Safestore Holdings plc

Interim report for the six months ended 30 April 2013

Safestore the things you love

safestore™

Leaders
in self-storage

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

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Highlights

for the six months ended 30 April 2013

Key measures

	Six months ended 30 April 2013 (unaudited) £'000	Six months ended 30 April 2012 (unaudited) £'000	Movement
Underlying and operating metrics			
Revenue	**£47.1m**	£48.4m	(2.7%)
Underlying EBITDA	**£24.5m**	£24.5m	—
Cash tax adjusted Earnings Per Share	**5.0p**	4.9p	+2.0%
EPRA basic NAV per share	**£1.93**	£1.92	+0.5%
Dividend per share	**1.85p**	1.85p	—
Closing occupancy	**63.1%**	64.0%	(0.9) ppts
RevPAF	**£18.59**	£19.25	(3.4%)
Statutory metrics			
Profit/(loss) before tax	**£12.9m**	(£11.8m)	+£24.7m
Basic Earnings Per Share	**39.8p**	(3.3)p	+43.1p

Headlines

- Strategic initiatives mitigating VAT impact and driving cost savings
- National account UK business customers square foot up +34%
- Call centre now delivering 19% of UK new lets
- Internet generating 81% of all enquiries
- Recent new store openings in France driving 4.3% revenue growth
- Positive impact from continued focus on asset management
- Underlying EBITDA in line with prior year
- In-line interim results and on-track to meet our full year expectations

Peter Gowers, Safestore's Chief Executive Officer, commented:

"Safestore continues to deliver resilient results. Our focus on delivering growth from business customers using our national network is bearing fruit. Strategic progress, together with the active cost management measures we implemented during the first half of the year, has mitigated the potential impact on underlying EBITDA from the imposition of VAT.

Our market is demonstrating resilience and we have a unique competitive position. Our scale, strategy and ability to execute position us well to deliver further value for our shareholders in the future."

Chief Executive Officer's review

Peter Gowers
Chief Executive Officer

Summary

We are pleased to report that Safestore has delivered a resilient performance in the first full accounting period following the UK government's imposition of VAT on the self-storage industry from 1 October 2012.

As expected, Group revenues were down 2.7% on last year's record levels. In the UK, gross transaction values, including VAT, were up 9.6% on the prior year. However, after the payment of output VAT to the UK government revenues were down 5.2% on last year's record UK performance. The challenging UK position was partially offset by a 4.3% improvement in French revenues, principally driven by the contribution from our recently opened stores.

We controlled costs closely during the period, with our new strategic focus driving more efficient marketing investments and the growing performance of our call centre helping reduce store-level costs.

As a result, Group underlying EBITDA at £24.5 million is in line with the equivalent period last year despite the lower levels of revenue. Adjusted EPRA EPS on a cash tax basis was up 2.0% in the period at 5.0 pence (H1 2012: 4.9 pence) driven by the resilient EBITDA performance and lower first half cash taxes in France.

Our property portfolio valuation is up £12.7 million since October 2012 at £697.8 million, with the UK essentially flat at £520.1 million and our French portfolio up £13.3 million to £177.7 million.

During the period we successfully completed the conversion of the Group to UK Real Estate Investment Trust ("REIT") status which has resulted in the removal of our UK corporation tax liability on our UK property income and the removal of substantial deferred tax liabilities from the balance sheet.

In line with the guidance given on our dividend policy at the full year results, the Board announces an interim dividend of 1.85 pence, maintaining the level set last year.

Outlook

At the time of our preliminary results announcement in January 2013 we set out our expectation for slightly lower annual sales this year than in the previous year, as a result of the impact on occupancy and rate of the imposition of VAT on UK self-storage. At the half-way point in the year, performance remains in line with those expectations.

Since the beginning of the third quarter we have seen a return to growth, albeit modest, in enquiries and a moderate pick-up in the rate of New Lets. Vacates as a result of VAT also appear to have largely worked through the system, having returned to more normalised levels. We have also begun to reinstate the normal annual pricing review process for existing customers. We do expect there to be continued pressure on occupancy and rate during the second half of the year due to the VAT dislocation, but current revenue trends and the delivery of further cost savings from our efficiency programme give us confidence in meeting full year expectations.

Strategy update

More Space strategy driving growth through scale

We set out our "More Space" strategy in January 2012.

The Company is focused in the short term on driving organic growth, through a focus on winning a greater share of business customers, increased use of the internet and progressive yield management. In the longer term, we intend to leverage this scale and strength to drive further consolidation in our chosen markets, through further sites and the extension of our successful management contract offer.

"Our focus on delivering growth from business customers using our national network is bearing fruit. National Accounts now occupy more than 224,000 sq ft, or around 9% of our total UK occupancy."

Our strategy is underpinned by an attractive market opportunity. UK self-storage penetration is presently approximately 0.5 sq ft per person, compared to 1.1 sq ft per person in Australia and 7.4 sq ft per person in the US. We believe there are significant opportunities to grow the market, particularly from business customers, including small online retailers and large businesses who demand flexible logistics. We also believe that the growing importance of the internet is changing market dynamics, from success based on local competitive position, to success based on scale in sales, marketing, technology and infrastructure.

We have made encouraging progress on each of our four strategic priorities during the first half of the year:

Strengthen the brand – internet growth and strong business sales
We have been driving greater visibility and sales reach for the brand through a clearer brand identity, optimising advertising spend, investment in internet distribution and business customer sales.

During the period we focused on raising the quality of our enquiries and optimising marketing spend. We have improved our website and created a new platform to better serve customers using mobile devices. As a result, internet enquiries were up 13% during the period and now account for 81% of all enquiries.

The growing success of our strategic focus on business customers is evidenced by the fact that 52% of all space occupied in the UK is business-related. We have invested in additional team members for our industry-leading national accounts team. This group targets large business customers with the need to store across the UK. National Accounts now occupy more than 224,000 sq ft, or around 9% of our total UK occupancy. More than two-thirds of the space occupied by National Accounts customers is outside London, indicating the importance of a national network.

Build a powerful team – call centre driving performance and cost efficiency
We have continued to align the team behind our strategy, with investments in the marketing, National Accounts, call centre and pricing teams and a reduction in the costs of back-office and support staff.

Our investment in the UK call centre has been a key driver of productivity and efficiency during the period. The UK call centre operates from a dedicated facility, with a sales and customer service culture. It allows us to respond quickly to customers who enquire outside normal store opening hours and provides support to stores at peak periods, optimising staffing at store level.

The call centre currently accounts for approximately 19% of our new UK lets, up from 15% in the same period last year. The additional support provided by the call centre has allowed us to reduce the size of store teams in a number of stores during the period, contributing to our cost efficiency programme.

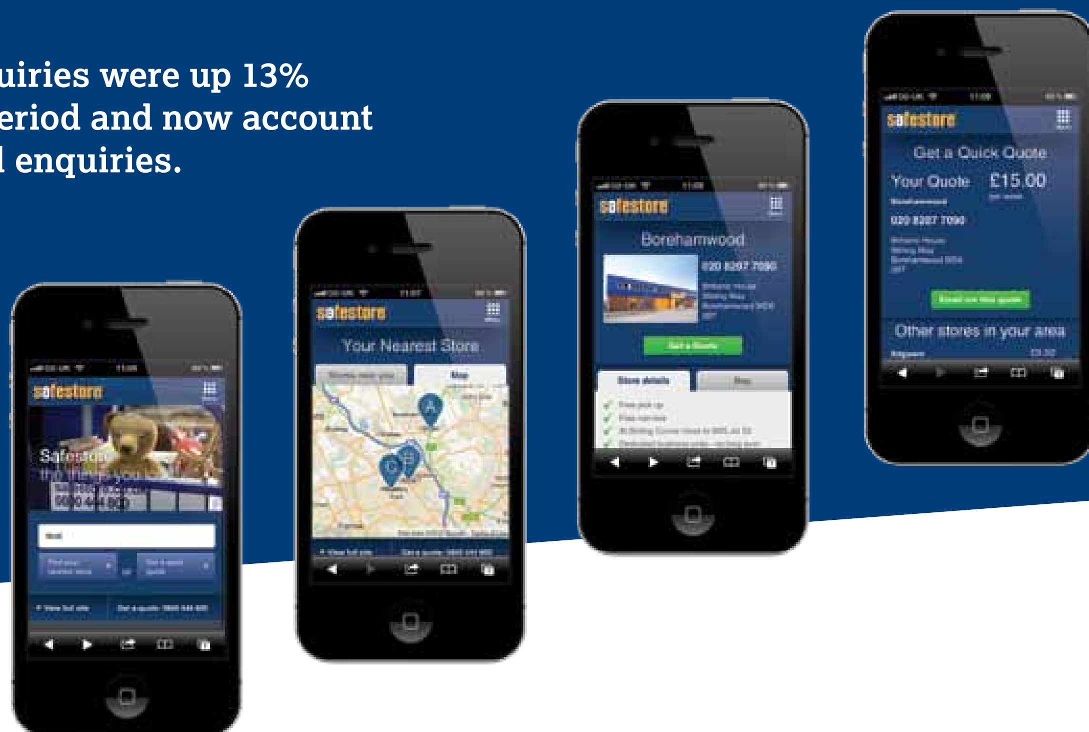
Drive operational excellence – yield management mitigating VAT impact
With the addition of VAT, we were obliged to increase the total cost of storage by 20% for the vast majority of our UK customers. Despite this, the use of analytics to predict consumer response helped us mitigate vacate pressure, with the effect that our closing UK occupancy has fallen by just 1.5 pts and our rate, despite the need for some strategic discounting, has been contained to a reduction of 3.7% during the period.

During the period we made extensive use of our new yield management tools to maintain our focus on Revenue per available Square Foot ("RevPAF") and help mitigate the impact of VAT on our UK business.

We have also improved our earnings quality, by extending the size of our long-term customer base. The average length of stay for existing customers in the UK has increased from 22.3 months to 23.8 months at the end of April 2013. Business customer length of stay has increased by 1.3 months to 29.2 months and personal customer length of stay has increased by 1.4 months to 21.4 months. In France, the average length of stay for our existing customers has increased by 1.1 months to 27.1 months.

Chief Executive's review continued

Internet enquiries were up 13% during the period and now account for 81% of all enquiries.



Strategy update continued

Drive operational excellence – yield management mitigating VAT impact continued

Customers that have stored with Safestore for more than one year now represent 50.0% of our UK customer numbers (43.5% at April 2012) and 52.3% of the space occupied (48.0% at April 2012). In France, our long-term customers represent 56.7% of our customer numbers and 57.1% of the space occupied.

Create value – active asset management delivering results

We have continued to actively manage our property portfolio.

During the period we have completed lease renegotiations on our New Malden and Hanworth stores and have renewed the lease on our Oldbury site. We also gained permanent planning consent on our Notting Hill store which had been operating under a series of temporary consents. The combined result of these actions increased asset valuation by approximately £3.3 million.

In line with our strategy to improve operating efficiency and value, we have consolidated our Enfield operations into our modern freehold site adjacent to the A10 trunk road, closing an older generation leasehold store. This change will result in an improved customer experience, reduced operating costs and strengthened asset values.

During the period we entered into a contract to sell our former Southend site to the supermarket chain Lidl subject to planning permission and commenced the process for a potential redevelopment of our Whitechapel site, a 1.4 hectare site in the east of London.

In a time of challenging economic and trading conditions, our total property valuation has grown by 1.9% to £697.8 million during the period.

Details on the property valuation are included in the Financial review.

Operational review – Group

The Group now has 122 owned stores following the recent consolidation of our Enfield stores in June 2013. 97 UK stores are branded as Safestore and 25 Paris stores are branded as Une Pièce en Plus. We also manage a further twelve stores for a third party, under the Spacemaker brand. Our total MLA is now 5.1 million sq ft excluding Spacemaker.

As expected, Group revenues were down 2.7% on the prior year's record levels, at £47.1 million (H1 2011: £48.4 million). Revenue in the UK was down 5.2%, in line with our guidance for the impact of the imposition of VAT from October 2012. Revenue from France was up 4.3%, driven by encouraging occupancy growth in our recently opened stores.

The closing occupancy across the portfolio is now 1.2% lower than a year ago at 3,221,000 sq ft. This equates to 63.1% of our MLA and is a 0.9 percentage point decrease on the prior period. The imposition of VAT has been the principal driver of reduced occupancy in our mature stores (stores open for at least five financial years) by 3.2 percentage points compared to a year ago but this decline has been partially offset by a 17.5 percentage point increase in our developing store (stores that have been open for less than two financial years) portfolio and a 3.1 percentage point increase in our established stores (stores open for between two and five financial years).

Overall Group average rate per sq ft was down 1.9% year-on-year on a constant currency basis, principally driven by the impact of UK VAT, with rate in France up 1.4% during the period.

Group RevPAF was £18.59 for the period, a reduction of 3.4% compared to the prior period (H1 2012: £19.25).

We have controlled our costs tightly in the period and implemented a programme of cost saving measures. These included significant improvements in the efficiency of our internet search investments, changes to head office personnel and a reduction in store team costs facilitated by our strategic investment in the call centre. We have also been able to reclaim the majority of VAT paid on operating costs in the UK.

"Safestore is the largest self-storage operator in the UK, measured by number of stores, with a comprehensive network across the UK's major cities and a greater number of stores within the area bounded by London's M25 motorway than any other competitor."

The benefits of our strategic focus and cost vigilance have helped to mitigate the reduction in revenues in the first half. As a result, underlying EBITDA is in line with the prior year at £24.5 million.

European Public Real Estate Association ("EPRA") profit increased by 19% to £8.2 million (H1 2012: £6.9 million) in the period, driven by reduced EPRA tax.

In H1 2013 £0.4 million of net exceptional costs were incurred (H1 2012: £5.2 million net exceptional credit). Restructuring of the head office and store teams resulted in a cost of £0.6 million and costs relating to the conversion to a REIT were £0.2 million. Business interruption insurance receipts in relation to the closure of one of our Paris stores in December 2010 of £0.3 million partially offset the above costs. In H1 2012 the exceptional credit related to insurance receipts associated with the French store closure at La Défense.

Total finance expenses of £11.9 million were in line with the prior year (after adjusting for movements on derivatives). Interest on bank facilities was £0.8 million higher than in the prior year as a result of the higher interest cost on the new bank facilities. This was offset by a reduction in IFRS 4 debt issuance amortisation costs of £1.2 million as these costs were written off in full on the renegotiation of the banking facilities in May 2012. Interest on finance leases increased by £0.2 million in the period.

Our statutory reported profit after tax for the period was £74.7 million (H1 2012: loss of £6.2 million). This reflected a tax credit of £61.9 million which largely related to the write back of deferred tax provisions after converting to a REIT in April 2013. In addition, our property portfolio revaluation resulted in a gain of £3.1 million in the period.

In line with our present focus on organic growth, capital spending has been contained this period to £2.5 million, significantly down on the £14.2 million in H1 2012.

Operational review – UK

With 97 stores, Safestore is the largest self-storage operator in the UK, measured by number of stores, with a comprehensive network across the UK's major cities and a greater number of stores within the area bounded by London's M25 motorway than any other competitor. Our UK MLA is now 4.1 million sq ft.

The first half of 2012/13 is the first full period impacted by the government's imposition of 20% VAT on self-storage in the UK from 1 October 2012.

In the first half of the financial year gross transaction value (including the 20% VAT element) was up 9.6% on the previous year, demonstrating the resilience of the self-storage business model and customer ability to pay. However, received revenue in the UK was down £1.9 million or 5.2% on the prior year at £34.5 million (PY: £36.4 million). Underlying EBITDA was down 4.2% at £16.9 million (H1 2012: £17.6 million), supporting our initial guidance given in June 2012, for a revenue reduction of £5-6 million and an underlying EBITDA reduction of £2-3 million from the imposition of VAT.

Average occupancy declined by 58,000 sq ft in the six month period. Closing occupancy at April 2013 was 2.48 million sq ft (H1 2012: 2.56 million sq ft), a decline of 3.1%.

Our average rental rate reduced by 3.7% to £22.62 (H1 2012: £23.52) in part owing to price increases during the second half of 2012 being delayed as VAT was being passed on to customers. In addition, the mix effect of the increased occupancy of the lower rate new stores opened in 2012 (Staines and New Southgate) contributes to the reduction in average rate.

Operational review – UK continued

Similar performance trends were witnessed in both the South-East region and the Rest of the UK. In the South-East average occupancy was down 1.2 percentage points at 61.3% with average rate down 4.0% at £26.83. In the Rest of the UK average occupancy was down 1.2 percentage points at 59.1% with average rate down 3.6% at £17.08.

As a result of the reduced occupancy and lower rate in the UK business, RevPAF declined 5.1% to £17.04 (H1 2012: £17.95).

Active cost management in the face of 5.2% revenue reductions has enabled the UK business to deliver EBITDA that is down 4.2% on the prior year.

Since the imposition of VAT, we have been able to recover most of the VAT on our operating expenses and reclaim some VAT previously incurred under the Capital Goods Scheme (“CGS”). In October 2012, we estimated that the amount receivable under the CGS was £9.0 million and this was offset against the movement in our investment properties portfolio. After taking further advice, we now believe that the gross receivable is greater than previously thought, at £11.5 million. So far, £3.1 million has been received and the remaining £8.4 million receivable has been discounted to a present value of £7.9 million and included in the balance sheet.

Operational review – France

With 25 stores, Une Pièce en Plus is the largest self-storage operator in the Paris region, with a comprehensive network of stores concentrated in the area bounded by the A86 motorway. We have 1.0 million sq ft of MLA in our French business.

Total revenue was up 4.7% at €15.0 million (H1 2012: €14.3 million), fuelled by the contribution from successful new store openings at Velizy and Gonesse.

Closing occupancy was 737,000 sq ft which is 4.5% higher than a year ago. Average rental rate increased by 1.0% to €37.30 (H1 2012: €36.92).

RevPAF performed well, improving to €29.75 (H1 2012: €29.44) in the period, an increase of 1.1% in constant currency. The impact of exchange rate movements on the revenue line in the half year is not material.

EBITDA in France is 13.4% higher than the prior year at €9.3 million (H1 2012: €8.2 million) driven by the contribution from recently opened stores and effective cost control.

REIT

At the time of its preliminary results for the 2011/12 financial year, the Group announced its intention to convert to REIT status. The conversion to REIT status was completed on 1 April 2013. The Group will now benefit from an exemption from UK corporation tax on its UK self-storage earnings and gains from its qualifying portfolio.

Dividend

The Board has set an interim dividend of 1.85 pence per share, in line with the dividend paid last year. This will amount to £3.5 million (April 2012: £3.5 million). The dividend will be paid on 15 August 2013 to shareholders who are on the Company’s register at the close of business on 12 July 2013. The ex-dividend date will be 10 July 2013.

The interim dividend is the first dividend that has been declared since the Company converted to a REIT on 1 April 2013. The Property Income Dividend (“PID”) payable for the period is 0.18 pence per share.

Underlying EBITDA

Table 1	**H1 2013 £m**	H1 2012 £m	Variance £m	Variance %
Revenue	47.1	48.4	(1.3)	(2.7)
Cost of sales	(16.6)	(17.0)	0.4	2.4
Gross profit	**30.5**	**31.4**	**(0.9)**	**(2.9)**
Underlying administrative expenses	(6.0)	(6.9)	0.9	13.0
Underlying EBITDA	**24.5**	**24.5**	**—**	**—**

Table 2	Cost of sales £m	Underlying administrative expenses £m
Variance above	0.4	0.9
– re-prioritisation of strategic investment	—	(0.6)
– new store costs	0.2	—
– insurance timing difference	0.4	—
– VAT impact	(1.1)	(0.2)
– rates	0.3	—
Underlying year-on-year decrease	**0.2**	**0.1**
Underlying year-on-year decrease in %	**1.2%**	**1.4%**

Financial review

Overview

For the six months ended 30 April 2013, revenue declined by £1.3 million to £47.1 million (H1 2012: £48.4 million), a decrease of 2.7%.

Revenues in the markets of London and the South-East and the Rest of the UK have decreased by 4.8% and 5.9% respectively. Revenue in Paris increased by 4.7% on a constant currency basis but this increase is reduced to 4.3% when the impact of adverse foreign exchange movements is taken into account. On a constant currency basis Group revenues declined by 2.6%.

RevPAF decreased by 3.4% to £18.59 (H1 2012: £19.25). Trends were similar in London/South-East and the rest of the UK which were down 5.4% and 5.5% respectively. In Paris RevPAF was up 1.1% on a constant currency basis.

The closing occupancy of 3.22 million sq ft represented 63.1% of MLA as compared to 64.0% in H1 2012. This was 39,000 sq ft down on April 2012 and was 65,000 sq ft lower than October 2012.

The overall average self-storage rate per sq ft fell by 1.9% to £24.68 (H1 2012: £25.16). This is largely a result of our decision to pass on the newly imposed VAT to the majority of our customers with selective discounting used only for certain high value customer groups.

Ancillary revenues for the period, derived from the sale of contents insurance, storage accessories and miscellaneous items, decreased by 6% to £6.3 million (H1 2012: £6.7 million). This represents 16.6% of self-storage revenues (H1 2012: 17.0%).

Underlying EBITDA

The Group generated underlying EBITDA of £24.5 million, in line with the same period last year (H1 2012: £24.5 million). The components of the underlying EBITDA in the periods under review are set out in table 1 above.

Reduced revenues have been offset by lower cost of sales and administrative expenses as illustrated in table 2 above.

After adjusting for the impact of our planned strategic expenditure, new store cost and one off costs, the underlying costs have decreased by 1.2% for cost of sales and 1.4% for underlying administrative expenses. These improvements reflect the actions taken in the period to drive efficiency in both the head office and stores.

The underlying EBITDA margin has improved to 52.0% (H1 2012: 50.6%) as a result of the above factors.

Finance expenses

Finance expense comprises interest on bank loans, amortisation of debt issuance costs and interest on finance lease obligations, net of capitalised interest.

- Interest on bank loans has increased by £0.8 million to £9.2 million in the period as a result of the increased interest rate on the current facilities which were re-financed in May 2012.
- Amortisation of debt issuance costs was £nil (H1 2012: £1.2 million). The debt issuance costs relating to the new facilities were written off in full during 2012.
- Interest on finance leases has increased by 9.7% to £2.4 million (H1 2012: £2.2 million) and reflects part of the rental payable under UK GAAP (the balance being charged through the investment loss line in the income statement and contingent rent under IFRS).
- Finance expenses include the fair value movement of derivatives of £0.3 million (H1 2012: £nil). This is driven solely by interest rate movements relative to the contractual rates of derivatives held.

Chief Executive's review continued

Profit after tax ("earnings") and EPS

	H1 2013 £m	H2 2012 £m	Movement £m
Earnings for the six months ended 30 April 2012			(6.2)
Gain/(loss) on investment properties	**3.1**	(32.5)	35.6
Fair value movements on derivatives (net)	**(1.8)**	3.1	(4.9)
Income tax credit	**61.9**	5.6	56.3
Exceptional items (see note 5)	**(0.4)**	5.2	(5.6)
Underlying EBITDA	**24.5**	24.5	—
Other movements not separately identified			(0.5)
Earnings for the six months ended 30 April 2013			74.7

Property valuation

	UK £m	France £m	Total £m	France €m
Value as at 1 November 2012	520.7	164.4	685.1	199.9
Favourable currency translation movement	—	7.6	7.6	—
Revaluation of like-for-like portfolio	(0.6)	5.7	5.1	11.0
Value as at 30 April 2013	**520.1**	**177.7**	**697.8**	**210.9**

Financial review continued

Finance expenses continued

Finance income for the period is £nil (H1 2012: £2.4 million). In the prior year the finance income from the fair value movements on derivatives was £2.4 million.

Profit after tax ("Earnings") and EPS

The profit after tax was £74.7 million compared to a loss of £6.2 million for the same period last year. After adjusting for various items set out in note 10, the Group made an EPRA adjusted profit after tax in the period of £8.2 million compared to £6.9 million for the same period last year. EPRA adjusted and basic EPS were 4.38 pence and 39.84 pence respectively for the period ended 30 April 2013 (H1 2012: 3.70 pence and a loss of 3.31 pence respectively).

Earnings have increased by £80.9 million from a loss of £6.2 million for the six months ended 30 April 2012 to a profit of £74.7 million for the comparable period this year. The main components of this movement are set out in the table above.

EPRA adjusted Earnings Per Share on a cash tax basis were 5.0 pence (H1 2012: 4.9 pence). Lower underlying finance charges drove this improvement.

Property valuation

Cushman & Wakefield LLP ("C&W") has again valued the Group's property portfolio. As at 30 April 2013, the total value of the Group's portfolio was £697.8 million.

This represents an increase of £12.7 million or 1.9% from the £685.1 million valuation as at 31 October 2012.

Details are set out in the table above.

The table summarises the movement in the valuations:

- the exchange rate at 30 April 2013 was €1.19:£1 compared to €1.22:£1 at 31 October 2012. This movement in the foreign exchange rate has resulted in a £7.6 million favourable currency translation movement in the period. This will impact Net Asset Value ("NAV") but has no impact on the Loan to Value ("LTV") covenant as the assets in Paris are tested in Euros;
- the revaluation of the like-for-like properties is up £5.1 million for the period, being a decrease of £0.6 million in the UK and a £5.7 million uplift in Paris;
- overall Group Loan to Value remains at 50% – unchanged over the last twelve months with split at UK 58%/France 41% (excluding the value of French properties not charged under the facilities); and
- the Group freehold exit yield for the valuation at 30 April 2013 was 7.85% which is consistent with the exit yield of 7.85% adopted at 31 October 2012 and 7.88% adopted at 30 April 2012.

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

The Group's pipeline of expansion stores is valued at £5.4 million as at 30 April 2013 (October 2012: £5.4 million).

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 12 for further details.

The adjusted EPRA NAV per share is 193.2 pence, up 2.4% on October 2012. The main contributory factor in this movement is the upward revaluation of the property portfolio.

Statement of Directors' responsibilities

for the six months ended 30 April 2013

The Directors' confirm that, to the best of their knowledge, this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

— an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

— material related-party transactions in the first six months and any material changes in the related-party transactions described in the last Annual Report.

No changes have taken place to the Directors of Safestore Holdings plc listed in the Safestore Holdings plc Annual Report for 31 October 2012 other than Richard Hodsden stepping down from the Board on 7 May 2013 and the appointment of Andrew Jones as Chief Financial Officer on that date.

By order of the Board

Peter Gowers
Chief Executive Officer
27 June 2013

Andrew Jones
Chief Financial Officer
27 June 2013

Independent review report

to Safestore Holdings plc

Introduction
We have been engaged by the Company to review the condensed consolidated interim financial information in the Interim Report for the six months ended 30 April 2013, which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet and the consolidated statement of changes in equity, the consolidated cash flow statement and related notes. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities
The Interim Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The condensed consolidated interim financial information included in this Interim Report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in producing this report, 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 review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 30 April 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
London
27 June 2013

Notes
a) The maintenance and integrity of the Safestore Holdings plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement

for the six months ended 30 April 2013

	Notes	**Six months ended 30 April 2013 (unaudited) £'000**	Six months ended 30 April 2012 (unaudited) £'000	Year ended 31 October 2012 (audited) £'000
Revenue	4	**47,055**	48,434	98,836
Cost of sales		**(16,631)**	(16,963)	(34,665)
Gross profit		**30,424**	31,471	64,171
Administrative expenses		**(8,806)**	(1,643)	(9,818)
EBITDA before exceptional items, fair value movement of derivatives, contingent rent and gain/(loss) on investment properties	4	**24,548**	24,483	50,297
Exceptional items	5	**(441)**	5,239	4,875
Fair value movement of derivatives		**(1,512)**	637	384
Contingent rent and depreciation		**(977)**	(531)	(1,203)
Operating profit before gain/(loss) on investment properties		**21,618**	29,828	54,353
Gain/(loss) on investment properties	11	**3,078**	(32,436)	(37,536)
Operating profit/(loss)		**24,696**	(2,608)	16,817
Finance income before change in fair values of derivatives		**17**	31	43
Fair value movement of derivatives		**—**	2,438	—
Total finance income		**17**	2,469	43
Finance expense	6	**(11,850)**	(11,620)	(36,323)
Profit/(loss) before income tax	4	**12,863**	(11,759)	(19,463)
Income tax credit*	7	**61,881**	5,555	11,670
Profit/(loss) for the period		**74,744**	(6,204)	(7,793)
Earnings/(loss) per share for profit attributable to the equity holders				
– basic (pence)	10	**39.84**	(3.31)	(4.16)
– diluted (pence)	10	**39.54**	(3.31)	(4.16)

* Includes an exceptional credit of £65.4 million (April 2012: £3.2 million; October 2012: £6.3 million) (see note 7).

All items in the income statement relate to continuing operations.

An interim dividend of 1.85 pence per ordinary share has been declared for the period ended 30 April 2013 (30 April 2012: 1.85 pence).

Consolidated statement of comprehensive income

for the six months ended 30 April 2013

	Six months ended 30 April 2013 (unaudited) £'000	Six months ended 30 April 2012 (unaudited) £'000	Year ended 31 October 2012 (audited) £'000
Profit/(loss) for the period	**74,744**	(6,204)	(7,793)
Other comprehensive income:			
Items that may be reclassified subsequently to profit and loss			
Cash flow hedges	**2,155**	—	(4,327)
Recycling of hedge reserve	**(2,968)**	—	1,492
Currency translation differences	**4,405**	(9,089)	(12,283)
Tax on items taken to other comprehensive income	**(1,074)**	—	1,074
Items that may be reclassified subsequently to profit and loss	**2,518**	(9,089)	(14,044)
Total other comprehensive income/(expenditure), net of tax	**2,518**	(9,089)	(14,044)
Total comprehensive income/(expenditure) for the period	**77,262**	(15,293)	(21,837)

Consolidated balance sheet

as at 30 April 2013

	Notes	**30 April 2013 (unaudited) £'000**	30 April 2012 (unaudited) £'000	31 October 2012 (audited) £'000
Non-current assets				
Investment properties	11	**697,834**	689,733	685,143
Interests in leasehold properties	11	**50,086**	59,638	57,990
Investment properties under construction	11	**5,400**	9,046	5,400
Property, plant and equipment		**3,634**	3,150	3,746
Other receivables		**6,338**	—	6,000
Deferred tax assets	8	**4,130**	4,304	7,084
		767,422	765,871	765,363
Current assets				
Inventories		**154**	223	207
Trade and other receivables		**21,006**	21,333	17,586
Derivative financial instruments		**1,317**	1,557	3,002
Cash and cash equivalents		**14,058**	17,197	6,897
		36,535	40,310	27,692
Total assets		**803,957**	806,181	793,055
Current liabilities				
Financial liabilities				
– borrowings	14	**—**	(12,643)	—
– derivative financial instruments		**(1,717)**	—	(2,574)
Trade and other payables		**(38,536)**	(35,203)	(32,280)
Obligations under finance leases		**(8,252)**	(9,727)	(9,598)
		(48,505)	(57,573)	(44,452)
Non-current liabilities				
Bank borrowings	14	**(350,096)**	(335,698)	(343,117)
Derivative financial instruments		**(11,733)**	(4,654)	(12,868)
Deferred tax liabilities	8	**(38,147)**	(105,040)	(100,841)
Obligations under finance leases		**(41,834)**	(49,911)	(48,392)
		(441,810)	(495,303)	(505,218)
Total liabilities		**(490,315)**	(552,876)	(549,670)
Net assets		**313,642**	253,305	243,385
Shareholders' equity				
Ordinary shares	15	**1,883**	1,881	1,881
Share premium		**28,349**	28,349	28,349
Reserves		**283,410**	223,075	213,155
Total equity		**313,642**	253,305	243,385

The notes on pages 17 to 27 form an integral part of this condensed consolidated interim financial information.

Consolidated statement of changes in equity

for the six months ended 30 April 2013

	Share capital £'000	Share premium £'000	Retained earnings £'000	Translation reserves £'000	Hedge reserves £'000	Total equity £'000
At 1 November 2012	1,881	28,349	215,384	(468)	(1,761)	243,385
Total comprehensive income/(expense) for the period	—	—	74,744	4,405	(1,887)	77,262
Transactions with owners in their capacity as owner:						
Issue of share capital	2	—	—	—	—	2
Dividends (note 9)	—	—	(7,125)	—	—	(7,125)
Employee share options	—	—	118	—	—	118
At 30 April 2013	**1,883**	**28,349**	**283,121**	**3,937**	**(3,648)**	**313,642**

Consolidated statement of changes in equity

for the six months ended 30 April 2012

	Share capital £'000	Share premium £'000	Retained earnings £'000	Translation reserves £'000	Hedge reserves £'000	Total equity £'000
At 1 November 2011	1,881	28,349	233,114	11,815	—	275,159
Total comprehensive expense for the period	—	—	(6,204)	(9,089)	—	(15,293)
Transactions with owners in their capacity as owner:						
Dividends (note 9)	—	—	(6,656)	—	—	(6,656)
Employee share options	—	—	95	—	—	95
At 30 April 2012	1,881	28,349	220,349	2,726	—	253,305

Consolidated statement of changes in equity

for the year ended 31 October 2012

	Share capital £'000	Share premium £'000	Retained earnings £'000	Translation reserves £'000	Hedge reserves £'000	Total equity £'000
At 1 November 2011	1,881	28,349	233,114	11,815	—	275,159
Total comprehensive expense for the year	—	—	(7,793)	(12,283)	(1,761)	(21,837)
Transactions with owners in their capacity as owner:						
Dividends (note 9)	—	—	(10,125)	—	—	(10,125)
Employee share options	—	—	188	—	—	188
At 31 October 2012	1,881	28,349	215,384	(468)	(1,761)	243,385

Consolidated cash flow statement

for the six months ended 30 April 2013

	Six months ended 30 April 2013 (unaudited) £'000	Six months ended 30 April 2012 (unaudited) £'000	Year ended 31 October 2012 (audited) £'000
Profit/(loss) before income tax	**12,863**	(11,759)	(19,463)
(Gain)/loss on the revaluation of investment properties	**(3,078)**	32,436	37,536
Change in fair value of derivatives	**1,512**	(637)	(384)
Depreciation	**248**	154	446
Finance income	**(17)**	(2,469)	(43)
Finance expense	**11,850**	11,620	36,323
Employee share options	**118**	95	188
Decrease in inventories	**56**	14	29
(Increase)/decrease in receivables	**(4,560)**	(4,867)	1,828
Increase/(decrease) in payables	**6,204**	2,291	(4,794)
Cash inflows from operating activities	**25,196**	26,878	51,666
Interest paid	**(11,450)**	(11,646)	(20,560)
Interest received	**16**	132	125
Tax paid	**(75)**	(408)	(774)
Net cash inflows from operating activities	**13,687**	14,956	30,457
Investing activities			
Expenditure on investment and development properties	**(2,320)**	(13,727)	(20,162)
Purchase of property, plant and equipment	**(136)**	(476)	(1,336)
Proceeds from sale of property, plant and equipment	**—**	28	—
VAT receipt	**3,145**	—	—
Net cash inflows/(outflows) from investing activities	**689**	(14,175)	(21,498)
Financing activities			
Issue of share capital	**2**	—	—
Equity dividends paid	**(7,125)**	(6,656)	(10,125)
Proceeds from borrowings	**2,000**	17,000	357,227
Debt issue costs	**—**	—	(7,703)
Repayment of borrowings	**—**	(5,000)	(351,172)
Finance lease principal payments	**(2,240)**	(2,883)	(4,336)
Net cash (outflows)/inflows from financing activities	**(7,363)**	2,461	(16,109)
Net increase/(decrease) in cash and cash equivalents	**7,013**	3,242	(7,150)
Exchange gains/(losses) on cash and cash equivalents	**148**	(719)	(627)
Opening cash and cash equivalents	**6,897**	14,674	14,674
Closing cash and cash equivalents	**14,058**	17,197	6,897

Reconciliation of net cash flow to movement in net debt

for the six months ended 30 April 2013

	Six months ended 30 April 2013 (unaudited) £'000	Six months ended 30 April 2012 (unaudited) £'000	Year ended 31 October 2012 (audited) £'000
Net increase in cash and cash equivalents in the period	**7,161**	2,523	(7,777)
Decrease/(increase) in debt financing	**925**	(8,419)	(1,547)
Movement in net debt in the period	**8,086**	(5,896)	(9,324)
Net debt at start of period	**(394,210)**	(384,886)	(384,886)
Net debt at end of period	**(386,124)**	(390,782)	(394,210)

Notes to the Interim Report

for the six months ended 30 April 2013

1. General information

The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is Brittanic House, Stirling Way, Borehamwood WD6 2BT.

The Company has its primary listing on the London Stock Exchange.

This Interim Report was approved for issue on 27 June 2013.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The full accounts of Safestore Holdings plc for the year ended 31 October 2012, which received an unqualified report from the auditors, and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006, were filed with the Registrar of Companies on 22 April 2013.

This condensed consolidated interim financial information for 30 April 2013 and 30 April 2012 is unaudited. The interim financial information for 30 April 2013 has been reviewed by the auditors and their Independent review report is included within this financial information.

2. Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 April 2013 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) as adopted by the European Union.

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than twelve months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing this condensed consolidated interim financial information.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 October 2012, which have been prepared in accordance with IFRS as adopted by the European Union.

3. Accounting policies

The condensed consolidated interim financial information has been prepared on the basis of the accounting policies expected to apply for the financial year to 31 October 2013 applicable to companies under IFRS. The IFRS and IFRIC interpretations as adopted by the European Union that will be applicable at 31 October 2013, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements. Thus the accounting policies adopted in these interim financial statements may be subject to revision to reflect further IFRS, IFRIC interpretations and pronouncements issued between 27 June 2013 and publication of the annual IFRS financial statements for the year ending 31 October 2013.

The accounting policies applied are consistent with those in the annual financial statements for the year ended 31 October 2012, as described in those financial statements. The following accounting standards are applicable for the first time in the year ended 31 October 2013:

— amendments to IAS 1 'Presentation of financial statements', on other comprehensive income; and

— amendments to IAS 12 'Income taxes' on deferred tax.

There has been no significant impact from the adoption of these accounting standards.

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

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the condensed consolidated interim financial statements, are disclosed within the Group's accounting policies as disclosed in the IFRS financial statements for the year ended 31 October 2012. There have been no significant changes in accounting estimates in the period.

Notes to the Interim Report continued

for the six months ended 30 April 2013

4. Segmental information

The segmental information for the six months ended 30 April 2013 is as follows:

	United Kingdom £'000	France £'000	Total operating segments £'000	Central activities £'000	Total £'000
Revenue from external customers	34,547	12,508	47,055	—	47,055
Underlying EBITDA	16,896	7,770	24,666	(118)	24,548
Reconciliation from EBITDA before exceptional items, change in fair value of derivatives, contingent rent and gain/(loss) on investment properties to profit before tax					
Underlying EBITDA	16,896	7,770	24,666	(118)	24,548
Contingent rent and depreciation	(595)	(382)	(977)	—	(977)
Gain/(loss) on investment properties	(1,106)	4,184	3,078	—	3,078
Fair value movement of derivatives	—	—	—	(1,512)	(1,512)
Exceptional items	(508)	67	(441)	—	(441)
Net finance expense	—	—	—	(11,833)	(11,833)
Profit before tax	**14,687**	**11,639**	**26,326**	**(13,463)**	**12,863**

The segmental information for the six months ended 30 April 2012 is as follows:

	United Kingdom £'000	France £'000	Total operating segments £'000	Central activities £'000	Total £'000
Revenue from external customers	36,441	11,993	48,434	—	48,434
Underlying EBITDA*	17,629	6,902	24,531	(48)	24,483
Reconciliation from EBITDA before exceptional items, change in fair value of derivatives, contingent rent and loss on investment properties to profit/(loss) before tax					
Underlying EBITDA	17,629	6,902	24,531	(48)	24,483
Contingent rent and depreciation	(315)	(216)	(531)	—	(531)
Loss on investment properties	(32,322)	(114)	(32,436)		(32,436)
Fair value movement of derivatives	—	—	—	637	637
Exceptional items	(121)	5,360	5,239	—	5,239
Net finance expense	—	—	—	(9,151)	(9,151)
(Loss)/profit before tax	(15,129)	11,932	(3,197)	(8,562)	(11,759)

* Underlying EBITDA within the segments has been restated following a review of the central cost allocations.

5. Exceptional items

	Six months ended 30 April 2013 (unaudited) £'000	Six months ended 30 April 2012 (unaudited) £'000	Year ended 31 October 2012 (audited) £'000
Insurance proceeds	**334**	5,360	5,260
Restructuring costs	**(610)**	(121)	(165)
VAT implementation and REIT conversion costs	**(165)**	—	(220)
Total exceptional items	**(441)**	5,239	4,875

The insurance proceeds relate to claims for property damage and consequential losses arising from the December 2010 fire at the La Défense store in Paris.

The restructuring costs primarily relate to organisational changes.

6. Finance expense

	Six months ended 30 April 2013 (unaudited) £'000	Six months ended 30 April 2012 (unaudited) £'000	Year ended 31 October 2012 (audited) £'000
Interest payable on bank loans and overdrafts	**(9,154)**	(8,328)	(17,825)
Amortisation of debt issue costs on bank loans	**(48)**	(1,192)	(1,211)
Interest on finance lease obligations	**(2,381)**	(2,171)	(5,674)
Capitalised interest	**—**	71	161
Fair value movement of derivatives	**(267)**	—	(1,805)
Exceptional finance expense	**—**	—	(9,969)
Total finance expense	**(11,850)**	(11,620)	(36,323)

Interest has been capitalised at an average rate of 3.5% in prior periods.

Included within interest payable of £9.2 million (April 2012: £8.3 million) is £1.2 million (April 2012: £1.6 million) of interest relating to derivative financial instruments that are economically hedging the Group's borrowings. The change in fair value of derivatives for the period is a charge of £0.3 million (April 2012: credit of £2.4 million).

7. Income tax credit

	Six months ended 30 April 2013 (unaudited) £'000	Six months ended 30 April 2012 (unaudited) £'000	Year ended 31 October 2012 (audited) £'000
Current tax	**(316)**	(919)	(450)
Deferred tax	**62,197**	6,474	12,120
	61,881	5,555	11,670

Income tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

The Group converted to a REIT on 1 April 2013. As a result the Group will no longer pay UK corporation tax on the profits and gains from its qualifying rental business in the UK provided that it meets certain conditions. Non-qualifying profits and gains of the Group remain subject to corporation tax as normal. The Group monitors its compliance with the REIT conditions. There have been no breaches of the conditions to date.

The deferred tax credit of £62.2 million for the six months ended 30 April 2013 comprises an exceptional credit of £65.4 million arising from the release of UK deferred tax following the REIT conversion and a charge of £3.2 million in respect of the French business. The deferred tax credit of £6.5 million for the six months ended 30 April 2012 included an exceptional credit of £3.2 million arising as a result of the impact on deferred tax of the UK corporation tax rate change from 25% to 24%.

8. Deferred income tax

	As at 30 April 2013 (unaudited) £'000	As at 30 April 2012 (unaudited) £'000	As at 31 October 2012 (audited) £'000
The amounts provided in the accounts are:			
Revaluation of investment properties and tax depreciation	**38,147**	105,040	100,675
Other timing differences	**—**	—	166
Deferred tax liabilities	**38,147**	105,040	100,841
Tax losses	**(3,739)**	(3,440)	(4,227)
Interest rate swap instrument	**(391)**	(864)	(2,857)
Deferred tax assets	**(4,130)**	(4,304)	(7,084)
Deferred tax – net	**34,017**	100,736	93,757

Following the conversion to a REIT on 1 April 2013, the net deferred tax liability in respect of the UK business of £65.4 million was released. French deferred tax has been provided at the corporation tax rate in France of 33% (FY12: 33%).

A deferred tax asset of £3.0 million in respect of UK interest rate swaps arising in the non-REIT taxable business has not been recognised (2012: £0.9 million recognised) given the uncertainty over future UK corporation tax liabilities in the short term. UK capital losses of £4.0 million (2012: £4.4 million) have also not been recognised.

Notes to the Interim Report continued

for the six months ended 30 April 2013

9. Dividends

On 12 April 2013, a final dividend of 3.80 pence (2012: 3.55 pence) per ordinary share, amounting to £7.1 million (2012: £6.7 million), was paid to shareholders in respect of the year ended 31 October 2012.

An interim dividend of 1.85 pence per ordinary share (30 April 2012: 1.85 pence) has been declared. The ex-dividend date will be 10 July 2013 and the record date 12 July 2013, with an intended payment date of 15 August 2013. The interim dividend, amounting to £3.5 million (30 April 2012: £3.5 million), has not been included as a liability at 30 April 2013. It will be recognised in shareholders' equity in the year to 31 October 2013.

10. Earnings/(loss) per ordinary share

Basic earnings/(loss) per share has been 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 period/year excluding ordinary shares held by the Safestore Employee Benefit Trust. Diluted earnings per share are 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.

	Six months ended 30 April 2013 (unaudited)			Six months ended 30 April 2012 (unaudited)			Year ended 31 October 2012 (audited)		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic	**74.74**	**187.61**	**39.84**	(6.20)	187.49	(3.31)	(7.80)	187.50	(4.16)
Dilutive share options	**—**	**1.42**	**—**	—	5.29	—	—	1.16	—
Diluted	**74.74**	**189.03**	**39.54**	(6.20)	192.78	(3.31)	(7.80)	188.66	(4.16)

The above adjustments for the period ended 30 April 2012 and the year ended 31 October 2012 are not dilutive where the basic EPS is a loss per share.

Adjusted earnings per share

Adjusted earnings per share represents profit after tax adjusted for the loss on investment properties, exceptional items, change in fair value of derivatives and the associated tax thereon. As an industry standard measure, European Public Real Estate Association ("EPRA") earnings are presented below. Cash tax adjusted earnings are also presented by deducting all deferred taxation from the EPRA earnings. The Directors consider that these alternative measures provide useful information on the performance of the Group.

	Six months ended 30 April 2013 (unaudited)			Six months ended 30 April 2012 (unaudited)			Year ended 31 October 2012 (audited)		
	Earnings/ (loss) £m	**Shares million**	**Pence per share**	Earnings/ (loss) £m	Shares million	Pence per share	Earnings/ (loss) £m	Shares million	Pence per share
Basic	**74.74**	**187.61**	**39.84**	(6.20)	187.49	(3.31)	(7.80)	187.50	(4.16)
Adjustments:									
(Gain)/loss on investment properties	**(3.08)**	**—**	**(1.64)**	32.44	—	17.30	37.54	—	20.02
Operating exceptional items	**0.44**	**—**	**0.23**	(5.24)	—	(2.79)	(4.88)	—	(2.60)
Exceptional finance costs	**—**	**—**	**—**	—	—	—	9.97	—	5.32
Change in fair value of derivatives	**1.78**	**—**	**0.95**	(3.08)	—	(1.64)	1.43	—	0.76
Exceptional tax credit	**(65.36)**	**—**	**(34.84)**	(3.16)	—	(1.69)	(6.30)	—	(3.36)
Tax on above adjustments	**1.30**	**—**	**0.69**	(5.79)	—	(3.09)	(12.51)	—	(6.67)
Adjusted	**9.82**	**187.61**	**5.23**	8.97	187.49	4.78	17.45	187.50	9.31
EPRA adjusted									
Depreciation of leasehold properties	**(2.24)**	**—**	**(1.19)**	(2.88)	—	(1.54)	(4.34)	—	(2.29)
Tax on leasehold depreciation adjustment	**0.64**	**—**	**0.34**	0.85	—	0.46	1.22	—	0.63
EPRA – basic	**8.22**	**187.61**	**4.38**	6.94	187.49	3.70	14.33	187.50	7.65
Adjustment for cash tax	**1.22**	**—**	**0.65**	2.31	—	1.23	5.48	—	2.92
Adjusted cash tax earnings	**9.44**	**187.61**	**5.03**	9.25	187.49	4.93	19.81	187.50	10.57

11. Property portfolio

	Investment properties £'000	Interest in leasehold properties £'000	Investment properties under construction £'000	Total investment properties £'000
At 1 November 2012	685,143	57,990	5,400	748,533
Additions	1,859	4,455	8	6,322
Disposals	—	(4,869)	—	(4,869)
Capital goods scheme adjustment	(2,090)	—	—	(2,090)
Adjustment to present value	—	(5,806)	—	(5,806)
Revaluation movement	5,326	—	(8)	5,318
Depreciation	—	(2,240)	—	(2,240)
Exchange movements	7,596	556	—	8,152
At 30 April 2013	**697,834**	**50,086**	**5,400**	**753,320**

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

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

	Investment properties £'000	Interest in leasehold properties £'000	Investment properties under construction £'000	Total investment properties £'000
At 1 November 2011	713,564	62,534	15,059	791,157
Additions	4,048	973	7,721	12,742
Reclassifications	14,381	—	(14,381)	—
Revaluation movement	(30,318)	—	765	(29,553)
Depreciation	—	(2,883)	—	(2,883)
Exchange movements	(11,942)	(986)	(118)	(13,046)
At 30 April 2012	689,733	59,638	9,046	758,417

12. Valuations

	Deemed cost £'000	Valuation £'000	Revaluation on deemed cost £'000
Freehold stores			
As at 1 November 2012	350,160	560,086	209,926
Movement in period	6,689	12,037	5,348
As at 30 April 2013	**356,849**	**572,123**	**215,274**
Leasehold stores			
As at 1 November 2012	71,722	125,057	53,335
Movement in period	2,970	654	(2,316)
As at 30 April 2013	**74,692**	**125,711**	**51,019**
All stores			
As at 1 November 2012	421,882	685,143	263,261
Movement in period	9,659	12,691	3,032
As at 30 April 2013	**431,541**	**697,834**	**266,293**

Notes to the Interim Report continued

for the six months ended 30 April 2013

12. Valuations continued

	Deemed cost £'000	Valuation £'000	Revaluation on deemed cost £'000
Freehold stores			
As at 1 November 2011	332,895	575,719	242,824
Movement in period	10,824	(35,665)	(46,489)
As at 30 April 2012	343,719	540,054	196,335
Leasehold stores			
As at 1 November 2011	74,954	137,845	62,891
Movement in period	(2,683)	11,834	14,517
As at 30 April 2012	72,271	149,679	77,408
All stores			
As at 1 November 2011	407,849	713,564	305,715
Movement in period	8,141	(23,831)	(31,972)
As at 30 April 2012	415,990	689,733	273,743

The valuation of £697.8 million (April 2012: £689.7 million) excluded £0.8 million (April 2012: £0.8 million) in respect of owner occupied property.

The freehold and leasehold investment properties have been valued as at 30 April 2013 by external valuers, Cushman & Wakefield LLP ("C&W"). The valuation has been carried out in accordance with the RICS Valuation – Professional Standards, published by The Royal Institution of Chartered Surveyors ("the Red Book"). The valuation of each of the investment properties has been prepared on the basis of fair value as a fully equipped operational entity, having regard to trading potential. Two non-trading properties were valued on the basis of fair value. The valuation has been provided for accounts purposes and, as such, is a Regulated Purpose Valuation as defined in the Red Book. In compliance with the disclosure requirements of the Red Book, C&W has confirmed that:

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

Market uncertainty

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

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

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

12. Valuations continued

Valuation method and assumptions

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

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

Freehold & Long Leasehold (UK and France)

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

Assumptions:

- Net operating income is based on projected revenue received less projected operating costs together with a central administration charge of 6% of the estimated annual revenue subject to a cap and collar. The initial net operating income is calculated by estimating the net operating income in the first twelve months following the valuation date.
- The net operating income in future years is calculated assuming either straight line absorption from day one actual occupancy or variable absorption over years 1 to 4 of the cash flow period to an estimated stabilised/mature occupancy level. In the valuation the assumed stabilised occupancy level for the trading stores (both freeholds and all leaseholds) open at 30 April 2013 averages 77.61% (31 October 2012: 78.36%). The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth. The average time assumed for stores to trade at their maturity levels is 40.54 months (31 October 2012: 36.59 months).
- The capitalisation rates applied to existing and future net cash flows have been estimated by reference to underlying yields for industrial and retail warehouse property, yields for other trading property types such as student housing and hotels, bank base rates, ten year money rates, inflation and the available evidence of transactions in the sector. The valuation included in the accounts assumes rental growth in future periods. If an assumption of no rental growth is applied to the external valuation, the net initial yield pre-administration expenses for the 107 mature stores (i.e. excluding those stores categorised as “developing”) is 7.13% (31 October 2012: 7.50%) rising to a stabilised net yield pre-administration expenses of 9.91% (31 October 2012: 9.98%).
- The future net cash flow projections (including revenue growth and cost inflation) have been discounted at a rate that reflects the risk associated with each asset. The weighted average annual discount rate adopted (for both freeholds and leaseholds) is 12.10% (31 October 2012: 12.11%).
- Purchaser’s costs of 5.8% (UK) and 6.2% (France) (see below) have been assumed initially and sales plus purchaser’s costs totalling 7.8% (UK) and 8.2% (France) are assumed on the notional sales in the tenth year in relation to freehold and long leasehold stores.

Short leaseholds (UK)

The same methodology has been used as for freeholds, except that no sale of the assets in the tenth year is assumed but the discounted cash flow is extended to the expiry of the lease. The average unexpired term of the Group’s UK short-term leasehold properties is 11.63 years (31 October 2012: 11.97 years). The average unexpired term excludes the French commercial leases.

Short leaseholds (France)

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

Investment properties under construction (UK only)

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

Immature stores: value uncertainty

C&W has assessed the value of each property individually. However, 14 of the stores in the portfolio are relatively immature and have low initial cash flow. C&W has endeavoured to reflect the nature of the cash flow profile for these properties in their valuation, and the higher associated risks relating to the as yet unproven future cash flow, by adjustment to the capitalisation rates and discount rates adopted. However, immature low cash flow stores of this nature are rarely, if ever, traded individually in the market, unless as part of a distressed sale or similar situation. Although, there is more evidence of immature low cash flow stores being traded as part of a group or portfolio transaction.

Please note C&W’s comments in relation to market uncertainty in the self-storage sector due to the lack of comparable market transactions and information. The degree of uncertainty relating to the 14 immature stores is greater than in relation to the balance of the properties due to there being even less market evidence that might be available for more mature properties and portfolios.

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

12. Valuations continued

Immature stores: value uncertainty continued

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

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

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

Valuation assumption for purchaser's costs

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

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

13. Net assets per share

	As at 30 April 2013 (unaudited) £'000	As at 30 April 2012 (unaudited) £'000	As at 31 October 2012 (audited) £'000
Analysis of net asset value			
Basic and diluted net asset value	**313.6**	253.3	243.4
Adjustments:			
Fair value of derivatives (net of tax)	**11.7**	2.3	9.4
Deferred tax liabilities	**38.1**	105.0	100.8
EPRA net asset value	**363.4**	360.6	353.6
Basic net assets per share (pence)	**166.7**	135.1	129.8
EPRA basic net assets per share (pence)	**193.2**	192.3	188.6
Diluted net assets per share (pence)	**165.4**	131.4	129.0
EPRA diluted net assets per share	**191.7**	187.0	187.4

	Number	Number	Number
Shares in issue	**188,192,236**	187,495,348	187,495,348
Dilutive share options	**1,422,182**	5,292,546	1,161,335
Diluted shares used for calculation	**189,614,418**	192,787,894	188,656,683

Basic net assets per share are shareholders' funds divided by the number of shares at the period end. The number of shares in issue at the period end exclude 142,852 (April 2012: 639,740) shares held by the Safestore Employee Benefit Trust. Diluted net assets per share are shareholders' funds divided by the number of shares at the period end, adjusted for dilutive share options. As an industry standard measure, European Public Real Estate Association ("EPRA") net asset values are presented.

14. Borrowings

Current	As at 30 April 2013 (unaudited) £'000	As at 30 April 2012 (unaudited) £'000	As at 31 October 2012 (audited) £'000
Bank loans and overdrafts due within one year or on demand			
Secured – bank loan	**—**	15,000	—
Debt issue costs	**—**	(2,357)	—
	—	12,643	—

Non-current	As at 30 April 2013 (unaudited) £'000	As at 30 April 2012 (unaudited) £'000	As at 31 October 2012 (audited) £'000
Borrowings			
Secured – bank loans	**276,677**	336,462	272,705
Secured – US Private placement notes	**74,160**	—	71,192
Debt issue costs	**(741)**	(764)	(780)
	350,096	335,698	343,117

The bank loans are repayable with £5.0 million bi-annual instalments in October 2014 and April 2015 and £7.5 million bi-annual instalments the following year. The bank loan facility agreement expires in June 2016.

The private placement notes have $67.0 million due for repayment in 2019 and $48.0 million due for repayment in 2024 (October 2012: same).

The borrowings are secured by a fixed charge over the Group's investment property portfolio. Further information in respect of borrowings and derivative instruments is detailed in note 19 of the Annual Report for the year ended 31 October 2012.

Borrowings are stated before unamortised issue costs of £741,000 (FY2012: £3,121,000). The bank loans and private placement notes are repayable as follows:

	Group		
	As at 30 April 2013 (unaudited) £'000	As at 30 April 2012 (unaudited) £'000	As at 31 October 2012 (audited) £'000
In one year or less	**—**	15,000	—
Between one and two years	**10,000**	336,462	—
Between two and five years	**266,677**	—	272,705
After more than five years	**74,160**	—	71,192
Borrowings	**350,837**	351,462	343,897
Unamortised issue costs due within one year	**(96)**	(2,357)	(72)
Unamortised issue costs due after one year	**(645)**	(764)	(708)
	350,096	348,341	343,117

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

	As at 30 April 2013 (unaudited)	As at 30 April 2012 (unaudited)	As at 31 October 2012 (audited)
Bank loans	**Quarterly LIBOR plus 3.25%**	Quarterly LIBOR plus 2.75%	Quarterly LIBOR plus 3.5%
Bank loans	**Quarterly EURIBOR plus 3.25%**	Quarterly EURIBOR plus 2.75%	Quarterly EURIBOR plus 3.5%
Private placement notes	**Weighted average rate of 5.84%**	—	Weighted average rate of 5.84%

Notes to the Interim Report continued

for the six months ended 30 April 2013

14. Borrowings continued

Borrowing facilities

The Group has the following undrawn committed borrowing facilities available at the period end in respect of which all conditions precedent had been met at that date:

	Floating rate		
	As at 30 April 2013 (unaudited) £'000	As at 30 April 2012 (unaudited) £'000	As at 31 October 2012 (audited) £'000
Expiring beyond one year	**42,330**	34,154	53,698

15. Share capital

	As at 30 April 2013 (unaudited) £'000	As at 30 April 2012 (unaudited) £'000	As at 31 October 2012 (audited) £'000
Called up, issued and fully paid			
188,335,088 (2012: 188,135,088) ordinary shares of 1 pence each	**1,883**	1,881	1,881

16. Related-party transactions

The Company's shares are widely held.

The ultimate parent company of the Group is Safestore Holdings plc.

No transactions that required disclosure were carried out during the period.

17. Capital commitments

The Group had capital commitments of £2.1 million as at 30 April 2013 (30 April 2012: £5.1 million).

18. Seasonality

Self-storage revenues are subject to seasonal fluctuations, with peak sales occurring in the second and third quarters of the year. This is due to seasonal weather conditions and holiday periods leading to less demand for storage. For the six months ended April 2012, the level of self-storage revenues represented 49.0% (April 2011: 47.9%) of the annual level of self-storage revenue in the year ended 31 October 2012.

Principal risks and uncertainties

The principal risks and uncertainties which could affect the Group for the remainder of the financial year are consistent with those detailed on page 38 of the Annual Report and Accounts for the year ended 31 October 2012, a copy of which is available at www.safestore.com, and include:

— Strategy risk

— Finance and treasury risk

— Property investment and development risk

— Valuation risk

— Occupancy risk

The Company regularly assesses these risks together with the associated mitigating factors listed in the 2012 Annual Report. The levels of activity in the Group's markets and the level of financial liquidity and flexibility continue to be the areas designated as appropriate for added management focus.

We continue to believe that our market leading position in the UK and Paris, our strong brand, depth of management as well as retail expertise and infrastructure helps mitigate the effects of the weaker economy and housing market. Furthermore, the UK self-storage market remains immature with little risk of supply outstripping demand in the medium term.

Our prudent approach on 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. The Board regularly reviews the cash requirements of the business, including the covenant position although given the nature of the product, customer base and lack of working capital requirements, liquidity is not considered to be a significant risk.

The Outlook section of this half yearly report provides a commentary concerning the remainder of the financial year.

Forward-looking statements

Certain statements in this interim results announcement are forward-looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties or assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this interim results announcement regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this interim results announcement. Except as required by law, the Company is under no obligation to update or keep current the forward-looking statements contained in this interim results announcement or to correct any inaccuracies which may become apparent in such forward-looking statements.

Directors and advisers

Directors

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

Company Secretary
S Ahmed

Registered office
Brittanic House
Stirling Way
Borehamwood
Hertfordshire WD6 2BT

Registered company number
4726380

Websites
www.safestore.co.uk
www.safestore.com

Bankers
National Westminster Bank Plc
HSBC Bank Plc
Lloyds TSB Bank Plc
Abbey National Treasury Services plc
BRED Banque Populaire
Bank of Taiwan
Cathay United Bank
Chang Hwa Commercial Bank

Legal advisers
Travers Smith LLP
10 Snow Hill
London EC1A 2AL

Eversheds LLP
115 Colmore Row
Birmingham B3 3AL

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London WC2N 6RH

Shareholder information
Registrars
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0GA

Telephone (in UK) 0871 664 0300
(Calls cost 10 pence per minute plus network extras)

Telephone (from overseas) +44 (0)20 8639 3399

Fax: +44 (0)1484 600 911
E-mail: ssd@capitaregistrars.com
Web: www.capitashareportal.com
Share Portal: www.capitashareportal.com

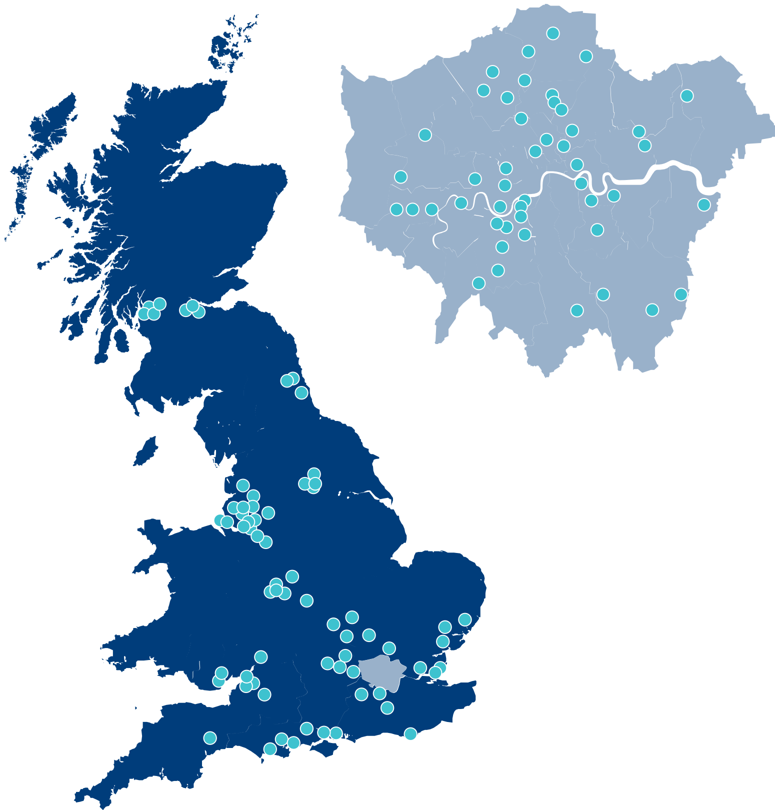
Through the website of our Registrar, Capita Registrars, shareholders are able to manage their shareholding by registering for the Share Portal, a free, secure, online access to their shareholding.

Safestore at a glance

Our store network

Safestore is well represented in the main markets across the UK and Paris

UK and London stores



Paris stores

UK Portfolio

97 stores

+12 managed Space Maker stores

France Portfolio

25 stores

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Safestore Holdings plc
Brittanic House
Stirling Way
Borehamwood
Hertfordshire WD6 2BT
Tel: 020 8732 1500
Fax: 020 8732 1510
www.safestore.co.uk
www.safestore.com