Safestore Holdings plc

Annual report and financial statements 2010

we know the value of space

Safestore Holdings plc is a FTSE All-Share self-storage company, listed on the main market of the London Stock Exchange.

Safestore is the UK's largest and Europe's second largest provider of self-storage solutions. Our principal operations are located in the UK, where we have 96 stores with a further 22 stores in Europe.

Our track record
Safestore has an impressive track record in managing and developing its assets. With over 41,000 customers and 118 stores, Safestore has a strong understanding of the evolving needs of its customers and a robust operational platform from which to continue to deliver sustained growth.

Our strengths
Our strength lies in our ability to combine a deep understanding of a rapidly expanding growth market with the commercial and operational skills to provide flexible self-storage solutions for an expanding UK and European customer base. We have the expertise, knowledge and skills to benefit from the evolving self-storage market and return value to shareholders.

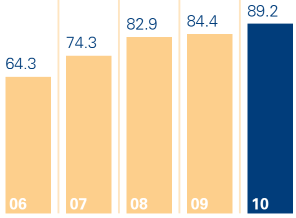
Contents

Highlights

+ Revenue grew by 5.7% to £89.2 million.
+ Ancillary sales increased by 6.1% to £12.2 million.
+ Underlying EBITDA* up by 6.1% to £49.2 million.
+ Year-on-year increase of 195% in occupancy growth.
+ Safestore won a competitive tendering process to manage the twelve-store chain of Space maker stores.

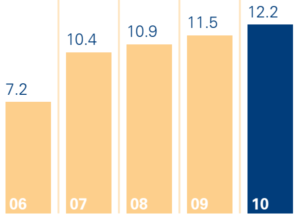
Revenue (£m)

£89.2m
+5.7%



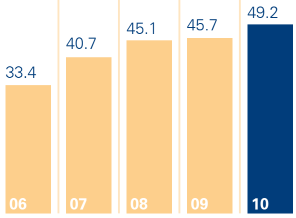
Ancillary revenue (£m)

£12.2m
+6.1%



Underlying EBITDA (£m)

£49.2m
+6.1%



www.safestore.com

* Underlying EBITDA is earnings before interest, taxation, depreciation and amortisation (before exceptional items, change in fair value of derivatives, contingent rent and movement on investment properties).

A focused business
Flexible business model

A strong balance sheet and opertional cash flow along with increased bank facilities allows Safestore to invest in continual improvements in the operational performance of its stores, in new store development and acquisitions where appropriate.

Where Safestore is today

No. 1
Safestore the No. 1 self-storage company in the UK and Paris

118
118 trading stores

10
Ten pipeline stores

5.2m
5.2m sq ft storage space when fully fitted out

96
96 UK stores providing national coverage plus 12 Space maker stores

22
22 stores in Paris

store
Crystal Palace, London
month opened
July 2010

store
Ney, Paris
month opened
July 2010

Full list of our sites is available at:
www.safestore.co.uk

Stores opened after the financial year end

Trappes, Paris

Southend

Bolton

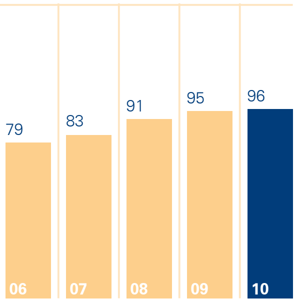
store
Barking, London
month opened
September 2010

A focused business
Geographical spread

Our strategy since 2004 has been to have a national footprint with stores across the UK and in all major cities. Our Paris business Une Pièce en Plus ("UPP") targets the second most developed self-storage market in Europe after London. In 2010 Safestore retained its number one position in the UK and in Paris by store number.

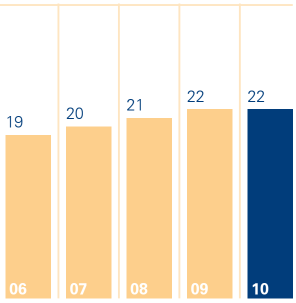
Total number of UK stores

96



Total number of Paris stores

22



store
Ivry, Paris
month opened
March 2006

store
Cardiff, Newport Road
month opened
April 2009

UK existing portfolio

96

stores

France existing portfolio

22

stores

store

Clapham, London

month opened

January 2009

A focused business
Diversified customer base

The backbone of success is our diversified customer base and our flexible offering. We are able to quickly adapt to the changing needs of our customers to provide a service that is unmatched.

09:02

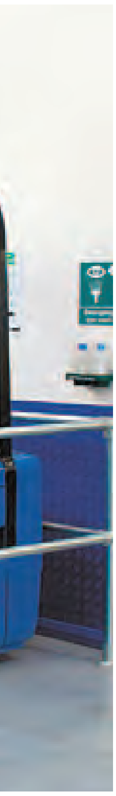
Emma and James are moving from London to Sheffield for a one year work placement. They do not want to take all their belongings as they intend to return, so they move their household items into storage.

17:38

Sue and Steve take a store tour as they will soon be between homes. Seema helps them visualise how the contents of their home will fit into the smallest space.

10:37

Jane stops by to drop off her personal property before going on her six month world trip. She realises that she underestimated the storage space she would require. However, Ryan, our sales assistant was able to provide a larger storage room for her straight away.



12:45

Lee takes an incoming call from a potential new customer who urgently needs storage space. One hour later they have been set up in a storage room which is ideal for them.

15:07

John shows the delivery driver our forklift as Mr Peters gets his wine delivery from Provence. He was able to add further space specifically for the order.

Chairman's statement

"We have confidence in the resilience of our business model and the strength and depth of our management team which has continued to deliver strong trading and cash flows in what is still a developing market in the UK and Europe."

As Chairman of Safestore Holdings plc, the market leader and largest self-storage retailer in the UK and Paris, I am pleased to announce a record set of results in terms of revenue and EBITDA for the year ended 31 October 2010, building on the momentum delivered in prior years.

We have continued to grow the business in spite of a flat macro-economy and housing market and have seen high levels of new lets resulting in strong occupancy growth and a robust rental rate. We have opened three new stores in excellent locations and closed one old store in the year. We now trade from 118 facilities firmly consolidating Safestore's position as the market leader in both the UK and central Paris.

We have confidence in the resilience of our business model and the strength and depth of our management team which has continued to deliver strong trading and cash flows in what is still a developing market in the UK and Europe.

Financial results

Turnover for the year of £89.2 million was 5.7% higher than last year (FY2009: £84.4 million) and profit before tax was £29.2 million (FY2009: loss before tax of £9.4 million). Further details on the results for the Financial Year 2010 ("FY2010") and Financial Year 2009 ("FY2009") are included in the Financial Review on pages 20 to 25.

The key drivers for revenue growth continue to be movements in the self-storage rate per square foot ("sq ft"), occupancy and ancillary revenues:

- closing occupancy increased by 168,000 sq ft or 6.1% to 2.94 million sq ft (FY2009: 2.77 million sq ft);
- the average self-storage rental rates per sq ft in the UK and France were up 3.3% and 1.9% respectively this year over last on a constant currency basis. The impact of foreign exchange movements has reduced the increase to 1.2% at group level to £25.55 per sq ft (FY2009: £25.24);
- ancillary revenues were up 6.1% to £12.2 million (FY2009: £11.5 million);
- underlying EBITDA increased by 6.1% to £49.2 million (FY2009: £46.3 million);
- underlying EBITDA margins have increased to 55.1% (FY2009: 54.9%); and
- EPRA adjusted earnings per share increased by 8.9% to 8.19 pence (FY2009: 7.52 pence).

Property valuation

As at 31 October 2010, the total value of the Group's investment property portfolio was £687.2 million, up £39.4 million from £647.8 million at 31 October 2009 and up £31.8 million from the half-year valuation of £655.4 million at 30 April 2010. All areas of the business have contributed to the valuation uplift seen during the year. New stores opened in the second half of the financial year account for £12.8 million of the uplift, with the balance being delivered from the UK and Parisian existing portfolios on a like-for-like basis. More details are provided in the Financial review.

Dividend

The Board is pleased to recommend a final dividend of 3.25 pence per share bringing the total dividend to 4.95 pence per share for the year. This final dividend represents an increase of 6.5% versus FY2009. We consider that it represents the appropriate balance between shareholder return and the requirement of capital to fund new store organic growth and it further demonstrates the Board's confidence in the prospects of the Group.

People

The Board recognises the significant role our people play in the success of the business and we remain committed to the training and development of our staff as we strongly believe that it is our strength in this area that sets Safestore apart from its competition. I would like to take this opportunity to thank all my colleagues throughout the business for their hard work and dedication this year.

Following Steve Williams' desire to retire from the Board, I am pleased to announce his successor, Peter Gowers, whose most recent role was chief executive, Asia Pacific, InterContinental Hotels Group PLC. Steve Williams will leave the Company on 30 April 2011 after handing over to Peter who will join Safestore on 1 February 2011 and become Chief Executive on 1 March 2011.

The entire Board and I are extremely grateful to Steve for his enormous contribution to the success of the Company and for his outstanding leadership of Safestore since his appointment as Chief Executive in January 2002.

Steve led the successful flotation in 2007 and today we have a high-quality self-storage business throughout the UK and Paris. He has provided a solid platform for the Company's continued success and we appreciate his intention to remain in the business until 30 April to ensure a smooth handover.

Outlook

The strong performance of Safestore in the year reflects the operational experience of the executive team and its understanding of the self-storage market. The continued resilience of the Group's performance and business model is underpinned by our diverse cross-section of customers, both domestic and business, and the geographies in which we operate.

Since the year end, we have continued to see good levels of enquiries and new lets. Vacate activity has increased, which is expected given the time of year and strong trading in previous periods. Traditionally the first quarter of the financial year is the quietest trading period for the self-storage sector and, whilst we have seen the usual fall in occupancy in the quarter, this is in line with historical trading and better than might have been expected given the high level of new lets in previous periods. The self-storage rental rate per sq ft has remained strong and continued to increase during the first quarter.

We will continue to manage the business with a clear but flexible strategy thus enabling us to respond in line with any recovery in the wider market. New store openings remain on schedule and we continue to invest and acquire new stores in first-class locations. These new stores will provide further growth drivers for the Group as they mature over time. Maintaining the balance of occupancy, rate and ancillary growth will continue to be a core part of our strategy and the Group should see the benefits of our operational gearing.

We believe that the self-storage market will continue to grow as awareness increases and, furthermore, we are also confident that we can deliver a bigger share of the overall market through our operational expertise, national coverage and scale.

The Board believes that Safestore, with its strong cash flow characteristics and flexible business model, operating expertise and market leading position, is ideally placed to exploit potential opportunities within the market.

Richard Grainger
Chairman
18 January 2011

Highlights from the Chairman's statement

+ We now trade from 118 facilities firmly consolidating Safestore's position as the market leader in both the UK and central Paris.
+ Turnover for the year of £89.2 million was 5.7% higher than last year (FY2009: £84.4 million).
+ As at 31 October 2010, the total value of the Group's investment property portfolio was £687.2 million, up £39.4 million from £647.8 million at 31 October 2009.
+ The Board are pleased to recommend a final dividend of 3.25 pence per share.

Chief Executive Officer's review

"At the year end, closing occupancy was at a record level of 2.94 million sq ft with the average self-storage rental rate also at its highest ever level of £25.55 per sq ft."

Introduction

I am pleased to report a strong performance and another successful year of progress for the Group. Safestore, which is an operationally led business with a significant property asset base, has delivered strong occupancy growth and improved rental rates along with increased ancillary sales resulting in high-quality cash flow and record earnings. At the year end, closing occupancy was at a record level of 2.94 million sq ft with the average self-storage rental rate also at its highest ever level of £25.55 per sq ft. The occupancy growth performance during the year is due to record levels of enquiries and new lets from both domestic and business customers.

During the year we completely revamped and re-launched our website and have seen enquiries via the internet increase substantially, accounting for around 60% of all enquiries. We have also increased the number of strategic partnerships we have with other companies that further helped drive enquiries and offer additional benefits to our customers. Our National Accounts and call centre resources have also been increased and we have again seen the results of this in the record level of new lets.

The self-storage rental rate which is at its highest ever level is due to a combination of factors, including increased sales of smaller but higher yielding units alongside moderate rental rate increases and a lower level of competitor activity. I am particularly pleased that all of our geographies – London, the rest of the UK and Paris – have all contributed to the performance.

Operating review

This strong set of results has been achieved despite a relatively flat period for the wider economy. The results reflect the operational expertise of the management team of Safestore and the competitive advantage of stores throughout the UK which enables us to offer a national account network to a large number of business customers as well as strategic alliances with a number of business partners including Tesco which have undoubtedly helped drive occupancy.

We have been especially pleased to see high levels of enquiries and new lets through the year which have resulted in a much improved occupancy performance and have built on the previous year's good occupancy growth along with increases in self-storage rental rates and ancillary sales. The improvements in all the key metrics have been achieved across all the UK regions as well as Paris.

Maintaining the balance of occupancy, rate and ancillary revenue growth will continue to be core to everything we do.

The diversity by both customer type and geography remains a key part of our strategy. There has been no material change in the customer mix during the year.

We have seen an increase in enquiries and space let to both domestic and business customers. In particular, domestic customers' enquiries have been exceptionally high due, in large part, to our strategic partnerships, as well as a continuing shift in trends for house movers who cannot or will not move house but want an additional space at home to use self-storage as the solution. We have also seen an increased number of customers who are now willing to move but sell before they buy. This is creating a natural break in the house moving process with a requirement for a storage solution during the interim period between selling and buying.

In addition, high levels of enquiries continue from event-driven customers, such as those getting married, divorced, travelling, renovating, moving abroad or inheriting possessions. There are also those that rent an extra room in self-storage in order to release space for the longer term, for an addition to the family, desire to create an office space or free up a room to let.

As noted above we have strategic alliances with a number of partners, including the likes of Wickes, O_2, DHL, Countrywide Estate Agents, Europcar and Tesco. These partnerships have driven enquiries and new lets through a combination of special offers and added value services. Moreover, the halo effect of the alliance with our strategic partners as well as the direct website links all help to reinforce the number one status Safestore has in customers' minds.

Strategic partnerships

Strengthening relationships

Safestore has built relationships with Tesco, eBay, Europcar, O_2, Wickes, DHL and Countrywide.

These relationships allow us to offer our customers extra value.

Over the last twelve months we have further enhanced our National Accounts offering for business customers. We now provide a user-friendly multi-site solution across the UK which meets their needs with a simple pricing and billing structure. In addition, the National Accounts team has increased from one to three people with the possibility of adding additional manpower as demand grows. We are continuing to innovate in our offering to non-national account customers and we see business customers as a core part of our business as they tend, on average, to take larger square footage and stay longer.

Occupancy

At 31 October 2010 occupied space was 2,941,000 sq ft, up 6.1% from 2,773,000 sq ft at 31 October 2009. The 168,000 sq ft growth in FY2010 represents a 195% increase over the 57,000 sq ft growth delivered in FY2009.

We have seen very high levels of enquiries and new lets throughout the year from both domestic and business customers resulting in record levels of occupancy. During the year we had a moderately good first quarter and a very strong second and third quarter. Whilst the last quarter of the financial year saw an increase in vacates, which is a natural result of the high levels of new lets earlier in the year, as well as students who took storage in the third quarter vacating on their return to education.

Highlights from the Chief Executive Officer's review

+ The rental rate in the UK was 3.3% ahead of last year whilst France delivered an increase of 1.9% on a constant currency basis.
+ Enquiries via the internet increased substantially, accounting for around 60% of all enquiries.
+ Maintaining the balance of occupancy rate and ancillary revenue growth will continue to be core to everything we do.
+ Safestore was the recipient of a Ruban d'Honneur for the category of "Employer of the Year" awarded by the European Business Awards.

"Not only was Patrick from the Guildford self-storage centre really helpful he also explained the extra benefits I could receive by using my Tesco Clubcard tokens."

Patrick Kennealy
Store manager

"The level of reservations has remained at consistently high levels throughout the year and is a good indicator of future business."

Occupancy continued

The level of reservations has remained at consistently high levels throughout the year and is a good indicator of future business.

The length of stay has not significantly changed in the last twelve months with the average length of stay in the UK increasing to 92 weeks (FY2009: 91 weeks). The average length of stay in France has fallen marginally to 111 weeks from 113 weeks, although this is linked to the closure of our oldest store in Paris and its replacement with a new and better specified property.

Self-storage rate per sq ft

The Group continued its trend of improving rental rates per sq ft with the average rate for the year at a record high of £25.55. The rental rate in the UK was 3.3% ahead of last year, whilst France delivered an increase of 1.9% on a constant currency basis. The rate for the fourth quarter of FY2010 was £25.94 and has continued to improve since the year end. As always, Safestore aims to offer excellent value for money to our customers through a combination of our service-led ethos supported by competitive pricing. We continue to innovate in the area of customer service and believe this philosophy, along with the micro management of the business, has allowed Safestore to deliver continued self-storage rate per sq ft growth. As noted previously, the rental rate improvement has in part been delivered by the average room size let being lower during the year which yields a higher rate per sq ft and our proactive management of unit mix and configuration has ensured we have taken full advantage of this trend. In addition, we achieved moderate rental increases and saw a lower level of competitor activity. We anticipate seeing this trend continuing with further rental rate growth during 2011.

We view the rental rate performance as a key indicator for the business and a major component in delivering earnings growth and leveraging the operational gearing element of the business.

Ancillary revenues

Ancillary sales, which primarily consist of insurance and merchandise sales, increased by 6.1% to £12.2 million (FY2009: £11.5 million). The increase in ancillary sales is particularly pleasing and reflects the results of our improved insurance offering for our storage customers, our improved displays and increased range of eco-friendly packaging materials. We continue to innovate in improving our offering to customers with a wider range of products in more spacious surroundings. We anticipate our ancillary sales will continue to increase as a percentage of self-storage revenue.

Retail store portfolio

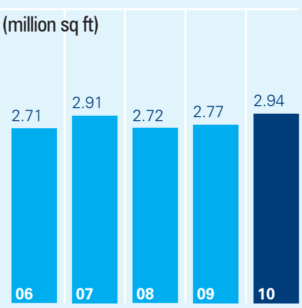
Safestore has retained its number one position in the UK and Paris in terms of number of stores. At the year end the Group had 118 stores trading of which 96 (including two business centres) were in the UK and 22 in Paris.

Increasing occupancy levels

6.1%

Closing occupancy increase of 6.1%

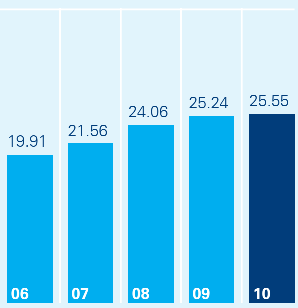
Total Occupancy – End of October (million sq ft)



£25.55

Average rate per sq ft up 1.2% to £25.55

Average rates (£ per sq ft)



The geographical breakdown includes 42 stores inside the M25, 54 in the rest of the UK and 22 in Paris. We believe we have a good balance between the more mature stores which provide high-quality cash flows with earnings similar to annuities and stores with the potential to deliver real growth upside.

We continue to closely control our capital expenditure and adjust it according to the prevailing economic climate. Over the last year we have continued to invest in the existing store portfolio adding new storage space and further improving security, layout and ambience of the existing stores as we see this to be crucial to the business in the medium term.

Estate and asset management

We actively manage the portfolio with a view to enhancing value through more intense use of the property and also look to create value through capital investment and identifying development potential. The property portfolio and assets are managed in-house supported by external property expertise when required. We continue to review opportunities to buy the freehold of leasehold stores or to extend leases where appropriate and prudent. During the year we have bought the freehold interest of our store in Gentilly, Paris.

This year we completed a major refurbishment of our store at Enfield North and in doing so have completed the final phase of the conversion of this former industrial premises to a state-of-the-art self-storage facility with new reception, loading bay, redesigned parking arrangements and a full new fit out internally. We expect trade at this store to grow accordingly. We have also completed the sale of the business centre at Digbeth, Birmingham which we did not consider to be core to our self-storage business.

During the year we opened three new stores at Barking and Crystal Palace in London and Ney in Paris. All of these stores were opened in the second half of the year. Both of the newly opened UK properties are state-of-the-art purpose-built facilities with the store in Paris being a high specification conversion and is a significant improvement on the store it replaced. The new stores have made a promising start and are trading ahead of expectations. Both the UK stores are long leasehold (more than 90 years) whilst the store in Paris is leasehold (nine years with the option to extend).

At the year end we had a pipeline of ten stores. Two of these stores, Bolton and Southend, which are relocations of existing first generation stores to purpose-built new facilities, opened in November 2010. We also opened Trappes, a purpose-built store in the Paris region during December 2010. Of the remaining seven pipeline sites, six are in the UK and one in Paris. Five are freehold and two are long leasehold (more than 90 years) and three already have planning permission. We are contracted, subject to planning, on the other four sites. Four of these seven pipeline stores will be in new trading territory and three of the sites, all in the UK, will be replacements of existing stores in prime trading markets. Six of the stores will be new, purpose-built facilities with one high-quality conversion. These expansion stores, including the stores at Bolton, Southend and Trappes opened at the beginning of the new financial year, will deliver approximately 0.4 million sq ft of additional net lettable space, representing nearly 8% of the overall portfolio of approximately 5.2 million sq ft when fully fitted out, and are expected to deliver good return on capital going forward. Since the year end we have acquired a further store in Paris.

We aim to maintain our market leadership by a measured approach to organic growth with an opening programme of new stores with strong projected returns in priority locations or relocations of existing stores in important existing markets. Our aim is to acquire and open around five new stores annually, in both UK and Paris combined, over the next three years. However, the pipeline can be tailored to the Group's performance and the wider macro-economic climate. We continue to place the highest importance on striking the right balance between growing the business, achieving high returns and prudently managing our capital expenditure. This is underpinned by our policy of remaining flexible in terms of size of store and tenure, which we believe gives us competitive

"Our occupancy is at record levels. We're constantly hearing from customers how our flexible approach keeps them coming back year after year."

Jennie Lawrence
Store Manager

Estate and asset management continued

advantage. While organic new store openings remain our priority, the Group will continue to consider and review any acquisition opportunities as they arise provided they meet our strategic objectives and represent the appropriate return on investment.

Tenure

Safestore operates a mix of freehold and leasehold stores. The Group's approach provides the twin advantages of Safestore being able to extend its offering in areas where freeholds are not available while providing flexibility in terms of competing for new sites. As an operational cash flow business the model works equally well for both freehold and leasehold tenure, although at a corporate level we seek to maintain an approximate two-third freehold to one-third leasehold balance in the UK.

Geographic spread

Our strategy of having a national footprint with stores across the UK and in all major cities has again been justified with occupancy and rental rate growth being achieved in all our trading regions. This strategy not only gives competitive advantage, particularly in relation to National Accounts and strategic alliances, but also gives the business an enhanced growth platform as well as excellent defensive qualities, given that the Group's exposure to any one specific market is limited, particularly during an economic downturn. This strategy is further strengthened with our strong presence in central Paris which continues to perform well. The recent store openings have further improved the quality of the store portfolio both in terms of geographical spread and the balance between new, established and mature stores. Our aim is to continue to build and consolidate our position in the UK with both additional new sites and relocations.

Our Parisian business, Une Pièce en Plus ("UPP"), which now trades from 22[#] stores (including one opened since the year end) in the Paris region, the second most developed self-storage market in Europe after London, has again delivered strong growth during the year. The strategy is similar to that of the UK in that we look to cluster our stores. Our intention is to continue to build our position in central Paris wherever possible and to actively pursue expanding in the Paris regions. This should have the benefit of consolidating our position in central Paris whilst allowing significant opportunity to expand within the wider Paris region.

On 30 December 2010 there was a fire at our La Défense store which was also our Paris head office. There were no injuries and the Group is fully insured both for customer property and for loss of trade and business whilst the store is inoperable. A full disaster and recovery plan was immediately implemented and has proven fully effective; as a result there has been no disruption to the running of the business and the store will be rebuilt or replaced as soon as practicable.

Property – net asset value

At 31 October 2010 Cushman & Wakefield LLP ("C&W") valued the portfolio at £687.2 million, a year-on-year increase of £39.4 million (+6.1%) and £31.8 million (+4.8%) up from the half year valuation at 30 April 2010.

The properties are valued on the basis of market value as fully equipped operational entities having regard to trading potential. The valuation is carried out on a discounted cash flow basis. Freeholds, long leaseholds and the French commercial leasehold stores are assessed on the basis of ten years' trading and then disposal, the disposal price based on projected net operating income at year ten capitalised at the projected exit yield. Short leasehold stores in the UK and France are valued on the basis of the value of the net operating income for the remaining life of the lease.

Yield changes in the wider property market are reflected in the valuation with freehold exit yields improving from 8.14% to 7.87% (27 basis points ("bps")) over the year. The majority of this improvement applied to H1 with only a minor 3 bps improvement applying to H2 FY2010.

A more detailed analysis of the valuation movements is provided in the Financial review section of this report.

Tenure

Existing portfolio	UK	% of portfolio	France	% of portfolio	Total	% of portfolio
Freehold/long leasehold	61	64	9	41	70	59
Short leasehold	35[1]	36	13[2]	59	48	41
Total	**96**		**22**		**118**	

1 Short leaseholds in the UK are stores with leases of 25 years or less. The average remaining tenure is 12.6 years and we have three leases due for renewal in the next five years, two of which are targeted for relocation.

2 French short leaseholds are typically nine years but akin to freeholds because of security of tenure.

Maximum lettable area ("MLA") and occupancy

Currently 58.8% of the Group's MLA is occupied compared to 53.4% at the end of FY2009. The occupancy for the mature stores has increased to 67% from 64%.

This is not directly comparable as we have completed a review of the MLA in the UK, identifying areas where space allocated to self-storage (either existing or not yet built out) is expected to be surplus in the medium term. As a result we have removed a net 176,000 sq ft of MLA from the UK portfolio spread over 15 stores. Given that the majority of this space was not being valued by the valuer we have only seen a relatively small drop in valuation by circa £1.9 million in relation to these stores. We have identified alternative use of this space in a number of locations and will be focusing on increasing revenues for the unutilised space in the medium term.

Whilst the MLA review accounts for part of the percentage increase in the occupied space, we have also seen strong growth during the year which demonstrates the significant opportunity to increase occupancy within the existing estate, only requiring minimal further investment.

Retail and operational focus

We continue to strive to find ways of improving the customer experience. In each of the years sampled, overall satisfaction levels increased with over 90% of our customers either satisfied or very satisfied with the service they received. (Source: ESA customer satisfaction survey August 2010).

Our ambition to provide the very highest levels of customer service is combined with a detailed store by store approach to make sure that pricing and deals are set to maximise revenue opportunities. We believe that this approach has been at the heart of improvements, not just in customer service but in occupancy growth and rate increases in the year.

Our operations team in the UK, which consists of eight regional managers, has been strengthened with the appointment in the year of a national Operations Director with a wealth of retail and sales experience. Our operations team in France has two regional managers who report to the Sales and Operations Director. The operational teams in both the UK and France are backed up by a team of auditors whose function is to ensure that the stores are compliant in all aspects of operational and health and safety procedures.

The average number of stores per regional manager affords them the opportunity to really understand each local market and the time to coach and develop their people. In this they are supported by dedicated trainers and a comprehensive and effective central training programme.

> "Overall satisfaction levels increased with over 90% of our customers either satisfied or very satisfied with the service they received."

Maximum lettable area ("MLA") and occupancy

As at 31 October 2010	Group sq ft	UK sq ft	France sq ft
MLA[1]	5.00 million	4.12 million	0.88 million
Occupied	2.94 million	2.27 million	0.67 million
Occupancy	58.8%	55.1%	76.1%

1 For valuation purposes MLA includes offices.

Retail and operational focus continued
The year saw a significant increase in the volume of business generated by our National Accounts function which increased occupied space by over 50% during the period. We are uniquely positioned to take advantage of this growing part of the market given our national store distribution.

Our call centre has also seen much higher levels of activity as we have continued to extend its role in dealing directly with new customer enquiries. The performance of the call centre has exceeded expectations and we anticipate increasing the resource in this area during the next twelve months.

During FY2011 we aim to continue to grow occupancy, rate and ancillary revenues through the consistent delivery of the brand proposition: excellent value for money backed up by our lowest price guarantee and highly trained expert staff.

We announced in May 2010 that we were awarded a six year management contract for the twelve-store Space maker self-storage business. We are pleased to report that we have seen pleasing improvement in storage and ancillary revenues during the period.

Marketing
Marketing and advertising is the key source of enquiry generation in the business.

Our routes to market have changed fundamentally in recent years and the importance of the web has increased exponentially. This year we have completely redesigned and re-launched our website which has improved visibility, usability and information for site visitors and substantially increased the number of unique hits and enquiries. Behind the scenes there continues to be a daily, detailed focus on maximising search engine rankings, both organic and sponsored, in every location we operate.

We believe that Web prominence gives us a powerful source of competitive advantage as well as providing a stream of new customers into the business. It also has a critical role in communicating the brand proposition. We see ensuring that online strategies are adequately funded and well resourced as central to the ongoing growth and development of the Company.

FY2010 also saw the continued strengthening of our strategic partnerships with Tesco, eBay, Europcar, Wickes, and DHL and new partnerships agreed with Countywide and O_2.

These relationships not only generate enquiries and provide benefits to our customers but also reinforce our position as market leader by association.

In-store, the operations teams' responsibilities include making sure that the right marketing messages are communicated clearly and effectively.

FY2011 will continue to see Safestore invest heavily in this area and increase our marketing team as well as increase our marketing expenditure. We will see the continued evolution of our online presence together with the ongoing development of other brand building and enquiry generating activities.

In addition, we will continue to build our knowledge of our customers and marketplace via research and data analysis.

Real Estate Investment Trusts ("REITs")
We continue to examine the possibility of converting our business into a REIT but, as we have previously highlighted, we currently benefit from carried forward tax losses and, whilst we can utilise the tax losses and claim capital allowances with the business still growing and expanding, there is no immediate benefit from conversion at this time. We will continue to monitor and review the position.

Ancillary revenues

"The increase in ancillary sales is particularly pleasing and reflects the results of our improved insurance offering for our storage customers, our improved displays and increased range of eco-friendly packaging materials."

"We believe that Web prominence gives us a powerful source of competitive advantage as well as providing a stream of new customers into the business. It also has a critical role in communicating the brand proposition."

Security
Safestore is firmly focused on protecting customer goods and possessions within our care.

The customers rank security of their valuables high on their list of priorities when taking storage and we strive to provide it using state-of-the-art security technology both in new stores and the existing estate. This includes intruder alarm systems with 24 hour remotely monitored CCTV systems, automated swipe card entry systems, individually alarmed storage units and 24 hour monitored fire alarm systems.

We work actively to provide the highest levels of security and health and safety for customers, and employees alike by constantly reviewing processes, policies and procedures as a crucial element of the service to our customers and also to protect the assets of the business.

We have a strict policy when accepting new customers, ensuring proper identification is taken and that new customers are made aware of all restrictions on what cannot be stored within the buildings by prominent signage on every unit and within customer areas.

Safestore liaises closely with law enforcement agencies and authorities, assisting where we can with crime prevention and the misuse of storage facilities for illegal goods and supplies. We openly encourage regular sniffer dog exercises within stores to combat drug, alcohol and cigarette related criminal activity.

Systems
Robust IT systems and associated procedures are identified as key tools for operational success.

Our developments this year have been focused on supporting our key strategic aims. These are adding value to the customer journey, business efficiency, the creative development and use of our systems, business continuity and information security.

Improvements to our business continuity platform have resulted in a tested offsite system which can be brought online within 30 minutes with no loss in data should we suffer a catastrophic failure in our main office at Borehamwood. Similarly, our French business is also adequately protected.

We continue to improve the smooth transfer of data between our systems on the Web, in head office and store. Examples include the transfer of Web enquiries directly into our core trading system in a secure yet easy to use manner.

New tools for analysing our store performance have resulted in much greater granularity of reporting and a deeper insight into our business.

We will continue to adopt new technology where this adds value to the business and supports our strategic focus.

Corporate responsibility
We remain committed to ensuring that our business is conducted with the highest ethical and social standards in operation. This is underpinned by a framework of clear corporate responsibility objectives on which the Group Board and senior management take an active lead. Our efforts have again been rewarded through the renewed membership of the FTSE4Good Index.

Our approach enables us to build a truly sustainable and ethical business with corporate responsibility ("CR") integrated into our every day function. When evaluating our CR objectives we expect them to deliver tangible benefit in four key areas:

Our marketplace
We strive to provide the highest level of service to our customers, shareholders and bankers who are critical to the future success of our

"On joining the business I was really impressed by the strength and level of customer service. I feel the Group culture encompasses everything that is important, a passion and enthusiasm for a first class customer experience along with a great selling environment."

Andrew Brandwood
National Operations Director

"We aim to be 'the employer of choice' and recognise that our continued success is dependent on our highly motivated and well trained employees across the group who all aim to be the best in class in everything they do."

Corporate responsibility continued

Our marketplace continued

business. This year saw our participation in National Customer Service week for the third year running which was supported by our "Exceeding Expectations" campaign. Our qualitative and quantitative surveys tell us regularly what our customers think and steer the introduction of innovative new practices such as our one stop shop. Our Net Promoter Score continues to lead the way amongst our retail sector peers and is a key statistic for how we benchmark our achievements and measure brand positioning. This year we continued to use our customer communications platform, supported by our dedicated investor relations website, to deliver timely and effective communications to our financial stakeholders. In addition, quarterly updates facilitate easy access to key business information for our community as a whole.

Our environment

We continue to evaluate the way we run our business and work with third parties in order to fully support the broader environment in which we operate. Our Green Plan sets out our approach with sustainable business practice high on our agenda and we remain proactive in seeking out solutions that deliver a positive net impact on the environment. A key objective contained in our Green Plan is to seek out and utilise sustainable business methods that minimise scarce resource consumption. An example of this is the installation of photovoltaic cells and air-to-air heat source pumps at our new Barking store where we achieved a high scoring 'Very Good' Building Research Establishment Environmental Assessment Method ("BREEAM") rating.

During the period we have extended our eco-bubble in a bio-degradable bag range to meet the needs of a broader customer group. The year also saw an increase in the usage of greentricity which is now deployed across our entire estate. In addition, we have continued with our popular 'Box for Life' scheme and maintained a box range comprised of recycled cardboard. This has seen us save approximately 24 million litres of water and nearly 3,000 mature trees from being felled.

Our community

This year we have partnered Scope for the second year running as our "Charity of the Year". We have extended our support through the provision of free storage space enabling Scope to redeploy the costs saved to directly benefit improving the lives of disabled people. In addition, we have supported events such as the Royal Parks half marathon and the Tour de Vale, raising additional funds. Through the formulation of partnerships with third party suppliers we have also been able to support a number of worthy causes, such as Trees for Cities and St Christopher's Hospice. This has enabled us to reach an extended community and demonstrate success derived from a truly holistic approach to community engagement.

Our people

We aim to be "the employer of choice" and recognise that our continued success is dependent on our highly motivated and well trained employees across the Group who all aim to be the best in class in everything they do. There is strong alignment between the Group vision, goals and values and our employees. Our HR policies aim to ensure we raise the performance of the business by developing staff to their full potential.

The Group is delighted to announce that during the year Safestore was the recipient of a Ruban d'Honneur for the category of "Employer of the Year" awarded by the European Business Awards. Receiving the award is a testament to the commitment of our staff and the determination and passion which drives our business.

We also continue to be recognised as an "Investor in People" employer.

After nine years with Safestore, I am retiring from the business on 30 April 2011.

Maintaining our Number 1 position

I am very proud of what we have achieved at Safestore and during my time as Chief Executive the business has grown from 24 stores to 118 stores across the UK and Paris. The achievements that have been made would not have been possible without the unstinting support and commitment of all my colleagues both in the UK and France. I would like to thank them all and wish them well for the future.

Going forward

The year ended 31 October 2010 has been a year of considerable progress in many areas of the business against a background of a "flat" economy and a stagnant housing market. This achievement is a testament to the strength and depth of the management team aligned to the flexible business model, our geographic spread and market leading position. We continued to focus on marketing and search engine optimisation with the re-launch of the website during the year as well as further growing National Accounts and strategic alliances which, with the support of the store teams and expanded call centre, have played a significant role in the growth of enquiries and new lets during the year. We will continue to build on these growth platforms during 2011.

The continued resilience of the Group's performance and business model is underpinned by our diverse cross-section of customers, both domestic and business, and the geographies in which we operate. We will continue to refine and improve our offering across all customer segments and look to further increase our market share. Our investment in marketing and enquiry generation will continue and we will look to further focus on the brand awareness of Safestore specifically, and self-storage generally, where the level of awareness remains relatively low in what is still an immature market sector with excellent growth potential.

We will continue to manage the business with a clear but flexible strategy with the ability to respond in line with any recovery in the wider market. New store openings remain on schedule and we continue to invest and acquire new stores in first class locations. These new stores will provide further growth drivers for the Group as they mature over time. Maintaining the balance of occupancy, rate and ancillary growth will remain a core part of our strategy and the Group should see the benefits of our operational gearing.

Since the year end, we have continued to see good levels of enquiries and new lets. Reservations for future new lets also remain at high levels. Vacate activity has increased, which is expected given the time of year and strong trading in previous periods. Traditionally the first quarter of the financial year is the quietest trading period for the self-storage sector and, whilst we have seen the usual fall in occupancy in the quarter, this is in line with historical trading and better than might have been expected given the high level of new lets in 2010. The self-storage rental rate per sq ft has remained strong and continued to increase during the first quarter with the trend of customers taking smaller but higher yielding units per sq ft.

As noted above we believe that the self-storage market will continue to grow as awareness increases and, furthermore, we are confident that Safestore as market leader can take a bigger share of the overall market through our operational expertise, national coverage and scale and is ideally placed to exploit any potential opportunities.

S W Williams
Chief Executive Officer
18 January 2011

Retail store portfolio

Safestore has retained its Number 1 position in the UK and Paris in terms of the number of stores.

left
Cheltenham
right
Longpont, Paris

118
118 stores trading

96
96 stores (including two business centres) in the UK

22
22 stores in Paris

Financial review

"The Group's underlying EBITDA increased by £2.9 million or 6.1% from £46.3 million in FY2009 to £49.2 million in FY2010."

International Financial Reporting Standards ("IFRS")
This report is prepared in accordance with IFRS and details the key performance measures during the year.

Results of operations
The table below sets out the Group's results of operations for the year ended 31 October 2010 and the year ended 31 October 2009, as well as the year-on-year change.

Revenue
Revenue for the Group is primarily derived from the rental of self-storage space, the sale of ancillary products such as insurance, packing and storage merchandise, in both the UK and France.

The table on page 21 sets out the Group's revenues by geographic segment for FY2010 and FY2009.

The Group's revenue increased by £4.8 million (an increase of 5.7%) from £84.4 million in FY2009 to £89.2 million in FY2010. As covered in the Chief Executive Officer's review, the key drivers for revenue growth have been the increase in occupancy (168,000 sq ft year-on-year), the growth in average rate per sq ft (+1.2% year-on-year) and ancillary revenues (+6.1% year-on-year). It should be noted that we have experienced adverse currency effects during the year with an average rate of €1.16:£1 for FY2010 against an average rate of €1.13:£1 for FY2009.

Cost of sales
Cost of sales principally consists of staff salaries, business rates, utilities, insurance and repairs and renewals. The Group's cost of sales increased by £2.3 million or 8.8% from £26.6 million in FY2009 to £28.9 million in FY2010. The main reasons for the increase in the year are additional costs relating to the new stores opened in the year, the full year impact of stores opened in the second half of last year and general inflationary pressure.

Administrative expenses
Administrative expenses consist principally of Directors' salaries, head office salaries, professional fees, public company costs, marketing and advertising expenses and depreciation. The Group's administrative expenses were beneficially affected by exceptional items in the prior year but not this year. Administrative expenses increased by £1.2 million or 11.4% from £10.6 million in FY2009 to £11.8 million in FY2010. The increase is principally attributable to the impact of the insurance receipt and the gain on the sale of non-current assets which benefited the income statement last year but have no equivalent in FY2010. Adjusting for the exceptional items, contingent rent, (losses)/gains on the sale of non-current fixed assets and the change in fair value of derivatives, results in underlying administrative expenses of £11.3 million, 3.4% lower than last year (FY2009: £11.7 million).

EBITDA before exceptional items, change in fair value of derivatives and loss on investment properties
Underlying EBITDA is calculated as follows for FY2010 and FY2009 and shown in the table on page 21.

The Group's underlying EBITDA increased by £2.9 million or 6.1% from £46.3 million in FY2009 to £49.2 million in FY2010. This increase principally reflects the increase in revenues discussed above partly offset by the higher cost base in FY2010.

Exceptional items
The operating exceptional item in the current year relates to the disposal of a non-core property in the UK and the disposal due to relocation of a property in France . The exceptional items in the prior year relate to an insurance receipt in respect of a fire at one of the UPP stores which occurred in 1999 prior to our ownership of the asset and the gain on the sale of a development property in France.

Results of operations

	Year ended 31 October 2010 £'000	Year ended 31 October 2009 £'000	% change
Revenue	**89,214**	84,433	+5.7
Cost of sales	**(28,951)**	(26,606)	
Gross profit	**60,263**	57,827	+4.
Administrative expenses	**(11,819)**	(10,608)	
Operating profit before gain/(loss) on investment properties	**48,444**	47,219	+2.6%
Gain/(loss) on investment properties	**18,472**	(41,610)	
Operating profit	**66,916**	5,609	+1,093.0
Net finance costs	**(37,695)**	(15,027)	
Profit/(loss) before income tax	**29,221**	(9,418)	N/A
Income tax (expense)/credit	**(2,881)**	9,153	
Profit/(loss) for the year	**26,340**	(265)	N/A

Highlights from the Financial review

+ The Group's revenue increased by £4.8 million (an increase of 5.7%) from £84.4 million in FY2009 to £89.2 million in FY2010.
+ Operating profit increased by £61.3 million or 1,093% to £66.9 million for FY2010 from £5.6 million in FY2009.
+ In March 2010, the Group entered into new increased bank facilities of £350 million and £40 million which run to August 2013.
+ Earnings increased by £26.6 million for FY2010 to a profit of £26.3 million from a loss of £0.3 million for FY2009.

Gain/(loss) on investment properties

The gain/(loss) on investment properties consists of the fair value revaluation gains and losses with respect to the investment properties under IAS 40 and finance lease depreciation for the interests in leaseholds. The Group's gain on investment properties was £18.5 million in FY2010 comprising a gain of £24.1 million for revaluations and finance lease depreciation of £5.6 million, compared to a loss of £41.6 million in FY2009 comprising a loss of £36.3 million for revaluations and £5.3 million for finance lease depreciation. The movement reflects the combination of yield movements within the valuations together with the impact of changes in the cash flow metrics of each store. The key variables in the valuations are rate per sq ft, stabilised occupancy, number of months to reach stabilised occupancy and the yields applied. The valuation of investment properties is covered in more detail in the property section below.

Operating profit

Operating profit increased by £61.3 million or 1,093% to £66.9 million for FY2010 from £5.6 million in FY2009. This movement predominantly reflects the £60.1 million swing in the investment properties from a loss of £41.6 million last year to a gain of £18.5 million this year. Over and above that the £2.8 million increase in the underlying EBITDA generated

Revenue

	Year ended 31 October 2010		Year ended 31 October 2009		
	£'000	**% of total**	£'000	% of total	% change
United Kingdom	**67,116**	**75.2**	63,017	74.6	+6.5
France	**22,098**	**24.8**	21,416	25.4	+3.2
Total revenue	**89,214**	**100.0**	84,433	100.0	+5.7

EBITDA before exceptional items, change in fair value of derivatives and profit/(loss) on investment properties

	Financial year 2010 £'000	2009 £'000
Operating profit	**66,916**	5,609
Adjusted for:		
(Profit)/loss on investment properties	**(18,472)**	41,610
Depreciation	**168**	168
Contingent rent	**747**	594
Change in fair value of derivatives	**(461)**	395
Loss/(gain) on sale of non-current assets	**280**	(292)
Exceptional insurance receipt	**—**	(1,754)
Underlying EBITDA	**49,178**	46,330

"Given the strong cash flow characteristics of the business model, our robust funding and future commitments, the Board is pleased to recommend a final dividend of 3.25 pence per share bringing the total dividend to 4.95 pence per share for the year."

Operating profit continued
from the trading movements throughout the year is partly offset by the non-recurrence of the £1.8 million credit received last year.

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

In March 2010, the Group entered into a new increased bank facilities agreement of £350 million and €40 million to replace its existing facilities of £302 million for the UK and €60 million for France which were due to expire in July 2011. The bank syndicate comprises seven members. A principal repayment of £5.0 million is due in March 2012 with six-monthly repayments thereafter of £7.5 million.

The Group restructured existing hedge agreements and entered into new agreements to August 2013 swapping LIBOR on £222 million at an effective rate of 2.578% and EURIBOR on €24 million at an effective rate of 1.670%. The hedge agreements provide cover for 75% of the drawn debt leaving a 25% floating element.

The bank interest receivable reflects the lower interest environment prevailing throughout FY2010.

Bank and other interest payable has increased by 14.4% to £17.9 million in FY2010 from £15.7 million in FY2009, although this is after capitalising interest of £0.4 million (FY2009: £0.7 million). The new bank facility agreement had an interest margin of 300 basis points for the initial six months from March 2010 before reverting to an interest margin ratcheted between 200 basis points and 300 basis points based on quarterly interest cover. Also, the amortisation of debt issuance costs increased from £1.5 million in FY2009 to £2.1 million in FY2010, primarily driven by the costs associated with the new debt facility.

The exceptional recycling of foreign exchange gains within finance income arose in respect of recycled foreign currency translation gains from the translation reserve which are now realised.

Due to the bank re-financing, cumulative brought forward interest swap movements of £8.7 million have been recycled from reserves and included as a charge in the income statement. The Group has decided to cease hedge accounting for all financial derivative instruments and hence valuation movements will be included in the income statement as a result of the restructuring of existing interest swap agreements and the inception of new swap agreements. The income statement for the period includes a charge of

Net finance costs

	Financial year	
	2010 £'000	2009 £'000
Bank interest receivable	**290**	344
Bank and other interest payable	**(17,922)**	(15,664)
Net bank interest	**(17,632)**	(15,320)
Exceptional recycled foreign exchange translation gain	**431**	6,607
Exceptional recycling of cash flow hedge reserve	**(8,749)**	—
Fair value movement of derivatives	**(4,829)**	—
Exceptional finance expense	**(2,004)**	—
Interest on obligations under finance leases	**(4,912)**	(6,314)
Net finance costs	**(37,695)**	(15,027)

£4.8 million in respect of the fair value movement of derivatives subsequent to the re-financing.

Exceptional finance expenses relate to unamortised debt issuance costs (non-cash) of £2.0 million that were written off in respect of the previous bank facilities. During the period, the Company paid £8.2 million of debt issuance costs in respect of the new facility and paid £8.7 million for restructuring existing interest rate swaps and entering into new financial derivative instruments.

Interest on finance leases has decreased by 22.2% to £4.9 million (FY2009: £6.3 million) and reflects part of the rental payable (the balance being charged through the investment gain/(loss) line in the income statement and contingent rent).

Gearing

Net borrowings (excluding finance leases) at 31 October 2010 stood at £294.0 million up from £272.0 million at 31 October 2009. During the year net assets increased by £21.6 million or 8.7% to £270.2 million at 31 October 2010 from £248.6 million at 31 October 2009. The net impact is that the gearing level was 108.8% at 31 October 2010 compared to 109.4% at 31 October 2009.

Dividend

Given the strong cash flow characteristics of the business model, our robust funding and future commitments, the Board is pleased to recommend a final dividend of 3.25 pence per share, bringing the total dividend to 4.95 pence per share for the year. We consider the level of dividend recommended represents the right balance between dividend growth and new store organic growth and it further demonstrates the Board's confidence in the prospects of the Group.

Subject to approval at the Annual General Meeting, the final dividend will be paid on 8 April 2011 to shareholders on the register on 11 March 2011.

Income tax

Income tax for FY2010 was an expense of £2.9 million against a credit of £9.2 million for FY2009. Actual tax paid in each period was insignificant due to the availability of carried forward tax losses and capital allowances in both the UK and France. Further details are given in note 5. The income tax expense for FY2010 includes an exceptional credit of £3.5 million relating to the re-measurement of deferred tax due to changes in UK corporation tax rates. The income tax credit for FY2009 includes an exceptional tax credit of £5.5 million arising on the recognition of tax losses in France at 31 October 2009 based on an improved outlook on projected utilisation together with a further tax credit arising in respect of the net reduction in the market value of investment properties at 31 October 2009.

Profit for the year ("earnings")

Earnings increased by £26.6 million for FY2010 to a profit of £26.3 million from a loss of £0.3 million for FY2009.

EPRA adjusted earnings, which is the earnings figure above with gain/loss on investment properties, exceptional items, the recycling of foreign exchange gains and the tax thereon added back, increased by £1.2 million or 8.9% to £15.3 million for FY2010 from £14.1 million for FY2009. Further details of this are given in note 7.

Property valuation

C&W has again valued the Group's property portfolio. As at 31 October 2010, the total value of the Group's portfolio (including £1.0 million of owner occupied properties) was £687.2 million.

This represents an increase of £39.4 million (6.1%) over the £647.8 million valuation as at 31 October 2009. Of this overall increase in value, £12.8 million derives from the addition of three new stores in the year with the balance of £26.6 million being delivered by the existing store portfolio.

Safestore security

Security arrangements being pointed out on a customer store tour.

Property valuation continued

There are several factors influencing the year-on-year valuation movement of the existing store portfolio and, as such, we should consider the UK and France separately:

— taking the UK first, the existing store valuation shows an £8.7 million valuation increase compared to October 2009. We estimate that capital movements account for around £6.3 million of this increase with operational/cash flow movements accounting for the remaining £2.4 million;

— an exchange loss of around £3.8 million is directly attributable to foreign exchange movements translating the UPP valuations at the respective year ends;

— the French existing store valuation shows a same currency, year-on-year increase of €25.1 million, or £21.8 million. This increase in value includes £3.7 million (€4.3 million) generated from buying in the freehold interest of one of our existing leasehold stores. The freehold interest was acquired for £2.6 million (€3.0 million). We estimate that capital movements account for around £13.1 million of this increase with operational/cash flow movements accounting for the remaining £5.0 million; and

— the valuation at 31 October 2010 is £31.8 million up on 30 April 2010. New stores have delivered around £12.8 million of additional value in the second half of the year with the like-for-like portfolio, therefore delivering a valuation increase of around £19.0 million. The existing UK store portfolio has delivered an increase of £2.0 million in the second half of the year which is enhanced by a £17.0 million gain in France. There has been very little exchange impact in the second half of the financial year.

The Group freehold exit yield for the valuation at 31 October 2010 was 7.87%, reflecting a 27 bps inward movement from 8.14% at 31 October 2009. The weighted average annual discount rate for the whole portfolio has followed a similar trend to exit yield.

At the year end, the Group's property portfolio consisted of 118 trading stores. The freehold/long leasehold stores were valued at £541.4 million and the short leasehold properties, including the French commercial leases, were valued at £145.8 million. Freehold/long leasehold stores, which make up 59% of the stores by number, account for 79% of the valuation. The remaining 21% measured by value is attributable to the short leasehold portfolio.

Additionally, the Group's pipeline of expansion stores is valued at £18.4 million as investment properties under construction.

The net impact of the valuation is for adjusted EPRA net asset value ("NAV") per share to increase to 212.6 pence per share (31 October 2009: 201.8 pence per share).

In their report to us our valuer has drawn attention to valuation uncertainty resulting from exceptional volatility in the financial markets and a lack of transactions in the property investment market. Please see note 8 for further details.

Cash flows

The table below summarises the Group's cash flow activity during the FY2010 and FY2009 in accordance with IFRS.

Net cash inflow from operational activities

There are two main factors influencing the £2.8 million increase in cash from operating activities in FY2010 compared to FY2009:

— cash generated from operations has increased by £0.9 million being the increased EBITDA generated by the business which has been partially offset by the negative working capital movement; and

Cash flows

	Financial year 2010 £'000	Financial year 2009 £'000
Net cash inflow from operating activities	**27,761**	24,997
Net cash outflow from investing activities	**(22,981)**	(13,685)
Net cash (outflow)/inflow from financing activities	**(15,354)**	3,421
Net (decrease)/increase in cash and cash equivalents	**(10,574)**	14,733

- the net interest paid has decreased by £1.9 million in the year due primarily to changes in the payment profile resulting from the re-financing.

Net cash outflow from investing activities
Cash outflow from investing activities has increased by £9.3 million to £23.0 million for FY2010 from £13.7 million for FY2009. Whilst there are several contributing factors affecting this movement it is mainly due to the increase in expenditure on investment and development assets and the net proceeds from the disposal of a development property. Expenditure on investment and development properties in FY2010 was £23.3 million, an increase of £7.1 million from £16.2 million in FY2009. This reflects an increase on last year but is still significantly below historic levels of expenditure as we continue to control the discretionary expenditure. In addition, we disposed of one non-core site in France in FY2009 which realised net proceeds of £1.2 million compared to £0.6 million net proceeds in FY2010 from a similar non-core disposal in the UK.

Net cash outflow from financing activities
The cash flows from financing activities decreased by £18.8 million in FY2010 to an outflow of £15.4 million from an inflow of £3.4 million in FY2009. This has several key factors which are set out on the face of the cash flow statement but mainly reflects the costs associated with the re-financing and realignment of the hedging arrangements concluded in H1 FY2010.

Future liquidity and capital resources
The Group anticipates funding any future small to medium acquisitions or new store developments from available cash and borrowings. Borrowings under the existing bank facilities are subject to certain financial covenants and the Group is comfortably in compliance with its covenants at 31 October 2010 and, based on forecast projections, for a period in excess of twelve months thereafter. The debt facilities do not mature until August 2013.

Annual General Meeting
The meeting will be held on 23 March 2011 at the Group's registered office, Brittanic House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT.

R D Hodsden
Chief Financial Officer
18 January 2011

"At the year end, the Group's property portfolio consisted of 118 trading stores. The freehold/long leasehold stores were valued at £541.4 million and the short leasehold properties, including the French commercial leases, were valued at £145.8 million."

Ease of access and facilities being shown to a potential customer.

Corporate responsibility

Safestore is committed to operating in an ethical and socially responsible manner. Throughout the year we have continued to evolve our stakeholder engagement programme based on our commitment to sustainable business practice.

Overview

Safestore remains focused on ensuring that our business operates in an ethical and responsible manner. Our approach to corporate responsibility ("CR") reflects our broader purpose statement and the values of the Group. When making business decisions our objective is to take a balanced view considering the needs of internal and external stakeholders as well as the impact on profitability and the wider community and environment in which we operate. This enables us to build a truly sustainable and ethical business with CR integrated into our every day functions.

Chaired by our Chief Operating Officer, quarterly CR reviews take place with regular feedback to our Board on progress against our key performance criteria. Everything we do in terms of our approach meets legislative requirements and supports good governance and the needs of our stakeholders.

Our eight point strategic plan sets a clear approach in terms of how we will meet the varying needs of our stakeholder groups. This is encapsulated into four key policy statements, fundamental to delivering an overall net gain to our four key stakeholder groups – our marketplace, our people, our environment and our community. Our senior management team is responsible for the ownership and day-to-day delivery of our strategic plan across our UK wide estate and head office. This has led to a highly integrated CR programme visible in each team's function rather than being a stand alone operation.

Highlights

- This year we were delighted to achieve a highly prestigious Ruban d'Honneur at the European Business Awards in Paris for our efforts in the "Employer of the Year" category.
- We were also delighted to continue to meet the CR inclusion criteria for the FTSE4Good Index retaining our membership of the FTSE4Good Index series, the leading global responsible investment index.

Safestore and our marketplace

Policy statement

We focus our approach on providing easily accessible and clearly communicated information on our business to all interested parties including shareholders, customers, employees, suppliers and third party advisers. We will:

- maintain a customer engagement programme that continually aspires to 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 new store expansion programme.

Highlights

- Despite the economic climate we expanded our store portfolio by 15%, through a combination of new store openings and our success in being awarded the management contract for the Space maker chain.
- We participated in National Customer Service Week for the third consecutive year. This saw both our estate and head office teams supporting our "Exceeding Expectations" theme when considering the needs of their internal and external customers.
- The Web and telephone are key ways our customers choose to interact with us. We have therefore continued to expand our Customer Support Centre providing a "one stop shop" experience for our customers.

European Business Awards

Steve Williams accepting the award in Paris.

- We were delighted to achieve a customer satisfaction score of 97% for the year, demonstrative of the excellent service our staff provide to our customers every day.
- The year saw the strengthening of our strategic alliances with the further evolution of partnerships with O_2, Parcel2Go, eBay and Propertywide.
- We continue to work proactively with local planners ensuring all new store applications conform to BREEAM guidelines as standard.
- We extended our commitment to utilising renewable energy sources, ensuring all new stores were fitted with photocell sensors, minimising the need for illuminated signage. In addition, internal sensor lighting has been fitted as standard for more than ten years.
- During the year we introduced air-to-air heat source pumps which extract heat from the outside air into our Barking and Crystal Palace stores, reducing demands on electricity consumption. In addition, we fitted photovoltaic cells which react with sunlight, a natural source of renewable energy, to generate electricity at our Barking store. This has generated CO_2 savings with surplus electricity deployed back to the grid.

Our core values

1

We will continually listen to the needs of key stakeholders and deliver meaningful solutions.

2

We will work towards operating in an environmentally sustainable manner considering the impact of our activities at all times.

3

We will use Corporate Social Responsibility not only to deliver legislative compliance but as a springboard for ongoing continuous improvement.

> “For Safestore to receive a Ruban d’Honneur at the European Business Awards is a real mark of distinction and testament to the determination and passion which drives the Group. The commitment of our staff and the importance we place on exceptional service for our customers and partners has culminated in us being recognised as leaders in our field.”

Stephen Williams
Chief Executive Officer

"We place our people right at the heart of our business and are committed to promoting their learning and development, health, well-being and ethical pursuits. We provide a healthy and safe environment for our people, customers, suppliers and contractors."

Safestore and our people

Policy statement

We place our people right at the heart of our business and are committed to promoting their learning and development, health, well-being and ethical pursuits. We provide a healthy and safe environment for our people, customers, suppliers and contractors. Safestore always complies with current legislation and endeavours to continuously exceed legal requirements and local regulations by:

Health and safety

— conducting regular health and safety reviews across our estate inclusive of the review of risk assessments and accident reports to identify, control, prevent and nullify potential risks;

— ensuring our health and safety committee meets regularly to review issues, process, policy and actions harnessing a culture where health and safety always sits high on our agenda; and

— delivering accredited health and safety training and refresher training relevant to job role as standard to all employees.

Equality and diversity

— being an equal opportunities employer that maintains a workforce that reflects the uniqueness of the communities in which we operate;

— ensuring policies and practices are in place that treat all employees fairly and equally. All employees receive the same treatment regardless of their ethnic origin, gender, 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; and

— maintaining an active succession planning strategy that considers the ability of internal employees before recruiting externally.

Richard Hawkes
Chief executive of disabled charity Scope

Work-life balance

- delivering through our employee 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 employees including: graduate internships, an apprenticeship scheme developed in association with Street League, a tax free cycle to work scheme and "Busy Bees" child support;
- encouraging our staff to engage in our accredited Careerstore training and development programme providing them with individual training and a tailored development path; and
- engaging in programmes that encourage our people to self learn and develop with funding for professional qualifications.

Highlights

- UK country representative at the European Business Awards 2010. Subsequently, we went on to be awarded a prestigious Ruban d'Honneur as overall country winners in the "Employer of the Year" category. This placed us alongside organisations such as Procter and Gamble and Kellogg's in recognition of our business' success, innovation and business ethics over the past twelve months.
- As an "Investors in People" organisation we diligently align the needs of our teams, their people and their aspirations to the broader needs of our business. This leads to a truly engaged workforce throughout our estate that is passionate about the delivery of our strategic plan and underlying objectives.
- Our intern programme attracted a wide range of applicants and has provided selected graduates with valuable business experience in key departments. Despite the economic climate we continue to pay our interns and are delighted that the success of this scheme has led to a 100% appointment rate into key roles within our business during 2010.
- We were pleased to receive the Payroll Giving Bronze Award for the third year running. This symbol of excellence is awarded to employers who have success in generating sustainable income sources for UK charities for payroll giving.
- The year saw us partner with Street League, a charity committed to the delivery of football and education programmes to some of the most disadvantaged young people across the UK. This involved the introduction of an innovative work place apprenticeship scheme. The scheme directly supported disadvantaged young people in gaining valuable work experience, many of whom are from NEET (not in education, employment or training) groups.

Safestore and our community

Policy statement

We strive to actively seek out innovative solutions to engage our business with the local communities in which we operate. Our primary goal is to optimise the use of available resources so that our support is far-reaching, exceeding that of a cash value or donation through the effective deployment of the unique skills and resources our business has to offer. We will:

- provide national charity support through partnering with a charity of the year striving to build long-term relationships;
- provide local support for the communities in which we operate through our "Charity Room in Every Store" scheme;

> "We are extremely grateful to be partnering with Safestore which is saving us over £20,000 in storage costs per annum. This enables Scope to concentrate our efforts and direct the funds saved to our vital services. A direct benefit of which is ensuring disabled people have the same opportunities to fulfil their life ambitions as everyone else."

> "We place sustainable business practice high on our agenda and are proactive in seeking out solutions that deliver a positive net impact on the environment."

Safestore and our community continued

Policy statement continued

- 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.

Highlights

- During the year we have continued to support Scope as our charity partner of the year. We have extended our free storage support through the provision of valuable archive storage space. This has enabled Scope to redeploy the funds saved directly to improving the everyday lives of disabled people. Throughout the year our staff have participated in events such as the Inca Trail trek in Peru, the Royal Parks half marathon and the Aylesbury Tour de Vale, raising valuable additional funds.
- We celebrated the opening of our Crystal Palace store by sponsoring a golf day event raising valuable funds for St Christopher's, a local hospice.
- We passionately support our "Charity Room in Every Store" scheme with further support extended in the year to charities in the community of our new stores in Barking and Crystal Palace.
- During the year we have supported a number of charities such as Comic Relief and Children in Need through a diverse range of cross functional activities.

Safestore and our environment

Policy statement

We place sustainable business practice high on our agenda and are proactive in seeking out solutions that deliver a positive net impact on the environment.

When carrying out our business activities Safestore endeavours to:

- be sensitive in the use of scarce resources, minimising waste production and promoting re-use and recycling where possible;
- communicate our commitment to the environment throughout our business;
- continue to deploy cardboard waste disposal across our estate;
- use our communications platform to promote conservation activities to our main stakeholders;
- ensure the safe handling and disposal of products;
- support ethical purchasing by minimising the environmental impact of the products we buy and sell;
- consider eco-design solutions when building new stores and as a minimum always build to BREEAM standard; and
- actively seek out green energy solutions.

StChristopher's

Dame Barbara Monroe
Chief executive, St Christopher's Hospice

Highlights

— During the year we have extended the usage of greentricity which is now deployed across our entire estate.

— We have continued with our innovative "Box for Life" scheme and maintained a box range comprised of recycled material, supported by cardboard recycling services as standard, resulting in a "closed loop" channel. Savings deployed of approximately 24 million litres of water together with the prevention of nearly 3,000 mature trees from being felled have directly benefited our global environment.

— We have continued to support Trees for Cities with a charitable donation from every saver kit sold. In addition our staff have engaged with a number of tree planting events, creating a more sustainable environment in the communities where we operate.

— The year saw us extend our eco-bubble in a bio-degradable bag range providing an easily accessible environmentally friendly range to a broader consumer group.

Trees for Cities

"Our partnership with Safestore has been really successful over the past year. With their support we have been able to get lots of people involved in transforming their neighbourhood, planting trees where they are most needed."

Joanne Stewart-Clark
Development manager, Trees for Cities

"Safestore's support has played a pivotal role in the success of our golf day and enabled us to ensure that all proceeds directly benefited the hospice. On the day, we raised £14,000 with plans for longer-term support from the supporters and companies who attended. The day itself provided a great opportunity to spend time with new supporters and to promote the work of St Christopher's Hospice. Safestore's support has been invaluable and we are delighted that our partnership has now evolved to include free storage space."

Board of Directors

Every one of Safestore's friendly and approachable staff is trained to the same high standard. The quality of our service and our commitment to customer satisfaction starts at the top, with our Safestore Management Team.

From left to right:

Richard Grainger
Non-Executive Chairman
Richard Grainger joined the Board in February 2007 as a Non-Executive Director and was appointed Chairman in March 2008. After graduating from Oxford University, Mr Grainger qualified as a chartered accountant at Price Waterhouse. He started at Hill Samuel Bank Limited in 1987 and subsequently joined Close Brothers Corporate Finance Limited ("CBCF") in 1996. In 2001, Mr Grainger was appointed chief executive of CBCF having previously run the Leisure and Retail team and founded CBCF's Corporate Restructuring Group. He departed from CBCF as chairman in June 2009 having also been a member of the management board of CBCF for six years. He is also chairman of Ipes Guernsey (Holdings) Limited, a fund administration business. Mr Grainger is an associate member of the Institute of Chartered Accountants in England and Wales.

Stephen Williams
Chief Executive Officer
Stephen Williams joined the Group in June 2001 as Chief Operating Officer, following a period as an external consultant for the Company. Steve was appointed to the position of Chief Executive Officer in January 2002. He has over 30 years' experience in the retail industry and management. Steve was operations director at Pet City between 1993 and 2000 and operations controller at Wickes from 1991 to 1993. Prior to this he had an eighteen-year tenure at PayLess DIY, becoming their operations director.

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

Adrian Martin
Senior Independent Director

Adrian Martin joined the Group in September 2008 as a Non-Executive Director and Chairman of the Audit Committee. Adrian is a fellow of the Institute of Chartered Accountants in England and Wales. He is currently a non-executive director of M&C Saatchi plc, Morgan Sindall plc, RSM Tenon Group plc, and H R Owen plc. Since 2001, Adrian has been Hon. Treasurer of the Disasters Emergency Committee, the UK national charity that unites humanitarian agencies to provide emergency relief to major overseas disasters. He worked at BDO Stoy Hayward for 30 years and was managing partner from 1991 to 2000. Adrian was chief executive of the law firm Reynolds Porter Chamberlain LLP and he was a non-executive director of Carphone Warehouse Group plc for eight years until July 2008.

Alan Lewis
Non-Executive Director

Alan Lewis joined the Board in June 2009 as a Non-Executive Director. Other corporate positions include being an advisory partner at Bridgepoint Capital, a private equity provider and non-executive chairman of both Leeds Bradford International Airport Limited and Porterbrook, a train leasing business. He is also chairman of National Friendly, a mutual society involved with medical insurance and savings plans. Mr Lewis is a graduate of Liverpool University and holds an MBA from Manchester Business School.

Keith Edelman
Non-Executive Director

Keith Edelman joined the Group in September 2009 as a Non-Executive Director and was appointed Chairman of the Remuneration Committee in March 2010. He is currently chairman of Connaught Bookmakers and NIRAH Holdings Limited, the senior independent director of Supergroup Plc and a non-executive director of Beale Plc and the Olympic Park Legacy Company from 2000 to 2008, he was managing director of Arsenal Holdings Plc and was responsible for the £435 million development and operation of Emirates Stadium and the £350 million residential development at Highbury Square. Prior to this, he was the chief executive of Storehouse Plc, managing director of Carlton Communications Plc and corporate planning director of Ladbroke Plc. Mr Edelman was previously a non-executive director of Eurotunnel Plc and non-executive chairman of Glenmorangie Public Limited Company.

Risk management

The Group regularly reviews the risk within the Group. It is a fundamental aspect of the business and is subject to regular and ongoing reviews.

Self-storage market risk

While the self-storage model appears resilient to an economic and housing market downturn, we would not be completely immune to macro-economic factors which could impact financial performance.

We believe that our market-leading position in the UK and Paris, our strong brand, depth of management as well as retail expertise and infrastructure would help mitigate the effects of any downturn.

Furthermore, the UK self-storage market is still immature, therefore although awareness is now starting to grow rapidly there is little risk of supply outstripping demand in the medium term. The fundamentals for people requiring self-storage are also unlikely to change in spite of the threat of an economic downturn. The number of new customers using self-storage tends to be lower during a housing downturn as does the number of vacates leading to less churn and volatility. Our current customers have an average length of stay of 91 weeks and are spread between domestic customers and business customers. Whilst a large proportion of domestic customers' storage requirements are related to a house move it is evident by the length of stay and the large number of long-term customers that there are other drivers for people to seek a self-storage solution.

Our rental rates to customers are not directly correlated to property values and with more than 41,000 customers we have a relatively solid and consistent cash flow with no reliance on any one group or tenant.

Property risk

We regularly review all our properties to ensure they are legally compliant in all aspects and that each store has regular risk assessments carried out. All our properties are insured against a number of perils, events and eventualities. Insurance cover and property risk are reviewed on a regular basis.

We have a prudent approach to acquisitions and regularly review the hurdle rates in line with current and forecast market trends, therefore our exposure is limited to any corrections in commercial property values.

Our approach in selectively acquiring new stores reduces our dependence on the number of non-trading investment properties in relation to the established and mature stores that provide relatively stable and growing cash flow. It also ensures we have a good balance between investment pipeline, new stores, established stores and mature stores.

All new store acquisitions are in high visibility locations and the majority are new purpose-built self-storage centres. Within the existing estate, we continually review the store portfolio and invest where necessary and plan the relocation of those sites which no longer fit with the brand positioning. Three such recent examples are Eastbourne, Bolton and Southend where we have relocated from first generation buildings into modern purpose-built self-storage centres.

The Board sets internal limits on the individual and aggregate amounts that can be invested at any one time in any proposed investment without planning permission.

Treasury risk

The Group borrows in Sterling and Euros and has interest hedge swap agreements which effectively, until August 2013, fix LIBOR on £220 million of borrowings at 2.60% and EURIBOR on €24 million of borrowings at 1.67%. The interest hedge swaps cover approximately 70% of our net debt. The balance is currently being rolled on a quarterly basis to take advantage of the historically low interest rates. We will continue to keep the risk and reward on the floating element of the debt of the Group.

The Group considers the current and forecast projections of interest cover, covenant head room and cash flow as part of its monthly financial review.

There is exposure to exchange rates as we have a business in France that trades in Euros. This exposure is increasing annually as the size of the French business grows. We have looked to mitigate part of the exchange rate risk through the income statement by effectively swapping the first €9 million and €11 million of profit in each of the next two financial years at a rate of around €1.15:£1. In addition to this, the retention of Euro denominated debt provides a natural balance sheet hedge against movements in the Euro.

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

Taxation risk

The Group is exposed to any changes in legislation in connection with the tax regimes affecting the cost of corporation tax, VAT and stamp duty as well as a number of less material impositions such as empty property relief.

We work closely with our advisers and trade bodies to fully understand the risks and look at how we can mitigate these as well as working with the relevant bodies to challenge specific proposals or current legislation that could impact the business and industry.

Liquidity risk

The Board regularly reviews the covenant position of the Group although, given the nature of the product, customer base and lack of working capital requirements, liquidity is not seen as a major risk to the business.

Remuneration report

Introduction

The Remuneration report sets out the Group's policy on the remuneration of Executive and Non-Executive Directors together with details of the Directors' remuneration packages and service contracts.

The report has been prepared in accordance with the Companies Act 2006, Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Listing Rules of the Financial Services Authority. This report has been divided into separate sections for audited and unaudited information.

A resolution to approve this report will be proposed at the Annual General Meeting ("AGM") to be held on 23 March 2011.

Unaudited information

Remuneration Committee

The Remuneration Committee (the "Committee") comprised independent Non-Executive Directors and the Group Chairman throughout the year ended 31 October 2010, namely:

Committee members	From	To
Keith Edelman (Committee Chairman since 24 March 2010)	11 December 2009	to date
Roger Carey (Committee Chairman until 24 March 2010)	1 February 2007	24 March 2010
Richard Grainger	1 February 2007	to date
Adrian Martin	15 September 2008	11 December 2009

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

The Committee received advice from Hewitt New Bridge Street ("HNBS") during the year. Terms of reference for HNBS, which provided no other services to the Company, are available on request from the Company Secretary.

Remuneration policy

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

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

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain Directors of the calibre necessary to maintain and improve the Group's profitability and effectiveness and to reward them for enhancing shareholder value and return. To do this, it aims to provide a market competitive (but not excessive) package of pay and benefits. The Group's general policy is to continue to move basic salaries towards 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.

Basic salary and benefits

Basic salary is determined by reference to an 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.

The Committee reviewed basic salary levels during the year. Current basic salary levels for Executive Directors effective 1 November 2010 and prior year salaries are presented below:

		From 1 November 2010	From 1 November 2009
S W Williams	Chief Executive Officer	£315,000	£300,000
R D Hodsden	Chief Financial Officer	£210,000	£200,000

The increases to base salaries (5% for both the Chief Executive Officer and Chief Financial Officer) were arrived at after careful consideration by the Committee of both Group and individual performance over the past year and the stated remuneration policy (i.e. to move basic salaries towards mid-market levels over time).

Taxable benefits include a car allowance, life insurance, private medical and dental insurance.

Unaudited information continued

Annual bonus

The Committee operated an annual bonus plan for Executive Directors during FY2010. The maximum bonus was set at 100% of basic salary with measurement based upon sliding scale EBITDA and personal objectives set at the start of each financial year, as set out below:

Measures	Bonus potential
EBITDA	80%
Personal objectives	20%

However, following a review of the arrangements operated in 2009, the Committee introduced a further performance condition, requiring EBITDA to be greater than the previous financial year for any bonus to be payable. Details of actual amounts paid to Executive Directors for the year ended 31 October 2010 are presented within the emoluments table on page 38.

The FY2011 annual bonus plan for Executive Directors will be similar in design to the plan for FY2010, based on a combination of EBITDA and personal objectives in the ratio of 80:20 and the requirement to grow absolute EBITDA. The maximum bonus payable will remain at 100% of basic salary. Specific targets for FY2011 have not been disclosed as they are considered to be commercially sensitive, although the Committee is satisfied that they will be demanding and require performance significantly better than budget for full payout.

Performance Share Plan

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

- the PSP has a normal maximum annual limit of 150% of basic salary, with a 200% of basic salary annual limit in exceptional circumstances (such as recruitment or retention);
- the normal PSP grant policy, as per the PSP awards granted in 2009 and 2010, is 125% of basic salary;
- participants benefit from the value of dividends paid over the vesting period to the extent that awards vest. This benefit is delivered in the form of cash or additional shares at the time that awards vest;
- two-thirds of awards granted in 2009 and FY2010 are subject to the profit before tax earnings per share ("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;
- the remaining one-third of awards granted in 2009 and FY2010 are each subject to a total shareholder return ("TSR") condition based on the Group's performance against other FTSE SmallCap companies (excluding investment trusts) as at the date of grant. 25% of this part of an award vests if Safestore's TSR is at a median of the ranking of the TSRs of the comparator group, with full vesting of this part of an award for upper quartile performance. A sliding scale operates between these points. In addition to the above, no part of the TSR awards will vest unless the Committee is also satisfied that the TSR performance of the Group is reflective of the Group's underlying performance; and
- it is envisaged that PSP awards granted to Executive Directors in FY2011 will be granted on a very similar basis to the 2009 and 2010 awards. However, while the same TSR performance targets will apply for the TSR part of the award, the sliding scale for the PBT-EPS condition will be set at RPI+2% per annum (25% of this part of an award vests) to RPI+6% per annum (100% of this part of an award vests). Following the reduction in the EPS target range and consistent with best practice, 2011 PSP award levels to Executive Directors will be reduced to 115% of basic salary.

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

Claw-back

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

Shareholding guidelines

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

Sharesave scheme

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

Unaudited information continued

Pension arrangements

The Committee reviews the pension arrangements for the Executive Directors to ensure that the benefits provided are consistent with those provided by other similar companies.

The Group does not offer a defined benefit pension scheme and instead it makes contributions to an approved personal pension scheme of the Executive Director's choice. The Group contributes 15% of basic salary to the personal pension schemes of Stephen Williams and Richard Hodsden.

Service contracts

Both Executive Directors have a service contract with the Company, dated 9 March 2007, with a notice period of one year. There are no contractual termination payments.

Outside appointments

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

Non-Executive Directors

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

Non-Executive Directors receive fixed fees agreed by the Executive Directors after reference to similar roles in an appropriate comparator group of companies and reimbursement of expenses incurred in attending Board and other meetings. It is the Board's policy for Non-Executive Directors to be paid a level of fee that reflects the time commitment and responsibilities of the role and is sufficient to attract individuals with appropriate knowledge and experience. Non-Executive Directors do not receive an annual bonus, but may receive additional remuneration where the time commitment required due to unusual circumstances exceeds the normal commitments and responsibilities. The Non-Executive Directors received no other benefits in the year ended 31 October 2010 (FY2009: £nil).

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

Appointment of new Chief Executive

Following the announcement of Steve Williams' retirement, Peter Gowers will join the Safestore Board on 1 February 2011 and become Chief Executive on 1 March 2011. A summary of his on going remuneration package, which is consistent with the remuneration policy, is as follows:

- base salary: £315,000 per annum;
- annual bonus: 100% of base salary maximum potential;
- PSP: 115% of base salary (although to facilitate his recruitment, the first award, expected to be granted in February 2011 will be over shares worth 200% of salary);
- pension: Company contribution equal to 15% of annual base salary; and
- share ownership guidelines: 100% of salary accumulated through the retention of 50% of vested (net of tax) PSP awards.

Steve Williams will receive a payment in line with his contractual entitlements and all his share awards will vest at the normal vesting dates, subject to performance in line with the LTIP rules.

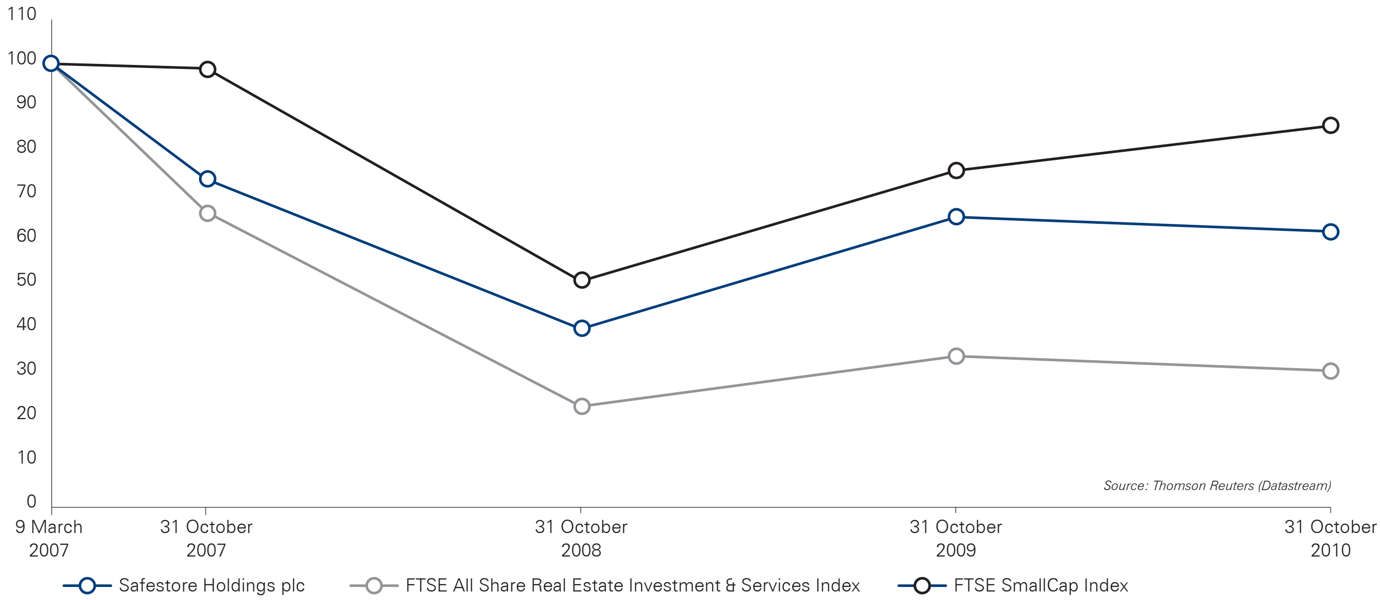
Full details of the above will be presented in next year's Remuneration report.

Unaudited information continued

Performance graph

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

Total shareholder return



This graph shows the value, by 31 October 2010, of £100 invested in Safestore Holdings plc on 9 March 2007 (the Company's flotation date) 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.

Audited information

Directors' remuneration

	Salary and fees £'000	Annual bonus £'000	Benefits £'000	**Total 2010 £'000**	Total 2009 £'000
Executive Directors					
S W Williams[1]	300	237	25	**562**	444
R D Hodsden[2]	200	153	17	**370**	300
Non-Executive Directors					
R S Grainger	90	—	—	**90**	85
R W Carey[3]	19	—	—	**19**	45
A H Martin	45	—	—	**45**	45
A S Lewis[4]	25	—	—	**25**	8
K G Edelman[5]	41	—	—	**41**	4
Former Directors	—	—	—	**—**	17
Total emoluments	720	390	42	**1,152**	948

Notes

1 S W Williams received a bonus of £237,000 for the year ended 31 October 2010, comprising £177,000 in respect of performance against underlying EBITDA measures and £60,000 in respect of performance against personal objectives.

2 R D Hodsden received a bonus of £153,000 for the year ended 31 October 2010, comprising £113,000 in respect of performance against underlying EBITDA measures and £40,000 in respect of performance against personal objectives.

3 R W Carey retired as a Director on 24 March 2010.

4 A S Lewis was appointed as a Director on 30 June 2009. Mr Lewis' fees were paid to Bridgepoint Capital Limited.

5 K G Edelman was appointed as a Director on 22 September 2009.

Company contributions to the money purchase pension plans of individual Executive Directors were as follows:

	Pensions 2010 £'000	Pensions 2009 £'000
S W Williams	**45**	41
R D Hodsden	**30**	28
	75	69

Audited information continued

Performance Share Plan

As at 31 October 2010, Executive Directors' interests under the PSP were as follows:

	Date of grant	Share price on grant	As at 1 November 2009	PSP awards granted	**As at 31 October 2010**	Vesting date
S W Williams						
	27 March 2009	£0.55	608,407	—	**608,407**	27 March 2012
	24 February 2010	£1.36	—	275,735	**275,735**	24 February 2013
			608,407	275,735	**884,142**	
R D Hodsden						
	27 March 2009	£0.55	405,603	—	**405,603**	27 March 2012
	24 February 2010	£1.36	—	183,823	**183,823**	24 February 2013
			405,603	183,823	**589,426**	

The PSP awards are subject to continued service over three years and the following performance targets. Two-thirds of an award is subject to a 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. The remaining one-third of an award is subject to the 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.

Safestore Bonus Share Plan

The first and only grant under the Safestore Bonus Share Plan ("SBSP") was made in January 2008. As at 31 October 2009, Executive Directors' interests under matching shares awarded under the SBSP were as follows:

	As at 1 November 2009	Shares granted	**As at 31 October 2010**	Vesting date
S W Williams	171,779	—	**171,779**	31 January 2011
R D Hodsden	89,979	—	**89,979**	31 January 2011

The vesting of matching shares presented above is dependent upon continued service and the average PBT-EPS for the three financial years following the bonus year being not less than the PBT-EPS of the bonus year. The Company currently expects these awards will not vest.

Sharesave

	As at 31 October 2009	Granted during the year	**As at 31 October 2010**	Exercise price	Exercise period
S W Williams	13,745	—	**13,745**	118.4p	1 September 2013 to 28 February 2014
R D Hodsden	11,139	—	**11,139**	147.0p	1 September 2012 to 28 February 2013

No consideration was payable in respect of the grant of options under the Sharesave scheme. Options expire at the end of the exercise period shown in the table above. No options held by Executive Directors were exercised or expired during the financial year ended 31 October 2010. The mid-market price of the shares at 31 October 2010 was 130.0 pence and the range during the year was 107.0 pence to 165.0 pence.

Unaudited information

Interests in shares

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

The Company – ordinary shares of 1 pence	17 January 2011 Number	31 October 2010 Number	31 October 2009 Number
Executive Directors			
S W Williams	8,427,579	8,427,579	8,427,579
R D Hodsden	3,364,988	3,364,988	3,364,988
Non-Executive Directors			
R S Grainger	100,833	100,833	100,833
A H Martin	20,000	20,000	20,000

All Directors' interests are beneficially held.

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

K G Edelman
Chairman of the Remuneration Committee
18 January 2011

Audit Committee report

The Audit Committee comprises Adrian Martin (Chairman) and Keith Edelman. Roger Carey stepped down from the Committee upon his retirement from the Board on 24 March 2010. Meetings of the Audit Committee are also attended when appropriate by the Chief Executive and the Group Chief Financial Officer as well as the Group's external auditors.

The Board has satisfied itself that at least one member of the Committee has recent and relevant financial experience and is confident that the collective experience of Committee members enables it to be effective.

The Audit Committee's principal responsibilities are:

— to monitor the integrity of the Group's financial statements and any other formal announcements relating to its financial performance;

— to keep under review the effectiveness of the Group's internal controls and risk management systems;

— to make recommendations to the Board in relation to the appointment of the external auditor and oversee the relationship with the external auditor; and

— monitor the statutory audit of the annual and consolidated accounts.

The full terms of reference of the Audit Committee, which comply with the Combined Code on Corporate Governance (2008), are available on the Group's website at www.safestore.com.

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

During the period under review, the Audit Committee has:

— assessed the qualifications, expertise and resources of the external auditors and their objectivity and independence and the relationship with the external auditor as a whole, including the provision of any non-audit services;

— assessed the effectiveness of the external audit process;

— considered whether it was appropriate to establish an internal audit function;

— considered the Group's procedures by which employees may, in confidence, raise concerns about improprieties in matters of financial reporting or other matters; and

— reviewed announcements relating to the Group's financial performance during the financial year.

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

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

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

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

In respect of the year ended 31 October 2010, the auditors' remuneration comprised £253,000 for audit work and £128,000 for other work, principally relating to re-financing advisory services and taxation compliance.

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

A H Martin
Chairman of the Audit Committee
18 January 2011

Nomination Committee report

The Nomination Committee ("the Committee ") comprises Richard Grainger (Chairman), Adrian Martin and Steve Williams. Following a Nomination Committee meeting in December 2009 which reviewed the composition of Board committees, Roger Carey stepped down from the Committee and Steve Williams was appointed.

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

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

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

At the meeting in December 2009, a full review was undertaken on the composition of Board committees. This was discussed further in the September 2010 meeting and it was confirmed that there were no requirements for any changes to the composition of Board committees. The Committee also considered the composition of the Board and Non-Executive Directors and decided that no further Non-Executive Director appointments were necessary.

The Committee reviewed the Company's succession plans and agreed that no changes were considered necessary. The executive team in both the UK and France was discussed along with recruitment planned during the financial year for strengthening the operational structure. It was agreed that, as the business evolves, the management structure would continue to be reviewed periodically for adequacy.

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

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

R S Grainger
Chairman of the Nomination Committee
18 January 2011

Corporate governance

Combined 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 Combined Code on corporate governance published by the Financial Reporting Council in June 2008 (the "Combined 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 Combined Code during the year under review.

Throughout the year the Company has complied with the provisions set out in Section 1 of the Combined Code (as they apply to a smaller company outside the FTSE 350).

The Board

In the year under review the Board comprised two Executive Directors, a Chairman and four Non-Executive Directors, three of whom are independent.

Roger Carey was deemed by the Board to be independent under the Combined Code and was Senior Independent Director until he retired from the Board on 24 March 2010. On that date, Adrian Martin, deemed to be independent upon his appointment in 2008, became the Senior Independent Director. Keith Edelman is deemed to be independent. Alan Lewis was deemed not to be independent by virtue of his position at Bridgepoint, a major shareholder in the Company.

The Board recognises the effective performance and commitment of Richard Hodsden and Adrian Martin and has recommended a resolution for shareholders to re-appoint them both to the Board at the forthcoming AGM.

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

The statement of the division of responsibilities between the Chairman and the Chief Executive 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 ten meetings throughout the year, including an extended strategy review. Additional meetings are held as and when required.

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

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

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

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

Board committees

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

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

Audit Committee

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

The Audit Committee's report is set out on page 40.

Remuneration Committee

The Remuneration Committee comprises Keith Edelman (Chairman) and Richard Grainger. The responsibilities of the Remuneration Committee are set out in the Remuneration report on pages 35 to 39.

Nomination Committee

The Nomination Committee comprises Richard Grainger (Chairman), Adrian Martin and Steve Williams. The Nomination Committee's Report is set out on page 41.

Attendance at Board/committee meetings

The following table shows the number of Board and committee meetings held during the year ended 31 October 2010 and details of attendance at those meetings.

Number of meetings attended/(held)	Board (10 meetings)	Audit Committee (3 meetings)	Nomination Committee (2 meetings)	Remuneration Committee (4 meetings)
S W Williams	10	—	2	—
R D Hodsden	10	—	—	—
R S Grainger	10	—	2	4
A H Martin	9	3	1	1
A S Lewis	8	—	—	—
K G Edelman	10	2	—	3
R W Carey[1]	4	1	1	3

1 Mr Carey attended all Board meetings that were held prior to his retirement from the Board.

A summary of the principal risks and uncertainties within the business are set out on page 34.

Performance evaluation

During the year, the Board carried out a performance evaluation of the Board and its principal committees: the Audit, Nomination and Remuneration Committees. The process was led by the Chairman supported by the HR Director of the subsidiary board. Directors completed detailed questionnaires and provided feedback. Once completed, a report (including recommended actions) was circulated to all Directors and discussed at a meeting of the Board.

Recommendations which were agreed by the Board were implemented as soon as practicable and progress will be monitored at the time of the next performance evaluation being undertaken during FY2011.

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

Board appointments

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

The service agreements of the Executive Directors and the letters of appointment of the Non-Executive Directors are available for inspection at the registered office of the Company during normal business hours, including the 15 minutes immediately prior to the AGM. The letters of appointment for Non-Executive Directors are in line with the provisions of A.4.4 of the Combined 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 2010 AGM are given in the Notice of Meeting.

Relations with shareholders

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

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

Risk management

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

Internal control

The Combined Code requires that at least annually Directors review the effectiveness of the Group's system of material internal controls including financial, operational and compliance controls and risk management systems. The Board confirms that it carried out a review of the effectiveness of the system of internal control which operated within the Group during the financial year in accordance with the Combined 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 does not have a separate internal audit function although the Board periodically reviews the need for establishing one in addition to the existing store assurance team. 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 Operations Officer and also has direct access to the Chief Executive Officer and Chief Financial Officer. The finance team was strengthened during the year with the appointment of a new Head of Finance.

A summary of the principal risks and uncertainties within the business are set out on page 34.

Directors' report

The Directors present their Annual Report and the audited consolidated financial statements for the year ended 31 October 2010.

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

Principal activities

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

Business review

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

— the Chairman's statement and the Chief Executive Officer's review on pages 8 to 19 contain a review of the business of the Group, the development and performance of the Group during the year and at the year end and of its strategy and prospects, including an analysis using Key Performance Indicators;

— the Financial review can be found on pages 20 to 25;

— the principal risks and uncertainties within the business are set out in the risk management section on page 34 including an assessment of the requirements of Section 417(5)(c) of the Companies Act 2006 on information about persons with whom the Group has contractual or other arrangements which are essential to the business of the Group;

— the Group's CR commitment and information in respect of environmental matters, employees, and social and community issues can be found on pages 26 to 31; and

— the Corporate governance review can be found on pages 42 to 44.

Further information on the Group's operations and financial affairs that are in addition to the requirements of the Business review are set out on pages 1 to 47 of this report.

Key Performance Indicators

The Directors are required to comment upon the Group's Key Performance Indicators. These are reported within the Financial review on pages 20 to 25, and in the Chief Executive Officer's review on page 10 to 19 for customer enquiries, new lets, vacates, length of stay and other non-financial Key Performance Indicators.

Results and dividends

The results for the year are set out on page 50. The Directors recommend a final dividend of 3.25 pence per ordinary share (2010: 3.0 pence) totalling £6,094,000 (FY2009: £5,624,000) to be paid on 8 April 2011 to shareholders whose names appear on the register at the close of business on 11 March 2011. An interim dividend of 1.70 pence was paid in the year (FY2009:1.65 pence) totalling £3,187,000 (FY2009: £3,093,000).

Directors

Details of the Directors who served during the year and to the point of signing are set out below:

R S Grainger	Non-Executive Chairman
S W Williams	Chief Executive Officer
R D Hodsden	Chief Financial Officer
R W Carey	Non-Executive Director
A H Martin	Non-Executive Director
A S Lewis	Non-Executive Director
K G Edelman	Non-Executive Director

R W Carey retired from the Board following the AGM on 24 March 2010.

Biographical details of the Directors are set out on pages 32 to 33.

Details of the interests of the Directors in the shares of the Company are set out in the Remuneration report on pages 35 to 39. No changes took place in the interests of the Directors between 31 October 2010 and 18 January 2011.

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 42 to 44.

The Company's Articles of Association require that one-third of Directors retire by rotation each year and that each Director must retire at intervals of not more than three years. Non-Executive Directors must retire annually once they have been in office for a period of more than eight years. In accordance with these provisions, Richard Hodsden and Adrian Martin will retire at the forthcoming AGM and, being eligible, offer themselves for re-election.

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

The Directors have (and during the year ended 31 October 2010 had) the benefit of the qualifying third party indemnity provision contained in the Company's Articles of Association which provides a limited indemnity in respect of liabilities incurred as a Director or other officer of the Company.

Share capital

The authorised share capital of the Company as at 31 October 2010 was £3.15 million divided into 315.0 million ordinary shares of 1 pence of which 188.1 million shares were in issue.

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

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

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

At the AGM held on 24 March 2010 the Company did not seek renewal of the authority to purchase any of its own shares because Bridgepoint Capital at that time held 35% of the issued ordinary shares of the Company and the associated requirement to obtain a whitewash under Rule 9 of the City Code on Takeovers and Mergers. A resolution will be proposed at the AGM to reinstate this authority to purchase own shares along with a renewal of the Directors' authority to allot relevant securities pursuant to Section 551 of the Companies Act 2006 and the power to disapply pre-emption rights pursuant to Section 570 of the Companies Act 2006. For further details on these resolutions please refer to the Notice of Annual General Meeting on pages 84 to 88.

Change of control

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

Substantial shareholdings

The following substantial shareholdings have been notified to the Company:

	At 17 January 2011	
	Number	%
Bridgepoint Capital Limited	33,684,247	18
Schroder Investment Management	15,638,625	8
ING Clarion	13,309,890	7
Fortis Investments	11,449,026	6
Morgan Stanley Investment Management	10,858,190	6
Aberforth Partners	10,443,270	6
S W Williams	8,427,579	4

Own shares – Employee Benefit Trust

On 31 January 2008, the Company allotted 1,051,755 ordinary shares of 1 pence each at par to the Safestore Employee Benefit Trust in satisfaction of awards under the Group's Long-Term Incentive Plan. The Employee Benefit Trust retains 639,740 ordinary shares (FY2009: 639,740 ordinary shares) with a cost of £6,397 (2009: £6,397). This represents 0.34% (FY2009: 0.34%) of the total issued share capital of the Company.

Financial risk management

Information on risk management is provided on page 34.

Employees

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

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

Political and charitable contributions

The Group made no political or charitable donations during the year (FY2009: £nil). The CR report provides details of the Group's "Charity Room in Every Store" commitment.

Creditor payment policy

The Company is a holding company with very few suppliers. The Group aims to pay all its suppliers within the payment terms negotiated with each individual supplier. The Group had 36 days' purchases (FY2009: 37 days' purchases) outstanding at 31 October 2010, based on the average daily amount invoiced by suppliers during the year ended 31 October 2010.

Going concern

After making enquiries, taking into account current borrowing facilities and trading prospects, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the financial statements.

Registered company number

4726380

Disclosure of information to auditors

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

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

Independent auditors

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

Annual General Meeting

The AGM will be held at the Company's registered office at Brittanic House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT on 23 March 2011 at 12 noon.

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

The Notice of Annual General Meeting on pages 84 to 88 sets out details of the business to be considered at the AGM and contains explanatory notes on such business.

By order of the Board:

S Ahmed
Company Secretary
18 January 2011

Statement of Directors' responsibilities

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

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

— select suitable accounting policies and then apply them consistently;

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

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

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

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

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

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

— the Group financial statements, which have been prepared in accordance with IFRS as adopted by the European Union give a true and fair view of the assets, liabilities, financial position and 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.

By order of the Board:

S Ahmed
Company Secretary
18 January 2011

Independent auditors' report

to the members of Safestore Holdings plc

We have audited the Group financial statements of Safestore Holdings plc for the year ended 31 October 2010 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in shareholders' equity, the Consolidated cash flow statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 48, 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 the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Group financial statements:

— give a true and fair view of the state of the Group's affairs as at 31 October 2010 and of its profit and cash flows for the year then ended;

— have been properly prepared in accordance with IFRS as adopted by the European Union; and

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

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

— the information given in the Corporate Governance Statement set out on pages 43 and 44 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

— certain disclosures of Directors' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit; or

— a corporate governance statement has not been prepared by the parent company.

Under the Listing Rules we are required to review:

— the Directors' statement, set out on page 47, in relation to going concern; and

— the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matter

We have reported separately on the parent company financial statements of Safestore Holdings plc for the year ended 31 October 2010 and on the information in the Remuneration Report that is described as having been audited.

Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
18 January 2011

Consolidated income statement
for the year ended 31 October 2010

	Notes	Group 2010 £'000	Group 2009 £'000
Revenue	2	**89,214**	84,433
Cost of sales		**(28,951)**	(26,606)
Gross profit		**60,263**	57,827
Administrative expenses		**(11,819)**	(10,608)
EBITDA before exceptional items, change in fair value of derivatives, (gain)/loss on investment properties, depreciation and contingent rent		**49,178**	46,330
Exceptional items	4	**(280)**	2,046
Change in fair value of derivatives		**461**	(395)
Depreciation and contingent rent		**(915)**	(762)
Operating profit before gain/(loss) on investment properties		**48,444**	47,219
Gain/(loss) on investment properties	10	**18,472**	(41,610)
Operating profit	2,5	**66,916**	5,609
Finance income before exceptional item		**290**	344
Recycling of foreign exchange gains		**431**	6,607
Total finance income	3	**721**	6,951
Finance expense before exceptional items and change in fair value of derivatives		**(22,834)**	(21,978)
Recycling of cash flow hedge – exceptional item		**(8,749)**	—
Exceptional finance expenses		**(2,004)**	—
Change in fair value of derivatives		**(4,829)**	—
Total finance expense	3	**(38,416)**	(21,978)
Profit/(loss) before income tax		**29,221**	(9,418)
Income tax (expense)/credit[1]	7	**(2,881)**	9,153
Profit/(loss) for the year		**26,340**	(265)
Earnings/(loss) per share for profit/(loss) attributable to the equity holders			
– basic (pence)	9	**14.05**	(0.14)
– diluted (pence)	9	**13.81**	(0.14)

1 Includes an exceptional credit of £3,478,000 (FY2009: £5,524,000) (see note 7).

The financial results for both years relate to continuing activities.

The notes on pages 55 to 78 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 October 2010

	Group	
	2010 **£'000**	2009 £'000
Profit/(loss) for the year	**26,340**	(265)
Other comprehensive income:		
Cash flow hedges	**1,172**	(6,110)
Currency translation differences	**(2,767)**	12,128
Recycled cumulative exchange gain	**(431)**	(6,607)
Recycled cumulative cash flow hedges	**8,749**	—
Tax (charge)/credit in respect of items taken directly to equity	**(2,846)**	1,727
Total other comprehensive income, net of tax	**3,877**	1,138
Total comprehensive income for the year	**30,217**	873

Consolidated balance sheet

as at 31 October 2010

	Notes	Group 2010 £'000	Group 2009 £'000
Assets			
Non-current assets			
Investment properties	10	**686,178**	646,778
Interests in leasehold properties	10	**69,130**	71,954
Investment properties under construction	10	**18,360**	12,641
Property, plant and equipment	11	**1,794**	1,739
Deferred income tax assets	21	**8,498**	11,449
Derivative financial instruments	18	**227**	—
		784,187	744,561
Current assets			
Inventories	13	**253**	228
Trade and other receivables	14	**16,244**	13,739
Derivative financial instruments	18	**72**	—
Cash and cash equivalents	15	**15,481**	26,352
		32,050	40,319
Total assets		**816,237**	784,880
Current liabilities			
Financial liabilities			
– Bank borrowings	17	**—**	(2,485)
– Derivative financial instruments	18	**(3,332)**	(13,578)
Trade and other payables	16	**(35,817)**	(31,106)
Obligations under finance leases	19	**(10,005)**	(10,301)
		(49,154)	(57,470)
Non-current liabilities			
Financial liabilities			
– Bank borrowings	17	**(309,511)**	(295,900)
– Derivative financial instruments	18	**(4,956)**	—
Trade and other payables	16	**(745)**	(896)
Deferred income tax liabilities	21	**(122,557)**	(120,257)
Obligations under finance leases	19	**(59,125)**	(61,653)
Provisions	20	**—**	(109)
		(496,894)	(478,815)
Total liabilities		**(546,048)**	(536,285)
Net assets		**270,189**	248,595
Equity			
Ordinary shares	22,24	**1,881**	1,881
Share premium		**28,349**	28,349
Other reserves	24	**10,715**	6,785
Retained earnings	23,24	**229,244**	211,580
Total equity	24	**270,189**	248,595

These financial statements on pages 50 to 78 were authorised for issue by the Board of Directors on 18 January 2011 and signed on its behalf by:

R D Hodsden
Chief Financial Officer

S W Williams
Chief Executive Officer

Company registration number 4726380

Consolidated statement of changes in shareholders' equity

for the year ended 31 October 2010

	Group					
	Share capital £'000	Share premium £'000	Translation reserve £'000	Hedge reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 November 2008	**1,881**	**28,349**	**8,392**	**(2,745)**	**219,949**	**255,826**
Comprehensive income						
Loss for the year	—	—	—	—	(265)	(265)
Other comprehensive income						
Exchange differences on translation of foreign operations	—	—	12,128	—	—	12,128
Recycling of balances in the translation reserve to finance income in the income statement (note 3)	—	—	(6,607)	—	—	(6,607)
Cash flow hedge	—	—	—	(4,383)	—	(4,383)
Total other comprehensive income	—	—	5,521	(4,383)	(265)	1,138
Total comprehensive income	**—**	**—**	**5,521**	**(4,383)**	**(265)**	**873**
Transactions with owners						
Dividends (note 8)	—	—	—	—	(8,717)	(8,717)
Employee share options	—	—	—	—	613	613
Transactions with owners	**—**	**—**	**—**	**—**	**(8,104)**	**(8,104)**
Balance at 1 November 2009	**1,881**	**28,349**	**13,913**	**(7,128)**	**211,580**	**248,595**
Comprehensive income						
Profit for the year	—	—	—	—	26,340	26,340
Other comprehensive income						
Exchange differences on translation of foreign operations	—	—	(2,767)	—	—	(2,767)
Recycling of balances in the translation reserve to finance income in the income statement (note 3)	—	—	(431)	—	—	(431)
Change in value of interest rate swaps	—	—	—	1,172	—	1,172
Recycling of balances in hedge reserve to finance expenses in the income statement	—	—	—	8,749	—	8,749
Tax relating to hedge reserve recycled to income statement	—	—	—	(2,793)	(53)	(2,846)
Total other comprehensive income	—	—	(3,198)	7,128	(53)	3,877
Total comprehensive income	**—**	**—**	**(3,198)**	**7,128**	**26,287**	**30,217**
Transactions with owners						
Dividends (note 8)	—	—	—	—	(8,812)	(8,812)
Employee share options	—	—	—	—	189	189
Transactions with owners	**—**	**—**	**—**	**—**	**(8,623)**	**(8,623)**
Balance at 31 October 2010	**1,881**	**28,349**	**10,715**	**—**	**229,244**	**270,189**

Consolidated cash flow statement

for the year ended 31 October 2010

	Notes	Group 2010 £'000	Group 2009 £'000
Cash flows from operating activities			
Cash generated from operations	25	**46,205**	45,348
Interest paid		**(18,564)**	(21,206)
Interest received		**139**	913
Tax paid		**(19)**	(58)
Net cash inflow from operating activities		**27,761**	24,997
Cash flows from investing activities			
Expenditure on investment properties and development properties		**(23,313)**	(16,219)
Net proceeds from disposal of development properties		**559**	1,188
Purchase of property, plant and equipment		**(227)**	(215)
Sale of available for sale financial assets		**—**	1,561
Net cash outflow from investing activities		**(22,981)**	(13,685)
Cash flows from financing activities			
Equity dividends paid	8	**(8,812)**	(8,717)
Net proceeds from issue of new borrowings		**326,026**	25,464
Debt issue costs		**(8,161)**	—
Financial instruments		**(8,746)**	—
Finance lease principal payments		**(5,635)**	(5,326)
Repayment of borrowings		**(310,026)**	(8,000)
Net cash (outflow)/inflow from financing activities		**(15,354)**	3,421
Net (decrease)/increase in cash and cash equivalents		**(10,574)**	14,733
Exchange (losses)/gains on cash and cash equivalents		**(297)**	476
Cash and cash equivalents at 1 November		**26,352**	11,143
Cash and cash equivalents at 31 October	15,26	**15,481**	26,352

Notes to the financial statements

for the year ended 31 October 2010

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Report Interpretations Committee ("IFRIC") interpretations as adopted by the European Union and with those parts of the Companies Act 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 generally accepted accounting principles requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual amounts may differ from those estimates.

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

Standards, amendments to standards and interpretations issued and applied

During the year ended 31 October 2010 the Group adopted the following standards, amendments to standards and interpretations:

IAS 1 'Amendment – Presentation of Financial Statements'

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

Segmental reporting – adoption of IFRS 8 'Operating Segments'

The segmental information presented in note 2 has been prepared in accordance with the requirements of IFRS 8.

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

- 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 above operating segments on the basis of EBITDA, as defined in note 2.

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

IAS 40 Amendment

Previously, development properties were accounted for under IAS 16, but are now accounted for under IAS 40. The Group's date of adoption was 1 November 2009. The impact of the adoption of IAS 40 (revised) was the reclassification of property under construction into investment property under construction (previously held within development property). In accordance with the requirements of IAS 40 the prior year comparatives have been represented as investment property under construction but have not been restated to reflect this change in accounting policy. In the past, where the Group had assets in the course of construction, these had been held at cost and an assessment made of the anticipated surplus to be achieved on the opening and leasing of a Safestore self-storage facility. If this supported the existing book cost, taking account of projected costs to complete, no provision was made against the cost. The external valuation takes a different approach, and in effect is assuming a sale to a third party of an asset in the course of construction, assuming contingencies on construction costs, assessment of alternative use where planning risk remains and a level of developer's profit. The impact of this change on basic and diluted EPS for the year ended 31 October 2010 is 0.38 pence per share and 0.37 pence per share.

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.

1 Accounting policies continued

Basis of consolidation continued

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

Segmental reporting

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

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

Revenue recognition

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

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

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

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

Exceptional items

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

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 functional and presentational currency of the Group.

Transactions and balances

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

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

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

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.

1 Accounting policies continued

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

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

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

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

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

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

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

Property, plant and equipment

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

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

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

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

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

Impairment of tangible assets (excluding property)

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

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

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

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

Inventories

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

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

1 Accounting policies continued

Trade and other receivables

Trade and other receivables are stated at fair value, being cost less provision for impairment where there is evidence that not all amounts will be collectible under the original terms of the receivable. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 28 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within "cost of sales". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Cash and cash equivalents

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

Trade and other payables

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

Leases

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

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

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

Borrowings

Interest-bearing bank loans and overdrafts are recorded at 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.

Financial instruments

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

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

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

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

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

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

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

1 Accounting policies continued

Provisions

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

Taxation including deferred tax

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

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

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

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

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

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

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

Employee benefit costs

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

Share capital

Ordinary shares are classified as equity.

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

Treasury shares

Safestore Holdings plc shares which have been purchased and not cancelled are held as treasury shares and deducted from shareholders' equity, within retained earnings.

Share based payments

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

Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

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

a) Estimate of fair value of investment properties

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 rates; and discount rates. A more detailed explanation of the background and methodology adopted in the valuation of the investment properties is set out in note 10 to the financial statements.

b) Investment property under construction

Investment property under construction is initially recognised at cost and revalued at the balance sheet date to fair value as determined by professionally qualified external valuers.

Gains or losses arising from the changes in fair value of properties under construction are included in the income statement in the period in which they arise. In accordance with IAS 40, as the Group uses the fair value model, no depreciation is provided in respect of investment properties including integral plant.

1 Accounting policies continued

Critical accounting judgements and key sources of estimation uncertainty continued

Critical judgements in applying the Group's accounting policies continued

c) 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.

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 NAVs. The Group manages the financial risks within policies and operating parameters approved by the Board of Directors and does not enter into speculative transactions.

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

The principal 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 at floating rates and, where necessary, uses interest rate swaps to convert these to fixed rates (see note 18) 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 £0.6 million (FY2009: £1.1 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 counter parties based on ratings issued by the major rating agencies. Counter-party exposure positions are monitored regularly so that credit exposures to any one counter-party are within predetermined limits. Overall, the Group considers that it is not exposed to a significant amount of credit risk. 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 £7.6 million (FY2009: £6.4 million).

Price risk

The Group is not exposed to significant price risk.

Foreign exchange risk

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

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

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

At 31 October 2010, if Sterling had weakened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been £2.7 million lower (FY2009: £2.0 million), mainly as a result of foreign exchange gains/losses on translation of Euro trade receivables and financial assets at fair value through profit or loss.

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

Hedge risk

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

1 Accounting policies continued

Financial risk management continued

Hedge risk continued

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

Cash flow hedges

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

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

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

Hedges of a net investment

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

Capital risk

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

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

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

During 2010, the Group's strategy, which was unchanged from 2009, was to maintain the gearing ratio within 50% to 70% and a Dunn & Bradstreet 5A1 credit rating. The gearing ratios at 31 October 2010 and 2009 were as follows:

	2010 £'000	2009 £'000
Total borrowings	**378,641**	370,339
Less: cash and cash equivalents (note 15)	**(15,481)**	(26,352)
Net debt	**363,160**	343,987
Total equity	**270,189**	248,595
Total capital	**633,349**	592,582
Gearing ratio	**57%**	58%

Standards, amendments to standards and interpretations issued but not applied

The following standards and interpretations had no material impact on the Group's results, assets or liabilities or were not relevant:

IFRIC 16 'Hedges of Net Investments in a Foreign Operation'.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 November 2010 or later periods, but the Group has not early adopted them:

- amendment to IAS 27 'Consolidated and Separate Financial Statements';
- amendments to IAS 32 'Financial Instruments: Presentation';
- amendment to IAS 36 'Impairment of Assets';
- amendment to IAS 39 'Eligible Hedged Items';
- amendment to IFRS 2 'Group Cash-settled Share-based Payment Transactions';
- amendment to IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations';
- revision to IFRS 3 'Business Combinations';
- improvements to IFRS (April 2009);
- amendments to IFRIC 9 and IAS 39 'Embedded Derivatives';
- additions to IFRS 9 for financial liability accounting;

Notes to the financial statements continued
for the year ended 31 October 2010

1 Accounting policies continued

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group continued

— amendment to IFRIC 14;

— IFRIC 17 'Distributions of Non-cash Assets to Owners';

— IFRIC 18 'Transfers of Assets from Customers'; and

— IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'.

The amendments to IAS 27 and IFRS 3 will impact the accounting treatment of acquisitions in the Group financial statements. If they had been adopted, the other new standards, amendments or interpretations would have had no material effect on the results or financial position of the Group disclosed within these financial statements although a number would lead to additional or revised disclosures.

2 Segmental analysis

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

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

— UK; and

— France.

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

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

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

Year ended 31 October 2010	UK £'000	France £'000	Central £'000	Group £'000
Continuing operations				
Revenue	67,116	22,098	—	89,214
EBITDA before exceptional items, change in fair values of derivatives, gain on investment properties, depreciation and contingent rent	35,344	13,834	—	49,178
Exceptional items	(45)	(235)	—	(280)
Contingent rent and depreciation	(588)	(327)	—	(915)
Change in fair value of derivative	—	—	461	461
Operating profit before gain on investment properties	34,711	13,272	461	48,444
Gain on investment properties	2,151	16,321	—	18,472
Operating profit	36,862	29,593	461	66,916
Finance expense	—	—	(38,416)	(38,416)
Finance income	—	—	721	721
Profit/(loss) before tax	**36,862**	**29,593**	**(37,234)**	**29,221**
Income tax expense	—	—	(2,881)	(2,881)
Profit/(loss) for the year	**36,862**	**29,593**	**(40,115)**	**26,340**
Segment assets				
Fixed assets	608,563	166,899	—	775,462
Inventories	153	100	—	253
Current and non-current assets	11,245	4,999	—	16,244
Unallocated assets:				
– tax asset	—	—	8,498	8,498
– derivative financial instruments	—	—	299	299
– cash and cash equivalents	—	—	15,481	15,481
Total assets	**619,961**	**171,998**	**24,278**	**816,237**
Segment liabilities				
Current and non-current liabilities	(80,674)	(25,018)	—	(105,692)
Unallocated liabilities:				
– Group borrowings	—	—	(309,511)	(309,511)
– derivative financial instruments	—	—	(8,288)	(8,288)
– tax liabilities	—	—	(122,557)	(122,557)
Total liabilities	**(80,674)**	**(25,018)**	**(440,356)**	**(546,048)**
Net assets	**539,287**	**146,980**	**(416,078)**	**270,189**

2 Segmental analysis continued

Year ended 31 October 2009	UK £'000	France £'000	Central £'000	Group £'000
Continuing operations				
Revenue	63,017	21,416	—	84,433
EBITDA before exceptional items, change in fair values of derivatives, (loss)/gain on investment properties, depreciation and contingent rent	32,770	13,560	—	46,330
Exceptional items	—	2,046	—	2,046
Contingent rent and depreciation	(444)	(318)	—	(762)
Change in fair value of derivative	—	—	(395)	(395)
Operating profit/(loss) before (loss)/gain on investment properties	32,326	15,288	(395)	47,219
(Loss)/gain on investment properties	(47,520)	5,910	—	(41,610)
Operating (loss)/profit	(15,194)	21,198	(395)	5,609
Finance expense	—	—	(21,978)	(21,978)
Finance income	—	—	344	344
Recycling of foreign exchange gains	—	—	6,607	6,607
(Loss)/profit before tax	(15,194)	21,198	(15,422)	(9,418)
Income tax credit	—	—	9,153	9,153
(Loss)/profit for the year	(15,194)	21,198	(6,269)	(265)
Segment assets				
Fixed assets	613,379	119,733	—	733,112
Inventories	140	88	—	228
Current and non-current assets	8,568	5,171	—	13,739
Unallocated assets:				
– tax asset	—	—	11,449	11,449
– derivative financial instruments	—	—	—	—
– cash and cash equivalents	—	—	26,352	26,352
Total assets	622,087	124,992	37,801	784,880
Segment liabilities				
Current and non-current liabilities	(80,623)	(23,333)	—	(103,956)
Unallocated liabilities:				
– Group borrowings	—	—	(298,385)	(298,385)
– provisions	—	—	(109)	(109)
– derivative financial instruments	—	—	(13,578)	(13,578)
– tax liabilities	—	—	(120,257)	(120,257)
Total liabilities	(80,623)	(23,333)	(432,329)	(536,285)
Net assets	541,464	101,659	(394,528)	248,595

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

The entity is domiciled in the UK. The result of its revenue from external customers in the UK is £67,116,000 (FY2009: £63,017,000) and the total revenue from external customers in other countries is £22,098,000 (FY2009: £21,416,000). All revenues are generated from the entities provision of self-storage.

3 Finance income and costs

	Notes	**2010 £'000**	2009 £'000
Finance costs			
Interest payable on bank loans and overdraft		**(16,227)**	(14,896)
Amortisation of debt issue costs on bank loan	17	**(2,093)**	(1,468)
Interest payable on other loans		**—**	(17)
Interest on obligations under finance leases		**(4,912)**	(6,314)
Capitalised interest		**398**	717
Recycle of cash flow hedge reserve		**(8,749)**	—
Fair value movement of derivatives		**(4,829)**	—
Exceptional finance expense		**(2,004)**	—
Total finance cost		**(38,416)**	(21,978)
Finance income			
Interest receivable from bank deposits		**290**	344
Exceptional item recycled foreign currency translation gains from the translation reserve	24	**431**	6,607
Net finance costs		**(37,695)**	(15,027)

3 Finance income and costs continued

Interest has been capitalised at an average rate of 3.5% for the year (FY2009: 3.5%).

The recycling of the cash flow hedge reserve of £8.7 million represents the transfer of cumulative movements on cash flow hedges that were previously charged directly to reserves. The exceptional finance expense of £2.0 million (FY2009: £nil) shown on the bottom of page 63 represents the debt issue costs relating to the previous banking facility written off in the year.

The exceptional item of £0.4 million (FY2009: £6.6 million) within finance income arises in respect of recycled foreign currency translation gains from the translation reserve which are now realised (see note 24).

Included within interest payable of £16.2 million is £4.7 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 £9.5 million.

4 Exceptional items

The exceptional loss in the year of £280,000 relates to loss on the sale of investment properties. The exceptional items in the year ended 31 October 2009 comprised £1,754,000 income arising from the commutation of an insurance policy related to the 2005 Access France acquisition and a gain of £292,000 on the sale of a development property in France.

5 Operating profit

The following items have been charged/(credited) in arriving at operating profit:

	Notes	2010 £'000	2009 £'000
Staff costs	27	**15,742**	14,581
Inventories:			
– cost of inventories recognised as an expense (included in cost of sales)	13	**1,790**	1,173
Depreciation on property, plant and equipment:			
– owned assets	11	**168**	168
(Gain)/loss on investment properties	10	**(18,472)**	41,610
Rentals under operating leases – plant and machinery		**19**	72
Repairs and maintenance expenditure on investment properties		**1,359**	1,249
Trade receivables impairment	14	**1,396**	363

6 Fees paid to auditors

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

	2010 £'000	2009 £'000
Audit services		
Fees payable to Company's auditors for the audit of the parent company and consolidated financial statements	**40**	40
Fees for other services		
Fees payable to Company's auditors for the audit of the Company's subsidiaries pursuant to legislation	**148**	139
Fees payable to Company's auditors for other services pursuant to legislation	**33**	32
Statutory audit for overseas entities	**32**	37
Tax compliance	**23**	14
Corporate finance	**105**	—
Total	**381**	262

7 Income tax (expense)/credit

Analysis of tax (expense)/credit in the year:

	Note	2010 £'000	2009 £'000
Current tax:			
– UK corporation tax charge		**(17)**	(15)
Deferred tax:	21		
– Current year, including exceptional credit of £3,478,000 (FY2009: £5,524,000)		**(4,155)**	11,050
– Adjustment in respect of prior year		**1,291**	(1,882)
Tax (expense)/credit		**(2,881)**	9,153

7 Income tax (expense)/credit continued

Reconciliation of income tax (expense)/credit

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

	2010 £'000	2009 £'000
Profit/(loss) before tax	**29,221**	(9,418)
Tax calculated at domestic tax rates applicable in the UK: 28% (FY2009: 28%)	**8,182**	(2,637)
Effect of:		
– income and expenses not taxable or deductable	**(1,174)**	(1,767)
– indexation on property revaluation	**(770)**	(280)
– utilisation of French tax losses not previously recognised	**—**	(1,703)
– recognition of French tax losses previously unprovided	**—**	(5,524)
– difference from overseas tax rates	**1,412**	876
– adjustments in respect of prior years	**(1,291)**	1,882
– re-measurement of deferred tax from change in UK rate	**(3,478)**	—
Tax expense/(credit)	**2,881**	(9,153)

The exceptional tax credit in 2010 of £3,478,000 arises as a result of the impact on deferred tax of the UK tax rate change from 28% to 27%. The exceptional credit in 2009 of £5,524,000 arises on the recognition of previously unprovided French tax losses of €18.5 million.

Further reductions in the main corporation tax rate from 27% to 24% have been announced but not yet enacted. In addition, the rates of capital allowances on assets in the main and special pools are expected to fall from 20% to 18% and from 10% to 8% respectively from 1 April 2012. The Directors are in the process of evaluating the impact these changes will have on future tax charges.

8 Dividends per share

The dividend paid in 2010 was £8,812,000 (4.70 pence per share) (FY2009: £8,717,000 (4.65 pence per share)). A dividend in respect of the year ended 31 October 2010 of 3.25 pence (FY2009: 3.0 pence) per share, amounting to a final dividend of £6,092,000 (FY2009: £5,624,000), is to be proposed at the AGM on 23 March 2011. The ex-dividend date will be 9 March 2011 and the record date 11 March 2011 with an intended payment date of 8 April 2011. The final dividend has not been included as a liability at 31 October 2010.

9 Earnings/(loss) 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 2010			Year ended 31 October 2009		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share
Basic	**26.34**	**187.50**	**14.05**	(0.26)	187.48	(0.14)
Dilutive securities		**3.28**			1.76	
Diluted	**26.34**	**190.78**	**13.81**	(0.26)	189.24	(0.14)

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

9 Earnings/(loss) per share continued

Adjusted earnings per share

Adjusted earnings per share represents profit 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.

	Year ended 31 October 2010			Year ended 31 October 2009		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share
Basic	**26.34**	**187.50**	**14.05**	(0.26)	187.48	(0.14)
Adjustments:						
(Gain)/loss on investment properties	**(18.47)**	**—**	**(9.85)**	41.61	—	22.19
Exceptional operating items	**0.28**	**—**	**0.15**	(2.05)	—	(1.10)
Exceptional recycling of foreign exchange gains	**(0.43)**	**—**	**(0.23)**	(6.61)	—	(3.52)
Exceptional recycling of cash flow hedge reserve to the income statement	**8.75**	**—**	**4.67**	—	—	—
Exceptional finance costs	**2.00**	**—**	**1.07**	—	—	—
Change in fair value of derivatives	**4.37**	**—**	**2.33**	—	—	—
Tax in relation to adjustments	**(0.11)**	**—**	**(0.06)**	(9.30)	—	(4.95)
Exceptional tax credit	**(3.48)**	**—**	**(1.86)**	(5.52)	—	(2.95)
Adjusted	**19.25**	**187.50**	**10.27**	17.87	187.48	9.53

Gain/(loss) on investment properties includes depreciation on leasehold properties of £5.6 million (FY2009: £5.3 million) and the related tax thereon of £1.7 million (FY2009: £1.5 million). As an industry standard measure, EPRA earnings are presented. EPRA earnings of £15.3 million (FY2009: £14.1 million) and EPRA earnings per share of 8.19 pence (FY2009: 7.52 pence) are calculated after further adjusting for these items.

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

	Investment property £'000	Interests in leasehold properties £'000	Investment property under construction £'000	Total investment properties £'000
As at 1 November 2009	646,778	71,954	12,641	731,373
Additions	8,668	9,433	16,948	35,049
Reclassifications	10,480	(3,492)	(10,480)	(3,492)
Revaluations	24,816	—	(709)	24,107
Depreciation	—	(5,635)	—	(5,635)
Disposals	(795)	(2,700)	(40)	(3,535)
Exchange movements	(3,769)	(430)	—	(4,199)
As at 31 October 2010	**686,178**	**69,130**	**18,360**	**773,668**

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

The interest in leasehold properties as 1 November 2009 has been adjusted by £2.9 million to reflect the present value of minimum lease payments of contractual rents. A corresponding reduction has been recorded in the finance lease obligations with no impact on net assets. The remaining £0.6 million of the reclassification relates to the acquisition of the freehold of a leasehold property.

	Investment property £'000	Interests in leasehold properties £'000	Investment property under construction £'000	Total investment properties £'000
As at 1 November 2008	637,656	75,218	31,483	744,357
Additions	2,873	371	11,274	14,518
Reclassifications	29,404	—	(29,404)	—
Revaluations	(36,284)	—	—	(36,284)
Depreciation	—	(5,326)	—	(5,326)
Disposals	—	—	(1,273)	(1,273)
Exchange movements	13,129	1,691	561	15,381
As at 31 October 2009	646,778	71,954	12,641	731,373

Gains/(losses) on investment properties comprise:

	2010 £'000	2009 £'000
Revaluations	**24,107**	(36,284)
Depreciation	**(5,635)**	(5,326)
	18,472	(41,610)

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

	Deemed cost £'000	Valuation £'000	Revaluation on deemed cost £'000
Freehold stores			
As at 1 November 2009	292,769	499,447	206,678
Movement in year	4,265	41,734	37,469
As at 31 October 2010	**297,034**	**541,181**	**244,147**
Leasehold stores			
As at 1 November 2009	72,125	147,331	75,206
Movement in year	635	(2,334)	(2,969)
As at 31 October 2010	**72,760**	**144,997**	**72,237**
All stores			
As at 1 November 2009	364,894	646,778	281,884
Movement in year	4,900	39,400	34,500
As at 31 October 2010	**369,794**	**686,178**	**316,384**

The valuation of £686.2 million excluded £1.0 million in respect of owner occupied property. Rental income earned from investment properties for the years ended 31 October 2010 and 31 October 2009 was £76.72 million and £73.0 million, respectively.

The freehold and leasehold investment properties have been valued as at 31 October 2010 by external valuers, Cushman & Wakefield LLP ("C&W"). The valuation has been carried out in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation Standards published by RICS ("the Red Book"). The valuation of each of the investment properties has been prepared on the basis of market value as a fully equipped operational entity, having regard to trading potential. The valuation has been provided for accounts purposes and, as such, is a regulated purpose valuation as defined in the Red Book. In compliance with the disclosure requirements of the Red Book, C&W have confirmed that:

- the members of the RICS who have been the signatories to the valuations provided to the Group for the same purposes as this valuation have been so 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
- C&W has continually been carrying out bi-annual valuations for accounts purposes on behalf of the Group since October 2006.

Market uncertainty

C&W's valuation report comments on valuation uncertainty resulting from the recent global banking crisis coupled with the economic downturn, which have caused a low number of transactions in the market for self-storage property. C&W notes that, although there were a number of self-storage transactions in 2007, the only two significant transactions since 2007 are the sale of a 51% share in Shurguard Europe, which was announced in January 2008 and completed in March 2008, and the sale of the former Keepsafe portfolio by Macquarie to Alligator Self Storage, which was completed in January 2010. C&W states that there is therefore greater uncertainty attached to its opinion of value than would be anticipated during more active market conditions.

Valuation method and assumptions

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

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

Freehold (UK and France)

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

Leasehold (UK)

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

Leasehold (France)

In relation to the French commercial leases, C&W 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 and France)

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.

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

Valuation method and assumptions continued

Prudent lotting

C&W has assessed the value of each property individually. However, with regard to recently opened stores with negative or low short-term cash flow, C&W has prepared its valuation on the assumption that were these properties to be brought to the market then they would be lotted or grouped for sale with other more mature assets of a similar type owned by the Group in such a manner as would most likely be adopted in the case of an actual sale of the interests valued. This lotting assumption has been made in order to alleviate the issue of low or negative short-term cash flow. C&W 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 from the aggregate of the individual values for each property in the portfolio, reflecting prudent lotting as described on the previous page.

11 Property, plant and equipment

	Owner occupied buildings £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 November 2009	1,000	272	1,046	2,318
Additions	—	—	226	226
Disposals	—	(3)	—	(3)
At 31 October 2010	**1,000**	**269**	**1,272**	**2,541**
Accumulated depreciation				
At 1 November 2009	65	170	344	579
Charge for the year	13	21	134	168
At 31 October 2010	**78**	**191**	**478**	**747**
Net book value				
At 31 October 2010	**922**	**78**	**794**	**1,794**
At 31 October 2009	935	102	702	1,739

	Owner occupied buildings £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 November 2008	1,000	324	831	2,155
Additions	—	—	215	215
Disposals	—	(52)	—	(52)
At 31 October 2009	1,000	272	1,046	2,318
Accumulated depreciation				
At 1 November 2008	52	201	210	463
Charge for the year	13	21	134	168
Disposals	—	(52)	—	(52)
At 31 October 2009	65	170	344	579
Net book value				
At 31 October 2009	935	102	702	1,739
At 31 October 2008	948	123	621	1,692

12 Adjusted net assets per share

	2010 £'000	2009 £'000
Analysis of net asset value:		
Basic and diluted net asset value	**270,189**	248,595
Adjustments: deferred tax on revaluation	**122,557**	119,070
Adjusted net asset value	**392,746**	367,665
Basic net assets per share (pence)	**144.1**	132.6
Diluted net assets per share (pence)	**141.6**	131.3
Adjusted net assets per share (pence)	**209.5**	196.1

	Number	Number
Shares in issue	**187,495,348**	187,495,348

Basic net assets per share is shareholders' funds divided by the number of shares at the year end. Diluted net assets per share is shareholders' funds divided by the number of shares at the year end, adjusted for dilutive share options. Adjusted net assets per share excludes deferred tax on the revaluation uplift on freehold and leasehold properties. The EPRA NAV, which further excludes fair value adjustments for debt and related derivatives net of tax, was £398.6 million (FY2009: £378.4 million) giving EPRA net assets per share of 212.6 pence (FY2009: 201.8 pence). The Directors consider that these alternative measures provide useful information on the performance of the Group.

13 Inventories

	2010 £'000	2009 £'000
Finished goods and goods held for resale	**360**	341
Less: provisions for impairment of inventories	**(107)**	(113)
	253	228

The Group consumed £1,790,000 (FY2009: £1,173,000) of inventories during the year. Inventory write downs were £nil for both the financial years ended 31 October 2010 and 31 October 2009.

Inventories of £253,000 (FY2009: £228,000) are carried at fair value less costs to sell. Provisions are made against slow-moving and obsolete stock lines where considered appropriate.

14 Trade and other receivables

	2010 £'000	2009 £'000
Current:		
Trade receivables	**7,768**	7,013
Less: provision for impairment of receivables	**(1,248)**	(1,026)
Trade receivables – net	**6,520**	5,987
Other receivables	**2,970**	1,993
Prepayments and accrued income	**6,754**	5,759
	16,244	13,739

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

	2010 £'000	2009 £'000
Provisions for doubtful debts against trade receivables:		
At 1 November	**1,026**	943
Provision for receivables impairment	**743**	363
Receivables written off during the year as uncollectible	**(521)**	(280)
At 31 October	**1,248**	1,026

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

Trade receivables that are less than 28 days overdue are not considered impaired. As of 31 October 2010, trade receivables of £669,000 (FY2009: £167,000) were past due but not impaired. These relate to a number of customers who benefit from an extension to normal terms and for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2010 £'000	2009 £'000
Up to 28 days overdue	**669**	167

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 2010, trade receivables of £1,248,000 (FY2009: £1,026,000) were impaired and provided for in full. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

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

	2010 £'000	2009 £'000
Sterling	**11,245**	8,568
Euros	**4,999**	5,171
	16,244	13,739

15 Cash and cash equivalents

	2010 £'000	2009 £'000
Cash at bank and in hand	**15,481**	26,352

16 Trade and other payables

	2010 £'000	2009 £'000
Current:		
Trade payables	**6,967**	4,921
Other taxes and social security payable	**1,293**	532
Other payables	**6,725**	8,408
Accruals and deferred income	**20,832**	17,245
	35,817	31,106
Non-current:		
Other payables	**745**	896

17 Financial liabilities – bank borrowings

Current	2010 £'000	2009 £'000
Bank loans and overdrafts due within one year or on demand:		
Secured – bank loan	**—**	4,000
Debt issue costs	**—**	(1,515)
	—	2,485

Non-current	2010 £'000	2009 £'000
Bank loans:		
Secured	**316,071**	296,874
Debt issue costs	**(6,560)**	(974)
	309,511	295,900

In March 2010, the Group renegotiated its existing bank loan facilities. The total available amount under the new facility was £41.0 million higher than under the old facilities. The current drawn down amounts are now repayable £5.0 million in March 2012, £7.5 million in September 2012, £7.5 million in March 2013 and £289.5 million in August 2013.

The loan has a floating rate of interest, with £350.0 million of the facility being denominated in Sterling and £35.0 million being denominated in Euros. The loan is carried at amortised cost. The renegotiation did not have any impact on the Group's exposure to foreign exchange and interest rate risk. (FY2009: £274.0 million of the Group's borrowings were denominated in Sterling and £26.9 million are denominated in Euros).

Finance costs of £8,168,000 have been capitalised in the year. £6,560,000 (FY2009: £2,489,000) are capitalised against bank loans and other borrowings and are being amortised over the life of the banking and loan facilities.

The bank loans and overdrafts are secured by a fixed charge over the Group's investment property portfolio. Following the bank re-financing in March 2010, as part of the interest rate management strategy, the Group entered into several interest rate swap contracts, details of which are shown in note 18.

The maturity profile of the carrying amount of the Group's non-current liabilities at 31 October 2010 and 31 October 2009 was as follows:

	Less than one year £'000	One to two years £'000	Two to five years £'000	More than five years £'000
2010				
Borrowings	**—**	**12,500**	**303,571**	**—**
Derivative financial instruments	**3,332**	**93**	**4,863**	**—**
Contractual interest payments and finance lease charges	**10,005**	**9,321**	**20,151**	**29,653**
Trade and other payables	**35,817**	**745**	**—**	**—**
	49,154	**22,659**	**328,585**	**29,653**
2009				
Borrowings	4,000	296,874	—	—
Derivative financial instruments	13,578	—	—	—
Contractual interest payments and finance lease charges	10,301	9,338	20,046	32,269
Trade and other payables	31,106	896	—	—
	58,985	307,108	20,046	32,269

17 Financial liabilities – bank borrowings continued

Bank loans are stated before unamortised issue costs of £6,560,000 (FY2009: £2,489,000). Bank loans are repayable as follows:

	Group	
	2010 £'000	2009 £'000
In one year or less	**—**	4,000
Between one and two years	**12,500**	296,874
Between two and five years	**303,571**	—
Bank loans	**316,071**	300,874
Unamortised issue costs due within one year	**—**	(1,515)
Unamortised issue costs due after one year	**(6,560)**	(974)
	309,511	298,385

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

	2010	2009
Bank loans	**Quarterly LIBOR plus 2.5%/ quarterly EURIBOR plus 2.5%**	Monthly LIBOR plus 0.90%/ monthly EURIBOR plus 1.75%

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	
	2010 £'000	2009 £'000
Expiring beyond one year	**68,690**	46,875

18 Financial instruments

Numerical financial instruments disclosures are set out below. Additional disclosures are set out in the Financial Review on pages 20 to 25.

	Liability	
	2010 £'000	2009 £'000
Interest rate swaps	**8,061**	13,189
Interest rate caps	**—**	—
Foreign exchange contracts	**(72)**	389

In accordance with IAS 39 'Financial Instruments: Recognition and Measurement', the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. No adjustments have been identified following this review. The fair value hierarchy of all financial instruments is level 2.

Interest rate swap

The notional principal amount of the outstanding interest rate swap contracts at 31 October 2010 was £212,438,000 and €24,000,000 (FY2009: £170,250,000 and €24,000,000). At 31 October 2010 the fixed interest rates were Sterling at 2.865% and Euro at 1.670% (FY2009: Sterling at 5.215% and Euro at 2.250%) and floating rates are at quarterly LIBOR and quarterly EURIBOR. The LIBOR swaps expire in June 2011 and the EURIBOR swaps expire in August 2013.

The notional principal amount of the outstanding forward start interest rate swap contracts at 31 October 2010 was £233,100,000. These swap contracts commence in June 2011 and the fixed interest rates were 2.325% and floating rates are at quarterly LIBOR. The swaps expire in August 2013.

Foreign exchange swap

At 31 October 2010, the Group had foreign currency swap contracts outstanding for a notional principal amount of €4,500,000 every six months commencing November 2010 followed by an increased notional amount of €5,500,000 every six months commencing November 2011. The Group will receive the Sterling equivalent of €4,500,000 at an exchange rate of 1.1452 Euros to the pound and €5,500,000 at an exchange rate of 1.1550 Euros to the pound and pay the Sterling equivalent of the average monthly spot rates for the six months. The swap contracts expire in October 2012.

Interest cap

At 31 October 2010, the Group had forward interest rate cap contracts outstanding for a notional principal amount of £67,300,000 commencing in June 2011. The Group will recover the excess in the event that three month LIBOR exceeds 420 bps. The option contracts expire on 31 August 2013.

18 Financial instruments continued

Fair values of non-derivative financial assets and financial liabilities

Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at prevailing interest rates and by applying year-end exchange rates. The fair values of bank loans and finance leases are calculated as:

	2010		2009	
	Book value £'000	**Fair value £'000**	Book value £'000	Fair value £'000
Bank loans	**309,511**	**344,221**	298,385	308,809
Finance lease obligations	**69,130**	**107,920**	71,954	105,600

The fair values of other financial assets and liabilities equal their book values.

Financial instruments by category

Group	Loans and receivables £'000	Assets at fair value through profit and loss £'000	Total £'000
Assets as per balance sheet			
Trade receivables and other receivables excluding prepayments	9,490	—	9,490
Derivative financial instruments	—	299	299
Cash and cash equivalents	15,481	—	15,481
As at 31 October 2010	**24,971**	**299**	**25,270**

Group	Liabilities at fair value through profit and loss £'000	Other financial liabilities at amortised cost £'000	Total £'000
Liabilities as per balance sheet			
Borrowings (excluding finance lease liabilities)	—	309,511	309,511
Finance lease liabilities	—	69,130	69,130
Derivative financial instruments	8,288	—	8,288
Trade payable and other payables	—	36,582	36,582
As at 31 October 2010	**8,288**	**415,223**	**423,511**

Group	Loans and receivables £'000	Derivatives used for hedging £'000	Total £'000
Assets as per balance sheet			
Trade receivables and other receivables excluding prepayments	7,980	—	7,980
Cash and cash equivalents	26,352	—	26,352
As at 31 October 2009	**34,332**	**—**	**34,332**

Group	Derivatives used for hedging £'000	Other financial liabilities at amortised cost £'000	Total £'000
Liabilities as per balance sheet			
Borrowings (excluding finance lease liabilities)	—	298,385	298,385
Finance lease liabilities	—	71,954	71,954
Derivative financial instruments	13,578	—	13,578
Trade payable and other payables	—	32,002	32,002
As at 31 October 2009	**13,578**	**402,341**	**415,919**

19 Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Within one year	**10,488**	10,890	**10,005**	10,301
Within two to five years	**38,219**	36,856	**29,472**	29,384
Greater than five years	**59,213**	66,057	**29,653**	32,269
	107,920	113,803	**69,130**	71,954
Less: future finance charges on finance leases	**(38,790)**	(41,849)	**—**	—
Present value of finance lease obligations	**69,130**	71,954	**69,130**	71,954

	2010 £'000	2009 £'000
Current	**10,005**	10,301
Non-current	**59,125**	61,653
	69,130	71,954

20 Provisions

	2010 £'000	2009 £'000
Dilapidation provisions	**—**	109

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

	2010 £'000	2009 £'000
Current	**—**	—
Non-current	**—**	109
	—	109

Dilapidation provision

The provision in 2009 related to anticipated future costs at two stores that were expected to be incurred between one and three years which have been extinguished following lease negotiations.

21 Deferred income tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 27% (FY2009: 28%) for the UK and 33.3% (FY2009: 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	**2010 £'000**	2009 £'000
At 1 November		**108,808**	117,575
Profit and loss charge/(credit)	7	**2,864**	(9,168)
Released to equity		**2,846**	(1,727)
Exchange differences		**(459)**	2,128
At 31 October		**114,059**	108,808

At 31 October 2010, the Group had capital losses of £4.0 million (FY2009: £2.6 million) in respect of its UK operations.

Deferred tax assets have been recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets where it is considered probable that these assets will be recovered in the foreseeable future. At 31 October 2010, the Group has unrecognised tax losses of £nil (FY2009: £nil).

21 Deferred income tax continued

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 year are shown below.

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

Deferred tax liability	Revaluation of investment properties £'000	Other timing differences £'000	Total £'000
At 1 November 2008	121,773	1,297	123,070
Reclassifications	(215)	215	—
Charged to income statement	(4,964)	(325)	(5,289)
Exchange differences	2,476	—	2,476
At 31 October 2009	119,070	1,187	120,257
At 1 November 2009			
Charged to income statement	5,074	(2,105)	2,969
Released to equity	—	53	53
Exchange differences	(722)	—	(722)
At 31 October 2010	**123,422**	**(865)**	**122,557**

Deferred tax asset	Tax losses £'000	Interest swap £'000	Total £'000
At 1 November 2008	4,428	1,067	5,495
Charged to income statement	3,879	—	3,879
Released to equity	—	1,727	1,727
Exchange differences	348	—	348
At 31 October 2009	8,655	2,794	11,449
At 1 November 2009			
Charged to income statement	(2,131)	2,236	105
Released to equity	—	(2,793)	(2,793)
Exchange differences	(263)	—	(263)
At 31 October 2010	**6,261**	**2,237**	**8,498**

The deferred tax liability due after more than one year is £122.6 million (FY2009: £120.3 million).

22 Called up share capital

	2010 £'000	2009 £'000
Called up, allotted and fully paid		
188,135,088 (FY2009: 188,135,088) ordinary shares of 1 pence each	**1,881**	1,881

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 9 August 2008			Grant date 14 August 2009	
		(UK three years)	(UK five years)	(France four years)	(UK three years)	(UK five years)
Number of options granted		211,079	150,369	27,217	130,350	136,955
Share price at grant date	(pence)	186	186	186	141	141
Exercise price	(pence)	147	147	176.5	118.4	118.4
Risk free rate of interest	(% per annum)	5.50	5.40	5.44	4.50	4.55
Expected volatility	(% per annum)	35	35	35	40	40
Expected dividend yield	(% per annum)	2.40	2.40	2.40	3.0	3.0
Expected term to exercise	(years)	3	5	4	3	5
Value per option	(pence)	66	74	59	47	53

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 24 February 2010	
		(PBT-EPS part)	(TSR part)
Number of options granted		755,784	377,892
Share price at grant date	(pence)	136	136
Exercise price	(pence)	0	0
Risk free rate of interest	(% per annum)	n/a	2.1
Expected volatility	(% per annum)	n/a	55
Expected term to exercise	(years)	n/a	3.5
Value per option	(pence)	136	100

At the end of the accounting period, options over 249,911 ordinary shares were outstanding under the Sharesave scheme and 3,729,361 awards in the Performance Share Plan remained 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 2009	Granted	Exercised	Lapsed	**At 31 October 2010**	Exercise price	Expiry date
Safestore Holdings plc Sharesave scheme							
09/08/2007	43,704	—	—	2,570	**41,134**	147.0p	09/02/2011
09/09/2007	7,423	—	—	—	**7,423**	176.5p	09/02/2012
09/08/2007	27,623	—	—	1,336	**26,287**	147.0p	09/02/2013
14/08/2008	99,074	—	—	15,878	**83,196**	118.4p	14/02/2012
14/08/2008	91,871	—	—	—	**91,871**	118.4p	14/02/2014
Total	269,695	—	—	19,784	**249,911**		
Safestore 2009 Performance Share Plan							
27/03/2009	2,595,685	—	—	—	**2,595,685**	0.0p	27/03/2012
24/02/2010	—	1,133,676	—	—	**1,133,676**	0.0p	24/02/2013
Total	2,595,685	1,133,676	—	—	**3,729,361**		

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

23 Retained earnings

	Note	£'000
Balance at 1 November 2008		219,949
Loss for the year		(265)
Dividend payment	8	(8,717)
Own shares[1]		613
Balance at 1 November 2009		211,580
Profit for the year		26,340
Dividend payment	8	(8,812)
Employee share options		189
Tax relating to hedge reserve recycled to income statement		(53)
Balance at 31 October 2010		**229,244**

1 Included within retained earnings are ordinary shares with a nominal value of £6,397 (FY2009: £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

	Note	Translation reserve £'000	Hedge reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 November 2008		8,392	(2,745)	219,949	225,596
Loss for the year		—	—	(265)	(265)
Dividends	8	—	—	(8,717)	(8,717)
Exchange differences on translation of foreign operations		12,128	—	—	12,128
Employee share options		—	—	613	613
Recycling of balances in the translation reserve to finance income in the income statement	3	(6,607)	—	—	(6,607)
Cash flow hedge		—	(4,383)	—	(4,383)
Balance at 1 November 2009		13,913	(7,128)	211,580	218,365
Profit for the year		—	—	26,340	26,340
Dividends	8	—	—	(8,812)	(8,812)
Exchange differences on translation of foreign operations		(2,767)	—	—	(2,767)
Employee share options		—	—	189	189
Recycling of balances in the translation reserve to finance income in the income statement	3	(431)	—	—	(431)
Change in value of interest rate swaps		—	1,172	—	1,172
Recycling of balances in hedge reserve to finance expense in the income statement		—	8,749	—	8,749
Tax relating to hedge reserve recycled to income statement		—	(2,793)	(53)	(2,846)
Balance at 31 October 2010		**10,715**	**—**	**229,244**	**239,959**

The translation reserve of £10,715,000 (FY2009: £13,913,000) comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The hedge reserve of £nil (FY2009: £7,128,000) comprises the unrealised elements of derivative financial instruments recognised in equity. The Group ceased hedge accounting in this financial year resulting in the release of the reserve to the Income Statement.

25 Cash flow from operating activities

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

Cash generated from continuing operations	2010 £'000	2009 £'000
Profit/(loss) before income tax	**29,221**	(9,418)
(Gain)/loss on investment properties	**(18,472)**	41,610
Depreciation	**168**	168
Change in fair value of derivatives	**(461)**	395
Gain/(loss) on non-current assets	**280**	(292)
Finance income	**(721)**	(6,951)
Finance expense	**38,416**	21,978
Employee share options	**189**	613
Changes in working capital:		
(Decrease)/increase in inventories	**(28)**	30
Increase in trade and other receivables	**(2,886)**	(1,527)
Increase/(decrease) in trade and other payables	**608**	(1,258)
Decrease in provisions	**(109)**	—
Cash generated from continuing operations	**46,205**	45,348

26 Analysis of movement in net debt

	2009 £'000	Cash flows £'000	Non-cash movements £'000	2010 £'000
Cash in hand	26,352	(10,574)	(297)	**15,481**
	26,352	(10,574)	(297)	**15,481**
Debt due within one year	(2,485)	4,000	(1,515)	**—**
Debt due after one year	(295,900)	(11,839)	(1,772)	**(309,511)**
Total net debt excluding finance leases	(272,033)	(18,413)	(3,584)	**(294,030)**
Finance leases due within one year	(10,301)	5,635	(5,339)	**(10,005)**
Finance leases due after one year	(61,653)	—	2,528	**(59,125)**
Total finance leases	(71,954)	5,635	(2,811)	**(69,130)**
Total net debt	(343,987)	(12,778)	(6,395)	**(363,160)**

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

27 Employees and Directors

Staff costs (including Directors) for the Group during the year	2010 £'000	2009 £'000
Wages and salaries	**13,366**	11,818
Social security costs	**1,818**	1,777
Other pension costs	**369**	373
Share based payments	**189**	613
	15,742	14,581

During the period ended 31 October 2010 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	2010 Number	2009 Number
Sales	**422**	420
Administration	**73**	66
	495	486

Key management compensation	2010 £'000	2009 £'000
Wages and salaries	**2,609**	2,185
Social security costs	**384**	351
Post-employment benefits	**130**	122
Share based payments	**183**	594
	3,306	3,252

The key management figures given above include Directors.

Directors	2010 £'000	2009 £'000
Aggregate emoluments	**1,152**	948
Company contributions paid to money purchase pension schemes	**75**	69
	1,227	1,017

There were two Directors (FY2009: two) accruing benefits under a money purchase scheme.

Fees of £25,000 (FY2009: £25,000) were paid to Bridgepoint Capital Limited for the services provided during the year by Alan Lewis (FY2009: Alan Lewis/Vincent Gwilliam).

Remuneration of highest paid Director	2010 £'000	2009 £'000
Aggregate emoluments	**562**	444
Company contributions paid to money purchase pension scheme	**45**	41
	607	485

28 Operating lease commitments – minimum lease payments

Total commitments under non-cancellable operating leases:

	Vehicles, plant and equipment	
	2010 £'000	2009 £'000
Within one year	**—**	19
Later than one year and less than five years	**—**	—
After five years	**—**	—
	—	19

29 Contingent liabilities

As part of the Group banking, the Company has guaranteed the borrowings totalling £316.1 million (FY2009: £300.9 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.

30 Capital commitments

The Group had £12.3 million capital commitments as at 31 October 2010 (FY2009: £4.0 million).

31 Related party transactions
The Group's shares are widely held with funds managed by Bridgepoint Capital (Nominees) Limited being the principal shareholder with a holding of 17.9% at 31 October 2010 (FY2009: 35.0%). The ultimate parent company of the Group is Safestore Holdings plc.

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

Bridgepoint Capital	2010 £'000	2009 £'000
Director fees	**25**	25

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

	2010 £'000	2009 £'000
Trade payables	**2**	2

32 Events after the reporting period
On 30 December 2010 there was a fire at the La Défense store in Paris.

The French head office was also based at this store which trades under the name "Une Pièce en Plus". The building, all fixtures and fittings, and customer property stored within the building were fully insured and the Group is also insured for loss of trade and business interruption whilst the store is inoperable. The store contributes less than 1% of revenue and will therefore have no material impact on the business or its performance. It is currently not known how the fire started. Our disaster recovery plan was implemented and so there will be no disruption to the running of the rest of the business in France and the store will be rebuilt and reopened as soon as practicably possible.

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

Independent auditors' report

to the members of Safestore Holdings plc

We have audited the parent company financial statements of Safestore Holdings plc for the year ended 31 October 2010 which comprise the parent company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 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 the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

— give a true and fair view of the state of the Company's affairs as at 31 October 2010;

— have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

— have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

— the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and

— the information given in the Directors' Report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

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

— adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

— the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

— certain disclosures of Directors' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Safestore Holdings plc for the year ended 31 October 2010.

Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
18 January 2011

Company balance sheet
as at 31 October 2010

	Notes	Company 2010 £'000	2009 £'000
Fixed assets			
Tangible fixed assets	5	**33**	63
Fixed asset investments	6	**979**	979
		1,012	1,042
Current assets			
Debtors: amounts falling due within one year	7	**280**	103
Debtors: amounts falling due after more than one year	7	**41,453**	41,956
Cash at bank and in hand		**9**	221
		41,742	42,280
Creditors: amounts falling due within one year	8	**(393)**	(631)
Net current assets		**41,349**	41,649
Total assets less current liabilities		**42,361**	42,691
Net assets		**42,361**	42,691
Capital and reserves			
Called up share capital	9	**1,881**	1,881
Share premium account	10	**28,349**	28,349
Profit and loss reserve	10	**12,131**	12,461
Total shareholders' funds	11	**42,361**	42,691

The Company financial statements on pages 80 to 83 were approved by the Board of Directors on 18 January 2011 and signed on its behalf by:

R D Hodsden
Chief Financial Officer

S W Williams
Chief Executive Officer

Company registration number 4726380

Notes to the Company financial statements

for the year ended 31 October 2010

1 Accounting policies and basis of preparation

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

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

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

Investments

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

Tangible fixed assets

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

Cash flow statement

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

Deferred taxation

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

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

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

Share based payments

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

Profit and loss account

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

Dividends

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

2 Results of parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year amounted to £8,293,000 (FY2009: £8,116,000).

3 Directors' emoluments

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

4 Operating profit

The Company does not have any employees (FY2009: none). Auditors' remuneration for the year ended 31 October 2010 was £10,000 (FY2009: £10,000). There were no non-audit services (FY2009: none) provided by the auditors.

5 Tangible fixed assets – fixtures and fittings

	£'000
Cost	
As at 31 October 2009 and at 31 October 2010	**196**
Accumulated depreciation	
As at 1 November 2009	133
Charge for the year	30
At 31 October 2010	**163**
Net book amount	
At 31 October 2010	**33**
At 31 October 2009	63

Notes to the Company financial statements continued

for the year ended 31 October 2010

6 Fixed asset investments

	£'000
Cost and net book value	
At 31 October 2009 and 31 October 2010	**979**

Investments in Group undertakings are stated at cost. The Directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. A list of principal subsidiary undertakings is given below. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Interests in subsidiary undertakings

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

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

Notes

1 Safestore Acquisition Limited is a 100% subsidiary of Safestore Group Limited.

2 Safestore Limited and Spaces Personal Storage Limited are both 100% subsidiaries of Safestore Acquisition Limited.

3 Mentmore Limited is a 100% subsidiary of Safestore Acquisition Limited.

4 Safestore Properties Limited is a 100% subsidiary of Mentmore Limited.

5 Une Pièce en Plus SAS and Access Storage Holdings (France) S.a.r.l are both 100% subsidiaries of Mentmore Limited.

7 Debtors

	2010 £'000	2009 £'000
Debtors (including £41,453 (FY2009: £41,956) due after more than one year)	**41,733**	42,059

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

8 Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Trade payables	**4**	53
Other taxes and social security	**—**	286
Accruals and deferred income	**389**	292
	393	631

9 Called up share capital

	2010 £'000	2009 £'000
Allotted and fully paid		
188,135,088 (FY2009: 188,135,088) ordinary shares of 1 pence	**1,881**	1,881
At 31 October	**1,881**	1,881

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.

10 Reserves

	Share premium account £'000	Profit and loss reserve £'000
At 1 November 2009	28,349	12,461
Profit for the year	—	8,293
Employee share options	—	189
Dividends paid	—	(8,812)
At 31 October 2010	**28,349**	**12,131**

For details of the dividend paid in the year see note 8 in the Group financial statements.

11 Reconciliation of movements in shareholders' funds

	2010 £'000	2009 £'000
Profit for the year	**8,293**	8,116
Dividends paid	**(8,812)**	(8,717)
Employee share options	**189**	613
At 1 November 2009/2008	**42,691**	42,679
At 31 October 2010/2009	**42,361**	42,691

12 Related party transactions

The Company has taken advantage of the exemption available under FRS 8 'Related Party Disclosures' and has not disclosed details of its transactions with related certain parties. This exemption is available as the transactions are with entities that are part of the same group and the consolidated accounts are publicly available.

13 Contingent liabilities

For details of contingent liabilities see note 29 in the Group financial statements.

This information is important and requires your immediate attention. If you have any doubts about what action you need to take, you should immediately contact your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised pursuant to the Financial Services and Markets Act 2000.

If you have sold or transferred all of your holding of ordinary shares in Safestore Holdings plc you should pass this information and the accompanying documents to the person through whom the sale or transfer was effected for transmission to the purchaser or transferee.

SAFESTORE HOLDINGS PLC
Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING ("AGM") of Safestore Holdings plc (the "Company") will be held at Brittanic House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT on 23 March 2011 at 12.00noon for the following purposes:

To consider and, if thought fit, pass the following resolutions, of which numbers 1 to 9 will be proposed as ordinary resolutions and numbers 10 to 12 will be proposed as special resolutions:

Ordinary resolutions

1. To receive the Company's annual accounts for the financial year ended 31 October 2010, together with the Directors' report and the auditors' report on those accounts and on the auditable part of the Directors' remuneration report.
2. To re-appoint PricewaterhouseCoopers LLP as auditors to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which accounts are laid.
3. To authorise the Directors to determine the auditors' remuneration.
4. To declare a final dividend for the year ended 31 October 2010 of 3.25 pence per ordinary share payable to shareholders on the register at the close of business on 11 March 2011.
5. To elect Peter Gowers (who has been appointed as a Director of the Company since the last AGM as a Director of the Company in accordance with the Company's Articles of Association.
6. To re-appoint Richard Hodsden as a Director of the Company in accordance with the Company's Articles of Association.
7. To approve the Directors' remuneration report for the financial year ended 31 October 2010.
8. To authorise the Company and all companies that are its subsidiaries at any time during the period for which this resolution has effect for the purposes of Section 366 of the Companies Act 2006 (the "Act") to:

   (a) make political donations to political parties or independent election candidates (as such terms are defined in Sections 363 and 364 of the Act), not exceeding £100,000 in aggregate;

   (b) make political donations to political organisations other than political parties (as such terms are defined in Sections 363 and 364 of the Act), not exceeding £100,000 in aggregate; and

   (c) incur political expenditure (as such term is defined in Section 365 of the Act), not exceeding £100,000 in aggregate,

   during the period beginning with the date of the passing of this resolution and ending at the conclusion of the Company's next AGM after the date of the passing of this resolution provided that the maximum amounts referred to in (a), (b) and (c) may comprise sums in different currencies which shall be converted at such rate as the Board may in its absolute discretion determine to be appropriate.
9. THAT for the purposes of Section 551 of the Act and so that expressions used in this resolution shall bear the same meanings as in the said Section 551:

   9.1 the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares and to grant such subscription and conversion rights as are contemplated by Sections 551(1)(a) and (b) of the Act respectively up to a maximum nominal amount of £620,846 to such persons and at such times and on such terms as they think proper during the period expiring at the end of the next AGM of the Company (unless previously revoked or varied by the Company in general meeting);

Ordinary resolutions continued

9.2 the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot equity securities (as defined in Section 560 of the Act) in connection with a rights issue in favour of the holders of equity securities and any other persons entitled to participate in such issue where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by them up to an aggregate nominal amount of £620,846 during the period expiring at the end of the AGM of the Company after the passing of this resolution subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and

9.3 the Company be and is hereby authorised to make prior to the expiry of such period any offer or agreement which would or might require such shares or rights to be allotted or granted after the expiry of the said period and the Directors may allot such shares or grant such rights in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution,

so that all previous authorities of the Directors pursuant to Section 551 be and are hereby revoked.

Special resolutions

10. THAT, subject to the passing of resolution 9 set out in the Notice convening this Meeting, the Directors be and are empowered in accordance with Section 570 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash, pursuant to the authority conferred on them to allot such shares or grant such rights by that resolution as if Section 561(1) and sub-sections (1)–(6) of Section 562 of the Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to:

10.1 the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities (but in the case of the authority granted under resolution 9.2 by way of a rights issue only) and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by or deemed to be held by them on the record date of such allotment, subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and

10.2 the allotment (otherwise than pursuant to paragraph 10.1 above) of equity securities up to an aggregate nominal value not exceeding £94,067,

and this power, unless renewed, shall expire at the end of the next AGM of the Company after the passing of this resolution but shall extend to the making, before such expiry, of an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

11. THAT the Company be and is hereby generally and unconditionally authorised for the purpose of Section 701 of the Act to make market purchases (as defined in Section 693 of the said Act) of ordinary shares of 1 pence each in the capital of the Company ("ordinary shares") provided that:

11.1 the maximum number of ordinary shares hereby authorised to be purchased is 18,813,509;

11.2 the minimum price (exclusive of expenses) which may be paid for such ordinary shares is 1 pence per share, being the nominal amount thereof;

11.3 the maximum price (exclusive of expenses) which may be paid for such ordinary shares shall be an amount equal to the higher of: (i) 5% above the average of the middle market quotations for such shares taken from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made; and (ii) the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading systems SETS;

11.4 the authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier date of the end of the next AGM of the Company and the date which is 18 months after the date on which this resolution is passed; and

11.5 the Company may make a contract to purchase its own ordinary shares under the authority conferred by this resolution prior to the expiry of such authority and such contract will or may be executed wholly or partly after the expiry of such authority and the Company may make a purchase of its own ordinary shares in pursuance of any such contract.

12. THAT a general meeting of the Company other than an AGM may be called on not less than 14 clear days' notice, provided that this authority expires at the conclusion of the Company's next AGM after the date of the passing of this resolution.

By order of the Board:

S Ahmed
Company Secretary
Registered office:
Brittanic House
Stirling Way
Borehamwood
Hertfordshire WD6 2BT
18 February 2011

Notes to Notice

(i) A member entitled to attend and vote at the Meeting convened by the Notice on the previous pages is entitled to appoint a proxy to exercise all or any of the rights of the member to attend and speak and vote on his/her behalf. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. The right to appoint a proxy does not apply to any person to whom this notice is sent who is a person nominated under Section 146 of the Act to enjoy information rights (a "Nominated Person").

(ii) To appoint a proxy you may:

(a) use the Form of Proxy enclosed with this Notice of Annual General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be received by post or (during normal business hours only) by hand at Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU or at www.capitashareportal.com, in each case no later than 12 noon on 21 March 2011 or not later than 48 hours before the time fixed for any adjourned meeting; or

(b) if you hold your shares in uncertificated form, use the CREST electronic proxy appointment service as described in notes (vi), (vii) and (viii) below.

Completion of the Form of Proxy or appointment of a proxy through CREST will not prevent a member from attending and voting in person.

You may submit your vote electronically at www.capitashareportal.com not later than 48 hours before the time fixed for the AGM or adjourned meeting at which your proxy proposes to vote.

(iii) Any member or his proxy attending the Meeting has the right to ask any question at the Meeting relating to the business of the Meeting.

(iv) Pursuant to Section 360B of the Act and Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only shareholders registered in the register of members of the Company as at 6.00pm on 21 March 2011 shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at such time. If the Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned meeting is 12 noon on the day preceding the date fixed for the adjourned Meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

(v) In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

(vi) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.

(vii) In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of Euroclear UK & Ireland Limited ("Euroclear UK & Ireland") and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

(viii) CREST members and, where applicable, their CREST sponsors and voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

(ix) As at 17 February 2011 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 188,135,088 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 17 February 2011 is 188,135,088.

(x) The information required to be published by Section 311(A) of the Act (information about the contents of this notice and numbers of shares in the Company and voting rights exercisable at the Meeting and details of any members' statements, members' resolutions and members' items of business received after the date of this Notice) may be found at www.safestore.com.

(xi) Members representing 5% or more of the total voting rights of all the members or at least 100 persons (being either members who have a right to vote at the Meeting and hold shares on which there has been paid up an average sum, per member, of £100 or persons satisfying the requirements set out in Section 153(2) of the Act) may require the Company, under Section 527 of the Act to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Act. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Act to publish on a website.

Notes to Notice continued

(xii) A Nominated Person may, under an agreement between him/her and the member who nominated him/her, have a right to be appointed (or to have someone else appointed) as a proxy entitled to attend and speak and vote at the Meeting. Nominated Persons are advised to contact the member who nominated them for further information on this and the procedure for appointing any such proxy.

(xiii) If a Nominated Person does not have a right to be appointed, or to have someone else appointed, as a proxy for the Meeting, or does not wish to exercise such a right, he/she may still have the right, under an agreement between himself/herself and the member who nominated him/her, to give instructions to the member as to the exercise of voting rights at the Meeting. Such Nominated Persons are advised to contact the members who nominated them for further information on this.

Explanatory notes to resolutions

Resolutions 5 and 6 – Election of Peter Gowers as a Director and re-election of Richard Hodsden as a Director (ordinary resolutions)

The Articles of Association of the Company require Peter Gowers, whose biographical details are set out below, to retire at the conclusion of the AGM because he has been appointed as a Director by the Board of Directors since the conclusion of the previous AGM of the Company. Resolution 5 proposes his election as a Director.

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

Under the Company's Articles of Association, one-third of the directors are obliged to retire by rotation at each AGM. Steve Williams and Richard Hodsden, whose biographical details are set out in the Board biographies on page 32, will retire by rotation this year in accordance with the Articles of Association. Richard Hodsden is offering himself for re-election and resolution 6 proposes his re-election as a Director. Steve Williams, who, as announced on 18 January 2011, will hand over to Peter Gowers as Chief Executive on 1 March 2011 and will leave the Company on 30 April 2011, will not be offering himself for re-election.

Resolution 8 – Political donations and political expenditure (ordinary resolution)

Resolution 8 seeks to renew the authority granted at last year's AGM for the Company to make political donations to political parties, to other political organisations and to independent election candidates or to incur political expenditure.

It is not the policy of the Company to make political donations of this type and the Directors have no intention of changing that policy. However, as a result of the wide definitions in the Act of matters constituting political donations, normal expenditure (such as expenditure on organisations concerned with matters of public policy, law reform and representation of the business community) and business activities (such as communicating with the Government and political parties at local, national and European level) might be construed as political expenditure or as a donation to a political party or other political organisation and fall within the restrictions of the Act.

This resolution does not purport to authorise any particular donation or expenditure but is expressed in general terms as required by the Act and is intended to authorise normal donations and expenditure. If passed, resolution 8 would allow the Company and its subsidiaries:

(i) to make donations to political parties or independent election candidates up to an aggregate limit of £100,000;

(ii) to make donations to other political organisations up to an aggregate limit of £100,000; and

(iii) to incur political expenditure (as defined in the Act) up to an aggregate limit of £100,000,

during the period up to the conclusion of the next AGM of the Company whilst avoiding inadvertent infringement of the statute. Any political donation made or political expenditure incurred which is in excess of £2,000 will be disclosed in the Company's Annual Report for next year, as required by the Act. The authority will not be used to make political donations within the normal meaning of that expression.

Resolution 8 replaces a similar authority put in place at the AGM held on 24 March 2010. No payments were made under this authority.

Resolution 9 – Director's authority to allot shares or grant subscription or conversion rights (ordinary resolution)

The resolution asks shareholders to grant the Directors authority under Section 551 of the Act to allot shares or grant such subscription or conversion rights as are contemplated by Sections 551(1)(a) and (b) respectively of the Act up to a maximum aggregate nominal value of £1,241,692, being approximately 66% of the nominal value of the issued ordinary share capital of the Company as at 17 February 2011. As at 17 February 2011, the Company did not hold any treasury shares. £620,846 of this authority is reserved for a fully pre-emptive rights issue. This is the maximum permitted amount under best practice corporate governance guidelines. The authority will expire at the next AGM. The Directors have no present intention of exercising such authority. The resolution replaces a similar resolution passed at the AGM of the Company held on 24 March 2010.

Resolution 10 – Disapplication of pre-emption rights (special resolution)

If the Directors wish to allot unissued shares or other equity securities for cash, the Act requires that such shares or other equity securities are offered first to existing shareholders in proportion to their existing holding. Resolution 10 asks shareholders to grant the Directors authority to allot equity securities or sell treasury shares for cash up to an aggregate nominal value of £94,067 (being 5% of the Company's issued ordinary share capital as at 17 February 2011) without first offering the securities to existing shareholders. The resolution also disapplies the statutory pre-emption provisions in connection with a rights issue and allows the Directors, in the case of a rights issue, to make appropriate arrangements in relation to fractional entitlements or other legal or practical problems which might arise. The authority will expire at the next AGM. The resolution replaces a similar resolution passed at the AGM of the Company held on 24 March 2010.

Explanatory notes to resolutions continued

Resolution 11 – Purchase of own shares by the Company (special resolution)

Resolution 11 to be proposed at the AGM seeks authority from shareholders for the Company to make market purchases of its own ordinary shares, such authority being limited to the purchase of 10% of the ordinary shares in issue as at 17 February 2011. The maximum price payable for the purchase by the Company of its own ordinary shares will be limited to the higher of 5% above the average of the middle market quotations of the Company's ordinary shares, as derived from The London Stock Exchange Daily Official List, for the five business days prior to the purchase and the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System ("SETS"). The minimum price payable by the Company for the purchase of its own ordinary share will be 1 pence per ordinary share (being the amount equal to the nominal value of an ordinary share). The authority to purchase the Company's own ordinary shares will only be exercised if the Directors consider that there is likely to be a beneficial impact on earnings per ordinary share and that it is in the best interest of the Company at the time. Company law has been changed recently to allow the Company to hold in treasury any shares purchased by it using its distributable profits. Such shares will remain in issue and capable of being re-sold by the Company or used in connection with certain of its share schemes.

Options to subscribe for up to 5,097,170 ordinary shares have been granted and are outstanding as at 17 February 2011 (being the latest practicable date prior to publication of this document) representing 2.72% of the issued ordinary share capital at that date (excluding shares held in treasury). If the Directors were to exercise in full the power for which they are seeking authority under resolution 11, the options outstanding as at 17 February 2011 would represent 3.02% of the ordinary share capital (excluding shares held in treasury) in issue following such exercise.

Resolution 12 – Calling of general meetings (special resolution)

Resolution 12 to be proposed at the AGM seeks authority from shareholders to hold general meetings (other than AGMs) on 14 days' clear notice. This is permissible under the existing Articles of Association of the Company and the Act. However, pursuant to the EU Shareholders' Rights Directive and in accordance with published guidance from the Department of Business, Enterprise and Regulatory Reform, specific shareholder approval is required annually in order to retain this ability. The Directors believe that there may be circumstances in which it will be important for the Company to be able to call meetings at such short notice. Accordingly, the Directors believe that it is important for the Company to retain this flexibility.

Directors' recommendation

The Board of Directors considers that each of the resolutions being proposed at the AGM are in the best interests of the Company and its shareholders as a whole. Accordingly, the Directors unanimously recommend that shareholders vote in favour of the resolutions as they intend to do in respect of their own beneficial shareholdings.

Directors and advisers

Directors

R S Grainger	(Non-Executive Chairman)
S W Williams	(Chief Executive Officer)
R D Hodsden	(Chief Financial Officer)
A H Martin	(Non-Executive Director)
A S Lewis	(Non-Executive Director)
K G Edelman	(Non-Executive Director)

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Through the website of our Registrar, Capita Registrars, shareholders are able to manage their shareholding by registering for the Share Portal, a free, secure, online access to their shareholding.

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