Safestore Holdings plc

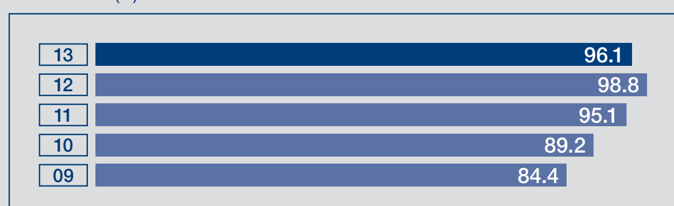
Annual report and
financial statements 2013

Safestore the things you love

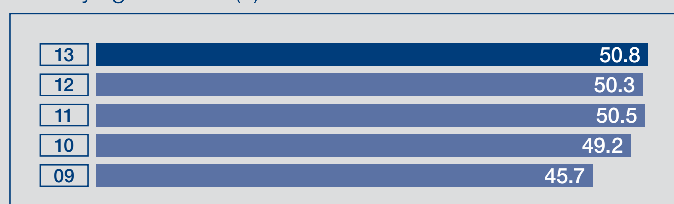
Market leaders in self-storage

With 122 stores, Safestore and Une Pièce en Plus are the self-storage market leaders in the UK and Paris.

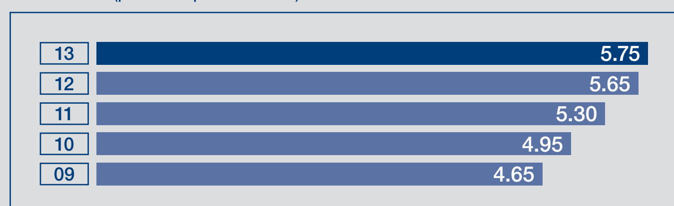
Revenue (£)



Underlying EBITDA[1] (£)



Dividend (pence per share)



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Highlights

Resilient financial performance

- UK demand remains robust with gross transaction value[2] up 8.4%
- Strong French performance, growing occupancy, rate and revenue
- Impact of VAT imposition mitigated with underlying EBITDA up 1%
- Positive occupancy momentum achieved in Q4 2013 continues in new financial year[4] with net new lets up 7.9% and Group revenue broadly flat

Operational delivery

- Strategic progress driving enquiry growth in all markets
- National Accounts UK business customers square footage up 31%
- Ongoing focus on asset management with profitable sale of Whitechapel site

Strong and flexible balance sheet

- Conversion to REIT status completed
- Maturity of bank debt extended by two years to June 2018 at reduced margin
- Placing of 18.6 million shares announced in January 2014
- Group LTV[5] lowered to circa 40% (proforma) and full year finance costs reduced by circa £4 million[3] per annum (proforma)

Notes

1 Underlying EBITDA is defined as operating profit before exceptional items, change in fair value of derivatives, gain/loss on investment properties and contingent rent.
2 Gross transaction value is revenue plus the associated VAT.
3 Based on current levels and rates of hedging. Hedging arrangements for new facilities to be confirmed by 31 March 2014.
4 Two months to 31 December 2013.
5 Loan to value – gross debt (excluding finance leases) as a proportion of the valuation of investment properties and properties under construction.

Chairman's statement

Alan Lewis
Non-Executive Chairman

I am delighted to take over as Chairman of Safestore at what I believe is a pivotal point in the development of the business. The year ended 31 October 2013 was a year of consolidation as the business faced the impact of the UK Government's imposition of 20% VAT on self-storage. I am pleased to report that the Company showed great resilience during this period as is evidenced by the 8.4% year-on-year increase in gross transaction values in the UK, demonstrating customer ongoing demand for self-storage. I believe that the Group has emerged from this period stronger, energised and well positioned to realise the significant opportunities ahead.

Financial results

Revenue for the year was £96.1 million, 2.7% behind last year (FY2012: £98.8 million). The reduction in revenue arose in the UK where the impact of the imposition of VAT resulted in a fall in revenues of £4.7 million, marginally better than our June 2012 guidance of a £5–6 million revenue reduction. The strong performance of Une Pièce en Plus, our French business, partially offset the UK revenue reduction.

Underlying EBITDA increased by 1% to £50.8 million (FY2012: £50.3 million). The reduction in UK revenue was offset by significant cost savings and the strength of the French business, allowing us to maintain EBITDA despite pressure on the top line.

Capital structure

Since the interim results in June we have reviewed the capital structure of the Group, concluding that the existing structure could be improved in terms of both the cost of funding and financial flexibility.

Over the last six months we have completed a number of measures to rebalance the capital structure of the Group, including a £50 million reduction in our debt following the disposal of the Whitechapel site, which completed in November 2013, and we have today announced the placing of up to 18.6 million new ordinary shares, the proceeds of which will be used to further pay down debt. In conjunction with this de-leveraging we have renegotiated our banking arrangements, extending our debt maturity a further two years (to June 2018) and reducing the bank margins payable.

As a result of these measures our Group loan to value ("Group LTV") ratio will reduce from circa 50% to circa 40%. This represents a level of gearing we feel is appropriate to enable the Group to increase returns on equity, maintain financial flexibility and to achieve our medium-term strategic objectives.

Conversion to REIT

The conversion to REIT status was completed on 1 April 2013. The Group will now benefit from an exemption from UK corporation tax on its UK property rental income and gains from its qualifying property portfolio.

Dividend

The Board is pleased to recommend a final dividend of 3.90 pence per share, bringing the total dividend to 5.75 pence per share for the year. This total dividend for the year is covered just under 2.0 times by cash tax earnings.

The Board remains confident in the prospects for the Group and, after a year of consolidation, plans a progressive dividend policy in 2014 and beyond. For the current financial year and for the medium term, the Board is comfortable with dividend cover of between 1.7 and 2.0 times. Given the Group's REIT status, it is required to pay out 90% of its UK based property income in dividends. The Group estimates that the aforementioned range of dividend cover will ensure compliance with REIT requirements.

People

During the year we announced the appointment of Frederic Vecchioli as Chief Executive Officer with effect from 4 September 2013. Frederic succeeded Peter Gowers, who left the Group this year after two and a half years as Chief Executive Officer. Frederic was the founder and president of Une Pièce en Plus, our French business, and has 15 years of self-storage experience. He has served on the Board of Safestore since 2011.

In May 2013 Andy Jones succeeded Richard Hodsden as Chief Financial Officer. Andy brings a valuable understanding of similar customer-focused and yield-managed operational businesses from his previous role at Worldpay Limited and his earlier career at TUI Travel plc and Virgin. We are very pleased to welcome Andy to Safestore.

Ian Krieger, formerly a senior partner and vice-chairman at Deloitte, joined the Board during October 2013. Ian is currently a non-executive director and chairman of the audit committee of Premier Foods plc and will succeed Adrian Martin as Safestore's Audit Committee Chairman around the time of the Company's AGM on 19 March 2014. Adrian continues in his role as Senior Independent Director.

Finally, I would like to thank my predecessor, Richard Grainger, who has decided to step down from the Chairman's role after seven years with the Company. I'd like to thank Richard for his significant contribution as Chairman of Safestore and wish him well for the future.

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

A S Lewis
Non-Executive Chairman
29 January 2014

Chief Executive's statement

Frederic Vecchioli
Chief Executive Officer

I am excited to take over the Chief Executive Officer role at a significant point in the Group's development. I believe the Group has the asset base, the management expertise and the infrastructure to exploit the improving industry and macro-economic backdrop and I look forward to realising the opportunities ahead with the execution of our strategy.

Since taking up the role of CEO in September 2013, I have identified three phases to our future strategy:

— establish a more appropriate capital structure for the business;

— operational delivery; and

— selective portfolio management opportunities.

Capital structure

Our key focus over the last six months has been to establish an appropriate capital structure for the business. We believe that a Group LTV of circa 40% is an appropriate medium-term level for the business. As at 31 October 2013 our Group LTV was 47%. Since then we have taken the following actions to improve the position:

— sold our Whitechapel site for £41.1 million and used the proceeds to pay down debt;

— paid down a further £9 million of debt from underlying cash flows;

— announced an Amendment and Extension of our bank facilities which provides us with lower interest margins, a further two year term to our bank facilities and at the same time allows the Group to enjoy improved covenants; and

— placing of up to 18.6 million new shares announced today, the proceeds of which will be used to pay down debt.

On completion of all the above management initiatives, we will have a rebalanced capital structure which will improve return on equity, provide financial flexibility and allow us to achieve our medium-term strategic objectives.

Operational delivery

Our main focus over the coming year will be to improve the operational performance of the existing business.

We have a strong portfolio in both the UK and France. Of our 122 stores, 83 are in London and the south-east of England or in Paris and 39 are in the UK regions. We operate more stores inside the M25 than any other competitor.

We will continue to ensure that our Head Office functions remain lean and efficient and focused on supporting the operational performance of the business. Our customer support centre is now established and handles 18% of all customer enquiries and is responsible for 21% of new let space. Our National Accounts team is ensuring that this part of our business continues to grow and now represents 10% of UK occupied space. Our pricing team ensures we continue to offer innovative promotions and that we yield manage effectively.

However, we have 1.5 million sq ft of unoccupied space in our UK stores and 0.3 million sq ft in Paris. Our immediate focus will be on ensuring that we drive occupancy to utilise this capacity at carefully managed rates.

In order to achieve this in the UK we have recently implemented the following changes:

— reorganised the regional structure of the business and recruited an additional two regional managers to ensure a closer focus on management of store performance;

— invested in store training to ensure that the stores' sales and customer service skills are strengthened; and

— reorganised the store incentive programme. All members of staff are now incentivised on a monthly scheme that is focused on locally controllable measures such as revenue generation, net new let performance and selling prices achieved.

We aim to continually seek to drive operational excellence at the store level to maximise the conversion of leads, occupancy and revenue.

Inevitably, these changes will take some time to become established but our medium-term aim is to organically grow occupancy in the existing store portfolio and to demonstrate the positive effect on profitability of the operating leverage in our business.

Selective portfolio management opportunities

In parallel to realising the near-term opportunity from occupancy growth, the rebalancing of the capital structure provides the financing to realise a small number of demonstrably value creating investments from within the current estate, as well as lay the foundations for longer-term growth. To realise these near term opportunities from within the estate we anticipate a maximum capital expenditure of £10–15 million over the next two years over and above our normalised annual capital expenditure.

The growth opportunities from the existing estate will remain the Group's primary focus. As we realise the organic growth opportunity we will consider further selective and disciplined investment in our portfolio.

In Paris, we continue to assess opportunities to create value from our store portfolio and, in 2014, we plan to expand and purchase the freehold of our leasehold St Denis store.

In addition, we will continue to seek other asset management opportunities in our store portfolio. Further lease re-gearing and income generation opportunities will be explored on an ongoing basis.

Our approach to store development in the future will be pragmatic, flexible and focused on return on equity.

We believe that this strategy, combined with positive market and economic dynamics and the quality of our property portfolio, means that we are well positioned to deliver strong returns to our shareholders.

Strategic progress

Marketing focused on improving web offering

Over the last few years we have moved away from buying web market share through display advertisements that create high website traffic but low conversion as we believe that self-storage is not an impulse purchase. Our experience is that customers requiring storage now predominantly conduct detailed online research in their area to assess all the options available to them. It is therefore important to appear on the top rankings in each location for each keyword, of which there are close to 95,000 search entry combinations. Safestore's scale has allowed the funding and development of a skilled team who ensures that the business achieves a leading search engine presence.

Online enquiries now represent 81% of our enquiries and 31% of our online enquiries originate from our refreshed mobile site, a figure that has more than doubled in the last twelve months.

As we move forward, we will continue to focus on the efficiency of our pay-per-click expenditure in order to achieve an optimal return on our annual search engine expenditure. Such initiatives will enable us to continue to improve our website enquiry capture which has grown by 18% over the last financial year.

We have integrated Feefo (an independent merchant review system) into our website which allows customers to leave their feedback on the quality of our customer service on the site. Our customer satisfaction score is currently in excess of 97%. Our focus on social media has increased resulting in a significant presence on Facebook and Twitter. In addition we have branched out into other social media channels such as Pinterest, YouTube, Instagram, Flickr and Google+.

Increasingly efficient and innovative store operations

The introduction of VAT on self-storage in the UK presented numerous challenges for the business. The management of pricing during this period was critical and our central pricing team, which we strengthened during the year, played a particularly important role. Our new pricing platform was also used to trial a number of innovative promotions.

A number of training and performance management initiatives were launched during the year to build the selling and customer service capabilities of our teams. We now have call recording technology in all our stores, providing regional management with a tool to enable more effective coaching of store teams. Our new performance management framework increases the focus on individuals' contributions to the results of the business.

We remain focused on business as well as domestic customers. Our national network means that we are particularly well placed to further grow the business customer market and in particular National Accounts. Business customers in the UK now constitute 54% of our total space let and have an average length of stay of 29.5 months. Within our Business customer category, our centrally managed National Accounts business continues to flourish with revenue increasing by 29% during the year. The space let to National Accounts customers has increased by 31% during the year and at 255,000 sq ft constitutes 10% of our total occupied space in the UK business. Two-thirds of the space occupied by National Accounts customers is outside London, evidence of the importance of a national estate.

Value creation from proactive asset management

Efficient and effective management of our property portfolio has always been a key priority. During the year we extended leases on a number of our leasehold properties including New Malden, Hanworth, Oldbury, Stevenage, Staples Corner and Bristol Ashton Gate, providing the business with long-term tenure on these properties. Together with the permanent planning consent we obtained on our Notting Hill site this activity added in excess of £9 million to our asset valuation. We also closed our Enfield South leasehold store, consolidating its operations successfully into our freehold Enfield North and New Southgate stores.

Most significant, however, was the disposal of our Whitechapel site in November 2013. We completed the sale to London and Quadrant ("L&Q"), on an unconditional basis, for £41.1 million. This represented a premium of £14.6 million over the April 2013 book value of £26.5 million.

Strategic progress continued

Value creation from proactive asset management continued

As part of the terms of the sale, Safestore will continue to operate its self-storage business from the site until November 2015 under a leaseback from L&Q at a peppercorn rent and thus benefit from the self-storage income generated during that period from the site. During the leaseback period we intend to seek alternative premises which, together with our other sites in London, would provide our customers with suitable alternative storage arrangements. L&Q plans to develop the site for primarily residential purposes.

The sale of Whitechapel is part of the wider rebalancing of the capital structure of the Group, and is in line with the Group's active asset management strategy.

We believe that the Whitechapel disposal further underpins the valuation of our overall estate and we will continue to assess opportunities to enhance asset value. In the coming year our team will seek further opportunities to regear leases and release development value. In addition we will continue to assess the potential development of our sites at Chiswick, Birmingham and Wandsworth.

Portfolio summary

The self-storage market has been growing in the last ten 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 the city of London and up to 32,000 in the densest boroughs. The population of the Paris urban area is of 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 76% of our French stores are located – which has one of the highest densities in the western world. 85% of the Paris region population lives in the city core versus the rest of the urban area. This percentage is 60% in the London region. There are currently 202 storage centres within the M25 versus only 85 in the Paris urban area. The GDPs generated in the London and Paris conurbations are roughly equivalent and are more than twice that of any other European equivalent.

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

We have a strong position in both the UK and Paris markets operating 97 stores in the UK, 58 of which are in London and the south-east, and 25 stores in Paris.

Owned store portfolio by region

	London and south-east	Rest of UK	UK total	Paris	**Group total**
Number of stores	58	39	97	25	**122**
Let sq ft (m sq ft)	1.45	1.10	2.55	0.76	**3.31**
Maximum lettable area (m sq ft)	2.18	1.84	4.02	1.06	**5.08**
Average let sq ft per store (k sq ft)	25	28	26	30	**27**
Average store capacity (k sq ft)	38	47	41	42	**42**
Closing occupancy %	66.5%	59.9%	63.5%	71.9%	**65.3%**
Average rate (£ per sq ft)	26.40	16.64	22.19	31.63	**24.39**
Revenue (£'m)	47.7	22.5	70.2	25.9	**96.1**
Average revenue per store (£'m)	0.82	0.58	0.72	1.04	**0.79**

In the UK, 68% 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 occupancy levels and rental rate achieved are higher. In London we operate 43 stores within the M25, more than any other competitor.

In France, we have a leading position in the heart of the affluent city of Paris market with eight stores branded as Une Pièce en Plus ("UPP") ("a spare room") with more than twice the number of stores of our two major competitors combined. 76% of the UPP stores are located in a cluster within a five mile radius of the city centre, which provides 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. 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, London, the south-east and Paris represent 68% of our owned stores, 76% of our revenues and 58% of our available additional capacity.

Additionally, 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, Liverpool, Bristol, Glasgow and Edinburgh.

In the UK we own three development sites with planning permission at Chiswick and Wandsworth in London and in central Birmingham. We continue to assess the value of these sites for self-storage and alternative purposes.

Market

The self-storage market in the UK and France is relatively immature compared to geographies such as the US and Australia. In the UK, self-storage capacity is 0.5 sq ft per head of population as compared with 7.4 sq ft in the US and 1.1 sq ft in Australia. While there has been a significant capacity increase in the pre-2008 years which has helped raise awareness of what is still a relatively new industry, the addition of new supply has been fairly limited since 2008.

In the Paris market, we estimate the density to be even lower at around 0.36 sq ft per inhabitant.

New supply in prime locations is likely to be limited in our two markets in the short term as a result of planning restrictions and availability of suitable land.

Increasing consumer awareness of self-storage, combined with limited supply of new capacity and improving economic conditions, will result in attractive industry conditions.

The supply in the UK market is relatively fragmented. Safestore is the leader by number of stores with 97 wholly owned sites, followed by Big Yellow with 54 wholly owned stores, Access with 53 stores, Shurgard with 22 stores and Lok'n Store with 21 stores. Altogether, the five leading brands accounts for less than 31% of the UK store portfolio. The remaining circa 600 self-storage outlets are independently owned in small chains or single units.

The Paris market is significantly more concentrated with three main operators. Our French business, Une Pièce-en-Plus, is mainly present in the core wealthier and more densely populated inner Paris and first belt areas, whereas our two main competitors have a greater presence in the outskirts and second belt of Paris.

There are numerous drivers of self-storage growth. Most private or 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.

Our domestic customers' need for storage is often driven by lifestyle events such as births, marriages, bereavements, divorces or by the housing market including house moves and developments and moves between rental properties.

Our 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.

F Vecchioli
Chief Executive Officer
29 January 2013

Business and personal customers	UK	France
Personal customers		
Numbers (% of total)	70%	80%
Sq ft occupied (% of total)	46%	62%
Average length of stay (months)	21.1	25.7
Business customers		
Numbers (% of total)	30%	20%
Sq ft occupied (% of total)	54%	38%
Average length of stay (months)	29.5	30.7

Customer enquiries 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 the key drivers of enquiries. The internet is now by far the most dominant channel, accounting for 81% of our enquiries in the UK and 58% in France. Telephone enquiries comprise 11% of the total (30% in France) and "walk-ins" amount to only 8% (12% in France). This key change is a clear benefit to the leading operators that possess the budget and the management skills necessary to generate a commanding presence in the major search engines. Safestore has developed a leading digital marketing platform that has generated a 31.4% enquiry growth (UK 33%, France 29%) over the last three years.

Our enquiries are predominantly handled directly by the stores and, in the UK, we have a customer support centre ("CSC") which now handles 18% of all enquiries, in particular when the store staff are busy handling calls or outside normal store opening hours.

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

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

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.

At 31 October 2013 we have 1.5 million sq ft of unoccupied space in the UK and 0.3 million sq ft in France, equivalent to over 40 new stores. Our absolute focus is on filling the spare capacity in our stores at optimally yield-managed prices. The operational leverage of our business model will ensure that the bulk of the incremental revenue converts to profit given the fixed nature of our cost base.

Trading performance

UK – a resilient performance

2012/13 has been impacted by the UK Government's imposition of VAT on self-storage from 1 October 2012. Over the year, gross transaction value on self-storage revenues (including the 20% VAT element) was up 8.4% on the previous year, demonstrating the continuing resilience of the business model. However, after taking into account the VAT payable, total revenue for the UK was down 6.2% or £4.7 million at £70.2 million (FY2012: £74.9 million) for the full year. This performance is marginally better than our initial guidance, provided in June 2012, for a £5–6 million full year reduction in revenue arising from the imposition of VAT.

Our UK business (owned stores) ended the year at closing occupancy of 2.55 million sq ft or 63.5% of our maximum lettable area ("MLA")[4] which represented an increase on 2012 of 17,000 sq ft. During the year, our leasehold Enfield South store was closed and consolidated into our freehold Enfield North and New Southgate properties. The removal of this store, and the increase in space occupied across the rest of the estate, increased our closing occupancy by 1.6 percentage points ("ppts") to 63.5% (FY2012: 61.9%).

The average self-storage rate per sq ft in the UK for the year was £22.19 which is 5.3% down on 2012. However, the rate achieved in Q4 2013 represented a 2.0% improvement on the rate achieved during Q3 2013. RevPAF in the UK was £17.44 for the year, down 4.4% on the prior year. Q4 RevPAF was 4.5% ahead of our Q3 2013 position and we are encouraged by the positive quarter-on-quarter trends in both self-storage rate and RevPAF.

Finally, control of our cost base remains a strong focus and over the full year we have delivered significant year-on-year cost savings, partially mitigating the impact from the imposition of VAT on revenue.

EBITDA for the UK business was £34.8 million (FY2012: £36.9 million), a reduction of £2.1 million or 5.7%, which is in line with management's June 2012 guidance of a £2–3 million EBITDA impact as a result of the imposition of VAT.

France – continued strong performance growing revenue, rate and occupancy

Our French business performed strongly throughout the year. The increasing maturity of stores opened in 2012, as well as underlying organic growth, has driven a 4.8% revenue increase over 2012 in constant exchange rates to €30.7 million (FY2012: €29.3 million) which equates to an 8.4% increase in Sterling, reflecting the strengthening of the Euro against Sterling.

Closing occupancy was 0.76 million sq ft, an increase of 14,000 sq ft on the closing 2012 position. This represents 71.9% of MLA at 31 October 2013, up 0.3 percentage points compared with 31 October 2012 (71.6%).

The average self-storage rate per sq ft for 2013 in Paris was €37.49, 2.1% higher than 2012.

French RevPAF was €29.02 in the year, up 3.1% on 2012.

The cost base in Paris was well controlled during the year and savings in both employee costs and Head Office costs were achieved. In December 2010, the store at Nanterre was destroyed by a fire. The subsequent insurance claim resulted in a settlement of €2.9 million being received in the year which reflected estimated store profits for the subsequent three year period and loss of the French head office located at the site. The element relating to 2013 (€1.0 million) has been recognised in the underlying EBITDA in the year and €1.9 million has been recognised in exceptional items.

The improvements in revenue, underlying cost base reductions and the insurance proceeds relating to Nanterre resulted in EBITDA in France of £16.0 million (FY2012: £13.4 million), an improvement of £2.6 million or 19.4% on 2012.

Cost of sales and administrative costs

During the year, significant cost savings were made in both the UK and Paris to mitigate the impact of the imposition of VAT on UK revenues. The main areas of cost savings were:

- employee costs were reduced in both the stores and Head Office;
- TV advertising was not repeated, resulting in savings in sales and marketing costs; and
- more efficient expenditure on utilities.

Further analysis of the cost base is included in the Financial review.

F Vecchioli
Chief Executive Officer
29 January 2013

Principal risks

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

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

Managing our risks

Appropriate risk management aids effective decision making and helps to ensure that the risks the business takes are adequately assessed and challenged. It helps to ensure that the appropriate rewards are achieved whilst retaining our overall resilience to risks.

Our risk management approach looks at risks arising in all parts of the group using both a bottom-up and a top-down approach. A systematic risk management framework and process is used to consider both external factors arising from the environment within which we operate, and internal risks arising from the nature of our business, its controls and processes, and our management decisions. Once identified, the impact and probability of risks are determined with a risk scoring matrix used to ensure that a consistent approach is taken when assessing the overall impact.

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

Risk	Mitigation activities
Strategy	
The Group develops business plans based on a wide range of variables. Incorrect assumptions about the self-storage market or changes in the needs of customers, or the activities of customers may adversely affect the returns achieved by the Group	▭ The strategy development process draws on internal and external analysis of the self-storage market, emerging customer trends and a range of other factors. ▭ The portfolio is geographically diversified with regular detailed review of performance.
Finance risk	
Lack of funding resulting in inability to meet business plans, satisfy liabilities or breach of covenants	▭ Funding requirements for business plans are reviewed regularly. ▭ 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 monitors financial covenant ratios and headroom closely. ▭ The existing banking facilities run to 30 June 2018 and the US private placement notes mature in six and eleven years.
Treasury risk	
Adverse currency or interest rate movements	▭ Guidelines set for our exposure to fixed and floating interest rates and use of interest rate and currency swaps to manage this risk. ▭ Foreign currency denominated assets financed by borrowings in the same currency where appropriate and to the extent possible.
Property investment and development	
Acquisition and development of properties that fail to meet performance expectations Overexposure to developments within a short timeframe	▭ Thorough due diligence is conducted and detailed analysis is undertaken prior to Board approval for property investment and development. ▭ The Group's overall exposure to developments is monitored and projects are phased. ▭ The performance of individual properties is benchmarked against target returns.

Risk	Mitigation activities
Valuation risk	
Value of our properties declining as a result of external market or internal management factors	▭ Independent valuations conducted by external professionally qualified valuers. ▭ A diversified portfolio let to a large number of customers should help to mitigate any negative impact arising from changing conditions in the financial and property market. ▭ Headroom of loan to value banking covenants is maintained and reviewed.
Occupancy risk	
A potential loss of income and increased vacancy due to falling demand, oversupply or customer default	▭ Personal and business customers cover a wide range of segments, sectors and geographic territories with limited exposure to any single customer. ▭ Weekly monitoring of occupancy levels and review of pricing at each individual store. ▭ Onsite staff maintain regular contact with customers and local monitoring of competitor offers. ▭ Monitoring of reasons for customers vacating and conducting exit interviews. ▭ The occupancy rate across the portfolio has been maintained through FY2013 due to flexibility offered on deals by in-house marketing and the customer support centre.
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 Group complies with the appropriate rules and legislation with formal reporting to the Board.
Energy risk	
Reductions in energy usage are not achieved, resulting in excessive costs	▭ Ongoing upgrading of lighting and heating and monitoring of energy consumption. ▭ Full compliance with carbon reduction commitment regulations.
Business organisation and human resources	
Failure to recruit and retain key staff with appropriate skills and calibre	▭ Recruitment procedures and the remuneration structure are regularly reviewed and benchmarked. ▭ Succession plans are monitored for all senior positions.
Business interruption risk	
Major events mean that the Group is unable to carry out its business for a sustained period	▭ Business continuity plans in place and tested. ▭ Back-up systems are at locations other than head office and remote working capabilities. ▭ Reviews and assessments are undertaken periodically for enhancements to supplement the existing compliant aspects of buildings and processes.
Reputational risk	
Failure to meet customer and external stakeholder expectations	▭ Customer surveys are undertaken routinely and results acted upon. ▭ Training and mystery shopper initiatives are undertaken. ▭ Regular communication with our stakeholders.

Financial review

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 2013 and the year ended 31 October 2012.

	Financial year		
	2013 £'m	2012 £'m	Movement
Revenue	**96.1**	98.8	(2.7%)
Underlying costs	**(45.3)**	(48.5)	(6.6%)
Underlying EBITDA	**50.8**	50.3	1.0%
Leasehold rent	**(10.2)**	(10.8)	(5.6%)
Underlying EBITDA after leasehold costs	**40.6**	39.5	2.8%
Depreciation	**(0.4)**	(0.4)	0.0%
Finance charges	**(18.4)**	(18.8)	(2.1%)
Underlying profit before tax	**21.8**	20.3	7.4%
Current tax	**(0.9)**	(0.5)	80.0%
Cash tax earnings	**20.9**	19.8	5.6%
Underlying deferred tax	**(2.2)**	(5.5)	(60.0%)
EPRA earnings	**18.7**	14.3	30.8%
Average shares in issue (million)	**187.9**	187.5	
Underlying (cash tax adjusted) EPS (pence)	**11.12**	10.56	5.3%
EPRA EPS (pence)	**9.95**	7.63	30.5%

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

Underlying EBITDA increased by 1% to £50.8 million (FY2012: £50.3 million) as the 2.7% reduction in revenue was fully offset by 6.6% savings in the underlying cost base (see overleaf).

In addition, reductions in leasehold rent and finance charges resulted in a 7.4% improvement in underlying profit before tax to £21.8 million (FY2012: £20.3 million).

Given the Group's REIT status in the UK, tax is only paid in France and the current tax due in the period increased to £0.9 million (FY2012: £0.5 million).

Management considers that the most representative Earnings Per Share ("EPS") measure is cash tax adjusted EPS which increased by 5.3% to 11.12 pence (FY2012: 10.56 pence). EPRA EPS also reflects the deferred tax on underlying trading and increased by 30.5% to 9.95 pence from 7.63 pence in 2012. The change in the Group's tax status in the UK as a result of becoming a REIT resulted in a significant deferred tax credit arising from the release of the UK deferred tax liability.

Reconciliation of underlying EBITDA

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

	Financial year	
	2013 £'m	2012 £'m
Operating profit	**69.2**	16.9
Adjusted for:		
– (gain)/loss on investment properties	**(21.5)**	37.5
– depreciation	**0.4**	0.4
– contingent rent	**0.7**	0.8
– change in fair value of derivatives	**1.3**	(0.4)
Exceptional items:		
– insurance proceeds	**(1.6)**	(5.3)
– VAT and REIT related costs	**0.3**	0.2
– restructuring costs/other	**2.0**	0.2
Underlying EBITDA	**50.8**	50.3

The main reconciling items between operating profit and underlying EBITDA are the gain or loss on investment properties, which moved from a £37.5 million loss in 2012 to a £21.5 million gain in 2013, and exceptional items, which moved from a £4.9 million income in 2012 to a £0.7 million cost in 2013.

Underlying profit by geographical region

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

	FY2013			FY2012		
	UK £'m	**France £'m**	**Total £'m**	UK £'m	France £'m	Total £'m
Revenue	**70.2**	**25.9**	**96.1**	74.9	23.9	98.8
Cost of sales	**(24.9)**	**(6.9)**	**(31.8)**	(27.6)	(7.0)	(34.6)
Gross profit	**45.3**	**19.0**	**64.3**	47.3	16.9	64.2
Gross margin	**65%**	**73%**	**67%**	63%	71%	65%
Administrative expenses	**(10.5)**	**(3.0)**	**(13.5)**	(10.4)	(3.5)	(13.9)
Underlying EBITDA	**34.8**	**16.0**	**50.8**	36.9	13.4	50.3
EBITDA margin	**50%**	**62%**	**53%**	49%	56%	51%

EBITDA in the UK reduced by £2.1 million or 5.6% to £34.8 million (FY2012: £36.9 million). Revenue reductions of £4.7 million resulting largely from the imposition of VAT in the UK in October 2012 were partly offset by savings of £2.8 million in cost of sales.

In France, EBITDA increased by £2.6 million or 19% to £16.0 million (FY2012: £13.4 million). Revenue improvements of £2.0 million as well as savings in cost of sales of £0.1 million and administrative expenses of £0.5 million contributed to this improvement. The business benefited from £0.8 million of insurance income relating to the current financial year associated with the fire at the Nanterre store in 2010. Additional insurance income relating to other periods has been treated as exceptional.

VAT

The UK Government introduced VAT on self-storage with effect from 1 October 2012 after its announcement in the March 2012 budget. Safestore worked with other industry members to lobby against this change during the consultation period. Ultimately, as a result of legal advice, it was decided not to mount a legal challenge against the government's decision.

We made our customers aware of the introduction of VAT on self-storage during summer 2012. Domestic customers were informed of the impact the change would have on the cost of their storage arrangements. VAT registered business customers are able to reclaim the additional cost as input VAT.

In June 2012 we indicated that the likely cost to the business of the imposition of VAT was £5–6 million in revenue and £2–3 million in underlying EBITDA. The UK business performed marginally ahead of this guidance during the year ended 31 October 2013.

Safestore can now reclaim the VAT on its operating expenses which has partially mitigated the impact on profit (see costs breakdowns below). In addition, the Group is reclaiming previously irrecoverable VAT on capital expenditure under the Capital Goods Scheme. The total estimated amount reclaimable is £11.7 million and the Group has so far received £3.1 million of this amount. The present value of the balance receivable is included in other receivables on the balance sheet.

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 France.

The split of the Group's revenues by geographical segment is set out below for 2013 and 2012.

		2013	% of total	2012	% of total	% change
UK	£'m	**70.2**	**73%**	74.9	76%	(6.2%)
France						
Local currency	€'m	**30.7**		29.3		4.8%
Average exchange rate	€:£	**1.19**		1.22		
France in Sterling	£'m	**25.9**	**27%**	23.9	24%	8.4%
Total revenue		**96.1**	**100%**	98.8	100%	(2.7%)

The Group's revenue decreased by 2.7% or £2.7 million in the year. The Group's occupied space was 30,000 sq ft higher at 31 October 2013 (3.31 million sq ft) than at 31 October 2012 (3.29 million sq ft). However, the average occupancy during the year was 0.8% lower at 3.26 million sq ft (FY2012: 3.28 million sq ft). Average rental rate for the Group was 2.1% lower in 2013 at £24.39 than in 2012 (£24.91).

In the UK revenue decreased by £4.7 million or 6.2%. Although the let sq ft was 17,000 sq ft higher at 31 October 2013 than at 31 October 2012, the average sq ft occupied during the year was down 1.9% compared to 2012 at 2.52 million sq ft (FY2012: 2.57 million sq ft). In addition, the average rental rate was down 5.3% at £22.19 (FY2012: £23.43).

The French business performed strongly increasing revenue by 4.8% on a constant currency basis. There has been a currency benefit in the year with the average exchange rate in 2013 of 1.185 representing a 3% strengthening of the Euro as compared with the average rate in 2012 of 1.222. This exchange rate improvement has contributed £0.8 million to consolidated Group revenues. In France closing occupancy increased by 1.9% to 0.76 million sq ft and average occupancy was up 2.7% at 0.74 million sq ft (FY2012: 0.72 million sq ft). The rental rate in France was €37.49 for the year, an increase of 2.1% on 2012 (€36.72).

Analysis of cost base

Cost of sales

The table below details the key movements in cost of sales between 2012 and 2013.

	£'m
Reported cost of sales for FY2012	(34.6)
Nanterre insurance proceeds relating to the current financial year	0.8
New store costs annualisation	(0.3)
FX on French costs	(0.2)
VAT benefit	1.9
Other cost movements (2%)	0.6
Underlying cost of sales for FY2013	(31.8)

Analysis of cost base continued

Cost of sales continued

During the period £2.4 million of insurance proceeds were received in relation to the fire that destroyed the Nanterre store and Head Office in December 2010. The proceeds related to a three year period from December 2010 and the portion (£0.8 million) relating to the financial year ended 31 October 2013 were credited to cost of sales. The balance was credited to exceptional items.

The annualisation of the cost base of stores opened in 2012 increased costs by £0.3 million in the period.

The strengthening of the Euro in the period resulted in an increase in the Sterling equivalent of French cost of sales of £0.2 million.

The imposition by the UK Government of VAT on self-storage in October 2012 allowed VAT on input costs to be reclaimed by the business for the first time in 2013 whereas previously the cost base was stated gross of VAT. The estimated reduction in cost of sales arising from the reclaim of input VAT was £1.9 million.

During the year, management took a number of actions to reduce the cost base to mitigate the anticipated revenue reduction in the UK business. The reduction in other costs of £0.6 million resulted largely from these actions.

Administrative expenses

The table below reconciles reported administrative expenses to underlying administrative expenses and details the key movements in underlying administrative expenses between 2012 and 2013.

	Financial year	
	2013 £'m	2012 £'m
Reported administrative expenses	**(16.6)**	(9.8)
Adjusted for:		
– exceptional items	**0.7**	(4.9)
– depreciation	**0.4**	0.4
– contingent rent	**0.7**	0.8
– changes in fair value of derivatives	**1.3**	(0.4)
Underlying administrative expenses	**(13.5)**	(13.9)
Underlying administrative expenses for FY2012:		(13.9)
– TV advertising expenditure not repeated		1.1
– management bonuses reinstated		(1.3)
– FX (including currency swaps)		(0.6)
– VAT benefit		0.4
– other cost movements (6%)		0.8
Underlying administrative expenses for FY2013		(13.5)

In order to arrive at underlying administrative expenses adjustments are made to remove the impact of exceptional items, depreciation, contingent rent and changes in the fair value of derivatives.

Exceptional items in the period included £1.6 million insurance income for the business interruption claim in relation to the fire at the Nanterre store in 2010. The amount included in exceptional items is the portion relating to financial periods outside the year ended 31 October 2013. In 2012 an amount of £5.3 million was received in relation to the buildings damage in relation to the same fire. Restructuring costs relating to the costs savings programme and executive management changes are included in exceptional items and amounted to a charge of £1.7 million. In the previous year costs of £0.2 million were incurred. Costs relating to the conversion to REIT status of £0.3 million were included within exceptional items in the period and similar costs of £0.2 million were included in the previous year.

Underlying administrative expenses were £0.4 million lower year-on-year at £13.5 million (FY2012: £13.9 million). Expenditure on a TV advertising campaign incurred in 2012 was not repeated in 2013, resulting in a saving of £1.1 million. This was offset by the cost of bonuses in the period of £1.3 million. In 2012 no bonus was paid.

The exchange impact of the Euro currency swaps and of the Sterling equivalent of French administrative costs was a charge of £0.6 million in the period and the benefit of the Group's ability to reclaim VAT on administrative costs was £0.4 million.

Other cost savings relating to the cost reduction programme in the year amounted to £0.8 million.

Gain/(loss) on investment properties

The gain on investment properties consists of the revaluation gains and losses with respect to investment properties under IAS 40 and finance lease depreciation for the interests in leaseholds and other items as detailed below.

	2013 £'m	2012 £'m
Movement on investment properties	26.0	(33.2)
Depreciation on leasehold properties	(4.5)	(4.3)
Gain/(loss) on investment properties	21.5	(37.5)

The movement in the investment properties reflects the combination of yield movements within the valuations together with the impact of changes in the cash flow metrics of each store. In a normal year the key variables are rate per sq ft, stabilised occupancy, number of months to reach stabilised occupancy and the yields applied.

In the current financial year the UK business contributed £19.4 million to positive valuation movement. This is primarily driven by the revaluation of the Whitechapel store to reflect the price achieved on its subsequent sale on 12 November 2013 and the impact of a number of lease re-gears. The French business contributed £6.6 million to the valuation uplift driven by improving trading metrics.

Operating profit

Operating profit increased by £52.3 million from £16.9 million in 2012 to £69.2 million in 2013. The movement predominantly reflects the swing in the movement on investment properties from a loss of £37.5 million to a gain of £21.5 million partially offset by the negative movement in exceptional items from a gain of £4.9 million to a loss of £0.7 million.

Net finance costs

Net finance costs consist of interest receivable on bank deposits, interest payable and interest on obligations under finance leases.

	2013 £'m	2012 £'m
Net bank interest payable	(18.3)	(17.8)
Capitalised interest	—	0.2
Amortisation of debt issuance costs	(0.1)	(1.2)
Interest on obligations under finance leases	(5.0)	(5.7)
Exceptional finance expenses	—	(10.0)
Fair value movement on derivatives	2.8	(1.9)
Net finance costs	(20.6)	(36.4)

The increase in interest payable reflects the higher blended interest rate following the re-financing in May 2012.

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 term loan	230.0	230.0	196.7	86%	3.25%	1.71%	0.60%	4.80%
UK revolver	30.0	—	—	—	3.25%	1.71%	0.60%	4.80%
UK revolver – non-utilisation	30.0	—	—	—	1.46%	—	—	1.46%
Euro revolver	70.0	41.9	33.9	81%	3.25%	1.36%	0.30%	4.41%
Euro revolver – non-utilisation	21.0	—	—	—	1.46%	—	—	1.46%
US private placement 2019	67.0	41.8	41.8	100%	5.52%	—	—	5.83%
US private placement 2024	48.0	29.9	29.9	100%	6.29%	—	—	6.74%
Unamortised finance costs (US PP)	—	(0.7)	—	—	—	—	—	—
Total	**391.6**	**342.9**	**302.3**	**88%**				**5.26%**

The UK term loan of £230 million is fully drawn at the year end and attracts a bank margin of 3.25%. The group has interest rate hedge agreements in place to June 2016 swapping LIBOR on £196.7 million at an effective rate of 1.71%.

The UK revolver of £30 million was undrawn at the year end. The Group pays a non-utilisation fee of 1.46% on undrawn balances.

The Euro revolver of €70 million has €49 million (£41.9 million) drawn at the year end and attracts a bank margin of 3.25%. The Group has interest rate hedges in place to June 2016 swapping EURIBOR on €40 million at an effective rate of 1.361%.

The US Private Placement Notes are fully hedged at 5.83% for the 2019 notes and 6.74% for the 2024 notes.

Net finance costs continued

The hedge arrangements provide cover for 88% of the drawn debt. Net Interest payable includes a fair value gain in respect of the fair value movement on derivatives of £2.8 million (FY2012: loss of £1.9 million).

Overall, the Group had an effective interest rate on its borrowings of 5.3% during 2013. This is expected to reduce in 2014 subsequent to the capital structure changes announced in this statement.

The exceptional finance expense of £10 million in 2012 represented the debt issue costs relating to the previous banking facility which were written off as well as the debt issue costs of the facility agreed in May 2012. These costs were expensed as prescribed by IAS 39.

Interest on finance leases was £5.0 million (FY2012: £5.7 million) and reflects part of the leasehold rental payment. The balance is charged through the gain/(loss) on investment properties line and contingent rent in the income statement. Overall, the leasehold rent charge is down from £10.8 million in 2012 to £10.2 million in 2013, reflecting the closure of the Enfield South store and other rent reductions negotiated in the period.

REIT status

The Group converted to REIT status on 1 April 2013. Since then, the Group benefits from a zero tax rate on the Group's UK self-storage income. The Group is only liable to UK tax on the profits attributable to the residual business consisting of the sale of ancillary products such as insurance and packaging products.

The Group's French business remains liable to tax on its self-storage and ancillary businesses as it is not entitled to relief under UK REIT rules as its business does not relate to UK property income.

Tax

The tax credit for the year is analysed below:

	2013 £'m	2012 £'m
Deferred tax release	**(63.2)**	—
Current tax	**0.9**	0.5
Underlying deferred tax	**2.2**	5.5
Tax on investment properties movement	**1.9**	(9.4)
Impact of underlying tax rate change from 25% to 23%	**—**	(6.3)
Other	**(1.7)**	(2.0)
Tax credit	**(59.9)**	(11.7)

The income tax credit in the year is £59.9 million (FY2012: £11.7 million). The increase in the income tax credit is driven by a deferred tax credit of £63.2 million arising from the release of the UK deferred tax provision following the REIT conversion discussed above.

In the current year the current tax charge all relates to the French business and amounted to £0.9 million (FY2012: £0.5 million). Underlying deferred tax related to the French business and amounted to a charge of £2.2 million. In the prior year underlying deferred tax related to both the UK and French businesses and amounted to a charge of £5.5 million.

In the previous year the impact on the deferred tax charge of changes in UK tax rates from 25% to 23% was a credit of £6.3 million.

The tax impact of the gain on investment properties and the tax effect of exceptional items was a charge of £1.9 million (FY2012: credit of £9.4 million).

Profit after tax

The profit after tax for 2013 was £108.5 million as compared with a loss of £7.8 million in 2012. Basic EPS was 57.8 pence (FY2012: loss of 4.2 pence) and diluted EPS was 57.3 pence (FY2012: loss of 4.2 pence). Management considers cash tax adjusted EPS to be more representative of the underlying EPS performance of the business and this is discussed above.

Dividends

The Group's UK business converted to REIT status on 1 April 2013. REIT regulatory requirements determine the minimum level of Property Income Dividend ("PID") payable by the Group. The Group's full year dividend of 5.75 pence is 1.8% up on the prior year dividend of 5.65 pence. The PID element of the dividend is 4.08 pence.

Shareholders will be asked to approve the final dividend of 3.9 pence (FY2012: 3.8 pence) at the Annual General Meeting on 19 March 2014. If approved by shareholders, the final dividend will be payable on 11 April 2014 to shareholders on the register at close of business on 14 March 2014.

Property valuation

Cushman & Wakefield has valued the Group's property portfolio. As at 31 October 2013, the total value of the Group's portfolio was £724.6 million (excluding investment properties under construction of £5.6 million). This represents an increase of £39.5 million or 5.7% compared with the £685.1 million valuation as at 31 October 2012. A reconciliation of the movement is set out below:

	UK £'m	France £'m	Total £'m	France €'m
Value as at 1 November 2012	520.7	164.4	685.1	204.1
Currency translation movement	—	10.4	10.4	—
Additions	3.2	1.0	4.2	1.2
Revaluation	19.2	6.6	25.8	7.7
Capital Goods Scheme	(2.2)	—	(2.2)	—
Reclassification	1.3	—	1.3	—
Value at 31 October 2013	**542.2**	**182.4**	**724.6**	**213.0**

The table above summarises the movement in the property valuations.

The exchange rate at 31 October 2013 was €1.17:£1 compared to €1.24:£1 at 31 October 2012. This movement in the foreign exchange rate has resulted in a £10.4 million positive currency translation movement in the period. This will impact the net asset value ("NAV") but has no impact on the loan to value ("LTV") covenant as the assets in Paris are tested in Euro.

The revaluation of the UK property portfolio shows an increase of £21.5 million compared with 31 October 2012. In November 2013, the Group sold its Whitechapel store for £41.1 million which represented a £14.6 million premium to the book value of the site. Given the proximity of this disposal to the 31 October 2013 year end, the valuer reflected the sale value through the 31 October 2013 valuation which is the key driver of the increase in the UK valuation.

The French property valuation increased by €8.9 million in the year reflecting improving operating metrics in the business.

As a direct result of the imposition of VAT on self-storage in the UK in October 2012 we will be able to reclaim VAT previously written off under the Capital Goods Scheme. During the current financial year we have re-assessed the present value of the amount reclaimable and have reflected a further gain of £2.2 million through the gain on investment properties.

The Group freehold exit yield for the valuation at 31 October 2013 was 7.73% which is a small improvement on the exit yield of 7.85% adopted at 31 October 2012.

The weighted average annual discount rate for the whole portfolio has followed a similar trend to exit yields and reduced from 12.11% to 11.91%.

The Company's pipeline of expansion stores is valued at £5.6 million as at 31 October 2013, a £0.2 million increase on the 2012 valuation of £5.4 million.

The property portfolio valuation has increased by £26.8 million from the valuation of £697.8 million at 30 April 2013 which reflects the revaluation of the Whitechapel store, further currency gains and the impact of lease re-gears in the UK business.

The adjusted EPRA NAV per share is 210.4 pence, up 11.5% on 31 October 2012. The main contributory factors in this movement are the positive impacts of the movements in the Euro exchange rate and the upward revaluation of the investment property portfolio.

Gearing and capital structure

Net debt stood at £382.8 million at 31 October 2013, a reduction of £11.4 million from the 2012 position of £394.2 million. Total capital increased from £637.5 million at 31 October 2012 to £728.7 million at 31 October 2013. The net impact is that the gearing ratio has moved from 62% to 53% in the period.

Management also measures gearing with reference to its loan to value ("LTV") ratio defined as gross debt (excluding finance leases) as a proportion of the valuation of investment properties and investment properties under construction (excluding finance leases). At 31 October 2013 the Group LTV ratio was 47% as compared to 50% at 31 October 2012. Management considers that a Group LTV of circa 40% represents an appropriate medium-term capital structure objective.

Subsequent to the end of the financial year the Group sold its Whitechapel property for £41.1 million. The Whitechapel property was valued within investment properties at £41.1 million at 31 October 2013. Subsequent to the sale of the Whitechapel site, the Group has used the proceeds to pay down debt under the existing UK term facility. In addition, the Group has paid down a further £9 million of UK term loan from internal cash resources. The impact on Group LTV of this reduction in debt and associated property sale would have been to reduce Group LTV at 31 October 2013 to 43%.

The Group has also decided, given the significant de-leveraging described above, to amend and extend its existing UK bank facilities. As a result the £230 million UK term loan facility is reduced to £181.2 million and the UK revolver has been increased to £50 million. The Euro revolver remains at €70 million. The US Private Placement reduced from $115 million to $113 million.

The UK and Euro facilities are extended from June 2016 to June 2018 and the margin ratchet is reduced by 0.25% to a range of 2.25% to 3.25% based on the interest cover ratio. It is expected that the initial margin payable will be 2.75% as compared with the margin paid through most of 2013 of 3.25%. Repayments of £5 million will be made on the UK term facility every six months commencing on 31 October 2015.

Gearing and capital structure continued

The UK bank facilities and the US Private Placement share interest cover and loan to value ("LTV") covenants. As part of the amendment and extension of the bank facilities the interest cover requirement commences at a level of EBITDA: interest of 2.0:1. In July 2015 this increases to 2.2:1 and in July 2016 the covenant ratchets to 2.4:1 where it remains until the end of the facilities' life. The French LTV remains at 60% throughout the life of the facility and the UK LTV covenant reduces from 62.5% to 60.0% in April 2015 where it remains until the end of the facility's life.

There is no amortisation on the US Private Placement debt of $113 million. $66 million was issued at 5.52% (swapped to 5.83%) with 2019 maturity and $47 million was issued at 6.29% (swapped to 6.74%) with 2024 maturity.

Future liquidity and capital resources

Borrowings under the existing bank facilities are subject to certain financial covenants and the Group is in compliance with its covenants at 31 October 2013 and, based on forecast projections, for a period in excess of twelve months from the date of this report.

Cash flow

The table below sets out the cash flow of the business in 2013 and 2012.

	Financial year	
	2013 £'m	2012 £'m
Underlying EBITDA	**50.8**	50.3
Working capital/exceptionals/other	**1.5**	2.3
Operating cash flow	**52.3**	52.6
Capital expenditure – investment properties	**(4.7)**	(20.2)
Capital expenditure – property, plant and equipment	**(0.2)**	(1.3)
Capital Goods Scheme receipt	**3.1**	—
Net outflow from investing activities	**(1.8)**	(21.5)
Interest payments	**(17.5)**	(14.9)
Leasehold rent payments	**(10.2)**	(10.8)
Tax payments	**(0.1)**	(0.7)
Free cash flow (before dividends and financing activities)	**22.7**	4.7
Dividends paid	**(10.6)**	(10.1)
New borrowings	**(3.4)**	5.9
Debt issuance costs	**—**	(7.7)
Net cash flow from financing activities	**(14.0)**	(11.9)
Net increase/(decrease) in cash	**8.7**	(7.2)

Operating cash flow reduced by £0.3 million in the period. The improvement in underlying EBITDA was reduced by the impact of an improvement in the movement on working capital and an increase in exceptional costs in the year.

The cash outflow from investing activities decreased significantly in the period from £21.5 million in 2012 to £1.8 million in 2013. No new stores were opened in the period which resulted in the decrease in capital expenditure. In addition the Group received £3.1 million under the Capital Goods Scheme. Since the imposition of VAT on self-storage in October 2012, VAT paid on certain capital expenditures from previous periods can now be reclaimed. Management has estimated the total amount to be reclaimed at £11.7 million. The first £3.1 million was received in 2013 and the present value of the balance is included in other receivables in the balance sheet.

The timing of interest payments resulted in an increase in this cash outflow in 2013. After the 2012 re-financing, the timing of interest payments resulted in a lower cash outflow which has returned to a normal schedule in 2013.

As a result of the above, free cash flow increased from £4.7 million in 2012 to £22.7 million in 2013.

A Jones
Chief Financial Officer
29 January 2014

Corporate responsibility ("CR")

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

— **Our marketplace**

— **Our people**

— **Our community**

— **Our environment**

We have set out our policy and commitments for each of these groups below.

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

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

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

Highlights

- We have been accredited for the fifth year running with membership of the FTSE4Good Index.

- We ran our unique "Dash to Donate" initiative for the fourth consecutive year, collecting 1,090 bags of saleable items for Scope, equivalent to approximately £21,800, supporting its hard work helping disabled people and their families.

- We supported Hands on London for the second year with their Wrap Up London 2013 campaign where over 15,500 coats were collected and distributed to shelters and refuges in London.

Safestore and our marketplace

Policy statement

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

We will:

— maintain a customer engagement programme that aims to continually deliver "best in class" standards of customer service;

— support the evolution of the broader self-storage sector and actively participate in industry forums and conferences to share best practice;

— be an active member of the Self-Storage Association; and

— work proactively with council planners and the broader community regarding our store development programme.

Space Specialists

During the year our Space Specialists programme has continued to play a pivotal role in the way we interact with our customers. The year saw us introduce a focus on Confident Conversations, a training programme introduced to further enhance this interaction. This has been underpinned by sales training and an intranet based support guide. This has seen our teams focus on a customer first approach. Within this we are passionate about bringing together expert knowledge, great questioning and listening techniques to understand every customer's individual needs and provide a bespoke storage solution.

A key measure of our success is customer feedback and we continue to adapt our approach based on real customer opinion.

VOICE

Following a successful trial in FY2012 we rolled out VOICE, our customer feedback platform. This involves seeking real-time customer feedback across all stages of the customer journey from enquiry through to vacate. Management information is available across all levels supporting our store, regional, CSC and Head Office teams on a customer-centric approach.

Later in the year, as we continued to review customer feedback and innovate, we introduced call recording which has given us further opportunity to review and develop.

Safestore and our people

Policy statement

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

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

Health and safety

- Conducting regular health and safety reviews across our portfolio including the review of risk assessments and accident reports to identify, prevent and mitigate against potential risks.
- Ensuring our Health and Safety Committee meets regularly to review issues, process, policy and actions harnessing a culture where health and safety always sits high on our agenda.
- Delivering accredited health and safety training relevant to job role as standard to all colleagues.

Equality and diversity

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

Work/life balance

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

Training

As an "Investors in People" organisation since 2003 our aim is to be an employer of choice and we passionately believe that our continual success is dependent on our highly motivated and well trained colleagues. We are delighted that for the year FY2013 our people have participated in over 11,000 hours of training time.

This training consisted of:

- courses fulfilling health and safety requirements;
- the continued delivery of Safestore's bespoke Space Specialist programme, enabling our colleagues to be experts in self-storage who, by putting their customers first, take pride in delivering the best solution for them;
- coaching and performance management courses which focus on team and individual motivation, different learning preferences and leadership styles; and
- Careerstore: a personal development programme whereby colleagues achieve awards upon meeting set targets.

Promotions

30 colleagues were successfully promoted to a more senior position.

Safestore and our community

Policy statement

Safestore is committed to be a responsible business in how we contribute to our local communities nationwide. It is important for us that our colleagues work for an organisation that is socially responsible as we recognise that our activities can have an impact on those around us. We are not only committed to minimising that impact where possible, but to seek out practical and creative solutions by working with and supporting a number of charitable causes.

We have continued to:

— provide national charity support through partnering with a charity of the year striving to build long-term relationships;

— provide local support for the communities in which we operate through our "charity room in every store" scheme;

— use our communications platform to assist charitable partners in raising awareness of their cause inspiring others to get involved;

— consider requests for community support helping initiatives where we feel our available resources can add the most value; and

— meet our charitable partners regularly to nurture existing relationships and objectively consider new charitable requests.

Scope

We are now in our fifth year of partnering with Scope as our "charity of the year". In addition to the provision of free storage space we were delighted to work with Scope, our colleagues, our customers and the wider community on a "Dash to Donate" week where bags of donated stock were collected for Scope charity outlets. This year we collected 1,090 bags raising £21,800 for the charity.

Richard Hawkes, Chief Executive, Scope said:

"We were delighted to partner with Safestore again this year, during which time our partnership has continued to evolve. As well as donating storage worth thousands of pounds they took part in a very successful Dash to Donate event for the fourth year running, generating much-needed stock for our charity shops. In addition to this event, for the first time, Safestore staff enjoyed organising fundraising activities across the country with the £14,205 raised going to support disabled people and their families.

Scope provides support, advice and information for more than 250,000 disabled people and their family members every year. Among other things, we play a vital role in supporting families when they first receive a diagnosis and during a child's crucial early years. Our partnership with Safestore enables us reach even more of these families. We would like to thank Safestore for their valuable support this year and we look forward to working with them again in 2014."

Hands on London

For a second year running Safestore supported Hands on London, which is committed to community based volunteering. In FY2013 we participated in their Wrap Up London campaign which encouraged Londoners to donate a coat to charity. This year Wrap Up London collected over 15,500 coats. Safestore supported the collection, storage and sorting of the coats prior to distribution to shelters, refuges and other charities.

David Bulmer, CEO, Hands on London said:

"Safestore have been a key partner for Wrap Up London since the project started in 2011, and we couldn't run the campaign without this support. The space provided at four locations across London has a huge impact on Wrap Up London, and is absolutely invaluable, but it is only a small part of the help Safestore gives us each year, from support with press and promotion and project planning, through helping to collect and store donations at branches, to the encouragement we get from branch managers every time we go into the store. We absolutely couldn't thank Safestore enough for their help this year in bringing warm coats to over 15,500 people across the capital, and for keeping Hands on London staff smiling whilst sorting through each one!"

Charity Champions

In 2013, we were delighted to introduce Charity Champions for each of our store regions as we continue to build on our commitment to engage our colleagues with the wider community and support local charities around the UK. The role of the Charity Champions is to act as an ambassador for the stores within their region, encourage fundraising activities and engage with the local community and charities.

James Gourlay, store manager at Reading, commented:

"It was worth the effort and we are all really pleased that we have been able to raise money for such a great charity."

Local charity support

As part of our working together culture the year has seen us make many positive contributions to local charities around the UK such as offering storage to Hanworth Girl Guides, food collections for Basildon foodbank, bubble wrap donations to the Metropolitan's Police UK Unity cycle tour and ten of our colleagues cycling a gruelling 60 miles to raise money for St Ann's Hospice in Manchester.

Safestore and our environment

Policy statement

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

When carrying out our business activities Safestore endeavours to:

— be sensitive in the use of scarce resources, minimising waste production and promoting reuse and recycling where possible;

— communicate our commitment to the environment throughout our business;

— continue to deploy cardboard waste disposal facilities across our portfolio;

— use our communications platform to promote conservation activities to our main stakeholders;

— ensure the safe handling and disposal of products;

— support ethical purchasing by minimising the environmental impact of the products we buy and sell;

— consider eco design solutions when building new stores and as a minimum always build to BRE Environmental Assessment Method standard; and

— actively seek out green energy solutions.

Highlights

— We achieved an overall recycling rate of 54% with recycling collections in place at all of our sites.

— 90% of the steel used in our new stores is recycled.

— The lighting is controlled by motion sensors in 95% of our stores.

— Three of our newest stores have photovoltaic solar panels and have generated 35,100 kWh of electricity this year.

Our packaging range

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

This year we used 244 tonnes of recycled paper and, through the provision of a recycled box range, cardboard recycling points and a box for life scheme, we have saved approximately 4,155 trees from being unnecessarily felled.

We consider our environmental responsibilities to extend beyond our box range and we continue to look at all aspects of our packaging range seeking green alternatives wherever this is commercially practical.

Safestore and our environment continued

Mandatory greenhouse gas ("GHG") emissions reporting

The release of GHGs, notably carbon dioxide generated by burning fossil fuels, has an impact on climate change which presents risks both our business and the planet.

We are pleased to make our first report in compliance with the adoption of the Companies Act Climate Change Regulation (October 2013) on reporting GHG emissions for listed companies. We provide a summary of Scope 1 (direct) and Scope 2 (indirect) carbon dioxide equivalent (CO_2e) emissions. Reporting of Scope 3 emissions, such as third party business travel, is not required by UK regulation, but in future years we will look to incorporate this into our strategy for the reduction of our GHG emissions. We are actively working to improve the energy efficiency of our existing property portfolio.

Methodology

Scope of analysis and data collection

The Group's property portfolio consists of 97 properties in the UK and 25 in France, including the Group's head office, which are 100% owned and controlled by the Group (either freehold or leasehold). This accounts for 100% of floor space. We collected data on stationary energy use, business vehicle mileage, waste generation and water use and this is deemed to be where a significant proportion of the Group's emissions arise.

- **KPI selection and calculation**
  We have reported on GHG emissions, waste generation and water use as the key performance indicators ("KPIs") of the Group.

- **GHG emissions are split as follows:**
  Scope 1 – direct emissions from sources which the Company owns and controls. This includes direct emissions from fuel and industrial processes.

  Scope 2 – indirect emissions relating solely to the generation of purchased electricity that is consumed by the owned or controlled equipment or operations of the Company.

Calculation

Scope 1 emissions were calculated from data on stationary energy use and business vehicle mileage.

Scope 2 emissions were calculated from electricity consumption data.

Highlights

- Total GHG emissions were 7,833 tonnes CO_2e. Scope 2 accounted for 91% of emissions. Almost 100% of Scope 2 emissions come from the UK as France does not consume any fossil fuel energy.
- Business vehicles travelled 189,025 miles, resulting in 56 tonnes CO_2e.
- Total stationary energy use was 19,825,401 kWh, 82% of which was electricity.
- Total waste generated was 22,578 tonnes, 54% of which was recycled.
- Total water use was 26,169 m^3.

The amount of carbon emissions in the year ended 31 October 2013 is set out in the table below:

	For the period from 1 November 2012 to 31 October 2013
Scope 1 – Direct CO_2 emissions (tonnes CO_2)	726
Scope 2 – Indirect CO_2 emissions (tonnes CO_2)	7,107
Total emissions (tonnes CO_2)	7,833
CO_2 ratio: Tonnes CO_2e per floor space (thousand sq ft)	1.0

The data in the above table was compiled by Trucost using data received from the Company.

The Greenhouse Gas Protocol methodology was used for compiling the data. We used the following emission conversion factor sources:

- Natural gas: DEFRA 2013 conversion factor for kWh natural gas (gross CV basis)
- Diesel: DEFRA 2013 conversion factor for miles of diesel (average car)
- Purchased electricity:
  - UK: DEFRA 2013 conversion factor
  - France: IEA Fuel Combustion (Highlights 2011 Edition) and EIA Foreign Electricity Emission Factors

The Group's GHG emissions for 2012/13 covered 100% of floor space for the emission sources illustrated above. The Company is looking for continual improvement in the clarity of its data in future years.

We can further improve our environmental reporting by including Scope 3 emission sources, being business travel and employee commuting. In future, we shall seek to expand Scope 3 calculations to measure the environmental impacts of the rest of our supply chain.

Corporate governance introduction

Alan Lewis
Non-Executive Chairman

Chairman's governance statement

The Board of Safestore believes that corporate governance is important in ensuring its effectiveness. It has an established framework of policies and processes that are regularly reviewed against developments in the legislative, regulatory and governance landscape.

This governance report comprises the following sections:

— How the Board works

— Effectiveness

— Relations with shareholders

— Accountability

— Nomination Committee Report

— Audit Committee Report

— Remuneration Report

The role of the Board

The Board's main role is to work with the Executive Team, providing support and advice to complement and enhance the work undertaken. The Board consistently challenges processes, plans and actions in order to promote continuous and sustained improvement across the business.

UK Corporate Governance Code – statement of compliance

The Group recognises the importance of, and is committed to, high standards of corporate governance. These are set out in the UK Corporate Governance Code issued by the Financial Reporting Council in September 2012 (the "Code"). The Board is accountable to the Company's shareholders for good governance and this report describes how the Board has applied the main principles of good governance set out in the Code during the year under review. Throughout the year the Company has complied with the main principles of the Code (as they apply to a smaller company outside the FTSE 350).

I am pleased to report that Safestore has complied with the provisions the Code throughout the year ended 31 October 2013.

A S Lewis
Non-Executive Chairman
29 January 2014

Board of Directors

Alan Lewis

Non-Executive Chairman

Remuneration Committee
Nomination Committee

Alan Lewis joined the Board in 2009 and became Chairman on 1 January 2014. Additionally he is non-executive chairman of Porterbrook, a train leasing business, National Friendly, a mutual society which provides medical insurance, and Amplan Developments, a private property development business. The majority of his career has been in the private equity industry: first with 3i from 1981, then from 1991 to 2011 with Bridgepoint, where he was a founding and senior partner and a member of the investment committee. He has worked with numerous companies throughout Europe analysing investments, directing strategy through board membership and realising value.

Prior to private equity he worked in manufacturing with RTZ and Black & Decker. Mr Lewis is a graduate of Liverpool University and holds an MBA from Manchester Business School. He is also a member of the advisory board of Leaders Quest, a global social enterprise committed to developing leadership skills in diverse communities.

Frederic Vecchioli

Chief Executive Officer

Frederic Vecchioli is a founding Director of our French business and has overseen its growth to 25 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. Mr Vecchioli became Chief Executive Officer of the Group on 4 September 2013. He has a Master of Finance from the University of Paris Dauphine.

Andy Jones

Chief Financial Officer

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

Adrian Martin

Senior Independent Director

Audit Committee
Nomination Committee

Adrian Martin joined the Group in 2008 as a Non-Executive Director and Chairman of the Audit Committee. He is also currently non-executive chairman of Morgan Sindall plc, and a non-executive director of M&C Saatchi plc and H R Owen plc. Previously he was managing partner at BDO Stoy Hayward and chief executive at the law firm Reynolds Porter Chamberlain LLP.

Ian Krieger

Non-Executive Director

Audit Committee
Nomination Committee

Ian Krieger joined the Group in October 2013 as a Non-Executive Director. He is a non-executive director and chairman of the audit committee of Premier Foods plc. He is a director of Anthony Nolan (blood cancer charity) where he is chairman of the audit committee and he is also a trustee of the Nuffield Trust. Previously Ian was a senior partner and vice-chairman at Deloitte until his retirement in 2012. During his 40 year career at Arthur Andersen and since 2002 Deloitte, his responsibilities have included heading the corporate finance practice, the London corporate audit division and the private equity practice. Ian has significant boardroom experience and has worked with a wide variety of companies throughout his career.

Keith Edelman

Non-Executive Director

Audit Committee
Nomination Committee
Remuneration Committee

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

Corporate governance

How the Board works

The Board

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

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

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

There is a clear division of responsibilities between the Chairman and Chief Executive Officer. Adrian Martin, deemed to be independent upon his appointment in 2008, is the Senior Independent Director. Keith Edelman is deemed to be independent. Alan Lewis was deemed to be independent from January 2011 following the disposal by Bridgepoint, a major shareholder in the Company, of its shareholding in the Company. Ian Krieger was deemed to be independent upon his appointment in October 2013.

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

Composition of the Board

Chairman	1
Executive Directors	2
Independent Non-Executive Directors	3

The statement of the division of responsibilities between the Chairman and the Chief Executive Officer is available on the Group's website at www.safestore.com.

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

Board process

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

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

Board process diagram

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

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

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

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

Attendance at Board/Committee meetings

Attendance at meetings of the individual Directors at the Board and for the members of the Committees that they were eligible to attend is shown in the table below:

Director	Board	Audit Committee	Nomination Committee	Remuneration Committee
Alan Lewis	10/10	—	7/7	3/3
Frederic Vecchioli	10/10	—	—	—
Andy Jones	5/5	—	—	—
Adrian Martin	10/10	3/3	6/7	—
Keith Edelman	10/10	3/3	—	3/3
Ian Krieger	1/1	—	—	—
Richard Grainger	10/10	—	7/7	3/3
Peter Gowers	7/7	—	4/4	—
Richard Hodsden	5/5	—	—	—

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 the Executive Directors.

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

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

Board committees

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

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

Audit Committee (pages 32 to 33)
The Audit Committee comprises Adrian Martin (Chairman), Keith Edelman and Ian Krieger.

Remuneration Committee (pages 34 to 45)
The Remuneration Committee comprises Keith Edelman (Chairman) and Alan Lewis. Richard Grainger was a member of the committee until his retirement in December 2013.

Nomination Committee (page 31)
The Nomination Committee comprises Alan Lewis (Chairman), Adrian Martin, Keith Edelman and Ian Krieger.

Effectiveness

Board performance evaluation

During the year, an evaluation of the performance of the Board, its committees, the individual Directors and the Chairman was conducted. The Board and committee evaluation process was led by the Chairman. Directors completed detailed written questionnaires covering a number of key areas including strategy, succession planning, Board size and composition, risk management and the relationship between the Board and management. The results of the reviews were then considered by the Chairman and discussed by the Board as a whole.

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

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

Board appointments

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

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

Re-election of Directors

The Company's Articles of Association provide that one-third of the Directors retire by rotation each year and that each Director will seek re-election by the shareholders at the AGM at least once every three years. Additionally, new Directors are subject to election by shareholders at the first opportunity after their appointment. Details of the Directors seeking re-election at the 2014 AGM are given in the Notice of Annual General Meeting.

Relations with shareholders

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

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

Accountability

Risk management

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

Internal control

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

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

- an annual strategy review process to ensure that the Group's resources are prioritised to deliver optimum shareholder returns;
- a comprehensive system of reporting monthly, half yearly and annual financial results to the Directors and key groups of senior management, focusing on key initiatives reviewing performance and implementing remedial action where necessary;
- a robust and detailed process to develop the Group's annual budget and regular revised forecasts;
- monthly Group management accounts to report performance as compared to budget and/or forecast as appropriate;
- a management structure with clearly defined authority limits; and
- development and frequent reporting of relevant Key Performance Indicators to monitor operational progress.

The Directors believe that the system of internal control is appropriate for the Group. The Group currently employs a risk manager supported by two store auditors who are responsible for reviewing operational and financial control at store level. The risk manager reports to the Chief Executive Officer and Chief Financial Officer.

A summary of the principal risks and uncertainties within the business are set out on pages 10 to 11.

Nomination Committee report

Members of the Committee

The Nomination Committee (the "Committee") comprises:

— Alan Lewis (Chairman)

— Adrian Martin

— Keith Edelman

— Ian Krieger

Alan Lewis succeeded Richard Grainger as Chairman upon his retirement on 31 December 2013. Peter Gowers was a member of the committee until September 2013. Keith Edelman and Ian Krieger were appointed members of the committee in December 2013.

The Nomination Committee is appointed by the Board and it now comprises the Chairman of the Board and all of the Non-Executive Directors. The Chairman does not chair or attend when the committee is considering matters relating to his position, in which circumstances, the committee is chaired by an independent Non-Executive Director, usually the Senior Independent Director.

Role

The committee keeps the composition of the Board under review, makes recommendations on its membership and monitors succession planning for Directors. It also evaluates Board and committee performance. The committee adopts a formal, rigorous and transparent procedure for the appointment of new Directors to the Board.

Succession planning

The Board comprises two Executive Directors complemented by Non-Executive Directors who have wide business experience and skills as well as a detailed understanding of the Group's philosophy and strategy. 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 Management Team below Board level.

All aspects of diversity are considered at every level of recruitment. All appointments to the Board are made on merit. The committee seeks a Board composition with the right balance of skills and diversity to meet the demands of the business. The Board does not consider that quotas are appropriate for its representation and has therefore chosen not to set targets.

During the year, the Committee considered the succession of the Chief Financial Officer and after an externally facilitated search and selection process the appointment of Andy Jones was recommended to the Board and he was appointed a Director in May 2013. As a result of internal succession capability that was supported by an evaluation undertaken by external advisers, the Committee recommended that Frederic Vecchioli succeed Peter Gowers as Chief Executive Officer in September 2013.

After five and a half years as Chairman and seven years as a Non-Executive Director, Richard Grainger retired in December 2013 and the committee recommended Alan Lewis be appointed Chairman. This was ratified by the Board.

Ian Krieger will succeed Adrian Martin as Chairman of the Audit Committee around the time of the 2014 AGM. Adrian Martin has signified his willingness to continue as Senior Independent Director.

Board performance evaluation

The Board engaged advisers to undertake the annual evaluation of the performance of the Board and its committees seeking to identify areas where performance and procedures might be improved. The scope of the review was agreed with the Chairman to set the context for the evaluation. Each Director completed questionnaires on the performance of the Board, its committees and the Chairman. The anonymity of respondents was ensured in order to promote the open and frank exchange of views. A report was produced mapping the performance of the Board which addressed the following areas:

— dynamics of the Board, including the engagement of the Directors in the affairs of the Company and the environment in the boardroom;

— the priorities for Board meetings;

— management of time, planning of the annual cycle of work and agenda;

— evaluation of the Board's oversight of operations;

— management of risk, including the Board's review and testing of risk management policies;

— composition and performance of the committees of the Board; and

— identification of the main priorities for the Board for the coming year.

The content for any subsequent evaluation 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.

Directors standing for re-election

Andy Jones and Ian Krieger were appointed to the Board after the 2013 AGM.

All Directors will stand for re-election at the 2014 AGM. Following the annual Board performance reviews of individual Directors, as applicable, the Chairman 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 skill, 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, therefore recommends the re-election of each Director standing for re-election. Full biographical details of each Director are available on pages 26 to 27.

The full terms of reference of the Nomination Committee are available on the Group's website at www.safestore.com.

This report was approved by the Nomination Committee for release on 30 January 2014 and signed on its behalf by:

A S Lewis
Chairman of the Nomination Committee

Audit Committee report

Members of the Committee

- Adrian Martin (Chairman)
- Keith Edelman
- Ian Krieger

During the year, Ian Krieger joined the Audit Committee on his appointment to the Board on 3 October 2013 and he will succeed Adrian Martin as Chairman of the Committee around the time of the 2014 Annual General Meeting.

Role

The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities. This includes reviewing the financial reports and other financial information before publication. In addition, the Committee also reviews the systems of internal controls on a continuing basis, with respect to finance, accounting, risk management, compliance, fraud and audit that management and the Board have established.

The Committee has responsibility for the financial reporting processes, along with reviewing the roles and effectiveness of both the internal store assurance team and the external auditors. The ultimate responsibility for reviewing and approving the annual and other accounts remains with the Board.

The key terms set out that the Audit Committee will:

- serve as an independent and objective party to monitor the quality and timeliness of the financial reporting process and monitor the internal financial control system;
- review and appraise the effectiveness of the external auditors;
- provide an open line of communication between the independent external auditors and the Board of Directors;
- confirm and ensure the independence and objectivity of the external auditors (in particular, in the context of the provision of additional services to the Company);
- review and ensure the effectiveness of the risk management processes of the Company;
- review and monitor the effectiveness of the store assurance function, management's responsiveness to any findings and recommendations, and consideration of the need for the introduction of an internal audit function;
- assess potential conflicts of interest of directors on behalf of the Board; and
- report to the Board on how it has discharged its responsibilities.

Risk management and internal control

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

Safestore's internal controls, along with its design and operating effectiveness, are subject to annual review by the Audit Committee through reports received from management, along with those from the external auditors. Further details of risk management and internal control are set out on pages 10 and 11.

Internal audit

The Audit Committee has oversight responsibilities for the store assurance team which is responsible for reviewing operational and financial controls at store level. The Group does not have a separate internal audit function and the Board periodically reviews the requirement for establishing one. Upon the recommendation of the Audit Committee, an externally facilitated review of the control environment was commissioned for all aspects of financial controls and business risks. Following completion of this project in early 2014, the Audit Committee will review the findings to determine whether a separate audit function is deemed necessary. Alternatively, a rolling programme of work will continue to be commissioned periodically until it is appropriate for the Group to establish an internal audit function.

Main activities of the Committee during the year

During the year the Audit Committee's business has included the following items:

- half year results;
- full year results;
- principal judgemental accounting matters affecting the Group based on reports from both the Group's management and the external auditors;
- external audit plans and reports;
- risk and assurance plans and reports, including:
  - store assurance audit reports;
  - internal financial control assessments;
  - fraud and loss prevention;
  - revenue protection; and
  - risk assessment;
- information security and business continuity;
- whistleblower reports;
- store assurance team effectiveness and independence;
- external audit effectiveness, independence and re-appointment;
- anti-bribery and corruption procedures; and
- specific investigations as required.

Financial reporting and significant financial judgements

The committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. The Committee reviews accounting papers prepared by management which provide details on the main financial reporting judgements.

The Committee also reviews reports by the external auditors on the full year and half year results which highlight any issues with respect to the work undertaken on the year-end audit and half-year review.

The Committee pays particular attention to matters it considers to be important by virtue of their impact on the Group's results and remuneration, and particularly those which involve 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 discussed 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 Board considered the valuation in detail at its meeting to approve the financial statements.

Presumed risk of management override of controls – The Committee considered the risks of fraud as defined by auditing standards and was content that there were no issues arising.

Financial statements – The Committee considered and was satisfied with management's presentation of the financial statements, and in particular, the presentation of certain items as exceptional.

Management confirmed to the Committee that it was not aware of any material misstatements and the auditors confirmed that they had found no material misstatements during the course of their work. The Committee is satisfied that the judgements made by management are reasonable and that appropriate disclosures have been included in the accounts.

After reviewing the reports from management and following its discussions with the valuers and auditors, 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, challenged and are sufficiently robust.

External auditors

The Audit Committee has responsibility for making a recommendation on the appointment, re-appointment and removal of the external auditors. PricewaterhouseCoopers LLP were re-appointed auditors of the Group at the Annual General Meeting held in March 2013. During the year the Committee received and reviewed audit plans and reports from the external auditors. It is standard practice for the external auditors to meet privately with the Audit Committee without any member of management or the Executive Directors being present at each Audit Committee meeting.

Audit tendering

The Audit Committee has noted the changes to the Code, the recent findings of the Competition Commission and the guidance for audit committees issued by the Financial Reporting Council, each in the context of tendering for the external audit contract. The Company's external audit was last tendered in 2003, resulting in a change of external auditors to PricewaterhouseCoopers LLP. Since 2003, there have been three different senior statutory auditors in line with the required rotation timetable. The Committee will continue to give consideration to the timing of the next formal tender in light of the applicable regulatory requirements and any further changes in the regulatory framework. There are no contractual obligations that restrict the choice of external auditors.

Effectiveness of external auditors

To assess the effectiveness of the external audit process, the auditors are asked on an annual basis to articulate the steps that they have taken to ensure objectivity and independence, including where the auditor provides non-audit services. The Committee monitors the auditors' performance, behaviour and effectiveness during the exercise of their duties, which informs the Audit Committee's decision to recommend reappointment on an annual basis.

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 auditors. In order to preserve auditor objectivity and independence, PricewaterhouseCoopers LLP are not asked to provide consulting or advisory services unless this is in the best interests of the Company. In the current financial year, PricewaterhouseCoopers LLP did provide additional taxation services in relation to the conversion to REIT. It was considered that the services should be provided by the external auditor given their existing knowledge of the business, profits and taxation affairs. It was also determined that the nature of the work would not impact auditor objectivity and independence given the safeguards in place. In the financial year, Safestore spent £0.2 million with PricewaterhouseCoopers LLP (2012: £0.1 million) in respect of non-audit services.

This report was approved by the Audit Committee for release on 30 January 2014 and signed on its behalf by:

A H Martin
Chairman of the Audit Committee
29 January 2014

Directors' remuneration report
for the year ended 31 October 2013

Keith Edelman
Chairman of the Remuneration Committee

Annual Statement
Dear shareholder

This report sets out the remuneration policy for the Directors of Safestore Holdings plc and discloses amounts paid to them over the course of the financial year. In line with the UK Government's revised legislation regarding the reporting of directors' remuneration published in 2013 by the Department for Business, Innovation and Skills ("BIS"), the Remuneration Committee has adopted the changes as required. This report has therefore been divided into the following three sections:

— **this Annual Statement:** summarising and explaining the major decisions on, and any substantial changes to, Directors' remuneration in the year;

— **Directors' remuneration policy:** which sets out the basis of remuneration for the Group's Directors from 1 November 2013 on; and

— **Annual report on remuneration:** which sets out the remuneration earned by the Group's Directors in the year ended 31 October 2013, together with how the policy set out in the previous section will be implemented.

The Directors' remuneration policy will be subject to a binding shareholder vote and the Annual report on remuneration will be subject to an advisory shareholder vote at the forthcoming AGM on 19 March 2014. In future, the Directors' remuneration policy will be subject to a binding vote every three years (sooner if changes are made to the policy) and the Annual report on remuneration will be subject to an annual advisory vote.

Performance and reward

The Company and executive team has performed well in light of the continuing challenging conditions. As a result, Executive Directors will receive annual bonus payments of 70% of salary for the year ended 31 October 2013. However, reflecting the challenging performance targets attached to the 2011 PSP awards which were due to vest in 2014 based on the three year performance period ended 31 October 2013, the threshold EPS and TSR performance targets were not met and the awards will therefore lapse.

Summary of key decisions in the year

The Remuneration Committee (the "Committee") continually reviews the senior Executive remuneration policy to ensure it promotes the attraction, motivation and retention of the high quality Executives who have been key to delivering the Company's strategy in the past and who will be key to delivering sustainable earnings growth and shareholder return in the future. The Committee's most recent conclusions are that the existing senior Executive remuneration policy remains appropriate and should continue to operate for FY2014. Specifically, the Committee felt that:

— Executive Director basic salary positioning remains appropriately positioned in the market;

— the structure and quantum of the annual bonus work well; and

— the long-term incentive grant policy, whereby nil-cost awards are granted annually with vesting based on earnings per share (two-thirds) and relative total shareholder return (one-third) performance conditions and continued service provide a strong alignment between the Senior Executive Team and shareholders. Grant levels and performance targets will continue to be reviewed in advance of each award and will reflect changes in market conditions.

In addition to the above, the Committee has also dealt with the resignations of both the Chief Executive Officer and Chief Financial Officer at separate points in the year and the appointments of their respective successors. Further details of the termination arrangements and new packages are described in the Annual report on remuneration overleaf.

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

K G Edelman
Chairman of the Remuneration Committee
29 January 2014

Directors' remuneration policy

Introduction and overview

The policy has been developed taking into account the principles of the UK Corporate Governance Code. The Board recognises that the Directors' remuneration is of legitimate concern to shareholders and is committed to following current best practice. The Group operates within a competitive environment; performance depends on the individual contributions of the Directors and employees and the Group believes in rewarding vision and innovation.

When setting Executive Directors' remuneration, the Committee endeavours to ensure that all Directors are provided with appropriate performance related and non-performance related pay to encourage enhanced performance and that they are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group.

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

Consideration of shareholder views

The Committee considers shareholder feedback received in relation to the AGM each year at a meeting immediately following the AGM. This feedback, plus any additional feedback received during any meetings from time to time, is then considered as part of the Group's annual review of remuneration policy. In addition, the Remuneration Committee will seek to engage directly with major shareholders and their representative bodies should any material changes be made to the remuneration policy. Details of votes cast for and against the resolution to approve last year's remuneration report and any matters discussed with shareholders during the year are set out in the Annual report on remuneration.

Consideration of employment conditions elsewhere in the Group

The Committee considers the general basic salary increase for the broader UK employee population when determining the annual salary increases for the Executive Directors. Employees have not been consulted in respect of the design of the Group's senior Executive remuneration policy, although the Committee will keep this under review.

The relative increase in Chief Executive Officer pay for the year under review, as compared with that of the general workforce, is set out in the Annual report on remuneration. The Committee also considers environmental, social and governance issues, and risk when reviewing executive pay quantum and structure.

Summary of remuneration policy for FY2013

Element	How component supports corporate strategy	Operation	Maximum	Performance targets and recovery provisions	Changes to policy in year
Basic salary	To attract and retain appropriate talent. Reflects an individual's responsibilities, experience and role	Normally reviewed annually on 1 May and takes effect from this date. Salaries are paid monthly. Decisions influenced by: – responsibilities, abilities, experience and performance of an individual; and – the Group's salary and pay structures and general workforce increases. Salaries are benchmarked periodically against companies of a similar size and complexity.	There is no prescribed maximum annual basic salary increase. The Committee is guided by the general increase for the broader employee population but may decide to award a lower increase for Executive Directors or indeed exceed this to recognise, for example, an increase in the scale, scope or responsibility of the role and/or to take account relevant market movements. Current salary levels are set out in the Annual report on remuneration.	Not applicable	No change in policy
Annual bonus	Rewards the achievement of a combination of financial and non-financial performance targets in line with corporate strategy over the one-year operating cycle	Targets reviewed annually. Bonus level is determined by the Committee after the end of the relevant financial year, subject to performance against targets set at the start of the year.	Maximum: 100% of salary	Performance period: One year Performance metrics: EBITDA targets and personal objectives Claw-back provision operates	No change in policy

Directors' remuneration policy continued

Summary of remuneration policy for FY2013 continued

Element	How component supports corporate strategy	Operation	Maximum	Performance targets and recovery provisions	Changes to policy in year
Long-term incentive plan	Incentivises Directors to achieve returns for shareholders over the long term	Performance Share Plan ("PSP") approved by shareholders in 2009. Awards of nil-cost or conditional shares are made annually with vesting dependent on the achievement of performance conditions over the subsequent three years. The Committee reviews the quantum of awards annually and monitors the continuing suitability of the performance measures.	Normal grant level:125% of salary Normal maximum: 150% of salary Exceptional maximum: 200% of salary Participants may benefit from the value of dividends paid over the vesting period to the extent that awards vest. This benefit is delivered in the form of cash or additional shares at the time that awards vest.	Performance period: three years Majority of awards are subject to PBT EPS growth targets, with minority subject to TSR performance against a comparator group of other companies 25% of an award vests at threshold performance (0% vests below this), increasing to 100% pro-rata for maximum performance Claw-back provision operates	No change in policy
All-employee Sharesave	Encourages long-term shareholding in the Company	Invitations made by the Committee under the Approved Sharesave Scheme.	As per HMRC limits	None	No change in policy
Share ownership	Further aligns Executives with investors, while encouraging employee share ownership	50% of the net of tax vested PSP shares required to be retained until the shareholding guideline is met.	100% of salary	None	No change in policy
Benefits	To provide insured benefits to support the individual and their family during periods of ill health, accidents or death Car allowance to facilitate effective travel	Includes car allowance, life insurance, private medical and dental insurance. Other benefits may be provided where appropriate.	At cost	None	No change in policy
Pension	To provide retirement benefits	Defined contribution arrangements and/or salary supplements.	Up to 20% of basic salary	None	No change in policy
Non-Executive Directors	To provide fees reflecting time commitments and responsibilities of each role, in line with those provided by similarly sized companies	Cash fee paid on a monthly basis. Fees are reviewed annually.	No maximum	None	No change in policy

Notes

1 The Annual report on remuneration sets out how the Company intends to implement the policy presented in this table.

2 Below the Board level, a lower or no annual bonus opportunity may apply and participation in the PSP is limited to the Executive Directors and certain selected senior managers. Other employees are eligible to participate in the Company's Sharesave scheme. In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals, together with the fact that remuneration of the Executive Directors and senior executives typically has a greater emphasis on performance related pay.

3 The choice of the performance metrics applicable to the annual bonus scheme reflect the Committee's belief that any incentive compensation should be appropriately challenging and tied to both the delivery of EBITDA growth and specific individual objectives.

4 The TSR and EPS performance conditions applicable to the PSP (see Annual report on remuneration) were selected by the Remuneration Committee on the basis that they reward the delivery of long-term returns to shareholders and the Group's financial growth and are consistent with the Company's objective of delivering superior levels of long-term value to shareholders. The TSR performance condition is monitored on the Committee's behalf by NBS whilst the Group's EPS growth is derived from the audited financial statements.

5 The Committee operates the PSP in accordance with the plan rules and the Listing Rules and the Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plan.

6 While PSP awards currently vest after three years subject to continued service and performance targets, the Committee will consider developments in best practice when setting future long-term incentive grant policies and, in particular, whether the introduction of a post vesting holding period, in addition to the existing shareholding guidelines, is appropriate for the Company.

7 The all-employee Sharesave scheme does not have performance conditions.

8 For the avoidance of doubt, in approving this Directors' remuneration policy, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the payment of a pension, payment of last year's annual bonus or the vesting/exercise of share awards granted in the past). Details of any payments to former Directors will be set out in the Annual report on remuneration as they arise.

Reward scenarios

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

Notes

1 The minimum performance scenario comprises the fixed elements of remuneration only, including:

- salary, as per policy for FY2014;
- pension, as per policy for FY2014; and
- estimated benefits (car allowance, private medical insurance and life assurance.

2 The on-target level of bonus is taken to be 50% of the maximum bonus opportunity (100% of salary only), and the on-target level of PSP vesting is assumed to be 50% of the face value assuming a normal grant level (125% of salary only). These values are included in addition to the components/values of minimum remuneration.

3 Maximum assumes full bonus payout (100% of salary only) and the full face value of the PSP (125% of salary only), in addition to fixed components of remuneration.

4 No share price growth has been factored into the calculations.

Approach to recruitment and promotions

The remuneration package for a new Executive Director would be set in accordance with the terms of the Company's prevailing approved remuneration policy at the time of appointment and take into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

Salary would be provided at such a level as required to attract the most appropriate candidate and may be set initially at a below mid-market level on the basis that it may progress towards the mid-market level once expertise and performance has been proven and sustained. The annual bonus potential would be limited to 100% of salary and grants under the PSP would be limited to 150% of salary (200% of salary in exceptional circumstances). In addition, the Committee may offer additional cash and/or share based elements to replace deferred or incentive pay forfeited by an Executive leaving a previous employer. It would seek to ensure, where possible, that these awards would be consistent with awards forfeited in terms of vesting periods, expected value and performance conditions.

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms. In addition, any other ongoing remuneration obligations existing prior to appointment may continue.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

If appropriate the Committee may agree on a recruitment of a new Executive a notice period in excess of twelve months but to reduce this to twelve months over a specified period.

Service contracts for Executive Directors

The service agreements of the Executive Directors are not fixed term and are terminable by either the Company or the Director on the following bases:

Director	Date of current service contract	Notice period
F Vecchioli	3 September 2013	12 months
A Jones	29 January 2013	12 months

At the Board's discretion early termination of an Executive Director service contract can be undertaken by way of payment of salary and benefits in lieu of the required notice period. A summary of the main contractual terms surrounding termination are set out below:

Provision	Detailed terms
Notice period	Twelve months
Termination payment	Payment in lieu of notice based on salary and specified benefits
Remuneration entitlements	A bonus may be payable (pro-rated where relevant) and outstanding share awards may vest (see below)
Change of control	No Executive Director's contract contains additional provisions in respect of change of control

Annual bonus may be payable with respect to the period of the financial year served although it will be pro-rated for time and paid at the normal payout date. Any share based entitlements granted to an Executive Director under the Company's share plans will be determined based on the relevant plan rules. However, in certain prescribed circumstances, such as death, ill health, disability, retirement or other circumstances at the discretion of the Committee, "good leaver" status may be applied. For good leavers, awards will normally vest at the normal vesting date, subject to the satisfaction of the relevant performance conditions at that time and reduced pro-rata to reflect the proportion of the performance period actually served. However, the Remuneration Committee has discretion to determine that awards vest at cessation of employment.

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

Non-Executive Directors

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

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

Annual report on remuneration

Implementation of the Remuneration policy for the year ending 31 October 2014

Basic salary

Basic salary is determined by reference to the individual's experience, performance, responsibility and pay levels across the Group more generally. In addition, the Committee reviews periodically basic salary levels within similarly sized listed real estate and pan-sector companies although the Committee is careful not to place excessive reliance on the use of external comparator analysis. In FY2013 the Remuneration Committee harmonised the Executive Director salary review date with that of the general workforce, with base salary to be normally reviewed annually on 1 May, rather than 1 November (with the first such review having occurred on 1 May 2013). Current basic salary levels for Executive Directors are presented below:

		From 1 November 2013	From 1 November 2012
F Vecchioli	Chief Executive Officer	**£290,000**[1]	£174,000
A Jones	Chief Financial Officer	**£242,000**	£242,000[2]

1 F Vecchioli's basic salary was set at £290,000 following his promotion to Chief Executive Officer on 4 September 2013. While the basic salary was set below that of his predecessor, consistent with the Company's policy on recruitments and promotions described in the Directors' remuneration policy, it is envisaged that his basic salary will be increased to mid-market levels as soon as the Committee is comfortable with the individual's experience and expertise in the role.

2 A Jones' basic salary was set at £242,000 from appointment and will next be reviewed on 1 May 2014 at the normal review date.

Annual bonus

The Committee will operate an annual bonus plan for Executive Directors during FY2014 in line with that operated in FY2013. The maximum bonus will remain at 100% of basic salary, with measurement based upon sliding scale EBITDA and personal objectives set at the start of each financial year in the ratio of 80:20. In addition to this, EBITDA must be greater than the previous financial year for any bonus to be payable. We have not disclosed specific targets for FY2014 prospectively as they are considered to be commercially sensitive, although the Committee is satisfied that they will be demanding and require performance significantly better than budget for full payout and the targets will be disclosed retrospectively.

Long-term incentives

The 2009 Performance Share Plan ("PSP") is the Group's primary long-term incentive arrangement. Awards in relation to the year ended 31 October 2013 will be over 125% of salary and are likely to be granted in February 2014. The 2014 PSP awards will be subject to EPS and TSR conditions as follows:

— two-thirds of awards are subject to the PBT-EPS condition. 25% of this part of an award vests for PBT-EPS growth of RPI +3% per annum with full vesting of this part of an award for PBT-EPS growth of RPI +8% per annum. A sliding scale operates between these points; and

— the remaining one-third of awards are each subject to a TSR condition based on the Group's performance against other FTSE SmallCap companies (excluding investment trusts) as at the date of grant. 25% of this part of an award vests if Safestore's TSR is at a median of the ranking of the TSRs of the comparator group, with full vesting of this part of an award for upper quartile performance. A sliding scale operates between these points. In addition to the above, no part of the TSR awards will vest unless the Committee is also satisfied that the TSR performance of the Group is reflective of the Group's underlying performance.

Benefits

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

Pension

The Group will contribute 10% of basic salary for the pension arrangements of the Executive Directors.

Non-Executive Directors

The Company's approach to Non-Executive Directors' remuneration is set by the Board with account taken of the time and responsibility involved in each role, including where applicable the Chairmanship of Board committees. A summary of current fees is as follows:

	FY2014	FY2013	**% increase**
Chairman	**£100,000**	£90,000	**11.1%**
Base fee	**£35,000**	£35,000	**—%**
Additional fees:			
Committee Chair fees	**£10,000**	£10,000	**—%**

Directors' remuneration

The following details set out on pages 40 to 43 of this report have been audited by PricewaterhouseCoopers LLP.

	Salary and fees £'000	Taxable benefits £'000	Bonus[1] £'000	PSP awards vesting £'000	Other £'000	Pension costs £'000	Total £'000
2013							
Chairman and Executive Directors							
R S Grainger	**90**	**—**	**—**	**—**	**—**	**—**	**90**
F Vecchioli[2]	**192**	**3**	**135**	**—**	**—**	**29**	**359**
A Jones[3]	**117**	**8**	**83**	**—**	**50**	**12**	**270**
P D Gowers[4]	**325**	**22**	**227**	**—**	**293**	**43**	**910**
R D Hodsden[5]	**162**	**13**	**—**	**—**	**116**	**24**	**315**
	886	**46**	**445**	**—**	**459**	**108**	**1,944**
Non-Executive Directors							
A H Martin	**45**	**—**	**—**	**—**	**—**	**—**	**45**
A S Lewis	**35**	**—**	**—**	**—**	**—**	**—**	**35**
K G Edelman	**45**	**—**	**—**	**—**	**—**	**—**	**45**
I Krieger[6]	**3**	**—**	**—**	**—**	**—**	**—**	**3**
	128	**—**	**—**	**—**	**—**	**—**	**128**
Total	**1,014**	**46**	**445**	**—**	**459**	**108**	**2,072**
2012							
Chairman and Executive Directors							
R S Grainger	90	—	—	—	—	—	90
P D Gowers	325	22	—	—	—	43	390
R D Hodsden	216	17	—	—	—	32	265
F Vecchioli	168	—	—	—	—	—	168
	799	39	—	—	—	75	913
Non-Executive Directors							
A H Martin	45	—	—	—	—	—	45
A S Lewis	35	—	—	—	—	—	35
K G Edelman	45	—	—	—	—	—	45
	125	—	—	—	—	—	125
Total	924	39	—	—	—	75	1,038

1 The performance related annual bonus is based on performance measures, as disclosed in the policy table on page 35, 80% of which relate to EBITDA before non-recurring items, and 20% to an assessment of the personal performance of the directors. The final bonus payable for the year included 62.5% (2012: Nil%) of the EBITDA element and 100% (2012: nil%) of the personal performance element.

	As a percentage of maximum bonus opportunity		Performance required			Actual performance	
Measure	CEO	CFO	Threshold	On-target	Maximum	Actual	Payout %
EBITDA before non-recurring items (£'m)	80%	80%	45.4	50.4	55.4	50.8	50%
Personal performance	20%	20%	Objectives based on personal and business targets			Objectives met in full	20%

As a result of the threshold PBT-EPS target of 12.88 pence not being achieved (the actual PBT-EPS achieved was 11.12p for the year ended 31 October 2013) and an expectation of below median TSR performance (Safestore's TSR was 22.2% compared with a median of 30.9% at the year end, albeit the performance period does not technically end until 31 January 2014), none of the PSP awards granted in 2011 are expected to vest.

2 Frederic Vecchioli was appointed Chief Executive on 4 September 2013; previously he was an Executive Director.

3 Andy Jones was appointed a Director on 7 May 2013.

4 Peter Gowers stepped down from the Board on 4 September 2013. Details of his termination arrangements are presented overleaf.

5 Richard Hodsden stepped down from the Board on 7 May 2013. Details of his termination arrangements are presented overleaf.

6 Ian Krieger joined the Board on 3 October 2013.

Scheme interests awarded during the year

	PSP share awards	
	Number	Face value £'000
F Vecchioli	165,869	206
A Jones	293,927	363
P D Gowers	301,411	374

For Frederic Vecchioli and Peter Gowers, the face value is based on a price of 124.0 pence, being the closing share price from the business day immediately preceding the award which was made on 6 February 2013. For Andy Jones, the face value is based on a price of 123.5 pence, being the closing share price from the business day immediately preceding the award which was made on 28 June 2013.

The awards are contingent upon satisfying the performance criteria, as detailed on page 36, in the three years to 31 October 2015.

Board changes and payments for loss of office

Peter Gowers resigned as Chief Executive Officer on 4 September 2013 and subsequently left the business on 31 October. He received a payment of £292,710 which comprised the balance of pay in lieu of notice ("PILON") including basic pay, car allowance, health insurance and life insurance in line with the terms of his employment contract. He received an annual bonus for FY2013 although all of his PSP awards lapsed on cessation.

Following Peter Gower's resignation, Frederic Vecchioli was promoted to Chief Executive Officer from 4 September 2013. The main elements of his package are a salary of £290,000, a maximum annual bonus of 100% of salary and a normal PSP award of 125% of salary. While the basic salary was set below that of his predecessor, consistent with the Company's policy on recruitments and promotions described in the Directors' remuneration policy, it is envisaged that his basic salary will be increased to mid-market levels as soon as the Committee is comfortable with the individual's experience and expertise in the role.

Richard Hodsden resigned as Chief Financial Officer on 29 January 2013 and subsequently left the business on 30 July 2013, stepping down as Chief Financial Officer on 7 May 2013. He received a payment of £115,836 which comprised of the balance of PILON including basic pay, pension contributions and health insurance in line with the terms of his employment contract. He received no annual bonus in respect of FY2013 and his PSP awards lapsed on cessation.

Following Richard Hodsden's resignation, Andy Jones was appointed as Chief Financial Officer on 7 May 2013. The main elements of his package are a salary of £242,000, a maximum annual bonus of 100% of salary, a normal PSP award of 125% of salary and normal pension contributions of 10% of salary. As part of the arrangements surrounding his recruitment, it was agreed to grant a PSP award of 150% of salary and compensate Andy Jones for a retention bonus (cash award) of £100,000 which was forfeited upon his resignation from his previous employer. However, rather than paying this following his appointment, it was agreed that the amount would not be paid until the first anniversary of grant and, when paid, Andy Jones would be expected to purchase and retain Safestore Holdings plc shares with all of the net of tax proceeds. Andy Jones was also compensated £50,000 on taking up his role, for the loss of an annual cash bonus forfeited on resignation from his previous employer.

Payments to past Directors

During the year ended 31 October 2013, 165,411 shares in respect of a PSP award held by Steve Williams (who stepped down as Chief Executive Officer on 28 February 2011) vested with a pre-tax value of £210,720. This reflected 27.2% of the total awards vesting as a result of the TSR targets being partially met.

Statement of Directors' shareholding and share interests

Performance Share Plan awards

	Awards granted	Maximum award	Awards vested	Awards lapsed	**Maximum outstanding awards at 31 October 2013**	Market price at date of vesting (p)	Market price at date of exercise (p)	Normal vesting date
F Vecchioli	27/03/2009	326,462	(88,758)	(237,704)	**–**	102.25	129.28	27/06/2012
	24/02/2010	141,092	—	(141,092)	**–**	—	—	24/02/2013
	02/02/2011	137,747	—	—	**137,747**	—	—	02/02/2014
	02/02/2012	178,597	—	—	**178,597**	—	—	02/02/2015
	06/02/2013	165,869	—	—	**165,869**	—	—	06/02/2016
A Jones	28/06/2013	293,927	—	—	**293,927**	—	—	28/06/2016
P D Gowers	02/02/2011	439,791	—	(439,791)	**–**	—	—	02/02/2014
	02/02/2012	336,712	—	(336,712)	**–**	—	—	02/02/2015
	06/02/2013	301,411	—	(301,411)	**–**	—	—	06/02/2016
R D Hodsden	27/03/2009	405,603	(110,275)	(295,328)	**–**	102.25	127.39	28/06/2012
	24/02/2010	183,823	—	(183,823)	**–**	—	—	24/02/2013
	02/02/2011	168,586	—	(168,586)	**–**	—	—	02/02/2014
	02/02/2012	223,784	—	(223,784)	**–**	—	—	02/02/2015

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

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

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

The 2010 PSP award lapsed on 24 February 2013 due to performance conditions not being met.

Share options

		Share options outstanding at 1 November 2012	Granted in year	Share options lapsed	**Share options outstanding at 31 October 2013**	Exercise price (p)	Earliest exercise date	Latest exercise date
P D Gowers	SAYE	8,677	—	(8,677)	**–**	102.0	01/09/2014	28/02/2015
R D Hodsden	SAYE	8,677	—	(8,677)	**–**	102.0	01/09/2014	28/02/2015

The closing trade share price on 31 October 2013 was 148.25 pence. The highest trade share price during the year was 149.0 pence and the lowest was 98.5 pence.

Directors' shareholdings

	Ordinary shares of 1 pence each (thousands)				
	Beneficial				
	1 November 2012	31 October 2013	27 January 2014	Shareholding guideline	Actual
Executive Directors					
F Vecchioli	1,151	1,151	1,151	100%	588%
A Jones	—	—	—	100%	0%
A S Lewis	200	200	200	n/a	n/a
A H Martin	20	20	20	n/a	n/a
K G Edelman	—	—	—	n/a	n/a
I Krieger	—	—	—	n/a	n/a
R S Grainger*	101	101	n/a	n/a	n/a
	1,472	1,472	1,371		

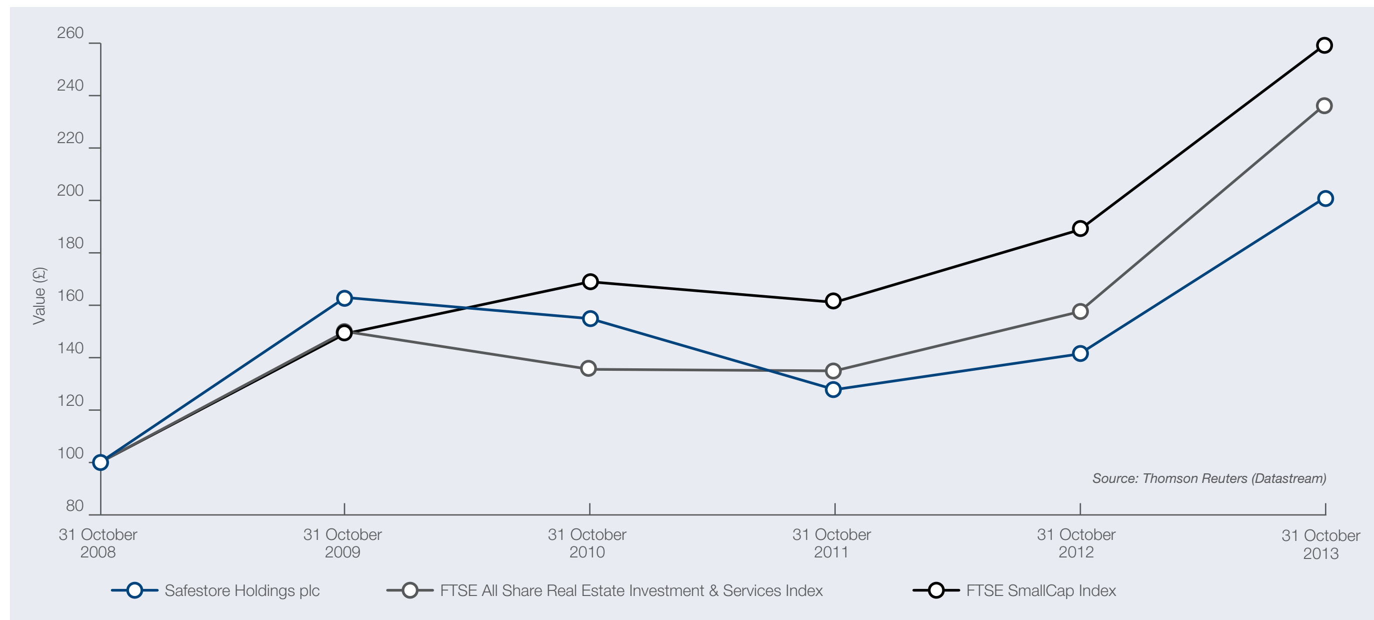
* Richard Grainger retired from the Board on 31 December 2013.

TSR performance graph and table

The graph below shows the value, by 31 October 2013, of £100 invested in Safestore Holdings plc over the past five years compared with the value of £100 invested in the FTSE SmallCap Index and the FTSE All Share Real Estate Investment & Services Index. The other points plotted are the values at intervening financial year ends. These comparators have been chosen on the basis that they are the markets within which Safestore operates, albeit that the Real Estate Index comprises mainly commercial property companies.

Unaudited information

Total shareholder return



Chief Executive Officer five year history

Year	Incumbent	CEO single figure of total remuneration	Annual bonus payout against maximum	PSP vesting against maximum opportunity
FY2013	F Vecchioli[1]	£359,000	70%	—
FY2013	P D Gowers[2]	£910,000	70%	—
FY2012	P D Gowers	£390,000	—	—
FY2011	P D Gowers	£425,000	59%	—
FY2011	S W Williams[3]	£597,000	—	—
FY2010	S W Williams	£607,000	75%	—
FY2009	S W Williams	£485,000	—	—

1 Appointed Chief Executive Officer from 4 September 2013.

2 Appointed 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 Stepped down as Chief Executive Officer on 28 February 2011 and left the Company on 30 April 2011.

Percentage change in remuneration of Chief Executive Officer and employees

The table below shows the percentage change in remuneration of the Director undertaking the role of Chief Executive Officer and the Company's employees as a whole between FY2013 and FY2012.

	Percentage increase in remuneration in 2013 compared with remuneration in 2012*	
	CEO	Average pay based on all employees
Salary	0%	0%
Benefits	0%	0%
Annual bonus	See note	See note

* Comparison relates to remuneration for Peter Gowers between 2012 and 2013. No annual bonus was paid for the year ended 31 October 2012.

Relative importance of spend on pay

The following table shows the Company's actual spend on pay (for all employees) relative to dividends:

	2011/2012	**2012/2013**	% change
Staff costs (£ million)	17.5	**17.2**	(1.7%)
Dividends (£ million)	10.1	**10.6**	5.0%

Details of the Remuneration Committee, advisers to the Committee and their fees

The Remuneration Committee currently comprises three independent Non-Executive Directors.

Details of the Directors who were members of the Committee during the year are disclosed on pages 26 to 27.

It remains the Committee's policy that it shall be available to meet on an ad hoc basis when the needs of the Group require it. At the invitation of the Chairman, the Chairman of the Board, the Chief Executive Officer and HR Director may attend meetings of the Committee, except when their own remuneration is under consideration. No Director is involved in determining his or her own remuneration. The Company Secretary acts as the secretary to the Committee. The members of the Committee can, where they judge it necessary to discharge their responsibilities, obtain independent professional advice at the Group's expense. The Committee's terms of reference are published on the Group's website at www.safestore.co.uk and are available in hard copy on application to the Company Secretary.

During the year, the Committee received advice from New Bridge Street (part of Aon plc), an independent remuneration consultancy, in connection with remuneration matters including the provision of general guidance on market and best practice. New Bridge Street has no other connection or relationship with the Group and provided no other services to the Group during FY2013. Their fees for the year amounted to £31,000.

Statement of voting at general meeting

At the AGM held on 20 March 2013 the Directors' remuneration report received the following votes from shareholders:

	Total number of votes	% of votes cast
For	126,580,557	80
Against	31,208,805	20
Total votes cast (for and against)	157,789,362	100
Votes withheld	450	—
Total votes cast (including withheld votes)	157,789,812	—

Directors' report

Safestore Holdings plc is incorporated as a public limited company and is registered in England with the registered number 4726380. The address of the registered office is Brittanic House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT, United Kingdom.

The Directors present their report and the audited consolidated financial statements for the year ended 31 October 2013. References to Safestore, the "Group", and the "Company", "we" or "our" are to Safestore Holdings plc, and its subsidiary companies where appropriate.

Strategic report

A review of the development of the Group's business during the year, the principal risks and uncertainties facing the Group and its future prospects are included in the Chairman's statement and the Strategic report which should be read in conjunction with this report.

Principal activities

Safestore Holdings plc is a holding company and during the year the Group (through subsidiaries of Safestore Holdings plc) has continued its activities of self-storage in the United Kingdom and France.

Results for the year and dividends

The results for the year ended 31 October 2013 are set out in the Group statement of comprehensive income on page 53.

The conversion to REIT status was completed on 1 April 2013. An interim dividend of 1.85 pence (2012: 1.85 pence) was paid on 15 August 2013 and this included a PID of 0.18 pence (2012: nil). The Directors recommend a final dividend in respect of the year ended 31 October 2013 of 3.90 pence per ordinary share (2012: 3.80 pence). The entire final dividend will be paid as a PID. If authorised at the 2014 AGM, the dividend will be paid on 11 April 2014 to members on the register on 14 March 2014.

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 registrars for shareholders who are eligible to receive gross PIDs is available in the investor relations section of the Company's website. The ordinary dividend is not subject to withholding tax.

Going concern

The Directors of Safestore are confident that, on the basis of current financial projections and facilities available and after considering sensitivities, the Group has sufficient resources for its operational needs and to enable the Group to remain in compliance with the financial covenants in its bank facilities for at least the next twelve months. This position is further enhanced by the sale of its Whitechapel property and the re-financing of the Group banking facilities.

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 page 10 to 11 and notes 2 and 19 to the financial statements.

Post-balance sheets events

Information relating to post-balance sheet events can be found in note 32 of the financial statements.

Directors

Details of the Directors of the Company who served throughout the year ended 31 October 2013 and up to the date of the financial statements, 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 Annual remuneration report on pages 39 to 45.

The Company's rules governing the appointment and replacement 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 28 to 30.

The Company's Articles of Association require that one-third of Directors retire by rotation each year and that each Director must retire at intervals of not more than three years. Non-Executive Directors must retire annually once they have been in office for a period of more than eight years.

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

The Directors have (and during the year ended 31 October 2013 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.

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 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 2013, the Company's issued share capital comprised 188,345,784 ordinary shares of 1 pence each. Details of movements in the share capital during the year are provided in note 22 of the financial statements. The rights and obligations attaching to the Company's ordinary shares are set out in its Articles of Association.

Own shares – Employee Benefit Trust

The Employee Benefit Trust retains 142,852 ordinary shares (FY2012: 639,740 ordinary shares) with a cost of £1,429 (FY2012: £6,397) in satisfaction of awards under the Group's Long Term Incentive Plan. This represents 0.08% (FY2012: 0.34%) of the total issued share capital of the Company.

Purchase of own shares

The Company was granted authority at the 2013 AGM to make market purchases of its own ordinary shares. This authority will expire at the conclusion of the 2014 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 2012 to 29 January 2014.

Change of control

The Group's bank facilities agreement and US private placement note agreement contain provisions entitling the counterparty to terminate the contractual agreements in the event of a change of control of the Group. The Group's share schemes contain provisions relating to the vesting and exercising of options in the event of a change of control of the Group.

Employment and environmental matters

Information in respect of the Group's environmental and employment policies and greenhouse gas reporting are summarised in Corporate responsibility on pages 20 to 23 and are also available on the Group's website.

Substantial shareholdings

The following substantial shareholdings have been notified to the Company:

	At 10 January 2014	
	Number £'000	Percentage of current issued share capital
JP Morgan Asset Management	14,872	7.90
CBRE Global Investors	11,262	5.98
APG Investments	11,020	5.85
Legal and General Investment Management	10,465	5.56
Morgan Stanley Investment Management (UK)	9,501	5.04
Henderson Global Investors	9,328	4.95
Principal Global Investors	8,399	4.46
BlackRock Investment Management (UK)	6,888	3.66
BNP Paribas Fortis Private Banking	6,592	3.50

All interests disclosed to the Company in accordance with the Disclosure and Transparency Rules DTR 5 that have occurred since 10 January 2014 can be found at our corporate website: www.safestore.com.

Independent auditors and disclosure of information to auditors

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

— so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

— the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held at the Company's registered office at Brittanic House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT on 19 March 2014 at 12.00 noon.

The 2014 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, authority for scrip dividend alternative, and authority to call a general meeting on not less than 14 days' notice. The Notice of Annual General Meeting sets out details of the business to be considered at the AGM and contains explanatory notes on such business. This has been despatched to shareholders and can be found on our corporate website: www.safestore.com.

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

By order of the Board

S Ahmed
Company Secretary
29 January 2014

Statement of Directors' responsibilities

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

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

— select suitable accounting policies and then apply them consistently;

— make judgements and accounting estimates that are reasonable and prudent;

— state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively; and

— prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

The Directors consider that the Annual Report and accounts, 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.

Each of the Directors, whose names and functions are listed on pages 26 and 27 confirm that, to the best of their knowledge:

— the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and

— the Directors' report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

In accordance with Section 418 of the Companies Act 2006, Directors' reports shall include a statement, in the case of each Director in office at the date the Directors' report is approved, that:

— so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

— he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

S Ahmed
Company Secretary
29 January 2014

Independent auditors' report

to the members of Safestore Holdings plc

Report on the Group financial statements

Our opinion

In our opinion the Group financial statements:

— give a true and fair view of the state of the Group's affairs as at 31 October 2013 and of the Group's profit and cash flows for the year then ended;

— have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and

— have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

This opinion is to be read in the context of what we say below.

What we have audited

The Group financial statements, which are prepared by Safestore Holdings plc, comprise:

— the consolidated balance sheet as at 31 October 2013;

— the consolidated income statement and consolidated statement of comprehensive income for the year then ended;

— the consolidated statement of changes in shareholders' equity and consolidated cash flow statement; and

— the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

— whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;

— the reasonableness of significant accounting estimates made by the Directors; and

— the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and financial statements ("Annual Report") to identify material inconsistencies with the audited Group financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the Group financial statements as a whole to be £2.5 million, representing approximately 5% of the Group's pre-tax profit adjusted for interest, gains on investment properties and loss on gains/losses on derivatives.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.1 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit

The Group has two reporting units, being the UK and France, which comprise the Group's operating businesses. The Group financial statements are a consolidation of these two reporting units and centralised functions which comprise the Group's treasury and tax functions (see note 3 to the financial statements).

The accounting books and records for the UK business and centralised functions are located in the UK at the group's Head Office in Borehamwood. The accounting books and records for the France business are located in Paris.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the two locations, Borehamwood and Paris, by us, as the group engagement team, or our component auditor from another PwC network firm, operating under our instruction.

We performed an audit of the complete financial information of the UK and France businesses together with specific procedures over the Group's centralised functions. These additional procedures performed at the Group level included testing of balances and disclosures relating to cash and cash equivalents, interest-bearing loans and borrowings, secured loan notes, derivative financial instruments, the cash flow hedge reserve and deferred tax.

Areas of particular audit focus

In preparing the financial statements, the Directors made a number of subjective judgements, for example in respect of significant accounting estimates, that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 32 to 33.

Area of focus	How the scope of our audit addressed the area of focus
Investment property valuations We focused on this area because the Group's investment property assets in the UK and France represent the majority of assets in the Consolidated balance sheet. Property valuations are subject to significant judgement by the Directors as they are calculated from a number of different assumptions specific to each individual property or site. A relatively small percentage change in valuations of individual properties, in aggregate, could have a material impact on the financial statements. The Group's property valuation also impacts the Group's adherence to covenants placed over its financing arrangement.	We checked the consistency of the information supplied to external valuers by the Directors compared with the underlying property records held by the Group. We evaluated the Directors' future cash flow forecasts inherent in the valuation model, including comparisons to Board approved budgets and challenged the assumptions therein. In particular, we challenged the key assumptions for discount rates, exit yields and, where applicable, alternative valuation methodologies. We met with the external valuer and discussed the methodology and key assumptions within the valuation model. For a sample of properties, we performed a recalculation of the property valuation performed by the external valuer. We also assessed the reasonableness of significant movements in the property valuation from the prior year end. We assessed the adequacy of the related disclosures in the financial statements.
Risk of management override of internal controls ISAs (UK & Ireland) require that we consider this.	We assessed the overall control environment of the Group, including the arrangements for staff to "whistle blow" inappropriate actions, and interviewed senior management and the Group's internal audit function. We examined the significant accounting estimates and judgements relevant to the financial statements for evidence of bias by the Directors that may represent a risk of material misstatement due to fraud. We also tested journal entries and performed unpredictable audit procedures.
Revenue recognition ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition. We focused on the risk that revenue may have been recognised too early or too late with reference to when services were actually rendered, through the use of accrued and deferred income accounts. We tested the timing of revenue recognition, taking into account contractual obligations, and in particular, whether the Group appropriately recorded revenue based on the point at which the service had been rendered, including testing of the Group's deferred income balance.	We tested the timing of revenue recognition, taking into account contractual obligations, and in particular, whether the Group appropriately recorded revenue based on the point at which the service had been rendered, including testing of the Group's deferred income balance. We tested the reconciliations between the billing system used by the Group and its financial ledgers to determine whether revenues have been accurately recorded in the underlying books and ledgers. We used data auditing techniques to test the flow of transactions in the revenue cycle and tested certain non-standard/unusual revenue transactions to determine whether these were appropriate and in the ordinary course of business.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 48, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the Group's financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Opinions on matters prescribed by the Companies Act 2006

In our opinion:

— the information given in the Strategic report and the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements; and

— the information given in the Corporate governance statement set out on pages 28 to 30 in the Annual Report with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of information and explanations received

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. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of Directors' remuneration specified by law have not been made, and under the Listing Rules we are required to review certain elements of the report to shareholders by the Board of Directors' remuneration. We have no exceptions to report arising from these responsibilities.

Corporate governance statement

Under the Companies Act 2006, we are required to report to you if, in our opinion a corporate governance statement has not been prepared by the Parent Company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code ("the Code"). We have nothing to report having performed our review.

On page 48 of the Annual Report, as required by the Code Provision C.1.1, the Directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. On pages 32 to 33, as required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

— the statement given by the Directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or

— the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

— materially inconsistent with the information in the audited Group financial statements; or

— apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or

— is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' responsibilities statement set out on pages 28 to 30, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Other matter

We have reported separately on the parent company financial statements of Safestore Holdings plc for the year ended 31 October 2013 and on the information in the Directors' remuneration report that is described as having been audited.

John Waters (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 January 2014

Consolidated income statement

for the year ended 31 October 2013

	Notes	Group 2013 £'m	Group 2012 £'m
Revenue	3	**96.1**	98.8
Cost of sales		**(31.8)**	(34.6)
Gross profit		**64.3**	64.2
Administrative expenses		**(16.6)**	(9.8)
EBITDA before exceptional items, change in fair value of derivatives, loss on investment properties and contingent rent		**50.8**	50.3
Exceptional items	5	**(0.7)**	4.9
Change in fair value of derivatives		**(1.3)**	0.4
Depreciation and contingent rent		**(1.1)**	(1.2)
Operating profit before gain/(loss) on investment properties		**47.7**	54.4
Gain/(loss) on investment properties	11	**21.5**	(37.5)
Operating profit	3,6	**69.2**	16.9
Change in fair value of derivatives		**2.8**	—
Total finance income	4	**2.8**	—
Finance expense before exceptional items and change in fair value of derivatives		**(23.4)**	(24.5)
Exceptional finance expenses		**–**	(10.0)
Change in fair value of derivatives		**–**	(1.9)
Total finance expense	4	**(23.4)**	(36.4)
Profit/(loss) before income tax		**48.6**	(19.5)
Income tax credit[1]	8	**59.9**	11.7
Profit/(loss) for the year		**108.5**	(7.8)
Earnings per share for profit/(loss) attributable to the equity holders			
– basic (pence)	10	**57.8**	(4.2)
– diluted (pence)	10	**57.3**	(4.2)

1 Includes an exceptional credit of £63.2 million (FY2012: £6.3 million) (see note 8).

The financial results for both years relate to continuing activities.

The notes on pages 57 to 83 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 October 2013

	Group	
	2013 £'m	2012 £'m
Profit/(loss) for the year	**108.5**	(7.8)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges	**–**	(4.3)
Recycling of hedge reserve	**(0.5)**	1.5
Currency translation differences	**6.0**	(12.3)
Tax on items taken to other comprehensive income	**(1.1)**	1.0
Items that may be reclassified subsequently to profit or loss	**4.4**	(14.1)
Other comprehensive income/(expenditure), net of tax	**4.4**	(14.1)
Total comprehensive income/(expenditure) for the year	**112.9**	(21.9)

Consolidated balance sheet
as at 31 October 2013

	Notes	Group 2013 £'m	2012 £'m
Assets			
Non-current assets			
Investment properties	11	**724.6**	685.1
Interests in leasehold properties	11	**55.7**	58.0
Investment properties under construction	11	**5.6**	5.4
Property, plant and equipment	12	**1.8**	3.7
Deferred income tax assets	21	**3.3**	7.1
Other receivables	15	**6.4**	6.0
		797.4	765.3
Current assets			
Inventories	14	**0.1**	0.2
Trade and other receivables	15	**17.1**	17.6
Derivative financial instruments	19	**—**	3.0
Cash and cash equivalents	16	**15.8**	6.9
		33.0	27.7
Total assets		**830.4**	793.0
Current liabilities			
Financial liabilities			
– bank borrowings	18	**(5.0)**	—
– derivative financial instruments	19	**(0.4)**	(2.6)
Trade and other payables	17	**(34.8)**	(32.3)
Current income tax liabilities		**(0.8)**	—
Obligations under finance leases	20	**(8.6)**	(9.6)
		(49.6)	(44.5)
Non-current liabilities			
Financial liabilities			
– bank borrowings	18	**(337.9)**	(343.1)
– derivative financial instruments	19	**(10.6)**	(12.9)
Deferred income tax liabilities	21	**(39.3)**	(100.8)
Obligations under finance leases	20	**(47.1)**	(48.4)
		(434.9)	(505.2)
Total liabilities		**(484.5)**	(549.7)
Net assets		**345.9**	243.3
Equity			
Ordinary shares	22	**1.9**	1.9
Share premium		**28.4**	28.3
Other reserves	24	**2.1**	(2.3)
Retained earnings	23,24	**313.5**	215.4
Total equity		**345.9**	243.3

These financial statements were authorised for issue by the Board of Directors on 29 January 2014 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 2013

	Group					
	Share capital £'m	Share premium £'m	Translation reserve £'m	Hedge reserve £'m	Retained earnings £'m	Total £'m
Balance at 1 November 2011	1.9	28.3	11.8	—	233.1	275.1
Comprehensive income						
Loss for the year	—	—	—	—	(7.8)	(7.8)
Other comprehensive income						
Exchange differences on translation of foreign operations	—	—	(12.3)	—	—	(12.3)
Change in fair value of hedged instruments	—	—	—	(4.3)	—	(4.3)
Recycling of hedge reserve	—	—	—	1.5	—	1.5
Tax on items taken to other comprehensive income	—	—	—	1.0	—	1.0
Total other comprehensive income	—	—	(12.3)	(1.8)	—	(14.1)
Total comprehensive income	—	—	(12.3)	(1.8)	(7.8)	(21.9)
Transactions with owners						
Dividends (note 9)	—	—	—	—	(10.1)	(10.1)
Employee share options	—	—	—	—	0.2	0.2
Transactions with owners	—	—	—	—	(9.9)	(9.9)
Balance at 1 November 2012	1.9	28.3	(0.5)	(1.8)	215.4	243.3
Comprehensive income						
Profit for the year	—	—	—	—	108.5	108.5
Other comprehensive income						
Exchange differences on translation of foreign operations	—	—	6.0	—	—	6.0
Recycling of hedge reserve	—	—	—	(0.5)	—	(0.5)
Tax on items taken to other comprehensive income	—	—	—	(1.1)	—	(1.1)
Total other comprehensive income	—	—	6.0	(1.6)	—	4.4
Total comprehensive income	—	—	6.0	(1.6)	108.5	112.9
Transactions with owners						
Dividends (note 9)	—	—	—	—	(10.6)	(10.6)
Increase in share capital	—	0.1	—	—	—	0.1
Employee share options	—	—	—	—	0.2	0.2
Transactions with owners	—	0.1	—	—	(10.4)	(10.3)
Balance at 31 October 2013	**1.9**	**28.4**	**5.5**	**(3.4)**	**313.5**	**345.9**

Consolidated cash flow statement

for the year ended 31 October 2013

	Notes	Group 2013 £'m	Group 2012 £'m
Cash flows from operating activities			
Cash generated from operations	25	**51.6**	51.7
Interest paid		**(22.5)**	(20.6)
Interest received		**—**	0.1
Tax paid		**(0.1)**	(0.7)
Net cash inflow from operating activities		**29.0**	30.5
Cash flows from investing activities			
Expenditure on investment properties and development properties		**(4.7)**	(20.2)
Proceeds in respect of Capital Goods Scheme		**3.1**	—
Purchase of property, plant and equipment		**(0.2)**	(1.3)
Net cash outflow from investing activities		**(1.8)**	(21.5)
Cash flows from financing activities			
Equity dividends paid	9	**(10.6)**	(10.1)
Net proceeds from issue of new borrowings		**2.9**	357.2
Debt issue costs		**—**	(7.7)
Finance lease principal payments		**(4.5)**	(4.3)
Repayment of borrowings		**(6.3)**	(351.3)
Net cash outflow from financing activities		**(18.5)**	(16.2)
Net increase/(decrease) in cash and cash equivalents		**8.7**	(7.2)
Exchange gain/(loss) on cash and cash equivalents		**0.2**	(0.6)
Cash and cash equivalents at 1 November		**6.9**	14.7
Cash and cash equivalents at 31 October	16,26	**15.8**	6.9

Notes to the financial statements

for the year ended 31 October 2013

1. General information

Safestore Holdings plc ("the Company") and its subsidiaries (together, "the Group") provide self-storage facilities to customers throughout the UK and Paris. The Company is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in the UK. The address of its registered office is 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 Report Interpretations Committee ("IFRIC") interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

The 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.

All amounts are presented in £ Sterling and are rounded to the nearest £0.1 million, unless otherwise stated. This represents a change to the prior year where all amounts were presented in £ Sterling and rounded to the nearest £1,000. Any differences in the comparative when compared with the prior year financial statements are due wholly to roundings and do not represent a restatement.

Going concern

The Directors of Safestore are confident that, on the basis of current financial projections and facilities available and after considering sensitivities, the Group has sufficient resources for its operational needs and to enable the Group to remain in compliance with the financial covenants in its bank facilities for at least the next twelve months. This position is further enhanced by the sale of its Whitechapel property and the re-financing of the Group banking facilities.

Standards, amendments to standards and interpretations issued and applied

i) New and amended standards issued in the year

At the date of approval of these financial statements, the following interpretations and amendments were issued, were endorsed by the EU and are mandatory for the Group for the first time for the financial year beginning 1 November 2012. There are no new standards, amendments or interpretations that are effective for the first time for the current financial year that have had a material impact on the Group.

ii) New and amended standards

- IAS 1 'Financial Statement Presentation' has been amended and introduced the requirement to group items presented in "other comprehensive income" on the basis of whether they are potentially reclassable to profit or loss subsequently (reclassification adjustments).
- IAS 12 'Deferred Tax: Recovery of Underlying Assets' introduces a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognised on a sales basis, unless an entity has a business model that would indicate the investment property will be consumed in the business.

iii) New and amended standards not yet effective

At the date of authorisation of these financial statements, there were a number of new standards, amendments to existing standards and interpretations in issue that have not been applied in preparing these consolidated financial statements. The Group has no plan to adopt these standards earlier than the effective date. Those that are most relevant to the Group are set out below:

- IFRS 10 'Consolidated Financial Statements', which establishes a single control model that applies to all entities including special purpose entities and requirements management to exercise judgement over which entities are required to be consolidated. IFRS 10 is effective for annual periods beginning on or after 1 January 2014.
- IFRS 11 'Joint Arrangements': under IFRS 11 the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore subsequent accounting. IFRS 11 is effective for annual periods beginning on or after 1 January 2014.
- IFRS 12 'Disclosures of Interests in Other Entities' brings together all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after 1 January 2014.
- IFRS 13 'Fair Value Measurement' provides consistency by making available a single source of guidance on how fair value is measured. IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. IFRS 13 is effective for annual periods beginning on or after 1 January 2013.

In addition, as part of the IASB's project to replace IAS 39 'Financial Instruments: Recognition and Measurement', the IASB has issued the phases of IFRS 9 covering the classification and measurement of financial assets and the accounting for financial liabilities. The other phases, covering hedge accounting and impairment, are still to be completed. In December 2011, the IASB decided that IFRS 9 will be effective for annual periods beginning on or after 1 January 2015. The date for EU adoption is not yet known.

All the above IFRSs, IFRIC interpretations and amendments to existing standards are endorsed by the European Union ("EU") at the date of approval of these financial statements.

The Directors are currently considering the potential impact arising from the future adoption of these standards and interpretations listed above.

2. Summary of significant accounting policies continued

Basis of consolidation

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

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

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

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

The purchase 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. Goodwill represents the 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. Costs attributable to an acquisition are expensed in the consolidated income statement under the heading "Other expenses".

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 chief operating decision maker 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 is the Chief Executive Officer.

A business segment is a distinguishable group of assets and operations, reflected in the way that the Group manages its business, that is subject to risks and returns that are different from those of other business segments. The Group's net assets, revenue and profit before tax are attributable to one principal activity, the provision of self-storage.

Segment results, assets and liabilities include items directly attributable to segments as well as those that can be allocated on a reasonable basis. Unallocated items principally comprise balances in relation to the Group's derivative transactions.

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

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 at the point of completion. Where any aspect of consideration is conditional then the revenue associated with that conditional item is deferred.

Income from insurance claims is recognised when it is virtually certain of being received.

Exceptional items

The Group defines exceptional items to be those that, by virtue of their nature, size or frequency, warrant separate disclosure on the face of the income statement where this enhances the understanding of the Group's financial performance.

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

2. Summary of significant accounting policies continued

Borrowing costs

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

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

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

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

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

Land and properties held under operating leases are classified and accounted for by the Group as investment property in accordance with IAS 40. The operating lease is accounted for as if it were a finance lease. For investment properties held under leases that are classified as finance leases, the properties are recognised at the lower of fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognised as a finance lease liability. After initial recognition, leasehold properties classified as investment properties are held at fair value. The obligation to the lessor for the buildings element of the leasehold is included in the balance sheet at the present value of the minimum lease payments. Depreciation is provided on the minimum lease payment valuation over the lease term.

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

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

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

Property, plant and equipment

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

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 buildings over the shorter of the remaining lease period and occupied period	2% per annum
Motor vehicles	20–25% per annum
Computer hardware and software	15–33% per annum
Fixtures, fittings, signs and partitioning	10% per annum

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

Impairment of tangible assets (excluding 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.

2. Summary of significant accounting policies continued

Inventories

Inventories are stated at the lower of cost less provisions for any slow-moving or obsolete stock provisions and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less directly associated costs.

Provisions for slow-moving or obsolete stock are calculated on the basis of sales trends observed in the year.

Trade and other receivables

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

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

Cash and cash equivalents

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

Trade and other payables

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

Leases

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

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

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

Borrowings

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

Issuance costs incurred on re-financing are offset against the carrying value of borrowings, unless they do not solely relate to the issuance of the new facility, in which case they are recognised as part of the gain or loss on the cancellation of the original facility.

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 except where the derivative is designated as an effective cash flow hedging instrument. Interest costs for the period relating to derivative financial instruments, which economically hedge borrowings, are recognised within interest payable on bank loans and overdraft. Other fair value movements on derivative financial instruments are recognised within fair value movement of derivatives. Designation as part of an effective hedge relationship occurs at inception of a hedge relationship.

(a) Financial assets

Financial assets are classified as financial assets at fair value through profit or loss and loans and receivables as appropriate. The Group determines the classification of its assets at initial recognition.

Financial assets are derecognised only when the contractual right to the cash flows from the financial asset expire or the Group transfers substantially all risks and rewards of ownership. Financial assets consist of loans and receivables and derivatives.

Financial assets recognised as trade and other receivables are classified as loans and receivables. They are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

Cash and cash equivalents are also classified as loans and receivables. They are subsequently measured at amortised cost. Cash and cash equivalents includes cash in hand, deposits at call with banks and other short-term highly liquid investments with original maturities of three months or less.

At each balance sheet date the Group assesses whether there is objective evidence that a financial asset or group of assets is impaired. If there is objective evidence the asset is impaired, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the financial assets original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the income statement.

2. Summary of significant accounting policies continued

Financial instruments continued

(b) Financial liabilities

Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through the profit or loss or other liabilities, as appropriate.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. All loans and borrowings are classified as other liabilities. Initial recognition is at fair value and subsequently at amortised cost. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Financial liabilities included within trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

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

— cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

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

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

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Taxation including deferred tax

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

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

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

2. Summary of significant accounting policies continued

Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

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

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

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

b) Recognition of deferred tax assets

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

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

Financial risk management

Financial risk management is an integral part of the way the Group is managed. In the course of its business, the Group is exposed primarily to foreign exchange risk, interest rate risk, liquidity risk and credit risk. The overall aim of the Group's financial risk management policies is to minimise potential adverse effects on financial performance and net asset values ("NAV"). The Group manages the financial risks within policies and operating parameters approved by the Board of Directors and does not enter into speculative transactions. Treasury activities are managed centrally under a framework of policies and procedures approved and monitored by the Board. These objectives are to protect the assets of the Group and to identify and then manage financial risk. In applying these policies, the Group will utilise derivative instruments, but only for risk management purposes.

The principal financial risks facing the Group are described below:

Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group borrows in Sterling, Euro and US Dollars at floating rates and, where necessary, uses interest rate swaps to convert these to fixed rates (see note 19) to generate the preferred interest rate profile and to manage its exposure to interest rate fluctuations. A 1% change in interest rates would have a £0.4 million (FY2012: £0.4 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.

Credit risk

Credit risk arises on financial instruments such as trade receivables and short-term bank deposits. Policies and procedures exist to ensure that customers have an appropriate credit history and account customers are given credit limits that are monitored. Short-term bank deposits are executed only with A-rated or above authorised counterparties based on ratings issued by the major rating agencies. 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 £9.4 million (FY2012: £10.7 million).

Foreign exchange risk

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

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

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

2. Summary of significant accounting policies continued

Financial risk management continued

Foreign exchange risk continued

At 31 October 2013, if Sterling had weakened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been £1.5 million higher (FY2012: £0.9 million higher), mainly as a result of foreign exchange gains/losses on translation of Euro trade receivables and financial assets at fair value through profit or loss.

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

The Group holds US Dollar denominated loan notes totalling $115 million and as such is exposed to foreign exchange risk on these notes. The foreign exchange risk relating to the notes has been fully hedged at 31 October 2013.

Hedge risk

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

Hedges that meet the strict criteria for hedge accounting are accounted for as cash flow hedges.

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

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

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

Capital risk

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

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

During 2013, the Group's strategy, which was unchanged from 2012, was to maintain the gearing ratio within 50% to 70% and a Dunn & Bradstreet 5A1 credit rating.

The gearing ratios at 31 October 2013 and 2012 were as follows:

	2013 £'m	2012 £'m
Total borrowings (excluding derivatives)	**398.6**	401.1
Less: cash and cash equivalents (note 16)	**(15.8)**	(6.9)
Net debt	**382.8**	394.2
Total equity	**345.9**	243.3
Total capital	**728.7**	637.5
Gearing ratio	**53%**	62%

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

3. Segmental analysis

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

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

— UK; and

— France.

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

The operating profits and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items principally comprise balances in relation to the Group's derivative transactions, and these are designated as Central below:

Year ended 31 October 2013	**UK £'m**	**France £'m**	**Central £'m**	**Group £'m**
Continuing operations				
Revenue	**70.2**	**25.9**	**—**	**96.1**
EBITDA before exceptional items, change in fair values of derivatives, loss on investment properties, depreciation and contingent rent	**34.8**	**16.0**	**—**	**50.8**
Exceptional items	**(1.8)**	**1.1**	**—**	**(0.7)**
Contingent rent and depreciation	**(0.6)**	**(0.5)**	**—**	**(1.1)**
Change in fair value of derivative	**—**	**—**	**(1.3)**	**(1.3)**
Operating profit/(loss) before gain on investment properties	**32.4**	**16.6**	**(1.3)**	**47.7**
Gain on investment properties	**16.7**	**4.8**	**—**	**21.5**
Operating profit/(loss)	**49.1**	**21.4**	**(1.3)**	**69.2**
Finance expense before changes in fair value and exceptional items	**(18.8)**	**(4.6)**	**—**	**(23.4)**
Finance income	**—**	**—**	**2.8**	**2.8**
Profit before tax	**30.3**	**16.8**	**1.5**	**48.6**
Income tax	**63.2**	**(3.3)**	**—**	**59.9**
Profit for the year	**93.5**	**13.5**	**1.5**	**108.5**
Total assets	**615.1**	**215.3**	**—**	**830.4**

Year ended 31 October 2012	UK £'m	France £'m	Central £'m	Group £'m
Continuing operations				
Revenue	74.9	23.9	—	98.8
EBITDA before exceptional items, change in fair values of derivatives, loss on investment properties, depreciation and contingent rent	36.9	13.4	—	50.3
Exceptional items	(0.4)	5.3	—	4.9
Contingent rent and depreciation	(0.6)	(0.6)	—	(1.2)
Change in fair value of derivative	—	—	0.4	0.4
Operating profit before loss on investment properties	35.9	18.1	0.4	54.4
Loss on investment properties	(36.5)	(1.0)	—	(37.5)
Operating (loss)/profit	(0.6)	17.1	0.4	16.9
Finance expense before changes in fair value and exceptional items	(20.6)	(3.9)	—	(24.5)
Change in fair value of derivative	—	—	(1.9)	(1.9)
Exceptional finance expense	(8.7)	(1.3)	—	(10.0)
Finance income	—	—	—	—
(Loss)/profit before tax	(29.9)	11.9	(1.5)	(19.5)
Income tax expense	14.7	(3.3)	0.3	11.7
(Loss)/profit for the year	(15.2)	8.6	(1.2)	(7.8)
Total assets	599.8	190.2	3.0	793.0

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

4. Finance income and costs

	Note	2013 £'m	2012 £'m
Finance costs			
Interest payable on bank loans and overdraft		**(18.3)**	(17.8)
Amortisation of debt issue costs on bank loan	18	**(0.1)**	(1.2)
Interest on obligations under finance leases		**(5.0)**	(5.7)
Capitalised interest		**—**	0.2
Fair value movement of derivatives		**—**	(1.9)
Exceptional finance expense		**—**	(10.0)
Total finance cost		**(23.4)**	(36.4)
Finance income			
Fair value movement of derivatives		**2.8**	—
Net finance costs		**(20.6)**	(36.4)

No interest has been capitalised in FY2013. In FY2012 interest has been capitalised at an average rate of 3.5%.

The exceptional finance expense in the prior year of £10.0 million represents the debt issue costs relating to the previous banking facility written off and the debt issue costs of the new facility taken out in 2012. These costs were expensed in accordance with IAS 39 as they did not meet the recognition criteria under IAS 39.

Included within interest payable of £18.3 million (FY2012: £17.8 million) is £2.3 million (FY2012: £2.7 million) of interest relating to derivative financial instruments that are economically hedging the Group's borrowings. The total change in fair value of derivatives for the year is a gain of £2.8 million (FY2012: £1.9 million charge).

5. Exceptional items

	2013 £'m	2012 £'m
Restructuring costs	**(1.7)**	(0.2)
Insurance proceeds	**1.6**	5.3
VAT and REIT related costs	**(0.3)**	(0.2)
Other exceptional Items	**(0.3)**	—
Total exceptional (costs)/income	**(0.7)**	4.9

Restructuring costs of £1.7 million (FY2012: £0.2 million) were incurred in respect of organisational changes during the year. Included within this cost are store closure costs of £0.2 million (FY2012: £nil), Executive Board restructuring costs of £0.9 million (FY2012: £nil), capital structure re-financing costs of £0.2 million (FY2012: £nil) and other restructuring costs of £0.4 million (FY2012: £0.2 million).

During the period £2.4 million of insurance proceeds received in relation to a fire that destroyed the Nanterre store and Head Office in December 2010. The proceeds related to a three year period from December 2010 and the portion (£0.8 million) relating to the financial year ended 31 October 2013 was credited to cost of sales. The balance of £1.6 million (FY2012: £5.3 million) was credited to exceptional costs of £1.6 million.

Costs of £0.3 million were incurred by the Group during the year ended 31 October 2013 (FY2012: £0.2 million) in respect of professional and legal fees challenging the changes to VAT legislation on self-storage which was implemented with effect from 1 October 2012.

6. Operating profit

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

	Note	2013 £'m	2012 £'m
Staff costs	27	**17.2**	17.5
Inventories:			
– cost of inventories recognised as an expense (included in cost of sales)	14	**1.1**	1.1
Depreciation on property, plant and equipment:			
– owned assets	12	**0.4**	0.4
(Gain)/loss on investment properties	11	**(21.5)**	37.5
Repairs and maintenance expenditure on investment properties		**2.2**	2.0
Trade receivables impairment	15	**0.5**	0.9

7. Fees paid to auditors

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

	2013 £'m	2012 £'m
Audit services		
Fees payable to Company's auditors and their associates for the audit of the parent company and consolidated financial statements	**0.1**	0.1
Fees payable to Company's auditors and their associates for the audit of the Company's subsidiaries pursuant to legislation	**0.2**	0.2
Total audit fees	**0.3**	0.3
Fees for other services		
Tax services	**0.2**	—
Corporate finance	**—**	0.1
Total	**0.5**	0.4

Non-audit services for 2013 relate wholly to advice in respect of the Group's conversion to REIT (FY2012: £nil). The prior year non-audit services relate to the Group's liquidation of dormant subsidiaries.

8. Income tax credit

Analysis of tax credit in the year:

	Note	2013 £'m	2012 £'m
Current tax:			
– UK corporation tax		**—**	—
– tax in respect of overseas subsidiaries		**(1.1)**	(0.5)
– adjustment in respect of prior year		**0.2**	—
		(0.9)	(0.5)
Deferred tax:			
– current year, including exceptional credit of £63.2 million (FY2012: £6.3 million)		**59.9**	12.1
– adjustment in respect of prior year		**0.9**	0.1
	21	**60.8**	12.2
Tax credit		**59.9**	11.7

Reconciliation of income tax credit

The tax for the period is lower (FY2012: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 October 2013 of 23.4% (FY2012: 24.8%). The differences are explained below:

	2013 £'m	2012 £'m
Profit/(loss) before tax	**48.6**	(19.5)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.4% (2012: 24.8%)	**11.4**	(4.8)
Effect of:		
– permanent differences	**(6.3)**	(0.9)
– profits from the tax exempt business	**(3.2)**	—
– difference from overseas tax rates	**1.7**	0.8
– losses not recognised in the year	**0.8**	—
– adjustments in respect of prior years	**(1.1)**	(0.1)
– indexation on revaluation of investment properties	**—**	(0.4)
– re-measurement of deferred tax liability from change in UK rate	**—**	(6.3)
– release of UK deferred tax arising on the conversion to REIT	**(63.2)**	—
Tax credit	**(59.9)**	(11.7)

The Group converted to a REIT on 1 April 2013. As a result the Group will no longer pay 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.

8. Income tax credit continued

Reconciliation of income tax credit continued

The deferred tax credit of £60.8 million for the year ended 31 October 2013 comprises an exceptional credit of £63.2 million arising from the release of UK deferred tax following the REIT conversion and a charge of £2.4 million in respect of the French business. The deferred tax credit of £12.2 million for the year ended 31 October 2012 included an exceptional credit of £6.3 million arising as a result of the reduction of the UK corporation tax rate from 25% to 23%.

The main rate of corporation tax in the UK reduced from 24% to 23% with effect from 1 April 2013 and will further reduce to 21% from 1 April 2014 and 20% from 1 April 2015. Accordingly the Group's results for this accounting period are taxed at an effective rate of 23.4%. Due to the Group converting to a REIT on 1 April 2013 there will be no deferred taxation impact in respect of the changes in taxation rates.

9. Dividends per share

The dividend paid in 2013 was £10.6 million (5.65 pence per share) (FY2012: £10.1 million (5.40 pence per share)). A dividend in respect of the year ended 31 October 2013 of 3.90 pence (FY2012: 3.80 pence) per share, amounting to a final dividend of £7.3 million (FY2012: £7.1 million), is to be proposed at the AGM on 19 March 2014. The ex-dividend date will be 12 March 2014 and the record date will be 14 March 2014 with an intended payment date of 11 April 2014. The final dividend has not been included as a liability at 31 October 2013.

The PID element of the final dividend is 3.90 pence, making the PID payable for the year 4.08 pence per share.

10. Earnings per share

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

	Year ended 31 October 2013			Year ended 31 October 2012		
	Earnings £'m	**Shares million**	**Pence per share**	Earnings £'m	Shares million	Pence per share
Basic	**108.5**	**187.9**	**57.8**	(7.8)	187.5	(4.2)
Dilutive securities	**—**	**1.3**	**—**	—	1.6	—
Diluted	**108.5**	**189.2**	**57.3**	(7.8)	189.1	(4.2)

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

Adjusted earnings per share

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

EPRA earnings and earnings per share before non-recurring items, movements on revaluations of investment properties, 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 2013			Year ended 31 October 2012		
	Earnings £'m	**Shares million**	**Pence per share**	Earnings £'m	Shares million	Pence per share
Basic	**108.5**	**187.9**	**57.8**	(7.8)	187.5	(4.2)
Adjustments:						
(Gain)/loss on investment properties	**(21.5)**	**—**	**(11.4)**	37.5	—	20.0
Exceptional operating items	**0.7**	**—**	**0.3**	(4.9)	—	(2.6)
Exceptional finance costs	**—**	**—**	**—**	10.0	—	5.3
Change in fair value of derivatives	**(1.5)**	**—**	**(0.8)**	1.4	—	0.8
Tax adjustments	**(63.6)**	**—**	**(33.9)**	(18.8)	—	(10.0)
Adjusted	**22.6**	**187.9**	**12.0**	17.4	187.5	9.3
EPRA adjusted						
Depreciation of leasehold properties	**(4.5)**	**—**	**(2.4)**	(4.3)	—	(2.3)
Tax on leasehold depreciation adjustment	**0.6**	**—**	**0.3**	1.2	—	0.7
EPRA basic	**18.7**	**187.9**	**9.9**	14.3	187.5	7.7
Adjustment for cash tax	**2.2**	**—**	**1.2**	5.5	—	2.9
Adjusted cash tax earnings[1]	**20.9**	**187.9**	**11.1**	19.8	187.5	10.6

1 Cash tax adjusted earnings per share is defined as profit or loss for the year before exceptional items, change in fair value of derivatives, gain/loss on investment properties and the associated tax impacts exceptional tax items and deferred tax charges.

10. Earnings per share continued

Adjusted earnings per share continued

Gain on investment properties includes depreciation on leasehold properties of £4.5 million (FY2012: £4.3 million) and the related tax thereon of £0.6 million (FY2012: £1.2 million). As an industry standard measure, EPRA earnings are presented. EPRA earnings of £18.7 million (FY2012: £14.3 million) and EPRA earnings per share of 9.9 pence (FY2012: 7.7 pence) are calculated after further adjusting for these items.

	Group		
EPRA adjusted income statement (non-statutory)	**2013 £'m**	2012 £'m	Movement %
Revenue	**96.1**	98.8	(2.7)
Operating expenses (excluding depreciation and contingent rent)	**(45.3)**	(48.5)	6.6
EBITDA before contingent rent	**50.8**	50.3	1.0
Depreciation and contingent rent	**(1.1)**	(1.2)	(8.3)
Operating profit before depreciation on leasehold properties	**49.7**	49.1	1.2
Depreciation on leasehold properties	**(4.5)**	(4.3)	(4.7)
Operating profit	**45.2**	44.8	0.9
Net financing costs	**(23.4)**	(24.5)	4.5
Profit before income tax	**21.8**	20.3	7.4
Income tax	**(3.1)**	(6.0)	48.3
Profit for the year ("EPRA earnings")	**18.7**	14.3	30.8
Adjusted EPRA earnings per share	**9.9 pence**	7.7 pence	
Final dividend per share	**3.9 pence**	3.8 pence	

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

	Investment property £'m	**Interests in leasehold properties £'m**	**Investment property under construction £'m**	**Total investment properties £'m**
As at 1 November 2012	**685.1**	**58.0**	**5.4**	**748.5**
Additions	**4.2**	**20.6**	**—**	**24.8**
Disposals	**—**	**(13.4)**	**—**	**(13.4)**
Capital Goods Scheme	**(2.2)**	**—**	**—**	**(2.2)**
Reclassifications	**1.3**	**—**	**—**	**1.3**
Revaluations	**25.8**	**—**	**0.2**	**26.0**
Adjustment to present value	**—**	**(5.8)**	**—**	**(5.8)**
Depreciation	**—**	**(4.5)**	**—**	**(4.5)**
Exchange movements	**10.4**	**0.8**	**—**	**11.2**
As at 31 October 2013	**724.6**	**55.7**	**5.6**	**785.9**

The adjustment to present value on interest in leasehold properties reflects the improved recoverability of input taxation following the implementation of VAT on UK self-storage sales from 1 October 2012.

The Capital Goods Scheme adjustment relates to an increase in the discounted receivable initially recognised as at 31 October 2012.

	Investment property £'m	Interests in leasehold properties £'m	Investment property under construction £'m	Total investment properties £'m
As at 1 November 2011	713.6	62.5	15.1	791.2
Additions	7.1	1.0	10.8	18.9
Capital Goods Scheme	(9.0)	—	—	(9.0)
Reclassifications	20.7	—	(20.7)	—
Revaluations	(33.5)	—	0.3	(33.2)
Depreciation	—	(4.3)	—	(4.3)
Exchange movements	(13.8)	(1.2)	(0.1)	(15.1)
As at 31 October 2012	685.1	58.0	5.4	748.5

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

Gain/(loss) on investment properties comprise:

	2013 £'m	2012 £'m
Revaluations	**26.0**	(33.2)
Depreciation	**(4.5)**	(4.3)
	21.5	(37.5)

	Cost £'m	Valuation £'m	Revaluation on cost £m
Freehold stores			
As at 1 November 2012	350.2	560.1	209.9
Movement in year	9.8	31.0	21.2
As at 31 October 2013	**360.0**	**591.1**	**231.1**
Leasehold stores			
As at 1 November 2012	71.6	125.0	53.4
Movement in year	3.9	8.5	4.6
As at 31 October 2013	**75.5**	**133.5**	**58.0**
All stores			
As at 1 November 2012	421.8	685.1	263.3
Movement in year	13.7	39.5	25.8
As at 31 October 2013	**435.5**	**724.6**	**289.1**

The valuation of £724.6 million (FY2012: £685.1 million) excludes £0.8 million in respect of owner occupied property, which is included within property, plant and equipment. Rental income earned from investment properties for the years ended 31 October 2013 and 31 October 2012 was £78.3 million and £79.41 million, respectively.

The freehold and leasehold investment properties have been valued as at 31 October 2013 by external valuers, Cushman & Wakefield LLP ("C&W"). The valuation has been carried out in accordance with the RICS Valuation – Professional Standards, published by The Royal Institution of Chartered Surveyors ("the Red Book"). The valuation of each of the investment properties has been prepared on the basis of fair value as a fully equipped operational entity, having regard to trading potential. Three non-trading properties were valued on the basis of fair value. The valuation has been provided for accounts purposes and, as such, is a Regulated Purpose Valuation as defined in the Red Book. In compliance with the disclosure requirements of the Red Book, C&W has confirmed that:

- the members of the RICS who have been the signatories to the valuations provided to the Group for the same purposes as this valuation have been so since October 2006;
- C&W has been carrying out bi-annual valuations for the same purpose as this valuation on behalf of the Group since October 2006;
- C&W does not provide other significant professional or agency services to the Group;
- in relation to the preceding financial year of C&W, the proportion of total fees payable by the Group to the total fee income of the firm is less than 5%; and
- the fee payable to C&W is a fixed amount per property and is not contingent on the appraised value.

Market uncertainty

C&W's valuation report comments on valuation uncertainty resulting from low liquidity in the market for self-storage property. C&W notes that, although there were a number of self-storage transactions in 2007, the only significant transactions since 2007 are:

- the sale of a 51% share in Shurgard Europe which was announced in January 2008 and completed on 31 March 2008;
- the sale of the former Keepsafe portfolio by Macquarie to Alligator Self Storage which was completed in January 2010;
- the purchase by Shurgard Europe of the 80% interests held by its joint venture partner (Arcapita) in its two European joint venture vehicles, First Shurgard and Second Shurgard. The price paid was €172 million and the transaction was announced in March 2011. The two joint ventures owned 72 self-storage properties; and
- the purchase of Selstor, Sweden, by Pelican Self Storage/M3 Capital in Q4 2012.

There have been eight single store market transactions in the UK since 2010. C&W states that due to the lack of comparable market information in the self-storage sector, there is greater uncertainty attached to its opinion of value than would be anticipated during a more active market.

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

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

Assumptions:

- Net operating income is based on projected revenue received less projected operating costs together with a central administration charge of 6% of the estimated annual revenue subject to a cap and collar. The initial net operating income is calculated by estimating the net operating income in the first twelve months following the valuation date.
- The net operating income in future years is calculated assuming 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 2013 averages 77.12% (31 October 2012: 78.36%). The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth. The average time assumed for stores to trade at their maturity levels is 36.95 months (31 October 2012: 36.59 months).
- The capitalisation rates applied to existing and future net cash flows have been estimated by reference to underlying yields for industrial and retail warehouse property, yields for other trading property types such as student housing and hotels, bank base rates, ten year money rates, inflation and the available evidence of transactions in the sector. The valuation included in the accounts assumes rental growth in future periods. If an assumption of no rental growth is applied to the external valuation, the net initial yield pre-administration expenses for the 107 mature stores (i.e. excluding those stores categorised as "developing") is 7.42% (31 October 2012: 7.50%) rising to stabilised net yield pre-administration expenses of 9.75% (31 October 2012: 9.98%).
- 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 all leaseholds) is 11.91% (31 October 2012: 12.11%).
- Purchaser's costs of 5.8% (for the UK) and 6.2% (for France) (see page 71) have been assumed initially and sales plus purchaser's costs totalling 7.8% (UK) and 8.2% (France) are assumed on the notional sales in the tenth year in relation to freehold and long leasehold stores.

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 12.71 years (31 October 2012: 11.97 years). The average unexpired term excludes the French commercial leases.

Short leaseholds (France)

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

Investment properties under construction (UK only)

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

Immature stores: value uncertainty

C&W has assessed the value of each property individually. However, nine 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 consider 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 nine immature stores is greater than in relation to the balance of the properties due to there being even less market evidence that might be available for more mature properties and portfolios.

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

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

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

Valuation method and assumptions continued

Immature stores: value uncertainty continued

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.

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

Valuation assumption for purchaser's costs

The Group's investment property assets have been valued for the purposes of the financial statements after deducting notional purchaser's costs of 5.8% (UK) and 6.2% (France) of gross value, as if they were sold directly as property assets. The valuation is an asset valuation which is 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 very difficult to achieve except in a corporate structure.

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

12. Property, plant and equipment

	Owner occupied buildings £'m	Motor vehicles £'m	Fixtures and fittings £'m	Total £'m
Cost				
At 1 November 2012	0.8	0.3	3.8	4.9
Additions	—	—	0.2	0.2
Disposals	—	(0.1)	—	(0.1)
Reclassification to Investment property	—	—	(1.3)	(1.3)
At 31 October 2013	**0.8**	**0.2**	**2.7**	**3.7**
Accumulated depreciation				
At 1 November 2012	0.1	0.2	0.9	1.2
Charge for the year	—	0.1	0.3	0.4
Disposals	—	(0.2)	—	(0.2)
Impairment	—	—	0.5	0.5
At 31 October 2013	**0.1**	**0.1**	**1.7**	**1.9**
Net book value				
At 31 October 2013	**0.7**	**0.1**	**1.0**	**1.8**
At 31 October 2012	0.7	0.1	2.9	3.7

	Owner occupied buildings £'m	Motor vehicles £'m	Fixtures and fittings £'m	Total £'m
Cost				
At 1 November 2011	0.8	0.3	2.4	3.5
Additions	—	—	1.3	1.3
At 31 October 2012	0.8	0.3	3.7	4.8
Accumulated depreciation				
At 1 November 2011	0.1	0.1	0.5	0.7
Charge for the year	—	0.1	0.3	0.4
At 31 October 2012	0.1	0.2	0.8	1.1
Net book value				
At 31 October 2012	0.7	0.1	2.9	3.7
At 31 October 2011	0.7	0.2	2.0	2.9

13. Net assets per share

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

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

	2013 £'m	2012 £'m
Analysis of net asset value:		
Basic and diluted net asset value	345.9	243.3
Fair value of derivative (net of tax)	11.0	9.4
Adjustments: deferred tax liabilities	39.3	100.8
Adjusted net asset value	396.2	353.5
Basic net assets per share (pence)	183.7	129.8
EPRA basic net assets per share (pence)	210.4	188.6
Diluted net assets per share (pence)	182.4	129.3
EPRA diluted net assets per share (pence)	208.8	187.4

	Number	Number
Shares in issue	188,345,784	188,135,088

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 1,297,572 shares (FY2012: 1,611,335 shares). EPRA diluted net assets per share exclude deferred tax liabilities. The EPRA NAV, which further excludes fair value adjustments for debt and related derivatives net of tax, was £396.2 million (FY2012: £353.5 million), giving EPRA net assets per share of 210.4 pence (FY2012: 188.6 pence). The Directors consider that these alternative measures provide useful information on the performance of the Group.

EPRA adjusted balance sheet (non-statutory)

	Group		
	2013 £'m	2012 £'m	Movement %
Assets			
Non-current assets	797.4	765.3	4.2
Current assets	33.0	24.7	33.6
Total assets	830.4	790.0	5.1
Liabilities			
Current liabilities	(49.2)	(44.5)	(10.6)
Non-current liabilities	(385.0)	(392.0)	1.8
Total liabilities	(434.2)	(436.5)	0.5
EPRA net asset value	396.2	353.5	12.0
EPRA net asset value per share	210.4p	188.6p	11.5

14. Inventories

	2013 £'m	2012 £'m
Finished goods and goods held for resale	0.2	0.3
Less: provisions for impairment of inventories	(0.1)	(0.1)
	0.1	0.2

The Group consumed £1.1 million (FY2012: £1.1 million) of inventories during the year. Inventory write downs were £nil for both the financial years ended 31 October 2013 and 31 October 2012. Inventories of £0.1 million (FY2012: £0.2 million) are carried at fair value less costs to sell. Provisions are made against slow-moving and obsolete stock lines where considered appropriate.

15. Trade and other receivables

	2013 £'m	2012 £'m
Current:		
Trade receivables	**9.0**	7.8
Less: provision for impairment of receivables	**(1.3)**	(1.1)
Trade receivables – net	**7.7**	6.7
Other receivables	**3.7**	5.0
Prepayments and accrued income	**5.7**	5.9
	17.1	17.6

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

	2013 £'m	2012 £'m
Provisions for doubtful debts against trade receivables:		
At 1 November	**1.1**	0.8
Provision for receivables impairment	**0.5**	0.9
Receivables written off during the year as uncollectable	**(0.3)**	(0.6)
At 31 October	**1.3**	1.1

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

Trade receivables that are less than 28 days overdue are not considered impaired. As of 31 October 2013, trade receivables of £0.3 million (FY2012: £0.2 million) were past due but not impaired. These relate to a number of customers who benefit from an extension to normal terms and for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2013 £'m	2012 £'m
Up to 28 days overdue	**0.2**	0.2
Up to 60 days overdue	**0.1**	—

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

As of 31 October 2013, trade receivables of £1.3 million (FY2012: £1.1 million) were impaired and provided for in full. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

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

	2013 £'m	2012 £'m
Sterling	**11.2**	12.2
Euros	**5.9**	5.4
	17.1	17.6

Other receivables includes amounts in relation to VAT recoverable on qualifying expenditure in respect of the Capital Goods Scheme. As at 31 October 2013 the Group had a total discounted other receivable of £8.1 million (FY2012: £9.0 million). This is split £6.4 million as non-current assets and £1.7 million as current assets (FY2012: £6.0 million and £3.0 million respectively).

16. Cash and cash equivalents

	2013 £'m	2012 £'m
Cash at bank and in hand	**15.8**	6.9

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2013 £'m	2012 £'m
Sterling	**6.5**	3.7
Euros	**9.3**	3.2
	15.8	6.9

17. Trade and other payables

	2013 £'m	2012 £'m
Current:		
Trade payables	**7.4**	8.3
Other taxes and social security payable	**2.4**	2.2
Other payables	**3.2**	2.9
Accruals and deferred income	**21.8**	18.9
	34.8	32.3

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

	2013 £'m	2012 £'m
Sterling	**26.9**	25.0
Euro	**7.9**	7.3
	34.8	32.3

18. Financial liabilities – bank borrowings and secured notes

Current	2013 £'m	2012 £'m
Bank loans and overdrafts due within one year or on demand:		
Secured – bank loan	**5.0**	—
	5.0	—

Non-current	2013 £'m	2012 £'m
Bank loans and secured notes:		
Secured	**338.6**	343.9
Debt issue costs	**(0.7)**	(0.8)
	337.9	343.1

The bank facilities of £260 million and €70 million run to June 2016 and a $115 million US private placement note issue of seven and twelve years has maturities extending to 2019 and 2024.

The blended cost of interest on the overall debt is 5.3% per annum. The bank facilities attract a margin over LIBOR/EURIBOR ratchet operated by reference to the Group's performance against its interest cover covenant. The margin ratchets between 2.5% and 3.5%. Approximately 83% of the drawn bank facilities have been hedged at 1.71% LIBOR and 1.36% EURIBOR. The Company has issued $67 million 5.52% Series A Senior Secured Notes due 2019 and 6.29% $48 million Series B Senior Secured Notes due 2024. The proceeds of the US private placement have been fully hedged by cross currency swaps converting the US Dollar exchange risk into £ Sterling. The loan is carried at amortised cost.

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

Bank loans and secured notes are stated before unamortised issue costs of £0.7 million (FY2012: £0.8 million).

Bank loans and secured notes are repayable as follows:

	Group	
	2013 £'m	2012 £'m
In one year or less	**5.0**	—
Between one and two years	**10.0**	5.0
Between two and five years	**256.9**	267.7
After more than five years	**71.7**	71.2
Bank loans and secured notes	**343.6**	343.9
Unamortised issue costs due after one year	**(0.7)**	(0.8)
	342.9	343.1

18. Financial liabilities – bank borrowings and secured notes continued

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

	2013	2012
Bank loans (UK term loan)	**Quarterly LIBOR plus 3.25%**	Quarterly LIBOR plus 3.5%
Bank Loans (Euro term loan)	**Quarterly EURIBOR plus 3.25%**	Quarterly EURIBOR plus 3.5%
Private placement notes	**Weighted average rate of 6.21%**	Weighted average rate of 6.21%

Secured loan notes bear interest at 5.83% on $67 million and 6.7375% on $48 million, as a result of cross currency swap agreements.

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	
	2013 £'m	2012 £'m
Expiring beyond one year	**57,989**	53,698

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

	2013 £'m	2012 £'m
Sterling	**230.0**	230.0
Euro	**41.9**	42.7
US Dollar	**71.7**	71.2
	343.6	343.9

19. Financial instruments

Financial instruments disclosures are set out below. Additional disclosures are set out in note 2, Financial risk management.

	2013		2012	
	Asset £'m	**Liability £'m**	Asset £'m	Liability £'m
Interest rate swaps	**–**	**(5.9)**	2.6	(11.1)
Cross currency swaps	**–**	**(4.3)**	–	(4.3)
Foreign exchange contracts	**–**	**(0.8)**	0.4	(0.1)
	–	**(11.0)**	3.0	(15.5)

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

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

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

	2013		2012	
	Book value £'m	**Fair value £'m**	Book value £'m	Fair value £'m
Bank loans	**342.9**	**365.6**	343.1	396.7
Finance lease obligations	**55.7**	**96.9**	58.0	96.2

Fair value hierarchy

IFRS 7 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

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

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

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

19. Financial instruments continued

Fair value hierarchy continued

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

Assets per the balance sheet	2013 £'m	2012 £'m
Derivative financial instruments – Level 2	—	3.0

Liabilities per the balance sheet	2013 £'m	2012 £'m
Derivative financial instruments – Level 2	**11.0**	15.5

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

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

Interest rate swaps not designated as part of a hedging arrangement

The notional principal amount of the outstanding interest rate swap contracts at 31 October 2013 was £196.7 million and €40 million (FY2012: £196.7 million and €40 million). At 31 October 2013 the fixed interest rates were Sterling at blended 1.710% and Euro at 1.361% (FY2012: Sterling at 1.710% and Euro at 1.361%) and floating rates are at quarterly LIBOR and quarterly EURIBOR. The LIBOR swaps and the EURIBOR swaps expire in June 2016.

The Group entered into a new banking facility agreement which replaced the existing facilities due to mature in August 2013. The existing interest hedge agreements were replaced by new interest hedge agreements to coincide with the new maturity in June 2016. No settlement payments were required to be made to any counterparties and the embedded value of the existing interest hedge agreements was incorporated within the new agreements. The movement in fair value recognised in the income statement was a gain of £2.8 million (FY2012: loss of £1.9 million).

Foreign exchange swap not designated as part of a hedging arrangement

At 31 October 2013, the Group had foreign currency swap contracts outstanding for a notional principal amount of between €4.5 million and €6.0 million every six months commencing April 2013 and terminating on 31 October 2015. The Group will receive the Sterling equivalent of the notional principal amount at an average exchange rate of €1.2169 to the Pound and pay the Sterling equivalent of the average monthly spot rates for the six months. The movement in the fair value recognised in the income statement in the period was a loss of £1.3 million (FY2012: gain of £0.4 million).

Cross currency swaps designated as part of a hedging arrangement

The Group entered into cross currency swaps to mitigate the foreign exchange risk arising on future interest payments and the principal repayments arising from the $67 million and $48 million US Secured Senior Notes. These cross currency swaps commenced in May 2012 and terminate in 2019 and 2024 in line with the maturity of the notes. The movement in fair value recognised in other comprehensive income in the period was a pre-tax loss of £0.5 million (FY2012: loss of £2.8 million).

Financial instruments by category

Group	Loans and receivables £'m	Assets at fair value through profit and loss £'m	Total £'m
Assets as per balance sheet			
Trade receivables and other receivables excluding prepayments	11.4	—	11.4
Cash and cash equivalents	15.8	—	15.8
As at 31 October 2013	**27.2**	**—**	**27.2**

Group	Liabilities at fair value through profit and loss £'m	Other financial liabilities at amortised cost £'m	Total £'m
Liabilities as per balance sheet			
Borrowings (excluding finance lease liabilities)	—	342.9	342.9
Finance lease liabilities	—	55.7	55.7
Derivative financial instruments	11.0	—	11.0
Trade payable and other payables	—	34.8	34.8
As at 31 October 2013	**11.0**	**433.4**	**444.4**

19. Financial instruments continued

Financial instruments by category continued

Group assets as per balance sheet	Loans and receivables £'m	Assets at fair value through profit and loss £'m	Total £'m
Trade receivables and other receivables excluding prepayments	11.7	—	11.7
Derivative financial instruments	—	3.0	3.0
Cash and cash equivalents	6.9	—	6.9
As at 31 October 2012	18.6	3.0	21.6

Group liabilities as per balance sheet	Liabilities at fair value through profit and loss £'m	Other financial liabilities at amortised cost £'m	Total £'m
Borrowings (excluding finance lease liabilities)	—	343.1	343.1
Finance lease liabilities	—	58.0	58.0
Derivative financial instruments	15.5	—	15.5
Trade payable and other payables	—	32.3	32.3
As at 31 October 2012	15.5	433.4	448.9

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

	2013			2012		
	Floating rate £'m	**Fixed rate £'m**	**Total £'m**	Floating rate £'m	Fixed rate £'m	Total £'m
Borrowings	**40.3**	**302.6**	**342.9**	41.5	301.6	343.1

The weighted average interest rate of the fixed rate financial borrowing was 5.22% (FY2012: 5.41%) and the weighted average period for which the rate is fixed was four years for bank borrowings and seven/twelve years for the notes (FY2012: four years for bank debt; seven/twelve for notes).

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
2013				
Borrowings	**22.1**	**27.8**	**274.4**	**92.1**
Derivative financial instruments	**7.2**	**7.2**	**15.6**	**14.7**
Contractual interest payments and finance lease charges	**10.1**	**10.5**	**26.4**	**49.9**
Trade and other payables	**34.8**	**—**	**—**	**—**
	74.2	**45.5**	**316.4**	**156.7**
2012				
Borrowings	16.4	21.5	302.3	89.6
Derivative financial instruments	7.0	7.0	17.9	19.4
Contractual interest payments and finance lease charges	10.2	10.0	24.3	51.7
Trade and other payables	32.3	—	—	—
	65.9	38.5	344.5	160.7

20. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2013 £'m	2012 £'m	**2013 £'m**	2012 £'m
Within one year	**10.2**	10.1	**8.6**	9.6
Within two to five years	**36.9**	34.4	**26.1**	25.2
Greater than five years	**49.9**	51.7	**21.0**	23.2
	97.0	96.2	**55.7**	58.0
Less: future finance charges on finance leases	**(41.3)**	(38.2)	**—**	—
Present value of finance lease obligations	**55.7**	58.0	**55.7**	58.0

	2013 £'m	2012 £'m
Current	**8.6**	9.6
Non-current	**47.1**	48.4
	55.7	58.0

21. Deferred income tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 20% (FY2012: 23%) for the UK and 33.3% (FY2012: 33.3%) for France. The movement on the deferred tax account is as shown below:

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

	Note	**2013 £'m**	2012 £'m
At 1 November		**93.7**	109.5
Credit to income statement	8	**(60.8)**	(12.2)
Charged/(released) to equity		**1.1**	(1.0)
Exchange differences		**2.0**	(2.6)
At 31 October		**36.0**	93.7

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 2011	116.9	(0.4)	116.5
Credit to income statement	(13.3)	0.6	(12.7)
Exchange differences	(3.0)	—	(3.0)
At 31 October 2012	100.6	0.2	100.8
At 1 November 2012	100.6	0.2	100.8
Credit to income statement	(63.5)	(0.2)	(63.7)
Exchange differences	2.2	—	2.2
At 31 October 2013	**39.3**	**—**	**39.3**

21. Deferred income tax continued

Deferred tax asset	Tax losses £'m	Interest swap £'m	Total £'m
At 1 November 2011	5.4	1.7	7.1
Charged to income statement	(0.8)	0.2	(0.6)
Charged to equity	—	1.0	1.0
Exchange differences	(0.4)	—	(0.4)
At 31 October 2012	4.2	2.9	7.1
At 1 November 2012	4.2	2.9	7.1
Charged to income statement	(1.4)	(1.5)	(2.9)
Released to equity	—	(1.1)	(1.1)
Exchange differences	0.2	—	0.2
At 31 October 2013	**3.0**	**0.3**	**3.3**

The deferred tax liability due after more than one year is £39.3 million (FY2012: £100.8 million).

As at 31 October 2013, the Group had trading losses of £3.1 million (FY2012: £nil) and capital losses of £36.4 million (FY2012: £4.0 million) in respect of its UK operations. The increase in capital losses arose from the liquidation of a number of dormant subsidiary companies. No deferred tax asset has been recognised in respect of these losses.

22. Called up share capital

	2013 £'m	2012 £'m
Called up, allotted and fully paid		
188,345,784 (FY2012: 188,135,088) ordinary shares of 1 pence each	**1.9**	1.9

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

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

		Grant date 11 August 2011	
		(UK three years)	(UK five years)
Number of options granted		469,067	212,375
Share price at grant date	(pence)	98.25	98.25
Exercise price	(pence)	104	104
Risk-free rate of interest	(% per annum)	1.56	2.58
Expected volatility	(% per annum)	52	57
Expected dividend yield	(% per annum)	5.1	5.1
Expected term to exercise	(years)	3	5
Value per option	(pence)	25	33

22. Called up share capital continued

Safestore 2009 Performance Share Plan

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

		Grant date February 2013		Grant date June 2013	
		(PBT-EPS part)	(TSR part)	(PBT-EPS part)	(TSR part)
Number of options granted		637,564	318,782	195,951	97,976
Share price at grant date	(pence)	123	123	124.25	124.5
Exercise price	(pence)	—	—	—	—
Risk-free rate of interest	(% per annum)	n/a	0.52	—	0.62
Expected volatility	(% per annum)	—	31	—	29.8
Expected term to exercise	(years)	—	—	—	—
Value per option	(pence)	123	80	124.5	80

During the accounting period, there were no new grants under the Sharesave scheme. 5,198 awards were exercised and 313,651 awards lapsed as shown in the table below. 1,250,273 awards were granted under the 2009 Performance Share Plan and 2,456,902 awards lapsed and 608,063 awards were exercised under the 2009 Performance Share Plan. At the end of the accounting period, options over 145,598 ordinary shares were outstanding under the Sharesave scheme and 2,228,853 awards in the Performance Share Plan remain unvested. Details of the awards outstanding under all of the Group's share schemes over the accounting years are set out below:

Date of grant	At 31 October 2012	Granted	Exercised	Lapsed	**At 31 October 2013**	Exercise price	Expiry date
Safestore Holdings plc Sharesave scheme							
11/08/2011	327,115	—	(5,198)	(211,024)	**110,893**	104.0p	11/02/2015
11/08/2011	137,332	—	—	(102,627)	**34,705**	104.0p	11/02/2017
Total	464,447	—	(5,198)	(313,651)	**145,598**		
Safestore 2009 Performance Share Plan							
27/03/2009	696,888	—	(696,888)	—	**–**		
24/02/2010	986,618	—	—	(986,618)	**–**		
01/02/2011	1,117,858	—	—	(608,377)	**509,481**	0.0p	01/02/2015
01/02/2012	1,231,496	—	—	560,496	**671,000**	0.0p	01/02/2016
28/06/2012	99,510	—	—	—	**99,510**	0.0p	29/06/2016
06/02/2013	—	956,346	—	301,411	**654,935**	0.0p	06/02/2017
28/06/2013	—	293,927	—	—	**293,927**	0.0p	28/06/2017
Total	4,132,370	1,250,273	(696,888)	(2,456,902)	**2,228,853**		

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

23. Retained earnings

	Notes	£'m
Balance at 1 November 2011		233.1
Loss for the year		(7.8)
Dividend payment	9	(10.1)
Employee share options		0.2
Balance at 1 November 2012		215.4
Profit for the year		108.5
Dividend payment	9	(10.6)
Employee share options		0.2
Balance at 31 October 2013		**313.5**

Included within retained earnings are ordinary shares with a nominal value of £1,428 (FY2012: £6,397) that represent shares allotted to the Safestore Employee Benefit Trust in satisfaction of awards under the Group's Long Term Incentive Plan in 2008 and which remain unvested.

24. Other reserves

	Notes	Translation reserve £'m	Hedge reserve £'m	Retained earnings £'m	Total £'m
Balance at 1 November 2011		11.8	—	233.1	244.9
Loss for the year		—	—	(7.8)	(7.8)
Dividends	9	—	—	(10.1)	(10.1)
Exchange differences on translation of foreign operations		(12.3)	—	—	(12.3)
Change in value of interest rate swaps		—	(4.3)	—	(4.3)
Recycling of hedge reserve		—	1.5	—	1.5
Tax on items taken to other comprehensive income		—	1.0	—	1.0
Employee share options		—	—	0.2	0.2
Balance at 1 November 2012		(0.5)	(1.8)	215.4	213.1
Profit for the year		—	—	108.5	108.5
Dividends	9	—	—	(10.6)	(10.6)
Exchange differences on translation of foreign operations		6.0	—	—	6.0
Recycling of hedge reserve		—	(0.5)	—	(0.5)
Tax on items taken to other comprehensive income		—	(1.1)	—	(1.1)
Employee share options		—	—	0.2	0.2
Balance at 31 October 2013		**5.5**	**(3.4)**	**313.5**	**315.6**

The translation reserve balance of £5.5 million (FY2012: £0.5 million adverse) comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The hedge reserve balance of £3.4 million adverse (FY2012: £1.8 million adverse) comprises the unrealised elements of derivative financial instruments recognised in equity.

25. Cash flow from operating activities

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

Cash generated from continuing operations	Notes	**2013 £'m**	2012 £'m
Profit/(loss) before income tax		**48.6**	(19.5)
(Gain)/loss on investment properties	11	**(21.5)**	37.5
Depreciation	12	**0.4**	0.4
Impairment of non-current assets	12	**0.5**	—
Change in fair value of derivatives		**1.3**	(0.4)
Net finance expense	4	**20.6**	36.4
Employee share options		**0.2**	0.2
Changes in working capital:			
(Increase)/decrease in trade and other receivables		**(0.6)**	1.8
Increase/(decrease) in trade and other payables		**2.1**	(4.7)
Cash generated from continuing operations		**51.6**	51.7

26. Analysis of movement in net debt

	2012 £'m	Cash flows £'m	Non-cash movements £'m	**2013 £'m**
Cash in hand	6.9	8.7	0.2	**15.8**
Debt due within one year	—	—	(5.0)	**(5.0)**
Debt due after one year	(343.1)	3.4	1.8	**(337.9)**
Total net debt excluding finance leases	(336.2)	12.1	(3.0)	**(327.1)**
Finance leases due within one year	(9.6)	4.5	(3.5)	**(8.6)**
Finance leases due after one year	(48.4)	—	1.3	**(47.1)**
Total finance leases	(58.0)	4.5	(2.2)	**(55.7)**
Total net debt	(394.2)	16.6	(5.2)	**(382.8)**

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

27. Employees and Directors

Staff costs (including Directors) for the Group during the year	2013 £'m	2012 £'m
Wages and salaries	**14.3**	14.7
Social security costs	**2.5**	2.2
Other pension costs	**0.2**	0.4
Share based payments	**0.2**	0.2
	17.2	17.5

During the period ended 31 October 2013 the Company's equity-settled share based payment arrangements comprised the Safestore Holdings plc Sharesave scheme and the Safestore 2009 Performance Share Plan. The number of awards made under each scheme are detailed in note 22. No options have been modified since grant under any of the schemes.

Average monthly number of people (including Executive Directors) employed	2013 Number	2012 Number
Sales	**503**	467
Administration	**72**	102
	575	569

Key management compensation	2013 £'m	2012 £'m
Wages and salaries	**3.2**	1.9
Social security costs	**0.5**	0.2
Post-employment benefits	**0.2**	0.2
Share based payments	**0.2**	0.2
	4.1	2.5

The key management figures given above include Directors.

Directors	2013 £'m	2012 £'m
Aggregate emoluments	**2.0**	1.0
Company contributions paid to money purchase pension schemes	**0.1**	0.1
	2.1	1.1

There were three Directors (FY2012: two) accruing benefits under a money purchase scheme.

28. Contingent liabilities

As part of the Group banking facility, the Company has guaranteed the borrowings totalling £343.6 million (FY2012: £343.9 million) of fellow Group undertakings by way of a charge over all of its property and assets. There are similar cross guarantees provided by the Group companies in respect of any bank borrowings which the Company may draw under a Group facility agreement. The financial liability associated with this guarantee is considered remote and therefore no provision has been recorded.

29. Capital commitments

The Group had £nil capital commitments as at 31 October 2013 (FY2012: £2.3 million).

30. Related party transactions

The Group's shares are widely held.

During the year £nil (FY2012: £nil) transactions were carried out with related parties.

31. Parent company

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

32. Post-balance sheet events

Subsequent to the end of the financial year the Group sold its Whitechapel property for £41.1 million. The freehold of the Whitechapel property was valued within investment properties, net of expected costs to sell at £40.5 million at 31 October 2013. Subsequent to its sale, the Group has used the proceeds to pay down debt under the existing UK term facility. In addition, the Group has paid down a further £9 million of UK term loan from internal cash resources.

The Group has also decided, given the significant de-leveraging described above, to amend and extend its existing UK bank facilities. As a result, the UK term loan facility is reduced from £230 million to £181.2 million and the UK revolver has been increased to £50 million. The Euro revolver remains at €70 million. The US Private Placement reduces from $115 million to $113 million following a repayment of $2 million on 23 December 2013.

Independent auditors' report
to the members of Safestore Holdings plc

Report on the parent company financial statements

Our opinion

In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 31 October 2013 and of its cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say below.

What we have audited

The parent company financial statements, which are prepared by Safestore Holdings plc, comprise:

- the parent company balance sheet as at 31 October 2013;
- the parent company statement of changes in equity and statement of cash flows for the year then ended; and
- the summary of significant accounting policies and notes to the financial statements, which includes other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited parent company financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinions on matters prescribed by the Companies Act 2006

In our opinion:

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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 and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of Directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited parent company financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the parent company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' responsibilities statement set out on page 48, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Other matter

We have reported separately on the group financial statements of Safestore Holdings plc for the year ended 31 October 2013.

John Waters (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 January 2014

Company balance sheet
as at 31 October 2013

	Notes	Company 2013 £'m	2012 £'m
Fixed assets			
Tangible fixed assets	5	**—**	—
Fixed asset investments	6	**1.0**	1.0
		1.0	1.0
Current assets			
Debtors: amounts falling due within one year	7	**0.2**	0.8
Debtors: amounts falling due after more than one year	7	**129.3**	116.9
Cash at bank and in hand		**2.3**	—
		131.8	117.7
Creditors: amounts falling due within one year	8	**(5.9)**	(2.5)
Total assets less current liabilities		**126.9**	116.2
Creditors: amounts falling due after more than one year	9	**(71.0)**	(71.9)
Net assets		**55.9**	44.3
Capital and reserves			
Ordinary shares	10	**1.9**	1.9
Share premium account	11	**28.4**	28.3
Profit and loss account	11	**25.6**	14.1
Total shareholders' funds	12	**55.9**	44.3

The Company financial statements on pages 85 to 88 were approved by the Board of Directors on 29 January 2014 and signed on its behalf by:

A Jones
Chief Financial Officer

F Vecchioli
Chief Executive Officer

Company registration number: 4726380

Notes to the Company financial statements
for the year ended 31 October 2013

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

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

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

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

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

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

Share based payments
Share based incentives are provided to employees under the Company's bonus share plan, performance share plan and employee Sharesave schemes. The Company recognises a compensation cost in respect of these schemes that is based on the fair value of the awards, measured using Black-Scholes, Binomial and Monte Carlo valuation methodologies. For equity-settled schemes, the fair value is determined at the date of grant and is not subsequently re-measured unless the conditions on which the award was granted are modified. For cash-settled schemes, the fair value is determined at the date of grant and is re-measured at each balance sheet date until the liability is settled. Generally, the compensation cost is recognised on a straight line basis over the vesting period. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to the failure to satisfy service conditions or non-market performance conditions. See note 22 in the Group accounts for further disclosures.

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

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

2. Results of parent company
As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year amounted to £21.9 million (FY2012: £11.1 million).

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

4. Operating profit
The Company does not have any employees (FY2012: none). Auditors' remuneration for the year ended 31 October 2013 was £10,000 (FY2012: £10,000). There were no non-audit services (FY2012: none) provided by the auditors.

5. Tangible fixed assets – fixtures and fittings

	£'m
Cost	
As at 1 November 2012 and at 31 October 2013	0.2
Accumulated depreciation	
As at 1 November 2012	0.2
Charge for the year	—
At 31 October 2013	**0.2**
Net book amount	
At 31 October 2013	**—**
At 31 October 2012	—

6. Fixed asset investments

	£'m
Cost and net book value	
At i November 2012 and 31 October 2013	1.0

Investments in Group undertakings are stated at cost. The Directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. A list of principal subsidiary undertakings is given below. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Interests in subsidiary undertakings

The Company has the following wholly owned subsidiaries:

Subsidiary	Country of incorporation	Principal activity
Safestore Group Limited	England and Wales	Holding company
Safestore Limited[1]	England and Wales	Provision of self-storage
Spaces Personal Storage Limited[1]	England and Wales	Holding company
Safestore Properties Limited[2]	England and Wales	Holding company
Une Pièce en Plus SAS[3]	France	Provision of self-storage
Compagnie de Libre Entreposage France SAS[3]	France	Holding company

Notes
1 Safestore Limited and Spaces Personal Storage Limited are both 100% subsidiaries of Safestore Acquisition Limited.
2 Safestore Properties Limited is a 100% subsidiary of Mentmore Limited.
3 Une Pièce en Plus SAS and Compagnie de Libre Entreposage France SAS are both 100% subsidiaries of Mentmore Limited.

7. Debtors

	2013 £'m	2012 £'m
Trade debtors	**0.1**	0.1
Amounts owed by Group undertakings	**—**	0.7
Other debtors	**0.1**	—
Prepayments and accrued income	**—**	—
Debtors due within one year	**0.2**	0.8
Amounts owed by Group undertakings	**129.3**	116.9
Debtors due after more than one year	**129.3**	116.9

8. Creditors: amounts falling due within one year

	2013 £'m	2012 £'m
Trade creditors	**0.2**	0.2
Amounts owed to Group undertakings	**4.8**	1.9
Other taxes and social security	**0.2**	0.1
Accruals and deferred income	**0.7**	0.3
Creditors due within one year	**5.9**	2.5

9. Creditors: amounts falling due after more than one year

	2013 £'m	2012 £'m
Secured loan notes	**71.7**	72.7
Debt issue costs	**(0.7)**	(0.8)
	71.0	71.9

The loan notes are $67 million 5.52% Series A senior Secured Notes due 2019 and $48 million 6.29% Series B Senior Secured notes due 2024.

10. Called up share capital

	2013 £'m	2012 £'m
Allotted and fully paid		
188,345,784 (FY2012: 188,135,088) ordinary shares of 1 pence	**1.9**	1.9
At 31 October	**1.9**	1.9

Ordinary shares

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

For details of share options see note 22 in the Group financial statements.

11. Reserves

	Share premium account £'m	Profit and loss reserve £'m
At 1 November 2012	28.3	14.1
Profit for the year	—	21.9
Issue of share capital	0.1	—
Employee share options	—	0.2
Dividends paid	—	(10.6)
At 31 October 2013	**28.4**	**25.6**

For details of the dividend paid in the year see note 9 in the Group financial statements.

12. Reconciliation of movements in shareholders' funds

	2013 £'m	2012 £'m
Profit for the year	**21.9**	11.1
Dividends paid	**(10.6)**	(10.1)
Employee share options	**0.2**	0.2
Issue of share capital	**0.1**	—
At 1 November 2012/2011	**44.3**	43.1
At 31 October 2013/2012	**55.9**	44.3

13. Related party transactions

The Company has taken advantage of the exemption available under FRS 8 'Related Party Disclosures' and has not disclosed details of its transactions with certain related parties. This exemption is available as the transactions are with entities that are part of the same group and the consolidated accounts are publicly available.

14. Contingent liabilities

For details of contingent liabilities see note 28 in the Group financial statements.

Directors and advisers

Directors

A S Lewis	(Non-Executive Chairman)
F Vecchioli	(Chief Executive Officer)
A B Jones	(Chief Financial Officer)
A H Martin	(Non-Executive Director)
K G Edelman	(Non-Executive Director)
I S Krieger	(Non-Executive Director)

Company Secretary
S Ahmed

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BRED BanquePopulaire
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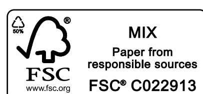
Through the website of our Registrar, Capita Asset Services, shareholders are able to manage their shareholding by registering for the Share Portal, a free, secure, online access to their shareholding.

Please visit our investor relations website
All the latest news and updates for investors at www.safestore.com.



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