policy	167,676,057	97.89	3,615,427	2.11	87,100
2020 AGM vote on annual report on remuneration	165,662,542	96.82	5,436,734	3.18	279,309

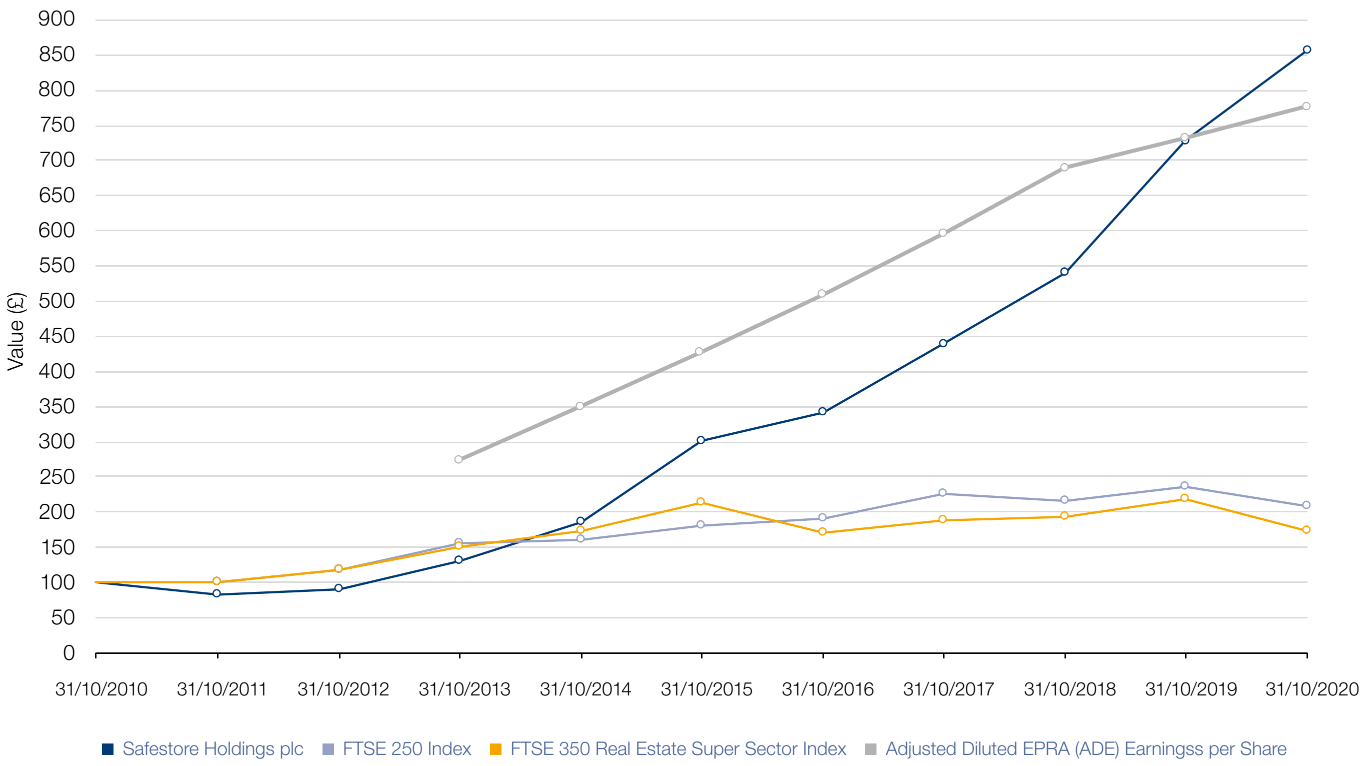
Following this year's AGM, the Committee was encouraged to see that the new Policy and the remuneration report were positively received by our shareholders, with 97.9% and 96.8% of the votes in favour of the Policy and the remuneration report respectively. In formulating the Policy, the Committee ensured that all decisions were consistent with what it heard during its extensive shareholder engagement in 2018 and guidelines that were subsequently released by our shareholders and their representative bodies. In addition, prior to the AGM, the Committee reached out to the Company's largest 20 shareholders and the investor bodies setting out the new Policy and its rationale. The Committee received constructive feedback from a number of shareholders and bodies and considered each piece of feedback but ultimately determined to keep the original proposals unchanged. The Committee thanks all those who took the time to provide it with feedback.

Chief Executive Officer and colleague pay

Total shareholder return and Chief Executive Officer pay over the last ten years

The graph below shows the value of £100 invested in Safestore Holdings plc over the past ten years compared with the value of £100 invested in the FTSE 250 and the FTSE 350 Real Estate Super Sector. These comparators have been chosen on the basis that they are the markets within which Safestore operates and against which it benchmarks performance. The chart is rebased to 31 October 2010. The chart also shows the increase in Adjusted Diluted EPRA ("ADE") Earnings per Share from 31 October 2013 onwards as this figure was not calculated by the Company before that date (see right-hand scale).

Total Shareholder Return and Adjusted Diluted EPRA ("ADE") Earnings per Share (pence)



The chart illustrates the sustained EPS growth and TSR outperformance delivered by Safestore which is reflected in the bonus payouts and vesting of the long term incentive awards over several years.

Directors' remuneration report *continued*

for the year ended 31 October 2020

Part C: Annual Report on Remuneration *continued*

Pay relativities *continued*

Total Shareholder Return and Adjusted Diluted EPRA (ADE) Earnings per Share (pence) *continued*

	Oct 2011	Oct 2011	Oct 2012	Oct 2013	Oct 2013	Oct 2014	Oct 2015	Oct 2016	Oct 2017	Oct 2018	Oct 2019	Oct 2020
	S Williams[1]	P D Gowers[2]	P D Gowers	P D Gowers	F Vecchioli[3]	F Vecchioli	F Vecchioli	F Vecchioli	F Vecchioli	F Vecchioli	F Vecchioli	F Vecchioli
Role	CEO £'000	CEO £'000	CEO £'000	CEO £'000	CEO £'000	CEO £'000	CEO £'000	CEO £'000	CEO £'000	CEO £'000	CEO £'000	CEO £'000
Single figure of total remuneration	597	425	390	910	359	973	1,224	1,481	1,728	1,719	1,134	1,108
Annual bonus payout (% of max)	—	59%	—	70%	70%	76%	100%	100%	82%	81%	91%	100%
LTIP vesting (% of max)	—	—	—	—	—	96%	100%	100%	100%	100%	n/a	n/a

Notes

1 Stepped down as Chief Executive Officer on 28 February 2011 and left the Company on 30 April 2011.

2 Appointed as Chief Executive Officer on 1 March 2011, stepped down as Chief Executive Officer on 4 September 2013 and left the Company on 31 October 2013.

3 Appointed as Chief Executive Officer on 4 September 2013.

Percentage change in Executive and Non-Executive Director remuneration

The table below shows the percentage change in remuneration of the Directors undertaking the role of Chief Executive Officer, Chief Financial Officer and Non-Executive Directors and the average of Company's colleagues in the listed entity on a full-time equivalent basis.

% change from 2018 to 2019	Base salary/fees	Benefits	Annual bonus
F Vecchioli (CEO)	1%	0%	11%
A Jones (CFO)	1%	0%	11%
D Hearn (NE Chair)	1%	n/a	n/a
I S Krieger (NED)	1%	n/a	n/a
J L Kenrick (NED)	1%	n/a	n/a
C Balmforth (NED)	1%	n/a	n/a
B Oliver (NED)	1%	n/a	n/a
G van de Weerdhof (NED)	1%	n/a	n/a
Colleague pay	2.3%	0%	19%

Note

Alan Lewis served as a Director during the year but stepped down prior to the salary/fee increase on 1 September 2020.

Relative importance of spend on pay

The table below sets out the overall spend on pay for all colleagues compared with the returns distributed to shareholders.

Significant distributions	**2020**	2019	% change
Colleague costs (£'m)	**31.7**	28.7	10%
Distributions to shareholders (£'m)	**37.7**	35.0	8%

Note

The above figures are taken from notes 10 and 26 to the financial statements.

Executive Director remuneration for the year ended 31 October 2020

Single figure remuneration table (audited)

The remuneration of Executive Directors showing the breakdown between components with comparative figures for the prior financial year is shown below.

		Base salary £'000	Taxable benefits[1] £'000	Annual bonus[2] £'000	Long term incentives £'000	Pension[3] £'000	Other[4] £'000	Total fixed remuneration £'000s	Total variable remuneration £'000s	Total £'000
Frederic Vecchioli	**2020**	**417**	**24**	**630**	**—**	**37**	**0**	**478**	**630**	**1,108**
(Chief Executive Officer)	2019	412	24	568	—	36	94	472	662	1,134
Andy Jones	**2020**	**297**	**19**	**449**	**—**	**26**	**0**	**342**	**449**	**791**
(Chief Financial Officer)	2019	294	19	405	—	26	94	339	499	838

Notes

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

2 The 2019 and 2020 annual bonus figures include the portion subject to deferral.

3 The Executive Directors were provided pension payments in the form of a cash allowance, after a deduction for employer's National Insurance contributions.

4 The Other column refers to vesting of 2014 (5YR) Sharesave in 2019. The value has been calculated as the gain at the vesting date in excess of the 164 pence exercise price.

Annual bonus outcomes for the financial year ended 31 October 2020 (audited)

For 2020, the Executive Directors had a maximum annual bonus opportunity of 150% of salary. For each Executive Director, the 2020 annual bonus determination measures were weighted two-thirds for adjusted EBITDA and one-third for strategic/operational measures. The achievement of the strategic/operational measures was assessed by the Remuneration Committee as the financial gateway of outperforming the threshold adjusted EBITDA target was met. The table below provides information on the targets for each measure, actual performance and resulting bonus payment for each Executive Director:

		Performance required			Actual performance		CEO		CFO	
Measure	Weighting	Threshold (20% payout)	On target (50% payout)	Maximum (100% payout)	Actual	% of element payable	Achievement as % salary	Bonus value £'000	Achievement as % salary	Bonus value £'000
Adjusted EBITDA before non-recurring items[1, 2]	Two-thirds	£89.1m	£91.9m	£93.7m	£94.4m	100%	100%	420	100%	299
Strategic/ operational measures	One-third	Objectives based on strategic/operational			See below	100%	50%	210	50%	150
Total bonus achieved in 2020							**150%**	**630**	**150%**	**449**

Notes

1 Adjusted EBITDA before non-recurring items is equivalent to the reported EBITDA in the financial statements with French results translated at the budget rate of 1.11215.

2 Adjusted EBITDA before non-recurring items has also been reduced by the French government tax relief received of €95,000.

Part C: Annual Report on Remuneration *continued*

2020 annual bonus outcomes: strategic objectives

The Group's proven strategy remains unchanged. We believe that the Group has a well-located asset base, management expertise, infrastructure, scale and balance sheet strength to exploit the current healthy industry dynamics. As we look forward, we consider that the Group has the potential to further increase its EPS by: optimising the trading performance of the existing portfolio; maintaining a strong and flexible capital structure; and taking advantage of selective portfolio management and expansion opportunities. Therefore, the Executive Directors' strategic/operational objectives reflect the Company's priorities in these areas for 2020.

In line with our commitment to fully transparent disclosure of remuneration outcomes, the Executive Directors' strategic/operational objectives and their achievement are fully disclosed in detail below. The maximum opportunity under this element of the annual bonus is 50% of salary.

Objective	Achievement	Outcome	Committee assessment
Optimisation of performance of existing portfolio (20% of salary)			
Optimise performance through: • Enhancing people performance through engagement and improved capabilities in order to increase conversion of enquiries into new lets.	Focusing on our colleagues and culture has never been more critical than during the Covid-19 pandemic. Our established wellbeing strategy remains at the heart of our long term people agenda and, this year, we have worked harder than ever to ensure our colleagues are happy, healthy, safe and engaged in supporting Safestore to deliver sustainable business performance. Highlights included: • We delivered over 20,000 hours of training, coaching and development. • At the start of the year we launched our Senior Management Development programme. • During the Covid-19 lockdown period, our People Champions, supported by our HR team, conducted welfare calls to over 200 colleagues, to obtain a "temperature check" on how they were coping with the changes, and to obtain feedback and ideas about our Covid-secure workplace. • In our 2019 pulse survey, we were delighted to have maintained those high standards, with a leadership engagement score of over 80%. During the Covid-19 pandemic, our leaders have acted swiftly to provide extraordinary levels of communication via regular email, newsletter, internal intranet and weekly telephone and video conferences. • Internal promotions increased by 35% from 2019 to 2020.	✔✔✔	The Committee assessed that the achievements of the year were exceptional given the operational challenges and warranted full payout for this element. (20% out of 20% of salary)
• Optimise search visibility and enhance website "funnel" to drive new lets and marketing spend in line with budgeted expectations.	Highlights included: • Improvements to core web experience for mobile devices and technical enhancements plus ongoing PPC bidding evolution driving UK growth and efficiency. • France and the Netherlands saw web funnel performance uplift from move to global web platform. • The Netherlands, Spain and Belgium saw significant improvements in performance through marketing effectiveness and efficiency within Safestore control. • Despite Covid-19 lockdowns, enquiry growth was captured in all territories at lower cost per enquiry and, ultimately, lower cost per new let. • Successfully rolled out our Computer Automated Facilities Management system ("CAFM") to the Netherlands and initiated in France and Belgium.		

Objective	Achievement	Outcome	Committee assessment
Strong and flexible capital structure (12% of salary)			
• Ensure the financial flexibility exists to deliver selected development and acquisition opportunities whilst maintaining conservative leverage and a progressive dividend policy.	The Company's strong capital structure allowed it to continue to take advantage of opportunities across the Group and with its joint venture partner in order to deliver incremental earning growth over the longer term. Highlights included: • The Group's free cash flow (before investing and financing activities) increased from £61.2 million to £68.8 million for the year ended 31 October 2020. • The Company has successfully implemented FX forward contracts that have the effect of translating the majority of Euro denominated earnings at a rate of €1.075: £1 until 2023. • Group leverage was just below the Group's strategic targeted level of an LTV ratio between 30–40% (29% for 2020). • The full year dividend for the year ended 31 October 2020 increased by 6.3% demonstrating a continued progressive dividend policy.	✔✔✔	The Committee noted that the free cash flow target has been exceeded and that Group LTV was just below the bottom of the targeted range as at 31 October 2020 which enabled the Company to pay an above target dividend of 12.7 pence and warranted full payout for this element. (12% out of 12% of salary)
Take advantage of selective portfolio management and expansion opportunities (12% of salary)			
• Grow store portfolio through development or acquisition by at least two stores per year within the Board approved ROI guidelines. • Improve property valuations of the stores in the refurbishment and extension programme by more than the capital investment.	Successful establishment of the Company's joint venture arrangement, as per our new Belgian operations, acquiring new stores in London and Barcelona, in addition to opening new stores and completing store extensions in various locations. Highlights included: • Sheffield and Gateshead stores opened in the UK. • Development pipeline build outs delivered on or below budget and on time. • Successfully completed extensions of our Bedford and Barking stores. • Fully integrated our JV stores in the Netherlands.	✔✔✔	Overall, the Committee determined that targets were significantly exceeded, given the operational challenges, and recognised the revenue generated from both refurbished and acquired businesses was above target. (12% out of 12% of salary)
CSR (6% of salary)			

• Improve the Group's CSR activities in order to deliver real value to all our stakeholders by:
  • YOY carbon footprint reduction;
  • Customer satisfaction initiatives
• Align sustainability reporting with appropriate framework(s).
	Substantial uplift in our commitment to responsible and sustainable business practices.
	Highlights included:
	• Carbon reduction driven by a decrease in electricity usage vs 2019.
	• Maintained positive ratings on all relevant customer service platforms.
	• Feefo – won Platinum Trusted Service award given to businesses which have achieved Gold standard for three consecutive years.
	• 97% diversion of construction waste from landfill.
	• Narrowed the gender pay gap year on year (gender pay gap action plan) from 18.1% to 14.1%.
	• Compliant with ESOS Energy (Energy Savings Opportunity Scheme) Phase 2.
	• Attained EPRA Sustainability BPR Silver Award and Most Improved Awards.
		✔✔✔	Given the continued efforts across the Company and the external recognition with regard to sustainability activities, the Committee determined that this warranted full payout.
			(6% out of 6% of salary)

Overall strategic objective performance		**50% of salary (out of 50% of salary)**	

✔✔✔ indicates that the objective was exceeded, ✔✔ indicates that it was met, ✔ indicates that it was partially achieved and ✘ shows that the objective was not achieved.

Directors' remuneration report *continued*

for the year ended 31 October 2020

Part C: Annual Report on Remuneration *continued*

2020 annual bonus outcomes: strategic objectives *continued*

The Committee assessed that 50% of base salary (or 100% of maximum) of the strategic/operational objectives had been achieved for 2020. Therefore, the formulaic outcome for the 2020 Executive Director overall bonus was 150% of base salary (100% of maximum). The Committee considered not only the achievement against the pre-determined objectives set out above, but also the wider Company performance to ensure that any achievement was representative of overall performance. The Remuneration Committee took account of the following:

- Adjusted EBITDA (Underlying EBITDA adjusted for budgeted exchange rates and reduced by the French government tax relief received) increased to £94.4 million and significantly exceeded the EBITDA threshold performance financial gateway to allow payment of the strategic/operational objectives.
- There was a strong rebound in share price in the second half of the year which led to TSR growth of 19.8% over 2020 equating to £285 million of value created for shareholders.
- The Company paid its final dividend for 2019 to shareholders with the 2020 dividend increasing by 2.7 million despite the impact of Covid-19.
- The Company-wide bonus pool has increased by 15%, including the one off colleague recognition bonus, reflecting the exceptional work of all our colleagues.
- The Company has not taken advantage of any UK government support schemes or loans during the pandemic and no redundancies have been made as a result of Covid-19 with all colleagues paid in full.
- The Company has not benefited, directly or indirectly, from Covid-19.

On the basis of the increased year-on-year corporate performance, the Committee is comfortable that an overall bonus payout of 100% of maximum is reasonable. As a result, the Committee did not apply any overriding discretion. The 2020 bonuses for Executive Directors will be 150% of salary and will be paid 100% of salary in cash, with the remainder of 50% of salary held in shares on a net of tax basis, via an agreement with the Executive, until 1 November 2022 with malus applying for this period and claw-back for three years thereafter.

LTIP awards included in single figure for the year ended 31 October 2020 (audited)

None, as no long term incentive awards completed their performance period during the 2020 financial year.

The Committee is comfortable that the current Policy operated as intended and that the overall 2020 remuneration paid to Executive Directors set out above was appropriate.

LTIP awards granted in the year ended 31 October 2020 (audited)

The first LTIP award under the current Remuneration Policy was granted on 18 March 2020. In line with the new Policy the awards had a face value of 200% of base salary and no consideration was paid for the grant which was structured as a nil-cost option. The normal vesting date of the LTIP awards will be 18 March 2023, being the third anniversary of the award date. Once vested, the LTIP award will normally be exercisable until the day before the tenth anniversary of the award date and they are subject to a two-year holding period commencing on vesting.

Name	Role	Base salary at date of grant	Face value of 2020 LTIP award (% of base salary)	Face value of 2020 LTIP award	Face value at minimum vesting of 25%	Number of shares granted under nil cost option*
F Vecchioli	CEO	£416,160	200%	£832,320	£208,080	123,489
A Jones	CFO	£296,514	200%	£593,028	£148,257	87,986

Note

* Dividend equivalents will be payable on vested shares.

The number of shares granted under the award was calculated using a share price of 674 pence, being the closing share price on the dealing day immediately before the date of grant.

The LTIP awards will vest based on the satisfaction of the following performance conditions which are each measured over three-year periods:

i. two-thirds based on Adjusted Diluted EPRA Earnings per Share growth: 5% p.a. growth (threshold); 8% p.a. growth (maximum);

ii. one-sixth based on relative TSR against the FTSE 250 excluding investment trusts: median performance (threshold); upper quartile performance (maximum); and

iii. one-sixth based on relative TSR against the FTSE 350 Real Estate Super Sector: median performance (threshold); upper quartile performance (maximum).

25% of the relevant element of the award will vest for threshold performance, with straight line vesting in between to full vesting for the achievement of maximum performance. In addition, no award will vest unless a minimum level of Cash on Cash Return ("CoCR"[3]) of 8% p.a. has been met. The Committee will have overriding discretion to change formulaic outcomes (both downwards and upwards) if it is out of line with underlying performance of the Company. Full details of the performance conditions attached to the awards can be found in the table below.

Measure	Performance period	Performance target	Vesting[1] (% of award)
Adjusted Diluted EPRA Earnings per Share[2] growth (two-thirds weighting)	Three financial years ending 31 October 2022	Less than 5% p.a. growth	0%
		Threshold: 5% p.a. growth	25%
		Maximum: 8% p.a. growth	100%
Relative TSR vs FTSE 250 (excluding investment trusts) (one-sixth weighting)	Three years from grant date ending 17 March 2023	Below median TSR	0%
		Threshold: Median TSR	25%
		Maximum: Upper quartile TSR	100%
Relative TSR vs FTSE 350 Real Estate Super Sector (one-sixth weighting)	Three years from grant date ending 17 March 2023	Below median TSR	0%
		Threshold: Median TSR	25%
		Maximum: Upper quartile TSR	100%

Notes

1 Vesting between the threshold and maximum based on a sliding scale.

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

3 Cash on Cash return p.a. is the average Cash on Cash Return over the Performance Period, where Cash on Cash return is Underlying EBITDA after leasehold rent divided by Original Cost of Investments calculated for each Financial Year in the Performance Period.

Annual Bonus – Deferred Bonus Awards granted in the year ended 31 October 2020

In year ending 31 October 2020, the Executive Directors were also granted deferred shares in relation to the deferral of part of their annual bonus earned in the year to 31 October 2019. These awards were granted on 7 February 2020 and in line with the previous Policy will vest on 1 November 2021.

Name	Role	Face Value of Deferred Share awards	Face value at minimum vesting	Number of shares granted under nil-cost option*
F Vecchioli	CEO	£151,898	£151,898	22,276
A Jones	CFO	£108,228	£108,228	15,872

Note

* Dividend equivalents will be payable on vested shares.

No consideration was paid for the grant of these deferred share awards which are structured as a nil-cost option. The number of shares granted was calculated using a share price of 681.9 pence, being the average of Safestore's closing share price for the month to 31 October 2019.

Payments to past Directors or for loss of office (audited)

During the year there were no payments to past Directors.

Implementation of the Remuneration Policy for the year ended 31 October 2020

Please see pages 76 to 79 of this report in the at a glance section for details.

Directors' remuneration report *continued*

for the year ended 31 October 2020

Part C: Annual Report on Remuneration *continued*

Non-Executive Directors

Single figure remuneration table (audited)

The remuneration of Non-Executive Directors showing the breakdown between components, with comparative figures for the prior year, is shown below.

Director		Fees £'000	Other £'000	Total £'000
D Hearn[1]	**2020**	**154**	**–**	**154**
	2019	–	–	–
A S Lewis[2]	**2020**	**23**	**–**	**23**
	2019	136	–	136
I S Krieger	**2020**	**54**	**–**	**54**
	2019	53	–	53
J L Kenrick	**2020**	**43**	**–**	**43**
	2019	43	–	43
C Balmforth	**2020**	**54**	**–**	**54**
	2019	53	–	53
B Oliver	**2020**	**43**	**–**	**43**
	2019	43	–	43
G van de Weerdhof[3]	**2020**	**18**	**–**	**18**
	2019	–	–	–

Notes

1 David Hearn was appointed as a Non-Executive Director from 1 December 2019 and as Non-Executive Chairman on 1 January 2020.

2 Alan Lewis stepped down from the Board on 1 January 2020.

3 Gert van de Weerdhof was appointed as a Non-Executive Director from 1 June 2020.

Fees to be provided in 2021 to the Non-Executive Directors

The following table sets out the annual fee rates for the Non-Executive Directors:

Fee component*	2021
Chairman fee	£181,800
Non-Executive Director base fee	£43,784
Additional fee for SID or Committee chairmanship	£10,302

Note

* increased by 1% from September 2020.

Statement of Directors' shareholding and share interests

Shareholding and other interests at 31 October 2020 (audited)

Directors' share interests are set out below. As per the Remuneration Policy, in order that the Executive Directors' interests are aligned with those of shareholders, Executive Directors are encouraged to build up and maintain a personal shareholding equal to 350% of salary. The shareholding definition includes beneficially owned shares, deferred shares at their net of tax value and vested but unexercised awards at their net of tax value. The Executive Directors have five years from the grant of the 2017 LTIP award (29 September 2022) to achieve this guideline.

The shareholding guidelines for Executive Directors will continue to apply for two years post cessation of employment. For the avoidance of doubt shares beneficially owned at the date of adoption of the Policy and the 2017 LTIP award will be exempt from this guideline but share-based awards granted under the Policy approved by shareholders at the 2020 AGM are captured. As shown in the table below, both Executive Directors meet the in-employment guidelines under the Policy.

As at 31 October 2020

Director	Number of beneficially owned shares[1]	% of salary held[2]	Total interests subject to conditions (LTIP nil-cost awards)	Total interests subject to continued service conditions only (2018 and 2019 deferred bonus nil-cost option award)	Outstanding 2019 Sharesave awards	Total interests at 31 October 2020
F Vecchioli	1,927,274	3,721	2,123,489	38,759	3,529	4,093,051
A Jones	427,381	1,158	1,427,986	27,616	3,529	1,886,512
D Hearn	15,000	N/A	N/A	N/A	N/A	15,000
I S Krieger	60,000	N/A	N/A	N/A	N/A	60,000
B Oliver	10,000	N/A	N/A	N/A	N/A	10,000
J L Kenrick	Nil	N/A	N/A	N/A	N/A	Nil
C Balmforth	Nil	N/A	N/A	N/A	N/A	Nil
G van de Weerdhof	Nil	N/A	N/A	N/A	N/A	Nil

Notes

1 Beneficial interests include shares held directly or indirectly by connected persons.

2 Based on the 31 October 2020 share price of 803.5 pence per share.

Between 31 October 2020 and 22 January 2021 (being the latest practicable date prior to the publication of this report), the Executive Directors called upon the deferred shares awarded to them in relation to the deferral of part of their annual bonus earned in the financial year ended 31 October 2018. This increased beneficially owned shares by 9,094 for Frederic Vecchioli and 6,479 for Andy Jones. There were no other changes to the directors' interests between 31 October 2020 and 22 January 2021.

Annual Bonus – Deferred Bonus Awards called during the year ended 31 October 2020

In the year ended 31 October 2020, the Executive Directors called upon the deferred shares awarded to them in relation to the deferral of part of their annual bonus earned in the financial year ended 31 October 2017. These awards were granted on 26 January 2018 and in line with the previous Policy vested on 1 November 2019 subject to continued employment.

Director	Role	Number of nil-cost options granted	Dividend equivalents	Total number of shares called
F Vecchioli	CEO	19,963	918	20,881
A Jones	CFO	14,223	654	14,877

The Remuneration Committee determined the dividend equivalent share entitlement as the number of shares equal in value to the net dividends of 31.55 pence that had been declared on the nil-cost options from the date of grant to the date of vesting by the Executive Directors, divided by the closing share price on the date of vesting, being 686 pence on 1 November 2019.

Outstanding LTIP awards at 31 October 2020

The following LTIP awards remain outstanding at 31 October 2020:

Director	Awards granted	Maximum award	Awards vested	Awards lapsed	**Maximum outstanding awards[1] at 31 October 2020**	Market price at date of vesting (p)	Normal vesting date
F Vecchioli	29/09/2017 LTIP	2,000,000	—	—	**2,000,000**	—	29/09/2022
	18/03/2020 LTIP	123,489	—	—	**123,489**	—	18/03/2023
A Jones	29/09/2017 LTIP	1,340,000	—	—	**1,340,000**	—	29/09/2022
	18/03/2020 LTIP	87,986	—	—	**87,986**	—	18/03/2023

Note

1 These exclude dividend equivalents. Dividends equivalents are included in the 2017 LTIP plan limit of 2 million shares per participant such that if the total of the original LTIP awards which vest and any dividend equivalent shares payable exceeds 2 million shares then a proportion of the dividend equivalent would need to be paid in cash.

The 2017 awards are subject to performance measures and a continued service condition over a five-year period, and the 2020 awards are subject to performance measures and continued service condition over a three-year period. The performance measures and targets for the 2017 LTIP awards are set out on pages 60 and 61 of the 2018 Annual Report and for the 2020 LTIP awards are set out on page 90 of this report.

Consideration of shareholder views

Please see page 85 for details.

Directors' remuneration report *continued*

for the year ended 31 October 2020

Part C: Annual Report on Remuneration *continued*

Consideration of conditions elsewhere in the Group

Please see page 84 for details.

Considerations by the Committee of matters relating to Directors' remuneration for 2020

The Committee is responsible for recommending to the Board the Remuneration Policy for Executive Directors and the senior management and for setting the remuneration packages for each Executive Director. The Committee also has oversight of the Remuneration Policy for all colleagues. The written terms of reference of the Committee are available on the Company's website and from the Company on request.

Members of the Committee at 31 October 2020	Independent	Number of meetings held during tenure during the year	Number of meetings attended
C Balmforth (Chair)	Yes	6	6
D Hearn (appointed 1 December 2019)	Yes	5	5
I S Krieger	Yes	6	6
J L Kenrick	Yes	6	6
B Oliver	Yes	6	6
G van de Weerdhof (appointed 1 June 2020)	Yes	1	1

David Hearn was determined to be independent on appointment.

During the year, there were six Committee meetings. A large portion of the Committee's time during the year was spent assessing the impact of Covid-19 and on overseeing the implementation of our new Remuneration Policy. Other matters covered at each meeting included reviewing the gender pay gap analysis results and signing off the actions to address the issues identified, reviewing the terms of reference of the Committee, salary and fee decisions for 2021 and the determination of the 2020 annual bonus.

None of the Committee members have any personal financial interest (other than as shareholders) in the decisions made by the Committee, conflicts of interest arising from cross-directorships or day-to-day involvement in running the business.

The Chief Executive Officer, the Chief Financial Officer, the HR Director and the Company Secretary may attend meetings at the invitation of the Committee but are not present when their own remuneration outcomes are being discussed. The HR Director acts as the secretary to the Committee.

The Committee received external advice in 2020 from PricewaterhouseCoopers LLP ("PwC") in connection with remuneration matters including the provision of general guidance on market and best practice. PwC was appointed by the Committee after a competitive tender process in August 2016. PwC is considered by the Committee to be objective and independent. PwC is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee reviewed the nature of all the services provided during the year by PwC which included corporate tax and restructuring advice and was satisfied that no conflict of interest exists or existed in the provision of these services.

The total fees paid to PwC in respect of services to the Committee during the year were £71,150. Fees were determined based on the scope and nature of the projects undertaken for the Committee.

Executive Director service contracts

The service agreements of the Executive Directors are not fixed term and are terminable by either the Company or the Director on the following basis:

Director	Date of current service contract	Notice period
F Vecchioli	3 September 2013	12 months
A Jones	29 January 2013	12 months

Non-Executive Director letters of appointment

The Non-Executive Directors do not have service contracts but are appointed under letters of appointment. David Hearn and Gert van de Weerdhof were appointed for initial three-year terms. Gert is subject to election at the Company's 2021 AGM and annual election thereafter. Following David's election at the 2020 AGM, he will be subject annual re-election at the Company's AGM. The remaining Non-Executive Directors were appointed for an initial three-year term and their appointment continues subject to annual re-election at the Company's AGM up to a maximum term of nine years.

The table below sets out the dates that each Non-Executive Director was first appointed and the notice period by which their appointment may be terminated early by either party:

Director	Date of appointment	Notice period by Company or Director
D Hearn	1 December 2019	Three months
I S Krieger	3 October 2013	Three months
J L Kenrick	8 October 2014	Three months
C Balmforth	1 August 2016	Three months
B Oliver	1 November 2016	Three months
G van de Weerdhof	1 June 2020	Three months

Directors' report

Safestore Holdings plc is a public limited liability company incorporated under the laws of England and Wales with the registered number 04726380. It has a premium listing on the London Stock Exchange Main Market for listed securities (LON:SAFE) and is a constituent member of the FTSE 250 Index. The Company is a real estate investment trust ("REIT"). It is expected that the Company, which has no branches, will continue to operate as the holding company of the Group. The address of the registered office is Brittanic House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT.

The principal activity of the Group is to provide storage solutions and related goods and services to commercial and domestic customers. The principal activity of the Company is that of a holding company.

The Directors present their report and the audited consolidated financial statements for the year ended 31 October 2020. References to Safestore, "the Group", "the Company", "we" or "our" are to Safestore Holdings plc, and its subsidiary companies where appropriate.

Disclosures incorporated by reference

The following disclosures required to be included in the Directors' report have been incorporated by way of reference to other sections of this report and should be read in conjunction with this report:

- corporate governance report on pages 59 to 94;
- strategy and relevant future developments – refer to pages 4 to 14 of the strategic report;
- financial risk management, policies and objectives of the Group, along with any details of exposure to any liability and cash flow risk, are set out on pages 29 to 32 and in note 20 to the financial statements;
- details of the Group's going concern assessment and viability statement on pages 34 and 111; and
- employee matters and carbon emission disclosures are set out in the sustainability report on pages 39 to 44 and pages 48 to 57 respectively.

Results for the year and dividends

The results for the year ended 31 October 2020 are set out in the consolidated statement of comprehensive income on page 107 and a review of the Group's results is explained further on pages 1 to 25.

An interim dividend of 5.90 pence (FY2019: 5.50 pence) was paid on 14 August 2020 and this included a Property Income Distribution ("PID") of 5.90 pence (FY2019: 5.50 pence). The Directors recommend a final dividend in respect of the year ended 31 October 2020 of 12.70 pence per ordinary share (FY2019: 12.00 pence). The PID element of the final dividend will be 12.70 pence (FY2019: 12.00 pence). If authorised at the 2021 AGM, the dividend will be paid on 8 April 2021 to members on the register at close of business on 5 March 2021.

The PID will be paid after the deduction of withholding tax at the basic rate (currently 20%). However, certain categories of shareholder may be entitled to receive payment of a gross PID if they are UK resident companies, UK public bodies, UK pension funds and managers of ISAs, PEPs and child trust funds. Information, together with the relevant forms which must be completed and submitted to the Company's Registrar, for shareholders who are eligible to receive gross PIDs, is available in the Investor Relations section of the Company's website at www.safestore.com. The ordinary dividend is not subject to withholding tax.

Going concern and viability statement

After making enquiries, the Directors of Safestore are confident that, on the basis of current financial projections and facilities available and after considering sensitivities, the Group has sufficient resources for its operational needs and to enable the Group to remain in compliance with the financial covenants in its bank facilities for the foreseeable future, a period of not less than 12 months. The Directors have assessed Safestore's viability over a three-year period to October 2023.

This is based on three years of the strategic plan, which gives greater certainty over the forecasting assumptions used. The viability statement is set out on page 34.

Financial instruments

The financial risk management objectives and policies of the Group, along with any details of exposure to any liability and cash flow risk, are set out on pages 29 to 32 and in note 20 to the financial statements.

Disclosures required under Listing Rule 9.8.4R

For the purposes of LR 9.8.4C, the information required to be disclosed by LR 9.8.4R can be found in the following locations within the Annual Report:

Information required under LR 9.8.4R		Page
(1)	Amount of interest capitalised and tax relief	n/a
(2)	Publication of unaudited financial information	n/a
(4)	Details of long term incentive schemes	138 and 139
(5)	Waiver of emoluments by a Director	n/a
(6)	Waiver of future emoluments by a Director	n/a
(7)	Non-pre-emptive issues of equity for cash	138
(8)	Item (7) in relation to major subsidiary undertakings	n/a
(9)	Parent company participation in a placing by a listed subsidiary	n/a
(10)	Contracts of significance	97
(11)	Provision of services by a controlling shareholder	n/a
(12)	Shareholder waiver of dividends	n/a
(13)	Shareholder waiver of future dividends	n/a
(14)	Agreements with controlling shareholders	n/a

All the information referenced above is incorporated by reference into the Directors' report.

Management report

The strategic report and the Directors' report collectively comprise the "management report" for the purposes of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTR 4.1.5R).

Post-balance sheet events

In December 2020 the Group agreed to invest an additional c.€0.9 million in CERF Self Storage JV BV, a joint venture company, jointly owned with Carlyle. Following this investment CERF Self Storage JV BV acquired Opslag XL in the Netherlands and the Group agreed to manage three additional stores in the Netherlands. Further details relating to this transaction is explained on page 10.

Directors' report *continued*

Directors

The Directors of the Company who served during the year and to the date of this report were as follows:

Claire Balmforth	Non-Executive Director
David Hearn	Non-Executive Chairman (appointed as a Non-Executive Director on 1 December 2019 and as Chairman on 1 January 2020)
Andrew Jones	Chief Financial Officer
Joanne Kenrick	Non-Executive Director
Ian Krieger	Senior Independent Director
Alan Lewis	Non-Executive Chairman (stepped down on 1 January 2020)
Bill Oliver	Non-Executive Director
Frederic Vecchioli	Chief Executive Officer
Gert van de Weerdhof	Non-Executive Director (appointed on 1 June 2020)

The skills and experience of the serving Directors are set out on pages 60 and 61, and their interests in the ordinary share capital of the Company and details of options granted to Executive Directors under the Group's share schemes, are set out in the Directors' remuneration report on pages 92 and 93.

Appointment and removal of Directors

The Company's rules governing the appointment and removal of Directors are contained in its Articles of Association. Changes to the Articles of Association are only permitted in accordance with legislation and must be approved by a special resolution of shareholders. The Company's Articles of Association provide that a Director may be appointed by an ordinary resolution of the shareholders or by the existing Directors, either to fill a vacancy or as an additional Director. Further information on the Company's internal procedures for the appointment of Directors is given in the corporate governance section on pages 62 to 65.

A Director may be removed by the Company in certain circumstances set out in the Articles of Association or by a special resolution of the Company's shareholders.

Vacation of office

The office of a Director shall be vacated if (amongst other circumstances) a Director: (i) resigns; (ii) has been appointed for a fixed term and the term expires; (iii) ceases to be a Director by virtue of the Companies Acts, is removed from office pursuant to the Articles of Association or becomes prohibited by law from being a Director; (iv) becomes bankrupt; (v) has been suffering from mental or physical ill health and may remain so for more than three months; (vi) by reason of that person's mental health, a court order makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have; (vii) both a Director and his or her alternate Director (if any) are absent, without the permission of the Board from meetings of the Board for six consecutive months and the Board resolves that his or her office is vacated; or (viii) is removed from office by notice addressed to the Director at their last-known address and signed by all co-Directors.

Directors' powers

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

Annual re-election of Directors

The Company's Articles of Association require that one-third of Directors retire by rotation each year and that each Director must retire at intervals of not more than three years. In accordance with the Code, all Directors will retire at the Annual General Meeting ("AGM") to be held on Wednesday 17 March 2021 and will offer themselves for re-election.

Directors' indemnities

The Company maintains directors' and officers' liability insurance which provides appropriate cover for legal action brought against its Directors. The Company has also granted indemnities to each of its Directors to the extent permitted by law. The Directors also have (and during the year ended 31 October 2020 had) the benefit of the qualifying third party indemnity provision contained in the Company's Articles of Association, which provides a limited indemnity in respect of liabilities incurred as a Director or other officer of the Company.

Directors' interests in contracts and conflicts of interest

No member of the Board had a material interest in any contract of significance with the Company, or any of its subsidiaries, at any time during the year. Directors are required to notify the Company of any conflict or potential conflict of interest.

The Company's policy is that Directors notify the Chairman and the Company Secretary of all new outside interests and conflicts of interest as and when they arise. The Board confirms that no conflicts have been identified or notified to the Company during the year and, accordingly, the Board has not authorised any conflicts of interest as permitted by the Company's Articles of Association.

Share capital

At 31 October 2021, the Company's issued share capital comprised 210,611,207 ordinary shares of 1 pence each. The rights and obligations attached to the Company's ordinary shares are set out in its Articles of Association and note 23 of the Company's financial statements. Details of movements in the share capital during the year are provided in note 23 of the financial statements. The issued share capital has been increased by 190,783 ordinary shares during the year by fully paid issues as follows:

		Number of ordinary shares of 1 pence
5 November 2019	Exercise of options under the 2014 (five-year) Sharesave scheme	18,475
March to September 2020	Early exercises of options under the 2017 (three-year) Sharesave scheme	4,653
23 September 2020	Early exercise of 2017 LTIP awards	167,655

No person holds securities in the Company carrying special rights with regard to control of the Company.

Own shares – Employee Benefit Trust

The Employee Benefit Trust retains 32,698 ordinary shares (FY2019: 38,456) with a nominal value of £327 (FY2019: £385) in satisfaction of awards under the Group's share scheme arrangements. This represents less than 0.02% (FY2019: 0.02%) of the total issued share capital of the Company.

Purchase of own shares

The Company was granted authority at the 2020 AGM to make market purchases of its own ordinary shares. This authority will expire at the conclusion of the 2021 AGM and a resolution will be proposed to seek further authority. No ordinary shares were purchased under this authority during the year or in the period from 1 November 2020 to 22 January 2021.

Restrictions on transfers of shares and/or voting rights

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights and apart from the matters described below, there are no restrictions on the transfer of the Company's ordinary shares and/or voting rights:

- Certain restrictions on transfers of shares may from time to time be imposed by laws and regulations (such as the Market Abuse Regulation). The Company's Securities Dealing Code provides that all Directors and employees are required to seek the Company's approval to deal in its shares.
- Some share-based employee incentive plans include restrictions on the transfer of shares, while the shares are subject to the plan concerned.
- The Directors' Remuneration Policy provides that annual bonus awards in excess of 100% of salary be deferred into shares ("Deferred Bonus Award"); the annual bonus plan rules include restrictions on the transfer of such shares, while the share are subject to the plan concerned.
- The transferor of a share is deemed to remain the holder until the transferee's name is entered in the register of shareholders. The Board can refuse to register any transfer of any share which is not a fully paid share. The Company does not currently have any partly paid shares.
- Unless the Directors determine otherwise, members are not entitled to vote personally or by proxy at a shareholders' meeting, or to exercise any other member's right in relation to shareholders' meetings, in respect of any share for which any call or other sum payable to the Company remains unpaid.
- Unless the Directors determine otherwise, no transfer of shares shall be registered and members are not entitled to vote personally or by proxy at a shareholders' meeting, or to exercise any other member's right in relation to shareholders' meetings if the member fails to provide the Company with the required information concerning interests in those shares within the prescribed period after being served with a notice under Section 793 of the Companies Act 2006.
- The shareholding guidelines set out in the Directors' Remuneration Policy on page 77 provides that Executive Directors are expected to build up their shareholding over a five-year period. Executive Directors would be expected to retain any shares vesting (post-tax) under in-flight awards until they have acquired the necessary shares to meet their shareholding requirements.

Details of deadlines in respect of voting for the 2021 AGM are contained in the Notice of Meeting that has been circulated to shareholders and can be viewed on the Company's website at www.safestore.com.

Substantial shareholdings

The table below sets out the names of those persons who, insofar as the Company is aware, as at 10 November 2020 (being the nearest date of the Company's internal analysis to 31 October 2020), are interested directly or indirectly in 3% or more of the issued share capital of the Company.

Name of shareholder	Number of ordinary shares as at 31.10.20	Percentage of issued share capital
Aberdeen Standard Investments*	13,976,594	6.63%
BlackRock Investment Management (London)	10,062,612	4.77%
Legal & General Investment Management	7,491,543	3.55%
BlackRock Investment Management (San Francisco)	7,384,309	3.50%
Vanguard Group (Philadelphia)	7,313,146	3.47%
DNCA Investments (Paris)	6,655,827	3.16%

Note

* Aggregate of Standard Life Aberdeen plc affiliated investment management entities with delegated voting rights on behalf of multiple managed portfolios.

Information provided to the Company pursuant to Rule 5 of the Disclosure Guidance and Transparency Rules ("DTR") is published on a Regulatory Information Service and on the Company's website.

During the current financial year and as at 31 October 2020, the Company has received no notifications in accordance with DTR 5 disclosing changes to voting interests in its issued share capital.

No further notifications have been received since 31 October 2020 and 22 January 2021, being the latest practicable date prior to the publication of this report.

All interests disclosed to the Company in accordance with the Disclosure Guidance and Transparency Rules (DTR 5) that have occurred since 22 January 2021 can be found on the Company's website at www.safestore.com.

Significant agreements and change of control

The Group's bank facilities agreement and US private placement note agreements contain provisions entitling the counterparty to terminate the contractual agreements in the event of a change of control of the Group. The rules governing the Group's share scheme arrangements also contain provisions relating to the vesting and exercising of options in the event of a change of control of the Group.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

Employment and environmental matters

Information in respect of the Group's environmental and employment policies, including the policies regarding the employment of disabled persons and greenhouse gas reporting, is summarised in the sustainability section on pages 35 to 57.

Amendment of the Articles of Association

The Company's Articles of Association may only be amended by special resolution at a general meeting of the shareholders.

Directors' report *continued*

Political donations

The Company made no political donations and incurred no political expenditure during the year (FY2019: £nil). It remains the Company's policy not to make political donations or to incur political expenditure; however, the application of the relevant provisions of the Companies Act is potentially very broad in nature and, as with last year, the Board is seeking shareholder authority to ensure that the Company does not inadvertently breach these provisions as a result of the breadth of its business activities. It is not the policy of the Company or its subsidiaries to make political donations.

Charitable donations

During the year the Company made a £25,000 charitable donation to the Quartet Community Foundation. Further details relating to this donation are set out on page 47.

Disclosure of information to auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps a Director might reasonably that they ought to have taken as a Director in order to make themself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Independent auditor

Deloitte LLP has indicated its willingness to continue in office and the Audit Committee has recommended resolutions at the 2021 AGM to re-appoint Deloitte LLP as the Company's auditor and to authorise the Audit Committee to agree the auditor's remuneration.

Annual General Meeting ("AGM")

The AGM will be held at the Company's registered office at Brittanic House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT, on Wednesday 17 March 2021 at 12.00 noon and will be broadcast using teleconference facilities. It is with regret that shareholders are requested not to attend the 2021 AGM.

The 2021 AGM will include, as special business, resolutions dealing with authority to issue shares, disapplication of pre-emption rights, authority to purchase the Company's own shares, and authority to call a general meeting on not less than 14 days' notice. The Notice of AGM sets out details of the business to be considered at the AGM and contains explanatory notes on such business. This has been dispatched to shareholders and can be found on the Company's website at www.safestore.com.

Shareholders are encouraged to use their vote at this year's AGM by casting their votes online by using our electronic proxy appointment service offered by the Company's Registrar, Link Group, at www.signalshares.com.

This report was approved by the Board for release on 13 January 2021 and signed on its behalf by:

Helen Bramall
Company Secretary
13 January 2021

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the parent company and of the profit or loss of the Group for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 "Reduced Disclosure Framework" has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the parent 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 corporate and financial information included on the Group's website at www.safestore.co.uk. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that, to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 13 January 2021 and is signed on its behalf by:

Frederic Vecchioli
Chief Executive Officer

Andy Jones
Chief Financial Officer

Independent auditor's report

to the members of Safestore Holdings plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Safestore Holdings plc (the "parent company") and its subsidiaries (the "Group") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 October 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in shareholders' equity;
- the consolidated cash flow statement; and
- the Group related notes 1 to 31 and parent company related notes 1 to 11.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ("FRC's") Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was the valuation of investment properties, which is consistent with the key audit matter identified in the prior year.
Materiality	The materiality that we used for the Group financial statements was £19.1 million which was determined as 2% of forecast net assets. For testing items affecting profit before tax we have applied a lower threshold amounting to £3.1 million which was determined as 5% of profit before income tax, adjusted for investment property and derivative fair value movements.
Scoping	We have identified three components within the Group: the United Kingdom ("UK"), France and Spain operations. The Group audit team has performed a full scope audit of the UK component and a French component audit team has performed a full scope audit of the French component. In addition, the Group team has performed analytical procedures at the Group level in respect of the Spanish component.
Significant changes in our approach	There have been no significant changes in our approach in the current year.

Report on the audit of the financial statements *continued*

4. Conclusions relating to going concern, principal risks and viability statement

4.1. Going concern

We have reviewed the Directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of the Covid-19 pandemic and Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the Directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

4.2. Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 29 to 32 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the Directors' confirmation on page 29 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on page 34 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the Directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Viability means the ability of the Group to continue over the time horizon considered appropriate by the Directors.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report *continued*

to the members of Safestore Holdings plc

Report on the audit of the financial statements *continued*

5. Key audit matters continued

5.1. Valuation of investment properties

Key audit matter description	Investment properties are held at a fair value of £1,648.4 million at 31 October 2020 (FY2019: £1,409.2 million). This is the most quantitatively material balance in the financial statements. Property valuation, which is performed by an independent valuer, is by its nature subjective with significant judgements applied. The key judgements about individual properties are stabilised occupancy, capitalisation rate, discount rate and net rent growth. These judgements drive a cash flow model that is used as the basis of the valuation of each individual property. Additionally, there are specific key judgements pertaining to "immature" stores which were defined as stores open for five years or less; UK assets under leasehold with an unexpired lease term of ten years or less; and French assets under leasehold. Specifically we have assessed a potential fraud risk related to investment properties associated with the judgemental assumptions used by the valuer that could be subject to undue influence by management, namely the stabilised occupancy, exit capitalisation rate, discount rate and net rent growth. For further details of the Group's valuation method and assumptions, refer to note 2 and 13 of the financial statements. The valuation of property is also discussed in the Audit Committee report on page 69.
How the scope of our audit responded to the key audit matter	In response to the risk of valuation of investment properties, we performed the following audit procedures: We met with the third party valuer, assessed the appropriateness of the valuer's scope and evaluated whether the valuer was sufficiently competent, independent of the businesses and possessed integrity. We obtained the source data provided by management to the valuer (e.g. historical revenue, occupancy, average rental rates and lettable area on a store by store basis) and tested the integrity of a sample of such information. We identified individual properties through analysis against the following criteria: • "immature" stores, defined as stores open for five years or less; • UK leasehold stores with a term of ten years or less; • French leasehold stores; and • properties which display characteristics of audit interest through analysis of key assumptions, namely stabilised occupancy, capitalisation rate, discount rate and net rent growth and total valuation movement. We investigated the properties identified and challenged the key judgements by assessing the appropriateness through comparison with the market and our expectation. With the involvement of our internal real estate specialists (who are members of the Royal Institution of Chartered Surveyors ("RICS"), we performed an independent assessment of the assumptions that underpin the valuations, based on their knowledge of the self storage industry and wider real estate market. We evaluated whether the Group's valuation methodology remains appropriate and assessed whether indicative rents and yields achieved in recent comparable transactions were consistent with the assumptions used in the Group's valuations. We have reviewed and challenged the associated financial statement disclosures, in particular, those around sensitivity analysis and narrative reporting around the potential impact of Covid-19.
Key observations	We found the assumptions adopted by the Group in the valuation were reasonable and the methodology applied was appropriate in all material aspects.

Report on the audit of the financial statements *continued*

6. Our application of materiality

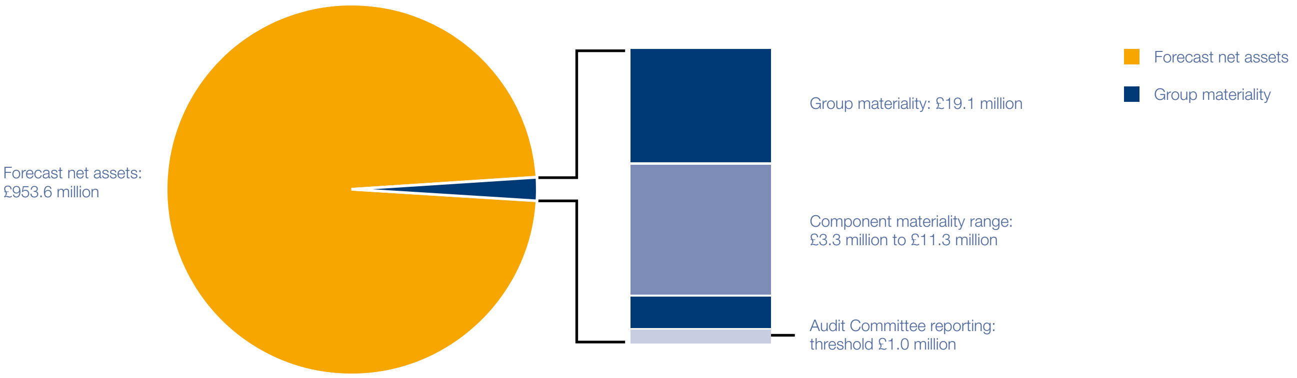
6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£19.1 million (FY2019: £15.9 million)	£4.9 million (FY2019: £4.3 million)
Basis for determining materiality	2% of forecast net assets (FY2019: 2% of forecast net assets). We considered the final net assets figure and concluded there is no need to revise materiality.	Parent company materiality represents 3% of forecast net assets (FY2019: 3% of forecast net assets). We considered the final net assets figure and concluded there is no need to revise materiality.
Rationale for the benchmark applied	We consider net assets to be a critical financial performance measure for the Group on the basis that it is a key metric used by management, investors, analysts and lenders.	We consider net assets to be a critical financial performance measure for the Company on the basis that it is a key metric used by management, investors, analysts and lenders.

In addition to forecast net assets, we also consider profit before income tax, adjusted for investment property and derivative fair value movements, to be a critical financial performance measure for the Group, which aligns closely with EPRA earnings. We applied a lower threshold of £3.1 million (FY2019: £4.4 million) for testing of balances impacting that measure, which has been determined as 5% (FY2019: 5%) of profit before income tax adjusted for investment property and derivative fair value movements.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2020 audit (FY2019: 70%). In determining performance materiality, we considered the following factors:

a. the quality of the control environment and whether we were able to rely on controls;

b. the low volume of uncorrected misstatements in the previous audit;

c. turnover of management or key accounting personnel; and

d. prior period adjustments.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.0 million (FY2019: £0.8 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent auditor's report *continued*

to the members of Safestore Holdings plc

Report on the audit of the financial statements *continued*

7. An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

We have determined that there are three components within the Group: the United Kingdom, France and Spain operations. The inclusion of the Spanish component is new for our audit scope this year after the Group acquired the Spanish operation during the financial year. The Group audit team has performed a full scope audit of the UK component and a French component audit team has performed a full scope audit of the French component. In addition, the Group team has performed analytical procedures at Group level in respect of the Spanish component. These represent the entire Group's revenue and net assets.

We instructed the French component auditors to perform the audit of the France component and supervised their work through regular communication. The Covid-19 related travel restrictions prevented the Group team from meeting with the component team in person; however, frequent communication was maintained and the Group team attended the planning and closing meetings remotely. We have reviewed the outputs of the work performed by them during their audit and challenged their conclusions. Our component audit work was executed at levels of materiality applicable to each individual component which were lower than Group materiality, ranging from £3.3 million to £11.3 million (FY2019: £2.6 million to £9.5 million). In addition, for the lower threshold described above, our component thresholds ranged from £0.5 million to £1.6 million (FY2019: £1.7 million to £2.6 million).

8. Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **Fair, balanced and understandable** – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

9. Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations, are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on the audit of the financial statements *continued*

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team, including the French component audit team, and relevant internal specialists, including tax and real estate specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud as the valuation of investment property. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified valuation of investment properties as a key audit matter. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

Independent auditor's report *continued*

to the members of Safestore Holdings plc

Report on other legal and regulatory requirements *continued*

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records Under the Companies Act 2006 we are required to report to you if, in our opinion: • we have not received all the information and explanations we require for our audit; or • adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or • the parent company financial statements are not in agreement with the accounting records and returns.	We have nothing to report in respect of these matters.
13.2. Directors' remuneration Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.	We have nothing to report in respect of these matters.

14. Other matters

14.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the shareholders on 12 October 2014 to audit the financial statements for the year ending 31 October 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is seven years, covering the years ending 31 October 2014 to 31 October 2020.

14.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Darren Longley FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
13 January 2021

Consolidated income statement

for the year ended 31 October 2020

	Notes	Group 2020 £'m	Group 2019 £'m
Revenue	3, 4	**162.3**	151.8
Cost of sales		**(56.3)**	(53.8)
Gross profit		**106.0**	98.0
Administrative expenses		**(20.3)**	(18.5)
Share of profit in associate	12	**—**	—
Underlying EBITDA		**93.9**	87.5
Exceptional items	5	**(0.2)**	(0.6)
Share-based payments		**(6.5)**	(5.6)
Depreciation and variable lease payments		**(1.2)**	(1.8)
Share of associate's depreciation, interest and tax		**(0.3)**	—
Operating profit before gains on investment properties		**85.7**	79.5
Gain on investment properties	13	**126.5**	84.2
Operating profit	4, 6	**212.2**	163.7
Finance income	8	**0.5**	0.1
Finance expense	8	**(14.8)**	(16.5)
Profit before income tax		**197.9**	147.3
Income tax charge	9	**(19.9)**	(15.2)
Profit for the year		**178.0**	132.1
Earnings per Share for profit attributable to the equity holders			
– basic (pence)	11	**84.6**	62.8
– diluted (pence)	11	**84.0**	62.6

The financial results for both years relate to continuing operations.

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

The notes on pages 111 to 141 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 October 2020

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

Consolidated balance sheet

as at 31 October 2020

	Notes	Group 2020 £'m	Group 2019 £'m
Assets			
Non-current assets			
Investment in associates	12	**5.3**	2.8
External valuation of investment properties, net of lease liabilities		**1,557.5**	1,331.8
Add-back of lease liabilities		**76.9**	63.5
Investment properties under construction		**14.0**	13.9
Total investment properties	13	**1,648.4**	1,409.2
Property, plant and equipment	14	**3.2**	2.4
Derivative financial instruments	20	**0.5**	—
Deferred income tax assets	22	**0.2**	0.3
Other receivables	16	**—**	0.2
		1,657.6	1,414.9
Current assets			
Inventories		**0.3**	0.3
Derivative financial instruments	20	**0.4**	—
Trade and other receivables	16	**23.2**	22.6
Cash and cash equivalents	17	**19.6**	33.2
		43.5	56.1
Total assets		**1,701.1**	1,471.0
Current liabilities			
Trade and other payables	18	**(47.2)**	(40.6)
Current income tax liabilities		**(0.2)**	(2.7)
Obligations under lease liabilities	21	**(12.3)**	(9.7)
		(59.7)	(53.0)
Non-current liabilities			
Financial liabilities			
– bank borrowings	19	**(454.5)**	(413.0)
– derivative financial instruments	20	**(1.4)**	(0.6)
Deferred income tax liabilities	22	**(85.0)**	(64.7)
Obligations under lease liabilities	21	**(64.9)**	(53.8)
		(605.8)	(532.1)
Total liabilities		**(665.5)**	(585.1)
Net assets		**1,035.6**	885.9
Equity			
Ordinary shares	23	**2.1**	2.1
Share premium		**60.6**	60.6
Translation reserve		**14.5**	9.8
Retained earnings		**958.4**	813.4
Total equity		**1,035.6**	885.9

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

A Jones
Chief Financial Officer

F Vecchioli
Chief Executive Officer

Company registration number: 4726380

Consolidated statement of changes in shareholders' equity

for the year ended 31 October 2020

	Group				
	Share capital £'m	Share premium £'m	Translation reserve £'m	Retained earnings £'m	Total £'m
Balance at 1 November 2018	2.1	60.5	13.5	712.5	788.6
Comprehensive income					
Profit for the year	—	—	—	132.1	132.1
Other comprehensive (expense)/income					
Currency translation differences	—	—	(7.0)	—	(7.0)
Net investment hedge	—	—	3.3	—	3.3
Total other comprehensive expense	—	—	(3.7)	—	(3.7)
Total comprehensive (expense)/income	—	—	(3.7)	132.1	128.4
Transactions with owners					
Dividends (note 10)	—	—	—	(35.0)	(35.0)
Increase in share capital	—	0.1	—	—	0.1
Employee share options	—	—	—	3.8	3.8
Transactions with owners	—	0.1	—	(31.2)	(31.1)
Balance at 1 November 2019	2.1	60.6	9.8	813.4	885.9
Comprehensive income					
Profit for the year	—	—	—	178.0	178.0
Other comprehensive income/(expense)					
Currency translation differences	—	—	12.1	—	12.1
Net investment hedge	—	—	(7.4)	—	(7.4)
Total other comprehensive income	—	—	4.7	—	4.7
Total comprehensive income	—	—	4.7	178.0	182.7
Transactions with owners					
Dividends (note 10)	—	—	—	(37.7)	(37.7)
Increase in share capital	—	—	—	—	—
Employee share options	—	—	—	4.7	4.7
Transactions with owners	—	—	—	(33.0)	(33.0)
Balance at 31 October 2020	**2.1**	**60.6**	**14.5**	**958.4**	**1,035.6**

The translation reserve balance of £14.5 million (FY2019: £9.8 million) comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and the impact of the net investment hedge. The cumulative impact of the net investment hedge included within this reserve is a net expense of £6.2 million (FY2019: net income of £1.2 million).

Consolidated cash flow statement

for the year ended 31 October 2020

	Notes	Group 2020 £'m	2019 £'m
Cash flows from operating activities			
Cash generated from operations	24	**95.5**	85.5
Interest received		**0.2**	0.1
Interest paid		**(14.7)**	(13.7)
Tax paid		**(5.3)**	(5.3)
Net cash inflow from operating activities		**75.7**	66.6
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	31	**(14.3)**	(6.4)
Investment in associates		**(2.5)**	(2.8)
Loans to associates		**—**	(1.7)
Expenditure on investment properties and development properties		**(59.9)**	(38.7)
Proceeds in respect of Capital Goods Scheme		**0.3**	0.6
Purchase of property, plant and equipment		**(1.3)**	(0.9)
Proceeds from sale of property, plant and equipment		**0.1**	—
Net cash outflow from investing activities		**(77.6)**	(49.9)
Cash flows from financing activities			
Issue of share capital		**—**	0.1
Equity dividends paid	10	**(37.7)**	(35.0)
Proceeds from borrowings		**57.5**	173.4
Repayment of borrowings		**(24.4)**	(125.5)
Debt issuance costs		**(0.5)**	(0.5)
Hedge breakage costs		**—**	(0.6)
Principal payment of lease liabilities		**(6.9)**	(5.4)
Net cash (outflow)/inflow from financing activities		**(12.0)**	6.5
Net (decrease)/increase in cash and cash equivalents		**(13.9)**	23.2
Exchange gain/(loss) on cash and cash equivalents		**0.3**	(0.5)
Cash and cash equivalents at 1 November		**33.2**	10.5
Cash and cash equivalents at 31 October	17, 25	**19.6**	33.2

Notes to the financial statements

for the year ended 31 October 2020

1. General information

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

2. Summary of significant accounting policies

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

Basis of preparation

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

The Group consolidated financial statements are presented in Sterling and are rounded to the nearest £0.1 million, unless otherwise stated. They are prepared on a going concern basis under the historical cost convention as modified by the revaluation of investment properties and the fair value of derivative financial instruments.

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

Going concern and viability statement

After making enquiries, the Directors of Safestore are confident that, on the basis of current financial projections and facilities available and after considering sensitivities, the Group has sufficient resources for its operational needs and to enable the Group to remain in compliance with the financial covenants in its bank facilities for the foreseeable future, a period of not less than 12 months. In assessing the Group's going concern position as at 31 October 2020, the Directors have considered a number of factors, including the current balance sheet position, the principal and emerging risks which could impact the performance of the Group and the Group's strategic and financial plan. Consideration has been given to compliance with borrowing covenants along with the uncertainty inherent in future financial forecasts. In addition, in relation to the potential ongoing impact of Covid-19, various scenarios and stress tests have been modelled including sensitivities relating to the potential impact on performance due to possible changes in lockdown durations and post-lockdown demand levels. This included the potential impact on performance due to possible changes in the levels of demand, customer churn, sales performance and rate growth. The Group is a profitable provider of self storage with a strong balance sheet, significant liquidity and considerable headroom compared to its banking covenants. The financial position of the Group, including details of its financing and capital structure, is set out in the financial review section of this report. The Directors have assessed Safestore's viability over a three-year period to October 2023. This is based on three years of the strategic plan, which gives greater certainty over the forecasting assumptions used. The potential ongoing impact of Covid-19 is discussed further within the viability statement set out on page 34.

Standards, amendments to standards and interpretations issued and applied

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

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

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

IFRS 16 "Leases"

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

- IFRS 16 replaces IAS 17 "Leases" and requires all operating leases in excess of one year, where the Group is the lessee, to be included on the Group's balance sheet, and the recognition of a right-of-use asset and a related lease liability representing the obligation to make lease payments. The right-of-use asset is assessed for impairment annually (incorporating any onerous lease assessments) and amortised on a straight-line basis, with the lease liability being amortised using the effective interest method. The Group's only significant lease commitment, which is not classified as part of its investment property portfolio, relates to its French Head Office.
- The Group has applied IFRS 16 using the modified retrospective approach and has not restated comparative information. The transition date of initial application of IFRS 16 for the Group was 1 November 2019. The Group already classified its leasehold stores as lease liabilities. However, as a result of IFRS 16, these leases are now based on actual current rent payable, rather than rent payable at inception of the lease, as was the case under IAS 17 "Leases", with the difference previously being treated as variable lease payments (previously classified as contingent rent). This resulted in an opening transition adjustment to the right-of-use asset and lease liability of £9.4 million. As these offset, there will be no impact to net assets or the income statement on transition.

Notes to the financial statements *continued*

for the year ended 31 October 2020

2. Summary of significant accounting policies *continued*

IFRS 16 "Leases" *continued*

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

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

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

Policy applicable from 1 November 2019

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

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

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

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

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

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

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

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

2. Summary of significant accounting policies *continued*

Standards, amendments to standards and interpretations issued and applied *continued*

Policy applicable before 1 November 2019

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

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, a number of new standards and amendments to standards and interpretations have been issued but are not yet effective for the current accounting period. The Directors do not expect these standards to have a material impact on the financial statements of the Group or Company.

- IFRS 17 "Insurance Contracts"
- Amendments to IFRS 3 Definition of a business
- IFRS 10 and IAS 28 Sale or Contribution of Assets between an investor and its Associate or Joint Venture
- Amendments to IAS 1 and IAS 8 Definition of Material
- Amendments to References to the Conceptual Framework in IFRS Standards

Basis of consolidation and business combinations

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 controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

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

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for the acquisition is measured as the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity instruments issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Any excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets including intangible assets of the acquired entity at the date of acquisition is recognised as goodwill. Any discount received is credited to the income statement in the year of acquisition as negative goodwill on acquisition of subsidiary. Costs attributable to an acquisition are expensed in the consolidated income statement under the heading "administrative expenses".

Investment in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Where necessary, adjustments are made to the financial statements of associates to bring the accounting policies used into line with those used by the Group. Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

Notes to the financial statements *continued*

for the year ended 31 October 2020

2. Summary of significant accounting policies *continued*

Segmental reporting

IFRS 8 "Operating Segments" ("IFRS 8") requires operating segments to be identified based upon the Group's internal reporting to the chief operating decision maker ("CODM") to make decisions about resources to be allocated to segments and to assess their performance. The CODM is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its CODM are the Executive Directors.

An operating segment is a component of an entity:

(a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

(b) whose operating results are regularly reviewed by the entity's CODM to make decisions about resources to be allocated to the segment and assess its performance; and

(c) for which discrete financial information is available.

The Group's net assets, revenue and profit before tax are attributable to one principal activity, the provision of self storage, in three geographical reporting segments, the United Kingdom, Paris in France and Barcelona in Spain.

Segment results, assets and liabilities include items directly attributable to segments as well as those that can be allocated on a reasonable basis.

Revenue recognition

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

Rental income is recognised over the period for which the space is occupied by the customer 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 on a time apportionment basis.

The Group has put in place insurance arrangements whereby the Group purchases block policies from third party insurers that customers can access, for which it pays annual premiums at the beginning of the insurance year. The Group allows customers to benefit from the policies and charges a fee for the level of cover that the customer needs. The block policies purchased and the income earned from charging customers are independent transactions. Although Safestore is involved in the initial handling of any customers' insurance claims, these are passed on to the third party insurance providers, who are responsible for all insurance payments. The Group is not exposed to insurance risk.

The Group bears the inventory risk and pricing risk associated with these contracts and as such the Group acts as principal in the provision of the access to insurance services for its customers who elect to access that insurance, and therefore revenue from insurance premiums is reported on a gross basis. The portion of insurance premiums receivable from customers on occupied space that relates to unexpired risks at the balance sheet date is reported as unearned premium liability in other payables.

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

Income from insurance claims is recognised when it is virtually certain of being received.

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions 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 into the Group's presentational currency at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are classified as equity and are recognised as a separate component of equity, within the translation reserve. Such translation differences are recognised as income or expense in the period in which the operation is disposed of.

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.

2. Summary of significant accounting policies *continued*

Investment properties and investment properties under construction

Investment properties are those properties owned by the Group that are held to earn rental income, or for capital growth, or both. Investment properties and investment properties under construction are initially measured at cost, including related transaction and borrowing costs. After initial recognition, investment properties and investment properties under construction are held at fair value based on a market valuation by professionally qualified external valuers at each balance sheet date.

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

In accordance with IAS 40, investment property held as a leasehold is stated gross of the recognised lease liability. Leasehold properties are classified as investment properties and included in the balance sheet at fair value. The obligation to the lessor for the leasehold is included in the balance sheet at the present value of the minimum lease payments. The minimum lease payment valuation is re-measured at each balance sheet date and the value of the Group's right-of-use assets is adjusted accordingly over the lease term. Gains or losses arising on changes in the fair values of investment properties and investment properties under construction at the balance sheet date are recognised in the income statement in the period in which they arise.

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

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

Property, plant and equipment

Property, plant and equipment not classified as investment properties or investment properties under construction are 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.

Assets' residual values and useful lives are reviewed and, if appropriate, adjusted 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 freehold buildings	2% per annum
Motor vehicles	20–25% per annum
Computer hardware and software	15–33% per annum
Fixtures, fittings, signs and partitioning	10–15% per annum

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

Impairment of tangible assets (excluding investment property)

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost 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. Net realisable value represents the estimated selling price less directly associated costs. Provision is made for slow-moving or obsolete stock, calculated on the basis of sales trends observed in the year.

As at 31 October 2020 the Group held finished goods and goods held for resale of £0.3 million (FY2019: £0.3 million). The Group consumed £0.9 million (FY2019: £0.9 million) of inventories during the year. Inventory write downs were £0.1 million for the financial year ended 31 October 2020 (FY2019: £nil). Inventories of £nil (FY2019: £0.1 million) are carried at fair value less costs to sell.

Notes to the financial statements *continued*

for the year ended 31 October 2020

2. Summary of significant accounting policies *continued*

Leases

A right-of-use asset and corresponding lease liability are recognised at commencement of the lease. The lease liability is measured at the present value of the lease payments, discounted at the rate implicit in the lease, or if that cannot be readily determined, at the lessee's incremental borrowing rate specific to the term, country, currency and start date of the lease. Lease payments include: fixed payments; variable lease payments dependent on an index or rate, initially measured using the index or rate at commencement; the exercise price under a purchase option if the Group is reasonably certain to exercise; penalties for early termination if the lease term reflects the Group exercising a break option; and payments in an optional renewal period if the Group is reasonably certain to exercise an extension option or not exercise a break option.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is re-measured annually, with a corresponding adjustment to the right-of-use asset, when there is a change in future lease payments resulting from a rent review, change in an index or rate such as inflation, or change in the Group's assessment of whether it is reasonably certain to exercise a purchase, extension or break option.

The corresponding asset is initially measured at cost, comprising: the initial lease liability; any lease payments already made less any lease incentives received; initial direct costs; and any dilapidation or restoration costs. The Group has two categories of assets in respect of leases: those in respect of short leases related to its leasehold properties, classified as investment property, and an occupational lease for its Head Office in France, classified as a right-of-use asset under IFRS 16. The right-of-use assets classified as investment property are subsequently measured at fair value, gross of the lease liability. The right-of-use asset in respect of its occupational leases is classified as property, plant and equipment and is subsequently depreciated over the length of the lease.

Leases of low value assets and short term leases of 12 months or less are expensed to the Group consolidated income statement.

Variable lease payments, being the difference between the rent review accruals that will become payable but not yet finalised and the minimum lease payments of the lease liability on current actual rent paid, are charged as expenses in the years in which they are payable.

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.

Financial instruments

(a) Financial assets

Financial assets are classified as financial assets at fair value through profit or loss ("FVTPL") or at amortised cost as appropriate. The Group determines the classification of its assets at initial recognition.

Financial assets are de-recognised only when the contractual right to the cash flows from the financial asset expires or the Group transfers substantially all risks and rewards of ownership.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured through FVTPL. This includes all derivative financial assets.

Financial assets at FVTPL – these assets are subsequently measured at fair value. Net gains and losses, including any interest, are recognised in profit or loss.

Financial assets at amortised costs – these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (expected losses). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

The Group has the following classes of financial assets:

- **Trade and other receivables** – trade receivables are initially recognised at transaction price. Other receivables are initially recognised at fair value. Subsequently, these assets are measured at amortised cost using the effective interest method, less provision for expected credit losses.
- **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. Cash and cash equivalents are also classified as amortised cost. They are subsequently measured at amortised cost. Cash and cash equivalents include cash in hand, deposits at call with banks and other short term highly liquid investments with original maturities of three months or less.

(b) Impairment of financial assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses ("ECLs") which uses a lifetime expected loss allowance on trade receivables. The expected credit losses are estimated using a provisions matrix based upon the Group's historical credit loss experience and geographic business unit, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including time value of money where appropriate.

Loss allowances for other receivables are initially measured at an amount equal to 12 months' expected credit losses ("ECLs") and subsequently it is assessed whether the credit risk has increased significantly since initial recognition. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. If the credit risk increased significantly, the loss allowance is then measured using the lifetime ECL. The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full.

2. Summary of significant accounting policies *continued*

Financial instruments *continued*

(c) Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on de-recognition is also recognised in profit or loss.

The Group has the following classes of financial liabilities:

- **Trade and other payables** – trade and other payables are initially recognised at fair value. Subsequently they are measured at amortised cost using the effective interest rate method.
- **Borrowings** – interest-bearing bank loans and overdrafts are initially recognised at fair value, net of directly attributable transaction costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are included within the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Where fees are payable in relation to raising debt the costs are disclosed in the cash flow statement within financing activities.

  Where existing borrowings are replaced by others from the same lenders on substantially different terms, or the terms of existing borrowings are substantially modified, such an exchange or modification is treated as a de-recognition of the original borrowings and the recognition of new borrowings, and the difference in the respective carrying amounts, including issuance costs, is recognised in the income statement. Otherwise, issuance costs incurred on refinancing are offset against the carrying value of borrowings.

(d) Derivative financial instruments

The Group uses derivative financial instruments such as interest rate swaps, cross-currency swaps and foreign exchange swaps, to hedge risks associated with fluctuations on borrowings and foreign operations transactions. Such derivatives are initially recognised and measured at fair value on the date a derivative contract is entered into and subsequently re-measured at fair value at each reporting date. The gain or loss on re-measurement is taken to finance expense in the income statement. Interest costs for the period relating to derivative financial instruments, which economically hedge borrowings, are recognised within interest payable on bank loans and overdrafts. Other fair value movements on derivative financial instruments are recognised within fair value movement of derivatives. Designation as part of an effective hedge relationship occurs at inception of a hedge relationship. Currently, the Group does not have any cash flow hedges or fair value hedges.

The borrowings denominated in foreign currency are used to hedge net assets. The effective part of any gain or loss on borrowings that are designated as a hedge of a net investment in a foreign operation is recognised in other comprehensive income and presented in the translation reserve in equity, and is subsequently recognised in the Group income statement as part of the profit or loss on disposal of the net investment. The ineffective portion of the gain or loss is recognised immediately within trading profit in the Group income statement.

Taxation including deferred tax

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

Deferred tax is provided on items that may become taxable at a later date, on the difference between the balance sheet value and the tax base value, on an undiscounted basis. 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.

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.

Share capital

Ordinary shares are classified as equity.

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

Share-based payments

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

Notes to the financial statements *continued*

for the year ended 31 October 2020

2. Summary of significant accounting policies *continued*

Critical accounting judgements and key sources of estimation uncertainty

The preparation of consolidated financial statements under IFRS requires management to make judgements, 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 judgements, estimates and assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

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

The Group values its investment properties using a discounted cash flow methodology which is based on projections of net operating income. Principal assumptions and management's underlying estimation of the fair value of those relate to: stabilised occupancy levels; expected future growth in storage rental income and operating costs; maintenance requirements; capitalisation rate; and discount rates. There are inter-relationships between the valuation inputs, and they are primarily determined by market conditions. The effect of an increase in more than one input could be to magnify the impact on the valuation. However, the impact on the valuation could be mitigated by the inter-relationship of two inputs moving in opposite directions, e.g. an increase in rent may be offset by a decrease in occupancy, resulting in no net impact on the valuation. For immature stores, these underlying estimates hold a higher risk of uncertainty, due to the unproven nature of its cash flows. A more detailed explanation of the background, methodology and judgements made by management is adopted in the valuation of the investment properties and is set out in note 13 to the financial statements.

Judgement of business combinations

The Directors assess whether the acquisition of property through the purchase of a corporate vehicle should be accounted for as an asset purchase or a business combination. Where the acquired vehicle is an integrated set of activities and assets that is capable of being conducted and managed to provide a return to investors, the transaction is accounted for as a business combination. Where this is not the case the transaction is treated as an asset purchase. The Directors assess when the risks and rewards associated with an acquisition or disposal have transferred. All business combinations have been disclosed in note 31.

Non-GAAP financial information

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

- The Group defines exceptional items to be those that warrant, by virtue of their nature, size or frequency, separate disclosure on the face of the income statement where, in the opinion of the Directors, this enhances the understanding of the Group's financial performance.
- Underlying EBITDA is defined as operating profit before exceptional items, share-based payments, corporate transaction costs, gain/loss on investment properties, variable lease payments and depreciation. Management considers this presentation to be representative of the underlying performance of the business, as it removes the income statement impact of items not fully controllable by management, such as the revaluation of derivatives and investment properties, and the impact of exceptional credits, costs and finance charges. A reconciliation of statutory operating profit to Underlying EBITDA can be found in the financial review on page 16.
- Adjusted Diluted EPRA Earnings per Share is based on the European Public Real Estate Association's definition of earnings and is defined as profit or loss for the period after tax but excluding corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties and the associated tax impacts. The Company then makes further adjustments for the impact of exceptional items, IFRS 2 share-based payment charges, exceptional tax items and deferred tax charges. This adjusted earnings is divided by the diluted number of shares. The IFRS 2 cost is excluded as it is written back to distributable reserves and is a non-cash item (with the exception of the associated National Insurance element). Therefore, neither the Company's ability to distribute nor pay dividends are impacted (with the exception of the associated National Insurance element). The financial statements disclose earnings on a statutory, EPRA and Adjusted Diluted EPRA basis and will provide a full reconciliation of the differences in the financial year in which any LTIP awards may vest. A reconciliation of statutory basic Earnings per Share to Adjusted Diluted EPRA Earnings per Share can be found in note 11.
- EPRA basic net assets per share is an industry standard measure recommended by the European Public Real Estate Association ("EPRA"). The basis of calculation, including a reconciliation to reported net assets, is set out in note 15.

3. Revenue

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

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

4. Segmental analysis

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

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

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

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

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

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

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

5. Exceptional items

	2020 £'m	2019 £'m
Costs relating to corporate transactions and legal and employment proceedings	**(0.3)**	(0.6)
Other exceptional items	**0.1**	—
Net exceptional cost	**(0.2)**	(0.6)

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

Notes to the financial statements *continued*

for the year ended 31 October 2020

6. Operating profit

The following items have been charged/(credited) in arriving at operating profit:

	Notes	2020 £'m	2019 £'m
Staff costs	26	**31.7**	28.7
Inventories: cost of inventories recognised as an expense (included in cost of sales)	2	**0.9**	0.9
Depreciation on property, plant and equipment	14	**0.9**	0.7
Gain on investment properties	13	**(126.5)**	(84.2)
Variable lease payments payable under lease liabilities		**0.3**	1.1

7. Fees paid to auditor

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

	2020 £'m	2019 £'m
Audit services		
Fees payable to the Company's auditor and its associates for the audit of the parent company and consolidated financial statements	**0.2**	0.2
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries pursuant to legislation	**0.2**	0.1
Total audit fees	**0.4**	0.3
Fees for other services	**—**	—
Total	**0.4**	0.3

8. Finance income and costs

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

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

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

9. Income tax charge

Analysis of tax charge in the year:

	Note	2020 £'m	2019 £'m
Current tax:			
– current year		**5.2**	5.1
– prior year		**(2.4)**	—
		2.8	5.1
Deferred tax:			
– current year		**17.1**	10.1
– prior year		**—**	—
	23	**17.1**	10.1
Tax charge		**19.9**	15.2

Reconciliation of income tax charge

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

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

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

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

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

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

10. Dividends per share

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

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

Notes to the financial statements *continued*

for the year ended 31 October 2020

11. Earnings per Share

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

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

Adjusted Earnings per Share

Explanations related to the adjusted earnings measures adopted by the Group are set out in note 2 under the heading Non-GAAP financial information on page 118. Adjusted EPS represents profit after tax adjusted for the valuation movement on investment properties, exceptional items, change in fair value of derivatives, exchange gains/losses, unwinding of the discount on the CGS receivable and the associated tax thereon. The Directors consider that these alternative measures provide useful information on the performance of the Group.

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

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

Note

1 Adjusted Diluted EPRA EPS is defined in note 2 under Non-GAAP financial information on page 118.

11. Earnings per Share *continued*

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

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

12. Investment in associates

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

Notes to the financial statements *continued*

for the year ended 31 October 2020

13. Investment properties

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

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

The gain on investment properties comprises:

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

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

13. Investment properties *continued*

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

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

As described in note 2 summary of significant accounting policies, where the valuation obtained for investment property is net of all payments to be made, it is necessary to add back the lease liability to arrive at the carrying amount of investment property at fair value. The lease liability of £77.2 million (FY2019: £63.5 million) per note 21 differs to the £76.9 million disclosed above as a result of accounting for the French Head Office lease under IFRS 16. This lease is included as part of property, plant and equipment, and has a net book value of £0.3 million as at 31 October 2020 (note 14).

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

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

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

Market uncertainty

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

Portfolio premium

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

Notes to the financial statements *continued*

for the year ended 31 October 2020

13. Investment properties *continued*

Valuation method and assumptions

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

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

Freehold and long leasehold (UK, Paris and Spain)

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

Assumptions:

- Net operating income is based on projected revenue received less projected operating costs together with a central administration charge of 6% of the estimated annual revenue, subject to a cap and collar. The initial net operating income is calculated by estimating the net operating income in the first 12 months following the valuation date.
- The net operating income in future years is calculated assuming either straight-line absorption from day one actual occupancy or variable absorption over years one to four of the cash flow period, to an estimated stabilised/mature occupancy level. In the valuation the assumed stabilised occupancy level for the trading stores (both freeholds and all leaseholds) open at 31 October 2020 averages 87.09% (FY2019: 86.18%). The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth. The average time assumed for stores to trade at their maturity levels is 23.79 months (FY2019: 28.16 months).
- The capitalisation rates applied to existing and future net cash flows have been estimated by reference to underlying yields for industrial and retail warehouse property, yields for other trading property types such as purpose-built student housing and hotels, bank base rates, ten-year money rates, inflation and the available evidence of transactions in the sector. The valuation included in the accounts assumes rental growth in future periods. If an assumption of no rental growth is applied to the external valuation, the net initial yield pre-administration expenses for mature stores (i.e. excluding those stores categorised as "developing") is 6.60% (FY2019: 7.20%), rising to a stabilised net yield pre-administration expenses of 7.41% (FY2019: 8.22%).
- The weighted average freehold exit yield on UK freeholds is 6.40% (FY2019: 6.60%), on France freeholds is 6.27% (FY2019: 6.43%) and on Spain freeholds is 5.62%. The weighted average freehold exit yield for all freeholds adopted is 6.37% (FY2019: 6.57%).
- The future net cash flow projections (including revenue growth and cost inflation) have been discounted at a rate that reflects the risk associated with each asset. The weighted average annual discount rate adopted (for both freeholds and leaseholds) in the UK portfolio is 9.44% (FY2019: 9.83%), in the France portfolio is 9.51% (FY2019: 9.80%) and in the Spain portfolio is 8.12%. The weighted average annual discount rate adopted (for both freeholds and all leaseholds) is 9.46% (FY2019: 9.82%).
- Purchaser's costs in the range of approximately 3.3% to 6.8% for the UK, 7.5% for Paris and 2.5% for Spain have been assumed initially, reflecting the progressive SDLT rates brought into force in March 2016 in the UK, and sales plus purchaser's costs totalling approximately 5.3% to 8.8% (UK), 9.5% (Paris) and 4.5% (Spain) are assumed on the notional sales in the tenth year in relation to freehold and long leasehold stores.

Short leaseholds (UK)

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

Short leaseholds (Paris)

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

Short leaseholds (Spain)

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

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

Investment properties under construction

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

13. Investment properties *continued*

Valuation method and assumptions *continued*

Immature stores: value uncertainty

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

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

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

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

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

Valuation assumption for purchaser's costs

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

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

Sensitivity of the valuation to assumptions

As noted in "Key sources of estimation uncertainty" on page 118, self storage valuations are complex, derived from data which is not widely publicly available and involves a degree of judgement. All other factors being equal, higher net operating income would lead to an increase in the valuation of a store and an increase in the capitalisation rate or discount rate would result in a lower valuation, and vice versa. Higher assumptions for stabilised occupancy, absorption rate, rental rate and other revenue, and a lower assumption for operating costs, would result in an increase in projected net operating income, and thus an increase in valuation.

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

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

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

Notes to the financial statements *continued*

for the year ended 31 October 2020

14. Property, plant and equipment

	Owner-occupied buildings £'m	Motor vehicles £'m	Fixtures and fittings £'m	IFRS 16 leases £'m	Total £'m
Cost					
At 1 November 2019	0.8	0.7	5.3	—	6.8
Accounting policy change	—	—	—	0.4	0.4
Additions	—	0.4	0.9	—	1.3
Disposals	—	(0.2)	—	—	(0.2)
At 31 October 2020	**0.8**	**0.9**	**6.2**	**0.4**	**8.3**
Accumulated depreciation					
At 1 November 2019	0.2	0.4	3.8	—	4.4
Charge for the year	—	0.2	0.6	0.1	0.9
Disposals	—	(0.2)	—	—	(0.2)
At 31 October 2020	**0.2**	**0.4**	**4.4**	**0.1**	**5.1**
Net book value					
At 31 October 2020	**0.6**	**0.5**	**1.8**	**0.3**	**3.2**
At 31 October 2019	0.6	0.3	1.5	—	2.4

As described in note 2, as a result of adopting IFRS 16, the Group recognised a right-of-use asset of £0.4 million in property, plant and equipment and a lease liability of £0.4 million at the transition date. The additional depreciation charge for the right-of-use asset recognised during the year was £0.1 million. The reduction in the lease liability in respect of principal repayments and interest was £0.1 million.

	Owner-occupied buildings £'m	Motor vehicles £'m	Fixtures and fittings £'m	IFRS 16 leases £'m	Total £'m
Cost					
At 1 November 2018	0.8	0.6	4.5	—	5.9
Additions	—	0.1	0.8	—	0.9
Disposals	—	—	—	—	—
At 31 October 2019	0.8	0.7	5.3	—	6.8
Accumulated depreciation					
At 1 November 2018	0.2	0.3	3.2	—	3.7
Charge for the year	—	0.1	0.6	—	0.7
At 31 October 2019	0.2	0.4	3.8	—	4.4
Net book value					
At 31 October 2019	0.6	0.3	1.5	—	2.4
At 31 October 2018	0.6	0.3	1.3	—	2.2

15. Net assets per share

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

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

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

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

EPRA adjusted balance sheet (non-statutory)

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

Notes to the financial statements *continued*

for the year ended 31 October 2020

16. Trade and other receivables

	2020 £'m	2019 £'m
Current		
Trade receivables	**16.1**	14.8
Less: credit loss allowance/provision for impairment of receivables	**(3.8)**	(2.9)
Trade receivables – net	**12.3**	11.9
Other receivables	**2.7**	2.4
Amounts due from associates (note 29)	**2.0**	1.9
Prepayments	**6.2**	6.4
	23.2	22.6

The creation and release of credit loss allowances have been included in cost of sales in the income statement.

The Group always measures the loss allowance for the trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor and an analysis of the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group provides in full against all receivables due over six months past due because historical experience has indicated that these receivables are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtors are in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

The following table details the risk profile of trade receivables based on the Group's provision matrix:

UK	Not past due	<28 days	29–60 days	>60 days	Total
Expected credit loss rate (%)	0.0%	5.9%	11.1%	50.0%	7.9%
Estimated total gross carrying amount at default (£'m)	6.3	1.7	0.9	1.2	10.1
Lifetime ECL (£'m)	—	(0.1)	(0.1)	(0.6)	(0.8)
Net trade receivables as at 31 October 2020	**6.3**	**1.6**	**0.8**	**0.6**	**9.3**

France	Not past due	<28 days	29–60 days	>60 days	Total
Expected credit loss rate (%)	0.0%	25.0%	50.0%	90.3%	50.0%
Estimated total gross carrying amount at default (£'m)	2.3	0.4	0.2	3.1	6.0
Lifetime ECL (£'m)	—	(0.1)	(0.1)	(2.8)	(3.0)
Net trade receivables as at 31 October 2020	**2.3**	**0.3**	**0.1**	**0.3**	**3.0**

UK	Not past due	<28 days	29–60 days	>60 days	Total
Expected credit loss rate (%)	0.0%	8.3%	10.0%	22.2%	4.4%
Estimated total gross carrying amount at default (£'m)	5.9	1.2	1.0	0.9	9.0
Lifetime ECL (£'m)	—	(0.1)	(0.1)	(0.2)	(0.4)
Net trade receivables as at 31 October 2019	5.9	1.1	0.9	0.7	8.6

France	Not past due	<28 days	29–60 days	>60 days	Total
Expected credit loss rate (%)	0.0%	25.0%	50.0%	88.9%	43.1%
Estimated total gross carrying amount at default (£'m)	2.5	0.4	0.2	2.7	5.8
Lifetime ECL (£'m)	—	—	(0.1)	(2.4)	(2.5)
Net trade receivables as at 31 October 2019	2.5	0.4	0.1	0.3	3.3

Outstanding trade receivables in Spain were £nil; therefore, the risk profile for this geography has been excluded.

The difference between expected credit loss rates in the UK and France is largely due to the differing processes for collecting overdue debt, with legal proceedings in France typically taking significantly longer than in the UK.

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

16. Trade and other receivables *continued*

Movement in the credit loss allowance:

	2020 £'m	2019 £'m
Balance at the beginning of the year	2.9	2.0
Amounts provided in the year	1.7	2.0
Amounts written off as uncollectable	(0.8)	(1.1)
Balance at the end of the year	3.8	2.9

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

	2020 £'m	2019 £'m
Sterling	15.3	16.8
Euros	7.9	5.8
	23.2	22.6

Other receivables include amounts in relation to VAT recoverable on qualifying expenditure in respect of the Capital Goods Scheme. As at 31 October 2020 the Group had a total discounted other receivable of £0.2 million (FY2019: £0.4 million). This is split £nil as non-current assets and £0.2 million as current assets (FY2019: £0.2 million and £0.2 million respectively). Amounts due from associates of £1.9 million relate to the joint venture arrangement (note 12), made up of a loan and accrued interest to the associate of £1.9 million (FY2019: £1.7 million) and a trading balance of £0.1 million (FY2019: £0.2 million). These amounts are considered to be fully recoverable and have not been impaired (FY2019: £nil).

17. Cash and cash equivalents

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

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2020 £'m	2019 £'m
Sterling	10.3	25.2
Euros	9.3	8.0
	19.6	33.2

18. Trade and other payables

	2020 £'m	2019 £'m
Current		
Trade payables	8.0	5.4
Other taxes and social security payable	3.4	2.7
Other payables	3.4	3.1
Accruals	16.7	14.8
Deferred income	15.7	14.6
	47.2	40.6

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

	2020 £'m	2019 £'m
Sterling	34.1	29.1
Euros	13.1	11.5
	47.2	40.6

Notes to the financial statements *continued*

for the year ended 31 October 2020

19. Financial liabilities – bank borrowings and secured notes

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

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

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

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

The bank loans and overdrafts are secured by a fixed charge over the Group's investment property portfolio. As part of the Group's interest rate management strategy, the Group has entered into several interest rate swap contracts, details of which are shown in note 20.

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

Bank loans and secured notes are repayable as follows:

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

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

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

Borrowing facilities

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

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

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

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

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

20. Financial instruments

Financial risk management

Financial risk management is an integral part of the way the Group is managed. In the course of its business, the Group is exposed primarily to foreign exchange risk, interest rate risk, liquidity risk and credit risk. The overall aim of the Group's financial risk management policies is to minimise potential adverse effects on financial performance and net asset values ("NAV"). The Group manages the financial risks within policies and operating parameters approved by the Board of Directors and does not enter into speculative transactions. Treasury activities are managed centrally under a framework of policies and procedures approved and monitored by the Board. These objectives are to protect the assets of the Group and to identify and then manage financial risk. In applying these policies, the Group will utilise derivative instruments, but only for risk management purposes.

The principal financial risks facing the Group are described below.

Interest rate risk

The Group finances its operations through a mixture of retained profits, issued share capital and bank borrowings. The Group borrows in Sterling and Euros at floating rates and, where necessary, uses interest rate swaps to convert these to fixed rates to generate the preferred interest rate profile and to manage its exposure to interest rate fluctuations. A 1ppt change in interest rates would have a £0.8 million (FY2019: £0.5 million) impact on net interest. This sensitivity impact has been prepared by determining average floating interest rates and flexing these against average floating rate deposits and borrowings by major currency area over the course of the year.

Liquidity risk

The Group's policy on liquidity risk is to ensure that sufficient cash is available to fund ongoing operations without the need to carry significant net debt over the medium term. The Group's principal borrowing facilities are provided by a group of core relationship banks in the form of term loans and overdrafts. The quantum of committed borrowing facilities available to the Group is reviewed regularly and is designed to exceed forecast peak gross debt levels. Further details of the Group's borrowing facilities, including the repayment profile of existing borrowings and the amount of undrawn committed borrowing facilities, are set out in note 19.

Credit risk

Credit risk arises on financial instruments such as trade and other receivables and short term bank deposits. Policies and procedures exist to ensure that customers have an appropriate credit history and account customers are given credit limits that are monitored. Short term bank deposits are executed only with A-rated or above authorised counterparties based on ratings issued by the major rating agencies. Counterparty exposure positions are monitored regularly so that credit exposures to any one counterparty are within predetermined limits. Overall, the Group considers that it is not exposed to a significant amount of credit risk. The amount of trade receivables outstanding at the year end does not represent the maximum exposure to operational credit risk due to the normal patterns of supply and payment over the course of a year. Based on management information collected as at month ends the maximum level of net trade receivables at any one point during the year was £14.6 million (FY2019: £16.1 million).

Foreign exchange risk

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

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

The Group holds Euro denominated loan notes totalling €195 million and as such is exposed to foreign exchange risk on these notes. The foreign exchange risk relating to the notes provides a natural hedge against the Euro denominated assets of its operations in France and Spain and were 100% effective. As a result, the Group applies net investment hedging in respect of these loan notes and the change in fair value during the year of £7.4 million was recognised in other comprehensive income.

The Group holds average rate forward contracts to mainly hedge against the investment exposure of subsidiaries denominated in currencies other than Pounds Sterling and the future foreign currency earnings generated by these foreign subsidiaries. The hedge rate of these forwards was 1.0751 and they mature in six tranches bi-annually commencing from October 2020 as detailed further within this note.

At 31 October 2020, if Sterling had weakened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been £0.1 million higher (FY2019: unchanged). Equity (translation reserve) would have been £14.5 million higher (FY2019: £7.2 million higher), arising primarily on translation of Euro denominated net assets held by subsidiary companies with a Euro functional currency less the Euro denominated loan notes.

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

Notes to the financial statements *continued*

for the year ended 31 October 2020

20. Financial instruments *continued*

Financial risk management *continued*

Capital risk

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Being a REIT, the Group is required to distribute as a dividend a minimum of 90% of its property rental income to shareholders. This is factored into the Group's capital risk management.

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

The gearing ratios at 31 October 2020 and 2019 were as follows:

	2020 £'m	2019 £'m
Total borrowings (excluding derivatives)	**531.7**	476.5
Less: cash and cash equivalents (note 17)	**(19.6)**	(33.2)
Net debt	**512.1**	443.3
Total equity	**1,035.7**	885.9
Total capital	**1,547.8**	1,329.2
Gearing ratio	**33%**	33%

The Group considers that a loan-to-value ("LTV") ratio, defined as gross debt (excluding lease liabilities) as a proportion of the valuation of investment properties and investment properties under construction (excluding lease liabilities), of between 30% and 40% represents an appropriate medium term capital structure objective. The Group's LTV ratio was 29% at 31 October 2020 (FY2019: 31%).

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

Financial instruments

Financial instruments disclosures are set out below:

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

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

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

The fair value of bank loans is calculated as:

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

20. Financial instruments *continued*

Financial instruments *continued*

Fair value hierarchy

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

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

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

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

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

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

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

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

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

Interest rate swaps not designated as part of a hedging arrangement

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

Foreign currency forwards not designated as part of a hedging arrangement

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

Financial instruments by category

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

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

Notes to the financial statements *continued*

for the year ended 31 October 2020

20. Financial instruments *continued*

Financial instruments *continued*

Financial instruments by category *continued*

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

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

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

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

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

Maturity analysis

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

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

	Less than one year £'m	One to two years £'m	Two to five years £'m	More than five years £'m
2019				
Borrowings	9.0	9.0	197.4	258.2
Derivative financial instruments	0.8	0.8	1.3	—
Obligations under lease liabilities	10.2	10.1	27.1	50.8
Payables and accruals	26.0	—	—	—
	46.0	19.9	225.8	309.0

21. Obligations under lease liabilities

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

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

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

Amounts recognised within the consolidated income statement include interest on lease liabilities of £5.6 million and variable lease payments not included in the measurement of the lease liabilities of £0.3 million. Amounts recognised in the consolidated statement of cash flows include lease liabilities principal payments of £6.9 million and interest on lease liabilities of £5.6 million. The maturity analysis for obligations under lease liabilities under contractual undiscounted cash flows is included in note 20.

22. Deferred income tax

Deferred tax is calculated in full on temporary differences under the liability method using tax rates enacted in each respective jurisdiction corresponding to when they are expected to reverse. The movement on the deferred tax account was as shown below.

	Note	**2020 £'m**	2019 £'m
At 1 November		**64.4**	56.2
Charge to income statement	9	**17.1**	10.1
Exchange differences		**3.3**	(1.9)
At 31 October		**84.8**	64.4

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below.

Deferred tax liability	Revaluation of investment properties £'m	Other timing differences £'m	Total £'m
At 1 November 2018	56.0	0.4	56.4
Charge/(credit) to income statement	10.3	(0.1)	10.2
Exchange differences	(1.9)	—	(1.9)
At 31 October 2019	64.4	0.3	64.7
At 1 November 2019	64.4	0.3	64.7
Charge/(credit) to income statement	17.1	(0.1)	17.0
Exchange differences	3.3	—	3.3
At 31 October 2020	**84.8**	**0.2**	**85.0**

Notes to the financial statements *continued*

for the year ended 31 October 2020

22. Deferred income tax *continued*

Deferred tax asset	Other timing differences £'m	Interest swap £'m	Total £'m
At 1 November 2018	0.2	—	0.2
Credit to income statement	—	0.1	0.1
At 31 October 2019	0.2	0.1	0.3
At 1 November 2019	0.2	0.1	0.3
Charge to income statement	(0.1)	—	(0.1)
At 31 October 2020	**0.1**	**0.1**	**0.2**

The deferred tax liability due after more than one year is £85.0 million (FY2019: £64.7 million).

As at 31 October 2020, the Group had trading losses of £25.2 million (FY2019: £27.6 million) and capital losses of £39.4 million (FY2019: £36.4 million) in respect of its UK operations. All losses can be carried forward indefinitely. No deferred tax asset has been recognised in respect of these losses.

23. Called up share capital

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

Ordinary shares

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

During the year the Company issued 190,783 ordinary shares (FY2019: 409,207 ordinary shares).

Safestore Holdings plc Sharesave scheme

The Sharesave awards are a savings related award accruing over a three-year period. There are no performance conditions attached to the awards, as such the sole condition for vesting is continued service. The fair value of the Sharesave options granted during the year was assessed by an independent actuary using a Black-Scholes model based on the assumptions set out in the table below:

		Grant date 26 August 2020
		(UK three years)
Number of options granted		169,830
Share price at grant date	(pence)	779
Exercise price	(pence)	600
Risk-free rate of interest	(% per annum)	(0.03)
Expected volatility	(% per annum)	28.6
Expected dividend yield	(% per annum)	2.30
Expected term to exercise	(years)	3.18
Value per option	(pence)	203

Safestore Long Term Incentive Plan

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

		Grant date January/March 2020	
		(PBT-EPS part)	(TSR part)
Number of options granted		405,019	202,510
Weighted average share price at grant date	(pence)	671	671
Exercise price	(pence)	—	—
Weighted average risk-free rate of interest	(% per annum)	n/a	0.41
Expected volatility	(% per annum)	n/a	22.9
Weighted average expected term to exercise	(years)	2.89	2.89
Weighted average value per option	(pence)	668	550

23. Called up share capital *continued*

Safestore Long Term Incentive Plan *continued*

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

Date of grant	At 31 October 2019	Granted	Exercised	Lapsed	**At 31 October 2020**	Exercise price	Expiry date
Safestore Holdings plc Sharesave scheme							
24/10/2017	222,953	—	—	(10,457)	**212,496**	352.8p	01/05/2021
24/10/2017	48,788	—	—	(8,503)	**40,285**	352.8p	01/05/2023
14/08/2019	151,681	—	—	(22,752)	**128,929**	510.0p	01/03/2023
26/08/2020	—	169,830	—	(1,980)	**167,850**	600.0p	01/05/2024
Total	423,422	169,830	—	(43,692)	**549,560**		
Safestore Long Term Incentive Plan – 2017							
29/09/2017	5,848,000	—	(125,000)	(38,000)	**5,685,000**	0.0p	28/09/2027
09/10/2017	150,000	—	—	—	**150,000**	0.0p	28/09/2027
15/06/2018	33,000	—	—	—	**33,000**	0.0p	28/09/2027
05/02/2019	85,000	—	—	—	**85,000**	0.0p	28/09/2027
05/07/2019	49,500	—	(37,500)	—	**12,000**	0.0p	28/09/2027
23/01/2020	—	200,000	—	(5,000)	**195,000**	0.0p	28/09/2027
Total	6,165,500	200,000	(162,500)	(43,000)	**6,160,000**		
Safestore Long Term Incentive Plan – 2020							
18/03/2020	—	407,529	—	(683)	**406,846**	0.0p	18/03/2023
Total	—	407,529	—	(683)	**406,846**		

In addition, amounts totalling £360,000 (FY2019: £260,000) in respect of bonuses awarded to Executive Directors for the year ended 31 October 2020 will be deferred into shares which will vest at the end of two years following the financial year in which the bonus is earned. The grant date is the last day of the financial year in which the performance stage is assessed. The share entitlement is expected to be determined in January 2021.

The weighted average exercise price of outstanding options under the Sharesave scheme is 465 pence (FY2019: 409 pence). No shares were exercised under the Sharesave scheme during the year (FY2019: the weighted average exercise price of options exercised under the Sharesave scheme was 164 pence).

Own shares

Included within retained earnings are ordinary shares with a nominal value of £327 (FY2019: £385) that represent shares allotted to the Safestore Employee Benefit Trust in satisfaction of awards under the Group's Long Term Incentive Plan and which remain unvested.

24. Cash flow from operating activities

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

Cash generated from continuing operations	Notes	**2020 £'m**	2019 £'m
Profit before income tax		**197.9**	147.3
Gain on investment properties	13	**(126.5)**	(84.2)
Share of profit in associates		**—**	—
Depreciation	14	**0.9**	0.7
Net finance expense	8	**14.3**	16.4
Employee share options		**4.7**	3.8
Changes in working capital:			
(Increase)/decrease in trade and other receivables		**(0.1)**	0.9
Increase in trade and other payables		**4.3**	0.6
Cash generated from continuing operations		**95.5**	85.5

Notes to the financial statements *continued*

for the year ended 31 October 2020

25. Analysis of movement in gross and net debt

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

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

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

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

26. Employees and Directors

Staff costs (including Directors) for the Group during the year	**2020 £'m**	2019 £'m
Wages and salaries	**21.5**	20.0
Social security costs	**4.9**	4.4
Other pension costs	**0.6**	0.5
Share-based payments	**4.7**	3.8
	31.7	28.7

During the period ended 31 October 2020 the Company's equity-settled share-based payment arrangements comprised the Safestore Holdings plc Sharesave scheme and the Safestore Long Term Incentive Plans. The number of awards made under each scheme is detailed in note 23. No options have been modified since grant under any of the schemes, other than the modification in respect of the LTIP awards for Executive Directors described in note 23.

Average monthly number of people (including Executive Directors) employed	**2020 Number**	2019 Number
Sales	**563**	555
Administration	**89**	83
	652	638

Key management compensation	**2020 £'m**	2019 £'m
Wages and salaries	**3.9**	3.5
Social security costs	**2.0**	1.8
Post-employment benefits	**0.1**	0.1
Share-based payments	**3.3**	3.0
	9.3	8.4

The key management figures given above include Directors.

Directors	**2020 £'m**	2019 £'m
Aggregate emoluments	**5.9**	5.0
Company contributions paid to money purchase pension schemes	**0.1**	0.1
	6.0	5.1

There were two Directors (FY2019: two) accruing benefits under a money purchase scheme.

27. Contingent liabilities

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

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

28. Capital commitments

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

29. Related party transactions

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

Transactions with CERF Storage JV B.V.

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

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

30. Parent company

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

31. Business combination

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

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

	£'m
Assets	
Total investment properties (note 13)	24.6
Trade and other receivables	0.2
Total assets	**24.8**
Liabilities	
Trade and other payables	(0.5)
Lease liabilities	(10.0)
Total liabilities	**(10.5)**
Net assets	**14.3**
Gross consideration	**12.8**
Add: debt acquired	**2.0**
Less: cash acquired	**(0.5)**
Net consideration paid	**14.3**

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

Company balance sheet

as at 31 October 2020

	Notes	Company 2020 £'m	2019 £'m
Fixed assets			
Tangible assets	5	**—**	—
Investments in subsidiaries	6	**1.0**	1.0
Total fixed assets		**1.0**	1.0
Current assets			
Debtors: amounts falling due after more than one year	7	**496.6**	489.8
Debtors: amounts falling due within one year	7	**0.1**	0.7
Cash at bank and in hand		**0.2**	0.6
Total current assets		**496.9**	491.1
Total assets		**497.9**	492.1
Creditors: amounts falling due within one year	8	**(6.4)**	(6.4)
Total assets less current liabilities		**491.5**	485.7
Creditors: amounts falling due after more than one year	9	**(327.8)**	(283.6)
Net assets		**163.7**	202.1
Capital and reserves			
Called up share capital	10	**2.1**	2.1
Share premium account		**60.6**	60.6
Profit and loss account		**101.0**	139.4
Total shareholders' funds		**163.7**	202.1

The Company's loss for the financial year amounted to £5.4 million (FY2019: profit £92.8 million).

The Company financial statements on pages 144 to 146 were approved by the Board of Directors on 13 January 2021 and signed on its behalf by:

A Jones
Chief Financial Officer

F Vecchioli
Chief Executive Officer

Company registration number: 4726380

Company statement of changes in equity

for the year ended 31 October 2020

	Company			
	Share capital £'m	Share premium £'m	Retained earnings £'m	Total £'m
Balance at 1 November 2018	2.1	60.5	78.2	140.8
Comprehensive income				
Profit for the year	—	—	92.8	92.8
Total comprehensive income	2.1	60.5	171.0	233.6
Transactions with owners				
Dividends	—	—	(35.0)	(35.0)
Increase in share capital	—	0.1	—	0.1
Employee share options	—	—	3.4	3.4
Transactions with owners	—	0.1	(31.6)	(31.5)
Balance at 1 November 2019	2.1	60.6	139.4	202.1
Comprehensive income				
Loss for the year	—	—	(5.4)	(5.4)
Total comprehensive income	2.1	60.6	134.0	196.7
Transactions with owners				
Dividends	—	—	(37.7)	(37.7)
Increase in share capital	—	—	—	—
Employee share options	—	—	4.7	4.7
Transactions with owners	—	—	(33.0)	(33.0)
Balance at 31 October 2020	**2.1**	**60.6**	**101.0**	**163.7**

For details of the dividend paid in the year see note 10 in the Group financial statements.

Notes to the Company financial statements

for the year ended 31 October 2020

1. Accounting policies and basis of preparation

The Company financial statements are prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101"). In preparing these financial statements the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards ("IFRS") as adopted by the European Union, but makes amendments where necessary in order to comply with the Companies Act 2006 and sets out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for tangible fixed assets;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- IFRS 2 "Share-based Payment" in respect of Group-settled share-based payments; and
- certain disclosures required by IFRS 13 "Fair Value Measurement" and the disclosures required by IFRS 7 "Financial Instruments: Disclosures".

The above disclosure exemptions are permitted because equivalent disclosures are included in the Group consolidated financial statements.

The financial statements are prepared on a going concern basis under the historical cost convention. The Company's principal accounting policies are the same as those applied in the Group financial statements, except as described below:

Investments

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

2. Results of parent company

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account as part of these financial statements. The Company's loss for the financial year amounted to £5.4 million (FY2019: profit £92.8 million).

3. Directors' emoluments

The Directors' emoluments are disclosed in note 26 of the Annual Report and Financial Statements of the Group.

4. Operating profit

The Company does not have any employees (FY2019: none). Details of the Company's share-based payments are set out in note 23 to the Group financial statements.

Auditor's remuneration for the year ended 31 October 2020 was £13,000 (FY2019: £11,200). There were no non-audit services (FY2019: none) provided by the auditor.

5. Tangible assets – fixtures and fittings

	£'m
Cost	
As at 1 November 2019 and at 31 October 2020	0.2
Accumulated depreciation	
As at 1 November 2019	0.2
Charge for the year	–
At 31 October 2020	**0.2**
Net book value	
At 31 October 2020	**–**
At 31 October 2019	–

6. Investments in subsidiaries

	£'m
Cost and net book value	
At 1 November 2019	1.0
At 31 October 2020	**1.0**

Investments in subsidiaries are stated at cost. A list of interests in subsidiary undertakings is given below. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

6. Investments in subsidiaries *continued*

Interests in subsidiary undertakings

The entities listed below are subsidiaries of the Company or the Group. The Group percentage of equity capital and voting rights is 100% for all subsidiaries listed. The results of all of the subsidiaries have been consolidated within these financial statements. The registered address of each subsidiary is Brittanic House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT, except where indicated below by a footnote.

Subsidiary	Country of incorporation	Principal activity
Safestore Investments 2018 Limited[1]	England and Wales	Holding company
Safestore Investments Limited	England and Wales	Holding company
Safestore Group Limited	England and Wales	Holding company
Safestore Acquisition Limited	England and Wales	Holding company
Safestore Limited	England and Wales	Provision of self storage
Safestore Properties Limited	England and Wales	Provision of self storage
Spaces Personal Storage Limited	England and Wales	Provision of self storage
Safestore Trading Limited	England and Wales	Non-trading
Mentmore Limited	England and Wales	Holding company
Access Storage Holdings (France) S.à r.l.	Luxembourg[2]	Holding company
Une Pièce en Plus SAS	France[5]	Provision of self storage
Compagnie de Libre Entreposage France SAS	France[5]	Holding company
Assay Services Limited[10]	Guernsey[4]	Insurance services
OMB Self Storage S.L.U.	Spain[6]	Provision of self storage
Safestore Netherlands B.V.	Netherlands[7]	Holding company
Alligator Self Storage Limited[9]	Scotland[3]	Provision of self storage
Alligator Storage Birmingham Limited[9]	Scotland[3]	Provision of self storage
Alligator Storage Bolton Limited[9]	Scotland[3]	Provision of self storage
Alligator Storage Centres Limited[9]	Scotland[3]	Provision of self storage
Alligator Storage Limited[9]	England and Wales	Provision of self storage
Alligator Storage Wednesbury Limited[9]	Scotland[3]	Provision of self storage
Crown Self Storage (Exeter) Limited[8]	England and Wales	Provision of self storage
Crown Self Storage (Plymouth) Limited[8]	England and Wales	Provision of self storage
R & M Hampson Limited[8]	England and Wales	Provision of self storage
Salus Services Limited[9]	England and Wales	Provision of self storage
Space Maker Stores Limited[8]	England and Wales	Holding company
Space Maker Trading Limited[8]	England and Wales	Provision of self storage
Storage UK SPV1 Limited[9]	England and Wales	Provision of self storage
Storage UK SPV2 Limited[9]	England and Wales	Provision of self storage
Stork Self Storage (Holdings) Limited[9]	England and Wales	Holding company
Stork Self Storage (UK) Limited[9]	England and Wales	Provision of self storage
Walnut Tree Self Storage Limited	England and Wales	Provision of self storage
Fort Box Self Storage Limited[9]	England and Wales	Provision of self storage
Fort Box Limited[9]	England and Wales	Non-trading
USIFB Storage Company Limited[9]	England and Wales	Provision of self storage

Notes

1 Held directly by the Company.
2 Registered address: 412F, route d'Esch, L-2086 Luxembourg.
3 Registered address: 9 Safestore Centre, 9 Canal Street, Glasgow G4 0AD.
4 UK tax resident; registered address: St Martin's House, Le Bordage, St Peter Port, Guernsey.
5 Registered address: 1, rue François Jacob, 92500 Rueil Malmaison, France.
6 Registered address: Calle Marina 153, 08013 Barcelona, Spain.
7 Registered address: Herikerbergweg 88, 1101CM Amsterdam, 1077ZX Amsterdam, Netherlands.
8 Companies liquidated 8 November 2019.
9 Companies that are being liquidated.
10 Formerly Assay Insurance Services Limited.

Notes to the Company financial statements *continued*

for the year ended 31 October 2020

7. Debtors

	2020 £'m	2019 £'m
Trade receivables	—	0.2
Other receivables	0.1	0.5
Debtors due within one year	0.1	0.7
Amounts owed by Group undertakings	496.6	489.8
Debtors due after more than one year	496.6	489.8

Amounts owed by Group undertakings are unsecured and repayable on demand; however, the Directors consider it unlikely that repayment will arise in the short term and it is for this reason that the amounts are shown as falling due after one year.

Interest is charged to Group undertakings on amounts totalling £291.0 million (FY2019: £283.6 million). The remaining amounts owed by Group undertakings are interest free.

Trade and other receivables due within one year were tested for impairment in line with the Group as described in note 2. As at 31 October 2020 these amounts due are considered fully recoverable and no provision has been made (FY2019: £nil).

8. Creditors: amounts falling due within one year

	2020 £'m	2019 £'m
Amounts owed to Group undertakings	—	0.3
Trade payables	0.1	0.2
Accruals and deferred income	6.3	5.9
Creditors due within one year	6.4	6.4

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

9. Creditors: amounts falling due after more than one year

	2020 £'m	2019 £'m
Secured loan notes	291.0	283.6
Amounts owed to Group undertakings	36.8	—
Creditors due after more than one year	327.8	283.6

Of the above, £245.2 million (FY2019: £239.8 million) is due after more than five years.

The secured loan notes are €50.9 million (FY2019: €50.9 million) 1.59% Series A Senior Secured Notes due 2024, €70.0 million (FY2019: €70.0 million) 1.26% Series A Secured Notes due 2026, £35.0 million (FY2019: £35.0 million) 2.59% Series B Senior Secured Notes due 2026, €74.1 million (FY2019: €74.1 million) 2.00% Series B Senior Secured Notes due 2027 and £50.5 million (FY2019: £50.5 million) 2.92% Series C Senior Secured Notes due 2029 and £30.0 million (FY2019: £30.0 million) 2.69% Series C Senior Secured Notes due 2029.

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand. The Directors have received assurance that repayment of amounts owed to Group undertakings will not arise in the short term and it is for this reason that the amounts are shown as falling due after one period.

10. Called up share capital

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

Ordinary shares

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

For details of share options see note 23 in the Group financial statements.

11. Contingent liabilities

For details of contingent liabilities see note 27 in the Group financial statements.

Glossary

Absorption rate	The rate at which rentable space is filled.
Adjusted Diluted EPRA Earnings per Share	Based on the European Public Real Estate Association's definition of Earnings and is defined as profit or loss for the period after tax but excluding corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties and the associated tax impacts. The Company then makes further adjustments for the impact of exceptional items, IFRS 2 share-based payment charges, exceptional tax items and deferred tax charges.
Adjusted earnings growth	The increase in adjusted EPS year-on-year.
Adjusted EPS	Adjusted profit after tax divided by the diluted weighted average number of shares in issue during the financial year.
Adjusted profit before tax	The Company's pre-tax EPRA earnings measure with additional Company adjustments.
Average net achieved rent per sq ft	Storage revenue divided by average occupied space over the financial year.
Average rental growth	The growth in average net achieved rent per sq ft year-on-year.
Average storage rate	Revenue generated from self storage revenues divided by the average square footage occupied during the period in question.
BREEAM	An environmental rating assessed under the Building Research Establishment's Environmental Assessment Method.
Cap and collar	Term used in connection with interest rates. A cap is an upper limit or maximum interest rate that will apply, while a collar is the minimum interest rate.
Capitalisation rate	The ratio of net operating income to property asset value.
CER	Constant Exchange Rates (Euro denominated results for the current period have been retranslated at the exchange rate effective for the comparative period, in order to present the reported results on a more comparable basis).
Closing net rent per sq ft	Annual storage revenue generated from in-place customers divided by occupied space at the balance sheet date.
Earnings per Share ("EPS")	Profit for the financial year attributable to equity shareholders divided by the average number of shares in issue during the financial year.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EPRA	The European Public Real Estate Association, a real estate industry body. This organisation has issued Best Practice Recommendations with the intention of improving the transparency, comparability and relevance of the published results of listed real estate companies in Europe.
EPRA basic NAV per share	An industry standard measure recommended by EPRA. The basis of calculation is set out in the "Earnings per Share" note to the financial statements.
EPRA earnings	The IFRS profit after taxation attributable to shareholders of the Company excluding investment property revaluations, gains/losses on investment property disposals and changes in the fair value of financial instruments.
EPRA Earnings per Share	EPRA earnings divided by the average number of shares in issue during the financial year.
EPRA NAV per share	EPRA NAV divided by the diluted number of shares at the year end.
EPRA net asset value	IFRS net assets excluding the mark-to-market on interest rate derivatives effective cash flow and deferred taxation on property valuations where it arises. It is adjusted for the dilutive impact of share options.
Equity	All capital and reserves of the Group attributable to equity holders of the Company.
Exit yield	Represents the capital value of an investment property at the end of the investment term expressed in percentage terms.
Free cash flow	Cash flow before investing and financing activities but after leasehold rent payments.
Gross property assets	The sum of investment property and investment property under construction.
Gross value added	The measure of the value of goods and services produced in an area, industry or sector of an economy.
ICR	ICR is interest cover ratio, and is calculated as the ratio of Underlying EBITDA after leasehold rent to underlying finance charges.
Joint venture	A business arrangement in which two or more parties agree to pool their resources for the purpose of accomplishing a specific task.

Glossary *continued*

Like-for-like occupancy	Excludes the closing occupancy of new stores acquired, opened and closed in the current financial year in both the current financial year and comparative figures.
Like-for-like revenue	Excludes the impact of new stores acquired, opened or stores closed in the current or preceding financial year in both the current year and comparative figures.
Loan to value ("LTV")	Gross debt (excluding lease liabilities) as a proportion of the valuation of investment properties and investment properties under construction (excluding lease liabilities).
Maximum lettable area ("MLA")	The total square feet ("sq ft") available to rent to customers.
Net debt	Total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents.
Net initial yield	The forthcoming financial year's net operating income expressed as a percentage of capital value, after adding notional purchaser's costs.
Net promoter score ("NPS")	An index ranging from -100 to 100 that measures the willingness of customers to recommend a company's products or services to others. The Company measures NPS based on surveys sent to all of its move-ins and move-outs.
Net rent per sq ft	Storage revenue generated from in-place customers divided by occupancy.
Occupancy	The space occupied by customers divided by the MLA expressed as a %.
Occupied space	The space occupied by customers in sq ft.
Pipeline	The Group's development sites.
Property Income Distribution ("PID")	A dividend, generally subject to withholding tax, that a UK REIT is required to pay from its tax exempt property rental business and which is taxable for UK-resident shareholders at their marginal tax rate.
Real Estate Investment Trust ("REIT")	A tax regime which in the UK exempts participants from corporation tax both on UK rental income and gains arising on UK investment property sales, subject to certain conditions.
Store EBITDA	Store earnings before interest, tax, depreciation and amortisation.
Total shareholder return ("TSR")	The growth in value of a shareholding over a specified period, assuming dividends are reinvested to purchase additional units of shares.
Underlying EBITDA	Operating profit before exceptional items, share-based payments, corporate transaction costs, gain/loss on investment properties, depreciation and variable lease payments and the share of associate's depreciation, interest and tax. Underlying EBITDA therefore excludes all leasehold rent charges.
Underlying profit before tax	Underlying EBITDA less leasehold rent, depreciation charged on property, plant and equipment and net finance charges relating to bank loans and cash.

Directors and advisers

Directors

David Hearn	(Non-Executive Chairman)
Frederic Vecchioli	(Chief Executive Officer)
Andy Jones	(Chief Financial Officer)
Ian Krieger	(Non-Executive Director)
Joanne Kenrick	(Non-Executive Director)
Claire Balmforth	(Non-Executive Director)
Bill Oliver	(Non-Executive Director)
Gert van de Weerdhof	(Non-Executive Director)

Company Secretary
Helen Bramall

Registered office
Brittanic House
Stirling Way
Borehamwood
Hertfordshire WD6 2BT

Registered company number
4726380

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

Bankers
National Westminster Bank
HSBC Bank
Lloyds Bank

Independent auditor
Deloitte LLP
Statutory Auditor
Hill House
1 Little New Street
London EC4A 3TR

Legal advisers
Travers Smith LLP
10 Snow Hill
London EC1A 2AL

Eversheds LLP
115 Colmore Row
Birmingham B3 3AL

Brokers and financial advisers
Investec Bank Plc
2 Gresham Street
London EC2V 7QP

Citigroup Global Markets Limited
Citigroup Centre
33 Canada Square
London E14 5LB

Financial PR advisers
Instinctif Partners
65 Gresham Street
London EC2V 7NQ

Shareholder information
Registrar
Link Group
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Telephone: +44 (0)371 664 0391
(Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate).

Lines are open between 9.00 am and 5.30 pm Monday to Friday, excluding public holidays in England and Wales.

Email: enquiries@linkgroup.co.uk
Share Portal Enquiries: enquiries@linkgroup.co.uk
Share Portal: www.signalshares.com

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

Please visit our investor relations website
All the latest news and updates for investors at www.safestore.com.

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Produced by
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Safestore Holdings plc
Brittanic House
Stirling Way
Borehamwood
Hertfordshire WD6 2BT
Tel: 020 8732 1500
Fax: 020 8732 1510
www.safestore.co.uk
www.safestore.com

Further information and investor updates can be found on our website at **www.safestore.co.uk/corporate**