17 January 2023

Safestore Holdings plc
(“Safestore”, “the Company” or “the Group”)

Results for the year ended 31 October 2022

A strong trading performance in a year of significant strategic progress and geographic expansion

Key measures

	Year Ended 31 October 2022	Year Ended 31 October 2021	Change	Change-CER[1]
Underlying and Operating Metrics- total				
Revenue	£212.5m	£186.8m	13.8%	14.3%
Underlying EBITDA[2]	£135.1m	£118.0m	14.5%	15.1%
Closing Occupancy (let sq ft- million)[3]	6.317	5.883	7.4%	n/a
Closing Occupancy (% of MLA)[4]	82.1%	84.5%	-2.4ppts	n/a
Average Storage Rate[5]	£29.25	£26.95	8.5%	9.2%
Adjusted Diluted EPRA Earnings per Share[6]	47.5p	40.5p	17.3%	n/a
Free Cash Flow[7]	£101.4m	£89.5m	13.3%	n/a
EPRA Basic NTA per Share[13]	£9.08	£6.97	30.3%	n/a
Underlying and Operating Metrics- like-for-like[8]				
Revenue	£204.3m	£185.5m	10.1%	10.7%
Underlying EBITDA[2]	£131.6m	£117.0m	12.5%	13.0%
Closing Occupancy (let sq ft- million)[3]	5.725	5.838	-1.9%	n/a
Closing Occupancy (% of MLA)[4]	83.1%	85.2%	-2.1ppts	n/a
Average Occupancy (let sq ft- million)[3]	5.723	5.685	0.7%	n/a
Average Storage Rate[5]	£29.99	£27.03	11.0%	11.5%
Statutory Metrics				
Operating profit[9]	£514.5m	£417.0m	23.4%	n/a
Profit before tax[9]	£498.8m	£404.6m	23.3%	n/a
Diluted Earnings per Share	212.4p	176.4p	20.4%	n/a
Dividend per Share	29.8p	25.1p	18.7%	n/a
Cash inflow from operating activities	£109.8m	£97.0m	13.2%	n/a
Diluted net assets per share[13]	£8.20	£6.35	29.1%	n/a

Highlights

Strong Financial Performance

- Group revenue for the year up 13.8% (up 14.3% in CER[1])
- Like-for-like[8] Group revenue for the year in CER[1] up 10.7%:
- Underlying EBITDA[2] up 15.1% in CER[1] which, combined with an increased gain on investment properties of £381.6m (FY2021: £321.1m), resulted in statutory operating profit[9] of £514.5m (FY2021: £417.0m)
- Adjusted Diluted EPRA Earnings per Share[6] up 17.3% at 47.5 pence (FY2021: 40.5 pence). Diluted Earnings per Share was 212.4 pence (FY2021: 176.4 pence) largely due to the higher property valuation gain in FY2022
- 15.9% increase in the final dividend to 20.4 pence (FY2021: 17.6 pence) giving a total 18.7% increase for the year to 29.8 pence (FY2021: 25.1 pence)

Continued Operational Delivery

- Continued balanced approach to revenue management together with an efficient marketing platform driving returns and record occupancy performance:
  - Like-for-like[8] average storage rate[5] for the year up 11.5% in CER[1]
  - Like-for-like[8] average occupancy for the year up 0.7%
  - Like-for-like[8] closing occupancy of 83.1% down 2.1ppts on 2021 (FY2021: 85.2%)
- New and recently opened stores trading well and in line with business plans
- Investment in our digital marketing platform continuing to deliver for the business:
  - Online enquiries in FY2022 rose to 90% of our total enquiries in the UK (FY2021: 89%) and 85% in France (FY2021: 84%)
  - Marketing cost as a percentage of revenue reduced to 3.6% (FY2021: 3.7%)

Strategic Progress

- Store openings in London Bow, Barcelona and Nijmegen in the Netherlands added c.126,000 sq ft of MLA[4] with a further two Madrid stores opened post year end in November 2022, adding a further 85,000 sq ft of MLA[4].
- Lease extensions signed in Exeter, London Crayford and Sunderland.
- Five store extensions adding c.38,000 sq ft of MLA[4] in London Paddington Marble Arch, Southend, London Edgware, London Wimbledon and Winchester
- Acquired a 14,000 sq ft MLA[4] freehold store in Christchurch[10], Dorset, from Your Room Self Storage
- Development pipeline expanded by c.0.7m sq ft of future MLA[4] and eleven projects to c.1.4m sq ft and 29 projects (equivalent to c.18% of existing portfolio):
  - Eleven UK projects to add c.512,000 sq ft
  - Six developments in Barcelona and Madrid to add c.262,000 sq ft (an additional two developments opened since year-end, adding a further 85,000 sq ft)
  - Seven Paris projects to add c.349,000 sq ft
  - Five Netherlands sites to add c.283,000 sq ft
- Completed EPS accretive acquisition of remaining 80% of equity owned by Carlyle in the Benelux JV[14] in March 2022 at an Enterprise Value of €146m. The Benelux business now consists of 15 high quality stores with an MLA[4] of 600,000 sq ft in the Netherlands and Belgium
- Entry into German market via a new joint venture ("JV") with Carlyle which has acquired the seven-store myStorage business with 326,000 sq ft of MLA[4]

ESG

- Continued development of Environmental, Social and Governance ("ESG") strategy:
  - Linkage of new £400m refinancing to ESG targets
  - Group commitment to be operationally carbon neutral by 2035
- ESG progress illustrated by awards of:
  - GRESB "A" rating for public disclosures
  - EPRA Silver rating for sustainability
  - MSCI AA rating for ESG
  - Highest rating of five stars from Support The Goals

Strong and Flexible Balance Sheet

- 30.9% increase in property valuation (including investment properties under construction) driven by improved trading performance, new stores, acquisitions, revisions to exit cap rates and stabilised occupancy assumptions
- Revolving Credit Facilities (RCF's) refinanced with a new increased £400m unsecured multi-currency four-year facility (with two one-year extension options). Margins remain at 1.25% in line with previous RCF's and all facilities, including private placement notes, are now unsecured
- Group loan-to-value ratio ("LTV"[11]) at 23.6%, calculated on net debt (31 October 2021: 22.7%) and interest cover ratio ("ICR"[12]) at 11.4x (31 October 2021: 10.5x)
- In addition to strong free cash flow, significant financing in place to fund pipeline including unutilised bank facilities of £208.4m at October 2022 and no borrowings to refinance before May 2024. In addition, a further uncommitted £100m accordion facility incorporated into the new bank facilities
- 93% of drawn debt at fixed rates or hedged at 31 October 2022

Frederic Vecchioli, Chief Executive Officer commented:

"I am pleased to report another excellent year in which we delivered significant strategic progress, having enhanced our funding capacity, doubled our development pipeline to c.1.4m sq ft of MLA and extended our geographical footprint. The strong trading performance for the year is especially pleasing as it follows a record year in 2021. Our 2022 result was achieved through strong revenue growth in the UK market, good performances in our Parisian and Spanish businesses, and seven months' contribution from our Benelux business, which was acquired in March 2022.

Early trading in the new financial year shows broadly stable levels of demand compared to last year (but significantly ahead of pre-pandemic levels) with rates paid by new customers continuing to grow.

Over the last seven years, the Group has developed or acquired 68 stores and expanded into four new countries (Netherlands, Belgium, Spain and now Germany). In addition, our development pipeline of 29 new stores, extensions, and projects represents a further c.18% of our existing portfolio's MLA. Throughout this period of expansion, the Group has maintained its disciplined approach to return on capital.

In March 2022, the Group completed the acquisition of our partner Carlyle's 80% stake in our Benelux JV. Over the last three years we have learnt much about the Netherlands and Belgian markets and feel confident about the ongoing development of our presence in these attractive geographies. It is our intention to gradually increase our footprint in these two markets and our development pipeline now includes five stores and c.283,000 sq ft of MLA in the Netherlands.

Following this successful JV with Carlyle, we established a new German JV which has acquired the seven-store myStorage business. Germany is one of Europe's most under-penetrated self storage markets and I look forward to growing our presence there.

Our strong and flexible balance sheet has been significantly enhanced by the agreement of a new unsecured four-year £400 million multi-currency RCF which increases funding capacity, allowing us to continue to consider strategic, value-accretive investments as and when they arise.

We have delivered a strong occupancy performance over recent years and, after a significant level of acquisition and development activity over the last six years, we still have 1.4m sq ft of fully invested currently unlet space in our UK, Paris, Spain and Benelux markets in addition to 1.4m sq ft of pipeline space. Our most significant upside opportunity is from filling our existing unlet space and that remains our priority. The business has demonstrated its inherent resilience in recent times and, despite the challenging macroeconomic environment, we are confident in the future of the business.

The underlying fundamentals of the European self storage industry with limited supply, strong barriers to entry and a steadily growing product awareness are as strong as ever. Over the last nine years, Safestore has delivered a market leading 18% CAGR of its adjusted diluted EPRA EPS. During that period, we have gradually expanded our geographical reach to six European countries leveraging and improving our platform and central functions while managing investment risk very carefully. I'm confident that Safestore will continue to play a leading role in the development of the self storage industry across Europe, delivering significant further value to its stakeholders.

None of this would be possible without the dedication and skills of our teams and I would like to thank all our colleagues in the UK, France, Spain, the Netherlands and Belgium for their performance in 2022 as well as their commitment and loyalty. We are appreciative of their efforts."

Notes

We prepare our financial statements using IFRS. However, we also use a number of adjusted measures in assessing and managing the performance of the business. These measures are not defined under IFRS and they may not be directly comparable with other companies' adjusted measures and are not intended to be a substitute for, or superior to, any IFRS measures of performance. These include like-for-like figures to aid in the comparability of the underlying business as they exclude the impact on results of purchased, sold, opened or closed stores and constant exchange rate ("CER") figures are provided in order to present results on a more comparable basis, removing FX movements. These metrics have been disclosed because management reviews and monitors performance of the business on this basis. We have also included a number of measures defined by EPRA, which are designed to enhance transparency and comparability across the European Real Estate sector; see notes 6 and 13 below and "Non-GAAP financial information" in the notes to the financial statements.

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

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

3 – Occupancy excludes offices but includes bulk tenancy. As at 31 October 2022, closing occupancy includes 24,000 sq ft of bulk tenancy (31 October 2021: 14,000 sq ft).

4 – MLA is Maximum Lettable Area. At 31 October 2022, Group MLA was c.7.70m sq ft (FY2021: c.6.96m sq ft).

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

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

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

8 – Like-for-like adjustments remove the impact of the 2022 acquisition of the Netherlands and Belgium Joint Venture, the 2022 acquisition of Christchurch, the 2022 openings of Bow, Nijmegen (Netherlands) and Barcelona, the 2021 openings of Birmingham Middleway and Magenta in Paris and the 2021 closure of Birmingham South.

9 – Operating profit increased by £97.5 million to £514.5 million (FY2021: £417.0 million) principally as a result of an increase in the gain on investment properties of £60.5 million to £381.6 million (FY2021: £321.1 million), as well as an increase of £17.1 million or 14.5% in Underlying EBITDA as a result of stronger trading performance. Profit before income tax additionally included exceptional items of £10.8m, being other exceptional gains. This included £5.5m relating to the valuation gain of the 20% equity investment held in the Joint Venture with CERF, when the Group acquired the remaining 80% on 30 March 2022 and £5.1m relating to the net gain on disposal of the Paris Nanterre site in November 2021.

10 – The enterprise value paid for Your Room Self Storage in Christchurch, Dorset, on 7 December 2021 was £2.45 million.

11 – LTV ratio is Loan-to-Value ratio, which is defined as gross debt (excluding lease liabilities) as a proportion of the valuation of investment properties and investment properties under construction (excluding lease liabilities). At 31 October 2022, the Group LTV ratio was 24.4%. Under the new revolving credit facility, signed 11 November 2022, LTV is to be calculated against net debt which equates to an LTV of 23.6%.

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

13 – EPRA basic NAV was superseded and transitioned to three new measures: EPRA Net Reinstatement Value ("NRV"), EPRA Net Tangible Assets ("NTA") and EPRA Net Disposal Value ("NDV") for periods commencing 1 January 2020 or thereafter. Safestore considers EPRA NTA to be the most consistent with the nature of the Group's business. The basis of calculation, including a reconciliation to reported net assets, is set out in note 11 of the Financial Statements.

14 – On 30 March 2022, the Group acquired the remaining 80% of the Joint Venture with CERF. Prior to acquiring the 80%, the Joint Venture with CERF, which represented a 20% investment, was accounted for as an associate using the equity method of accounting, as described in the "Investment in associates" note to the financial statements..

15 – On 1 December 2022, the Group made an initial investment into a new joint venture with Carlyle, to enter the German self storage market, of c.€2.2 million for a 10% share. The Group will also earn a fee for providing management services to the joint venture.

Summary

The Group has delivered an excellent performance in 2022 building on a record 2021.

In 2022, the Group delivered 17.3% growth in Adjusted Diluted EPRA Earnings per Share largely driven by organic growth. Total Group revenue increased by 13.8% (14.3% CER[1]) with a particularly strong performance in the UK (+13.1%) and continued strength in Paris (+6.1%) and Spain (+9.1%). On a like-for-like[8] basis in CER[1], Group revenue increased by 10.7% with the UK up 12.2%, Paris up 5.3% and Spain up 8.5% reflecting the strategy to balance rate growth and occupancy performance to maximise revenue; the Group's like-for-like average storage rate[5] was up 11.5% at CER[1] and average occupancy was up 0.7%, whilst like-for-like[8] closing occupancy decreased by 2.1ppts to 83.1%.

The Group has traded well throughout the year despite a difficult comparable performance in the record 2021 financial year. Our digital marketing platform has driven good enquiry generation and conversion, and our ongoing commitment to investing in and supporting the development of our staff has resulted in like-for-like[8] revenue in the UK growing by 12.2%. The like-for-like average rate growth drove the UK revenue performance and increased by 13.9% in the year. After an exceptionally strong 2021, average occupancy grew by 0.6% and closing occupancy was down 2.6ppts at 83.0%.

In Paris, our performance has also been strong with like-for-like[8] revenue growing by 5.3% at CER[1] driven by a like-for-like growth in average occupancy of 1.4% and like-for-like average storage rate growing by 4.3% at CER[1]. Like-for-like[8] closing occupancy ended the year at a similar level to the prior year at 83.4% (FY2021: 83.6%). This is the 24th consecutive year of revenue growth in Paris with average growth over the last seven years of approximately 5%.

Our Spanish business saw a strong 8.5% growth in like-for-like revenue for the year driven by an increase in the like-for-like average rate of 5.8%. Ancillary sales were also strong. A fifth Spanish store opened in the year and total revenue growth was 9.1%.

The Group's current pipeline of new developments and store extensions has grown significantly over the last year and now constitutes c.1.4m sq ft of future MLA (equivalent to 18% of the existing portfolio) and associated outstanding capital expenditure of £146 million. The pipeline consists of eleven projects in the UK, seven in Paris, six in Spain and five in the Netherlands.

The Group completed the EPS accretive acquisition of the remaining 80% of equity owned by Carlyle in the Benelux JV[14] in March 2022 at an Enterprise Value of €146 million. The Benelux business consists of 15 high quality stores with an MLA of 600,000 sq ft in the Netherlands and Belgium.

Group Underlying EBITDA[2] of £135.1 million increased by 15.1% at CER[1] on the prior year. The Group's EBITDA[2] performance, offset by a modest increase in leasehold rent and an increase in finance costs, resulted in a 17.3% increase in Adjusted Diluted EPRA EPS[6] in the period to 47.5 pence (FY2021: 40.5 pence). Statutory operating profit increased by £97.5 million to £514.5 million (FY2021: £417.0 million) principally as a result of an increase in the gain on investment properties of £60.5 million to £381.6 million (FY2021: £321.1 million), along with an increase of £17.1 million or 14.5% in Underlying EBITDA[2] as a result of stronger trading performance.

Our property portfolio valuation, including investment properties under construction, increased in the year by 30.9%, driven by the stronger underlying performance of the stores, modest revisions to exit cap rates and stabilised occupancy assumptions, new stores, acquisitions and FX. After exchange rate movements, the portfolio valuation increased to £2,552.3 million with the UK portfolio up £340.7 million to a total UK value of £1,815.5 million and the French portfolio increasing by €104.3 million to €625.9 million.

Reflecting the Group's strong trading performance, the Board is pleased to recommend a 15.9% increase in the final dividend to 20.4 pence per share (FY2021: 17.6 pence) resulting in a full year dividend up 18.7% to 29.8 pence per share (FY2021: 25.1 pence). Over the last nine years, the Group has grown the annual dividend by 418% or 24.1 pence per share.

Outlook

In the last seven financial years, Safestore has strengthened its market-leading positions in the UK and Paris with the acquisitions of Space Maker, Alligator, Fort Box and our stores at Heathrow and Christchurch[10], as well as opening 20 new stores, with a further two Madrid stores opening in November 2022, and establishing a pipeline of c.1.4m sq ft of MLA. In addition, the Group has entered new markets in Spain together with Belgium and the Netherlands and more recently Germany through our new joint venture with Carlyle. Excluding the joint venture and the development pipeline, there is 1.4m sq ft of fully invested unlet space available, offering significant operational upside within the existing portfolio.

We remain focused on further optimising the Group’s operational performance and continuing to grow in all of our geographies. Our development pipeline represents 18% of our existing MLA and our balance sheet strength and flexibility provide us with the opportunity to consider further selective development and acquisition opportunities in all of our markets.

Whilst we are aware of the current macro-economic challenges, our business model has proven to be highly resilient with multiple drivers of demand and we believe the Group, whilst not entirely immune from any cost of living or inflationary issues, is strongly positioned to withstand any downturn.

In the first two months of the 2022/23 financial year we have seen broadly stable levels of demand compared to last year (but significantly ahead of pre-pandemic levels) with like-for-like Group revenue (at CER) up 3.5% and total revenue (at CER) up 8.7%.

Enquiries

Safestore Holdings plc 020 8732 1500

Frederic Vecchioli, Chief Executive Officer

Andy Jones, Chief Financial Officer

www.safestore.com

Instinctif Partners 020 7457 2020

Guy Scarborough

Bryn Woodward

A conference call for analysts will be held at 09:30am today.

For dial-in details of the presentation please contact:

Guy Scarborough (guy.scarborough@instinctif.com or telephone on 07917 178920).

Notes to Editors:

- Safestore is the UK's largest self storage group with 179 stores on 31 October 2022, comprising 130 wholly owned stores in the UK (including 72 in London and the South East with the remainder in key metropolitan areas such as Manchester, Birmingham, Glasgow, Edinburgh, Liverpool, Sheffield, Leeds, Newcastle, and Bristol), 29 wholly owned stores in the Paris region, 5 stores in Spain, 9 stores in the Netherlands and 6 stores in Belgium.

- Safestore operates more self storage sites inside the M25 and in central Paris than any competitor providing more proximity to customers in the wealthiest and more densely populated UK and French markets.

- Safestore was founded in the UK in 1998. It acquired the French business "Une Pièce en Plus" ("UPP") in 2004 which was founded in 1998 by the current Safestore Group CEO Frederic Vecchioli.

- Safestore has been listed on the London Stock Exchange since 2007. It entered the FTSE 250 index in October 2015.

- The Group provides storage to around 90,000 personal and business customers.

- As of 31 October 2022, Safestore had a maximum lettable area ("MLA") of 7.698 million sq ft (excluding the expansion pipeline stores) of which 6.317 million sq ft was occupied.

- Safestore employs around 750 people in the UK, Paris, Spain, the Netherlands and Belgium.

Chairman's Statement

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

The last year has been one of considerable strategic and financial progress for the Group which is especially impressive on the back of an exceptionally strong year in 2021. After three years in the role, I continue to be impressed by the dedication and resilience of the store and Head Office teams which have been instrumental in delivering this progress.

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

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

Financial and strategic progress

In the last year the quality, resilience and, importantly, the scalability of the business model at Safestore have again been demonstrated and I am delighted to announce, on behalf of the Board of the Group, an excellent set of results for the financial year ended 31 October 2022.

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

In addition to improving returns from our existing portfolio, the Group has continued to make significant strategic progress in expanding its footprint through a combination of new store openings and acquisitions. The Group has now acquired 46 and opened 20 stores over the last six years and all are performing well. The acquisition of OMB in Barcelona in 2019 is now fully integrated into the business and has an exciting pipeline, with two stores opening in November 2022, and a further six stores over the next two financial years. Our EPS accretive acquisition of the 80% share in the Benelux joint venture owned by Carlyle means that the Group now fully owns the operations of fifteen stores in the Netherlands and Belgium with a further five in the pipeline. Overall, we have a development property pipeline of an additional 1.4m sq ft of MLA, which provides significant future opportunity for the business and underpins our continued growth.

The recent establishment of a new £400 million unsecured multi-currency RCF at attractive margins offers us significantly greater strategic flexibility to support these growth plans.

Our new joint venture[14] with Carlyle in Germany and recent acquisitions in Spain, the Netherlands and Belgium provide us with exciting platforms in new attractive geographies. I believe that Safestore's highly scalable platform will allow us to take advantage of further opportunities in due course.

Financial results

Revenue for the year was £212.5 million, 13.8% ahead of last year (FY2021: £186.8 million), or 14.3% ahead on a constant currency basis. Like-for-like[8] revenue was up 10.7% in constant currency. This result was driven by an exceptional performance in the UK which grew like-for-like[8] revenue by 12.2%, combined with another strong performance by Une Pièce en Plus, our Parisian business, which grew like-for-like[8] revenue by 5.3%.

Particularly encouragingly, this significant growth in revenue delivered a further improvement in margins. Underlying EBITDA[2] increased by 14.5% to £135.1 million (FY2021: £118.0 million) and on a constant currency basis by 15.1%.

Operating profit increased by £97.5 million from £417.0 million in 2021 to £514.5 million in 2022, reflecting a higher investment property gain in 2022 combined with the increase in Underlying EBITDA[2], a reduction in the share-based payments charge, as well as other exceptional gains.

Adjusted Diluted EPRA Earnings per Share[6] grew by 17.3% to 47.5 pence (FY2021: 40.5 pence). Adjusted Diluted EPRA Earnings per Share[6] has grown by 36.8 pence or 344% over the last nine years. Statutory diluted Earnings per Share increased to 212.4 pence (FY2021: 176.4 pence) as a result of the increase in Adjusted Diluted EPRA Earnings per Share[6] combined with an increased gain on valuation of investment properties.

Finally, the Group's balance sheet remains robust with a Group LTV[11] ratio of 24.4%, calculated on gross debt (FY2021: 24.9%) and an ICR[12] of 11.4x (FY2021: 10.5x). This represents a level of gearing we consider appropriate for the business to enable the Group to increase returns on equity, maintain financial flexibility and achieve our medium term strategic objectives.

This year's results continue a sustained period of excellent performance by the Group. Over the last nine years, the management and store teams have delivered a Total Shareholder Return of 779.4%, ranking at number one in the UK property sector. Since flotation in 2007, Safestore has also delivered the highest Total Shareholder Return of any UK listed self storage operator.

ESG

Away from the financial results, I am pleased with the progress the Group has made with its ESG strategy.

Even though Safestore already has one of the lowest environmental impact profiles of any company within the overall property sector, we have continued to focus on our environmental agenda, with year-on-year reductions in greenhouse gas emissions and enhanced disclosures in recognition of the recommendations of the TCFD. I am pleased to report that we have retained a Silver rating in the 2022 EPRA sustainability awards, an 'A' rating for public disclosures by GRESB, an 'AA' rating for ESG by MSCI and the highest rating of five stars by Support the Goals.

In addition, we have demonstrated our commitment to our ESG agenda by linking the margin on our new £400 million bank facility to ESG related KPI's agreed with our lending group. Details of these achievements are covered more fully in the Chief Executive's report and the sustainability section of our Annual Report.

Non-Executive Board changes

During the financial year Claire Balmforth stepped down from the Board. Claire has served on the Safestore Board for six years and has chaired the Remuneration Committee for all that time. As both a Director and Chair of the Remuneration Committee, Claire has served the business outstandingly throughout the last six years and both personally and on behalf of the Board I would like to thank her for her contribution.

I am also delighted to welcome Jane Bentall to the Board. Jane has extensive experience and understanding of operating multi-site, consumer-led businesses. Most recently, Jane was Managing Director of Haven, the UK holiday parks chain and largest business division of Bourne Leisure. Prior to becoming Managing Director of Haven, she was the Group Chief Financial Officer for twelve years and previously spent six years as Operations Director. In her career she has also held senior financial roles at the Rank Group.

Dividend

Finally, reflecting the Group's strong trading performance and in line with our progressive dividend policy, the Board is pleased to recommend a 15.9% increase in the final dividend to 20.4 pence per share (FY2021: 17.6 pence) resulting in a full year dividend up 18.7% to 29.8 pence per share (FY2021: 25.1 pence).

Over the last nine years, the Group has grown the dividend by 418% or 24.1 pence per share during which period the Group has returned to shareholders a total of 155.8 pence per share. The total dividend for the year is covered 1.59 times by Adjusted EPRA Diluted Earnings (1.61 times in 2021). Shareholders will be asked to approve the dividend at the Company's Annual General Meeting on 15 March 2023 and, if approved, the final dividend will be payable on 7 April 2023 to Shareholders on the register at close of business on 3 March 2023.

Summary

In conclusion, the Board remains confident in the future growth prospects for the Group and will continue its progressive dividend policy in 2023 and beyond. In the medium term it is anticipated that the Group's dividend will grow at least in line with Adjusted Diluted EPRA Earnings per Share[6].

David Hearn
16 January 2023

Our Strategy

The Group intends to continue to deliver on its proven strategy of leveraging its well-located asset base, management expertise, infrastructure, scale and balance sheet strength and further increase its Earnings per Share by:

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

In addition, the Group's strategy is pursued whilst maintaining a strong focus on Environmental, Social and Governance ("ESG") matters and a summary of our ESG strategy is provided further on.

Optimisation of Existing Portfolio

With the opening of 22 new stores since August 2016, and the acquisitions of 46 stores through the purchases of Space Maker in July 2016, Alligator in November 2017, our Heathrow store, Fort Box in London and OMB in Barcelona in 2019, Your Room in 2021 and the Benelux JV in 2022, we have established and strengthened our market-leading portfolio in the UK and Paris and have entered the Spanish, Netherlands and Belgium markets. We have a high quality, fully invested estate in all geographies and, of our 179 stores as at 31 October 2022, 101 are in London and the South East of England or in Paris, with 58 in the other major UK cities and 20 in Barcelona and the Benelux region. In the UK, we now operate 49 stores within the M25, which represents a higher number of stores than any other competitor.

Our MLA[4] has increased to 7.7m sq ft at 31 October 2022 (FY2021: 6.96m sq ft). At the current occupancy level of 82.1% we have 1.4m sq ft of fully invested unoccupied space (2.8m sq ft including the development pipeline), of which 1.0m sq ft is in our UK stores, 0.2m sq ft is in Paris and 0.2m sq ft is in Barcelona and Benelux. In total, unlet space at our existing stores is the equivalent of c.35 empty stores located across the estate and provides the Group with significant opportunity to grow further. We have a proven track record of filling our vacant space so we view this availability of space with considerable optimism. We will also benefit from the operational leverage from the fact that this available space is fully invested and the related operating costs are essentially fixed and already included in the Group cost base. Our continued focus will be on ensuring that we drive occupancy to utilise this capacity at carefully managed rates. Between the full financial years 2013 and 2022, occupancy of the stores in the portfolio in 2013 that remain in the Group today has increased from 63.1% to 84.2%, i.e. an average of 2.3ppts per year and equivalent to a total of 1.1m sq ft.

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

- Enquiry generation through an effective and efficient marketing operation;
- Strong conversion of enquiries into new lets; and
- Disciplined central revenue management and cost control.

Digital Marketing Expertise- UK Number 1 Self Storage Brand

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

We believe there is a clear benefit of scale in the generation of customer enquiries. The Group has continued to invest in technology and in-house expertise which has resulted in the development of a leading digital marketing platform that has generated 54% enquiry growth for the Group over the last five years. Our in-house expertise and significant annual budget have enabled us to deliver strong results. Safestore is the UK number 1 self storage brand as it has more new lets per year than any other brand.

The Group's online strength came to the fore during the various Covid-19 lockdowns and has since continued to support customer acquisition growth. Online enquiries in FY2022 rose to 90% of our enquiries in the UK

(FY2021: 89%) and 85% in France (FY2021: 84%). The majority of our online enquiries now originate from a mobile device (65% share in FY2022), highlighting the need for continual investment in our responsive web platform for a “mobile-first” world. We continue to invest in activities that promote a strong search engine presence to grow enquiry volume whilst managing efficiency in terms of overall cost per enquiry and cost per new let. Group marketing costs as a percentage of revenue were 3.6% for the full year (FY2021: 3.7%). This percentage has constantly reduced over the last eight years and is now at its lowest level in that period.

During the 2021/22 trading year, the Group demonstrated its ability to integrate newly developed and acquired stores into its marketing platform with successful new openings at Bow (London, UK), Christchurch (Dorset, UK), Nijmegen (Netherlands), and an additional store in Barcelona. We have now clearly demonstrated that our marketing platform is transferrable into multiple overseas geographies.

In February 2022, Safestore UK won the Feefo Platinum Trusted Service award for the third time. The award is given to businesses which have achieved Gold standard for three consecutive years. It is an independent mark of excellence that recognises businesses for delivering exceptional experiences, as rated by real customers. In addition to using Feefo, Safestore invites customers to leave a review on a number of review platforms, including Google and Trustpilot. Our ratings for each of these three providers in the UK are between 4.6 and 4.8 out of 5. In France, Une Pièce en Plus uses Trustpilot to obtain independent customer reviews and in FY2022 achieved a “TrustScore” of 4.6 out of 5. In Spain, OMB collects customer feedback via Google reviews and has maintained a score of 4.6 out of 5.

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

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

In the first half of our 2021/22 trading year, we moved away from Covid-based restrictions to a business-as-usual operating model in stores removing all screens and signage, although we continue to display advisory mask and distancing messages along with safe working protocols for both our customers and colleagues.

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

Safestore has been an Investors in People (“IIP”) accredited organisation since 2003 and we passionately believe that our continued success is dependent on our highly motivated and well-trained colleagues. Following the award of a Bronze accreditation in 2015 and a Gold accreditation in 2018, we were delighted to be awarded the “we invest in people” Platinum accreditation in February 2021. This is the highest accolade in the Investors in People scale and positions us as an employer of choice. Shortly after our Platinum accreditation, we were shortlisted for the Platinum Employer of the Year (250+) category in the Investors in People Awards 2021. This further endorses the high standard of our teams and the people development programmes that drive our skill and talent retention.

IIP is the international standard for people management, defining what it takes to lead, support, and engage people effectively to achieve sustainable results. Underpinning the standard is the Investors in People framework, reflecting the latest workplace trends, essential skills and effective structures required to outperform in any industry. Investors in People enables organisations to benchmark against the best in the business on an international scale. We are proud to have our colleagues recognised to such a high standard, not only in our industry, but also across over 50,000 organisations in 66 countries. This sustained people engagement focus is an essential component of our continuous improvement mentality.

We are committed to growing and rewarding our people and we tailor our development, reward and recognition programmes to reflect this. Our IIP recognised coaching programme, launched in 2018 and upgraded every year since, continues to be a driving force behind the continuous performance improvement demonstrated by our store colleagues.

The Covid-19 pandemic provided a challenging environment requiring us to operate in some new and innovative ways. Our online learning portal, combined with the energy and flexibility of our store colleagues, allowed us to not only continue to deliver our award-winning development programmes but also to capitalise on the strength of our IT platforms. As the restrictions in the UK relaxed through the second half of 2021, we were able to combine our newly created technology communication skills with our tried and tested face-to-face training sessions in a newly created “impact” sales refresher.

Following our late 2021 sales refreshers, we took the opportunity to review many of our training, coaching and compliance tools to take advantage of our higher performance levels and skilled colleagues. The integration of flexible contract types and enhanced digital contracts have all been included in our updated version of QUEST, our sales framework. This two-day programme has been delivered, face-to-face, to every colleague in our store and field teams in the first half of 2022.

We recognised the changing needs and demands of our customers, not only through the challenging times of 2020/21, but also through the newly emerging demands and requirements in late 2021. Combining new, along with tried and tested, solutions and systems, we are further able to support our store colleagues, allowing them to fulfil the needs of our customers over and above that of our competitors. Our flexible contract types and enhanced digital contract completion further enhance our customer offer and experience. These enhancements have combined to help us create our 2023 QUEST programme which commenced roll-out in late September 2022 focusing on the new contract types and technologies available to us.

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

Our internal Store Manager Development programme has been in place since 2016 and is a key part of succession planning for future Store Managers. In May 2022, we began our assessment process for the sixth intake of the SMD (Store Manager Development programme) with a first-class group of candidates ready to learn the necessary skills and attributes they need to become a Safestore Store Manager. Funded by the Apprenticeship Levy this programme provides the opportunity to complete a Level 3 Management and Leadership apprenticeship, with the additional opportunity to complete an Institute of Leadership and Management (“ILM”) qualification.

Our Store Manager Development programme demonstrates the effectiveness of our learning tools. In a spirit of constant improvement, our content and delivery process is dynamically enhanced through our 360-degree feedback process utilising the learnings from not only the candidates but also from our training Store Managers and senior business leaders. This allows our people to be trained with the knowledge and skills to sell effectively in today’s marketplace.

Our Senior Manager Development programme (“LEAD”) focuses on developing our high performing store managers, aimed at preparing them for more senior roles within the business. This programme is built on the foundations of our Store Manager Development programme and included delegates delivering performance-enhancing projects to our wider business. We are proud that all nine participants of our Senior Leadership Development programme (LEAD Academy) successfully completed their Level 5 Management and Leadership apprenticeship; six of those participants were awarded Distinctions.

Furthermore, we have re-launched our Graduate programme, with our first intake commencing in October 2022, providing an opportunity for newly qualified graduates to build their skillset and experience resulting in a career with Safestore.

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

Our “Make the Difference” people forum, launched in 2018, enables frequent opportunities for us to hear and respond to our colleagues. Our network of 15 “People Champions” collect questions and feedback from their peers across the business and put them to members of the Executive Committee. We drive change and continuous improvement in responding to the feedback we receive for “Our Business, Our Customers and Our Colleagues”.

People Champions:

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

Our values are authentic, having been created by our people. They are core to the employment life cycle and bring consistency to our culture. Our leaders have high values alignment enabling us to make the right decisions for our colleagues and our customers. Our customers continue to be at the heart of everything we do, whether it be in store, online or in their communities. In 2022 we maintained our industry-leading independent customer ratings, with a Feefo Platinum Trusted Service award and a 5-star Trustpilot rating, with over twice the reviews of our nearest competitor. Along with our strong Google ratings, these independent assessments further reflect our ongoing commitment to customer satisfaction as the number one storage provider in the UK.

Central Revenue Management and Cost Control

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

Average rates are predominantly influenced by:

- The store location and catchment area;
- The volume of enquiries generated online;
- The store team skills at converting these enquiries into new lets at the expected price; and
- The very granular pricing policy and the confidence provided by analytical capabilities and systems that smaller players might lack.

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

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

Strong and Flexible Capital Structure

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

At 31 October 2022, based on the current level of borrowings and interest swap rates, the Group's weighted average cost of debt was 2.41% and 93% of our drawn debt was at fixed rate or hedged. The weighted average maturity of the Group's drawn debt is 5.1 years at the current period end and the Group's LTV ratio is 24.4% as at 31 October 2022.

Based on our current development pipeline and our internal assumptions on how SONIA and Euribor will grow over the coming months, we anticipate that our weighted average cost of debt will increase to c.2.6% to 2.8% by the end of 2023.

This LTV of 24.4% and interest cover ratio of 11.4x for the rolling twelve-month period ended 31 October 2022 provides us with significant headroom compared to our banking covenants. We had £208.4 million of undrawn bank facilities at 31 October 2022 before taking into consideration the additional £100 million uncommitted accordion facility.

Taking into account the improvements we have made in the performance of the business, the Group is capable of generating free cash after dividends sufficient to fund the building of three to four new stores per annum depending on location and availability of land.

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

New Financing

In April 2022, Safestore drew its existing uncommitted $115 million Shelf Facility. The facility was drawn in Euros for a 7- year term at an interest rate of 2.45% in order to partially fund the acquisition of Carlyle's 80% share of the Benelux JV.

Since the end of the financial year, the Group has completed the refinancing of its Revolving Credit Facilities ("RCF's") which were due to expire in June 2023.

The previous £250 million Sterling and €70 million Euro secured RCFs have been replaced with a single multi-currency unsecured £400 million facility. In addition, a further £100 million uncommitted accordion facility is incorporated into the facility agreement.

The facility is for a four-year term with two one-year extension options exercisable after the first and second years of the agreement.

The Group will pay interest at a margin of 1.25% plus SONIA or Euribor depending on whether the borrowings are drawn in Sterling or Euros. The margin is at the same level as the previous facility agreements.

A commitment fee of 35% of the margin is payable on undrawn amounts under the facility. This has reduced from 40% under the previous facility agreements.

Reflecting the Group's improved credit profile, the banking group and existing US Private Placement Noteholders have agreed that all of the Group's previously secured borrowings move to an unsecured basis, thus reducing administrative and legal costs associated with the facilities.

The main covenants under all of the Group's borrowings are a Group Loan-to-value ("LTV") covenant of 60% (replacing separate UK and French LTV covenants) which is based on net debt rather than gross debt and an Interest Cover Ratio covenant of 2.4x.

The hedging arrangements under the previous facility agreements have been continued under the new agreements. Therefore, the Group benefits from £55 million of Interest Rate Swaps until 30 June 2023 at a rate of 0.6885%

Environmental, Social and Governance ("ESG") KPI's have been agreed with the Group's lenders. The margin under the facility is now linked to ESG targets, where met enable a reduction in the margin of up to 5bps.

ESG Strategy

ESG: Sustainable Self Storage

Our purpose - *to add stakeholder value by developing profitable and sustainable spaces that allow individuals, businesses and local communities to thrive* – is supported by the “pillars” of our sustainability strategy: our people, our customers, our community and our environment. In addition, the Group and its stakeholders recognise that its efforts are part of a broader movement and we have, therefore, aligned our objectives with the UN Sustainable Development Goals (“SDGs”). We reviewed the significance of each goal to our business and the importance of each goal to our stakeholders and assessed our ability to contribute to each goal. Following this materiality exercise, we have chosen to focus our efforts in the areas where we can have a meaningful impact. These are “Decent work and economic growth” (goal 8), “Sustainable cities and communities” (goal 11), “Responsible consumption and production” (goal 12) and “Climate action” (goal 13).

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

In 2018, the Group established medium-term targets in each of the “pillars” towards which the Group continued to progress in FY2022.

Our people: Safestore was awarded the prestigious Investors in People (“IIP”) Platinum accreditation and was in the final top ten shortlist for Platinum Employer of the Year (250+) category in The Investors in People Awards 2021. The Group’s response during the pandemic lockdowns and aftermath has had a profound impact on trust in leadership and colleague engagement and motivation.

Our customers: The Group’s brands continue to deliver a high-quality experience, from online enquiry to move-in. This is reflected in customer satisfaction scores on independent review platforms (Trustpilot, Feefo, Google) of over 90% in each market. The introduction of digital contracts during the pandemic offers both customer convenience and a reduction in printing, saving an estimated 44,000 pieces of paper each month.

Our community: Safestore remains committed to being a responsible business by making a positive contribution within the local communities wherever our stores are based. We continue to do this by developing brownfield sites and actively engaging with local communities when we establish a new store, identifying and implementing greener approaches in the way we build and operate our stores, helping charities and communities to make better use of limited space, and creating and sustaining local employment opportunities directly and indirectly through the many small and medium-sized enterprises which use our space. During FY2022, the space occupied by local charities in 222 units across 103 stores was 18,903 sq ft and worth £0.7 million.

Our environment: Safestore is committed to ensuring our buildings are constructed responsibly and their ongoing operation has a minimal impact on local communities and the environment. It should be noted that the self storage sector is not a significant consumer of energy when compared with other real estate subsectors. As a result, operational emissions intensity tends to be far lower. According to a 2021 report by KPMG and EPRA, self storage generates the lowest greenhouse gas emissions intensity (5.75 kg/m^2 for scope 1 and 2) of all European real estate sub-sectors, with emissions per m^2 less than 30% of the European listed real estate average (19.5 kg/m^2) and notably 21% of the emissions intensity of the residential sub-sector (27.0 kg/m^2). Reflecting the considerable progress made on energy mix, efficiency measures and waste reduction to date, Safestore’s emissions intensity (3.9 kg/m^2 in 2020) is considerably lower (-32%) than the self storage subsector average. In FY2022, the Group continued to progress with a further 2.7% decline in absolute emissions despite continued portfolio growth and greater utilisation of stores compared to 2021. Safestore’s absolute (location-based) emissions are now 54% below, and emissions intensity 68% below the 2013 baseline level despite significant growth in portfolio floor space. Moving forward, the Group has a commitment to be operationally carbon neutral by 2035 with a medium term target to reduce operational emissions (market-based) by 50% compared to the level in FY2021 by 2025. The total investment to achieve carbon neutrality should be around £3 million.

In addition to the IIP award and the customer satisfaction ratings, the Group has received recognition for its sustainability progress and disclosures in the last twelve months. Safestore has been given a Silver rating in the 2022 EPRA Sustainability BPR awards. The Global ESG Benchmark for Real Assets (“GRESB”) has once again awarded Safestore an “A” rating in its 2022 Public Disclosures assessment. MSCI has awarded Safestore its second-highest rating of “AA” for ESG in 2022. The Group has also been awarded the highest rating of five stars by Support the Goals.

Finally, the Group has worked with its banking lenders to agree ESG related KPI's which are linked to the margin payable under its new £400 million facility. Two KPI's have been agreed, which, when achieved, result in a reduction in margin of up 5bps.

Portfolio Management

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

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

Since 2016, the Group has opened 22 new stores: Chiswick, Wandsworth, Mitcham, Paddington Marble Arch, Carshalton, Bow (all in London), Birmingham Central, Birmingham Merry Hill, Birmingham Middleway, Altrincham, Peterborough, Gateshead and Sheffield in the UK, and Emerainville, Combs-la-Ville, Poissy, Pontoise and Magenta in Paris, Nijmegen in the Netherlands and Pronvenca in Barcelona, with a further two stores opening in Madrid in November 2022 adding 1,093,000 sq ft of MLA.

In addition, the Group has acquired 46 existing stores through the acquisitions of Space Maker, Alligator, Fort Box, Salus and Your Room in the UK, OhMyBox! in Barcelona, and the Lokabox and M3 group from our Benelux JV acquisition. These acquisitions added a further 1,844,000 sq ft of MLA and revenue performance has been enhanced in all cases under the Group's ownership.

We have also completed the extensions and refurbishments of our Acton, Barking, Bedford, Chingford, Wimbledon, Edgware, Southend, Paddington Marble Arch, Winchester and Longpont (Paris) stores adding a net 122,000 sq ft of fully invested space to the estate. All of these stores are performing in line with or ahead of their business plans.

The Group's current pipeline of new developments and store extensions (see below) has grown significantly over the last year and now constitutes c.1,407,000 sq ft of future MLA. The pipeline and store openings since the end of the 2022 financial year is equivalent to c.19% of the existing portfolio. The outstanding capital expenditure of £146 million is expected to be funded from the Group's existing resources. The total capital expenditure on stores opened in the 2022/23 financial year-to-date as well as the outstanding pipeline is estimated to be c. £245m. At our usual cash on cash return hurdles of c.10% we would estimate that these stores will add c. £24.5m of EBITDA at stabilisation (c. 4 years after opening).

Property Pipeline

Openings of New Stores and Extensions in the period

Open 2022	FH/ LH	Opening Date	MLA	Other
Redevelopments and Extensions				
London- Paddington Marble Arch	LH	Q1 2022	8,500	Extension
Southend	FH	Q1 2022	10,100	Extension
London- Edgware	FH	Q1 2022	22,900	Extension
London- Wimbledon	FH	Q1 2022	9,000	Extension
Winchester	FH	Q4 2022	11,000	Extension
New Developments				
London- Bow	FH	Q1 2022	74,000	Conversion
Central Barcelona	FH	Q1 2022	12,500	Conversion
Nijmegen- Netherlands	FH	Q1 2022	40,000	Conversion
Open 2023				
New Developments				
Northern Madrid	FH	Q1 2023	53,000	Conversion
Southern Madrid	FH	Q1 2023	32,000	Conversion

In September 2020 the Group received planning permission to extend its Southend store by 10,100 sq ft. The existing store has an MLA of 49,400 sq ft and was 86% occupied at the end of September 2020. The extension opened in December 2021.

In January 2021, the Group exchanged contracts on a freehold building in a densely populated area in Central Barcelona. The conversion of the existing building into a 12,500 sq ft MLA self storage facility is complete and the store is now open.

In March 2021 and April 2021, the Group exchanged contracts on two freehold buildings in Southern Madrid and Northern Madrid respectively. Both acquisitions have been completed with planning granted and the existing buildings have been converted into 32,000 and 53,000 sq ft MLA self storage facilities. Both sites opened post-year end in November 2022.

In April 2021, we exchanged contracts on the acquisition of a 0.5-acre site adjacent to our existing London Wimbledon store (MLA 58,800 sq ft). We completed this transaction in December 2021 and construction was completed just after the period end. The existing reception area has been relocated to a more prominent and visible roadside location and a further 9,000 sq ft of storage capacity and 1,000 sq ft of offices have been added. The Wimbledon store's peak occupancy, prior to the Covid-19 pandemic, was 92%.

In May 2021, the Group completed the freehold acquisition of a 0.8-acre site with a 108,000 sq ft warehouse to the east of London in a prominent position on the A12 in Bow. The building had existing consent for storage and we only required planning consents for some external modifications to the building. Otherwise, the building was suitable for immediate conversion to self storage. The 74,000 sq ft store opened in December 2021.

In addition, in May 2021, the Group exchanged contracts on a leasehold basement car park adjacent to our existing London Paddington Marble Arch store. The occupancy of the Paddington Marble Arch store on 31 March 2021 was 80%. The extension opened in December 2021, adding 8,500 sq ft of MLA.

The Group has also received planning permission to extend its Edgware store by a further 22,900 sq ft. The existing store has MLA of 24,000 sq ft and reached a peak occupancy of 91% prior to extension works commencing. The extension opened in December 2021.

An 11,000 sq ft extension to our existing Winchester store opened in the quarter. The existing store has an MLA of 42,000 sq ft and has peaked at more than 90% occupancy.

In January 2022, the Netherlands business opened a new store in Nijmegen. The store is freehold with an MLA of 40,000 sq ft and is a conversion of an existing building. Nijmegen has a population of 177,000 and the site is well located on a main road with good visibility and access.

Development Sites

UK

In June 2018, Safestore opened its Paddington Marble Arch store. A separate satellite store at Paddington Park West Place, with MLA of 13,000 sq ft, will open during 2024.

In April 2021, the Group exchanged contracts on a freehold 1.3-acre site at Lea Bridge in Northeast London. The acquisition of the site has now been completed and we plan to open a 76,500 sq ft MLA store in 2024 as the leases for existing tenants on the site have up to two years to run. Rental income of approximately £170k per annum is currently received on this site.

In addition, in April 2021, the Group exchanged contracts on a freehold site in Woodford in Northeast London. Subject to planning, we will open a 76,000 sq ft MLA store in 2025.

In July 2021, the Group exchanged contracts on a freehold 0.8-acre site in Shoreham, West Sussex. Shoreham is situated between Brighton and Worthing on the south coast of England. Subject to planning, we will open a purpose built 54,000 sq ft MLA store in 2024.

In November 2021, the Group completed the acquisition of a 1.2-acre freehold site off Old Kent Road in the London Borough of Southwark in Southeast London. Subject to planning, we hope to open a c.76,500 sq ft MLA store in due course. Existing tenants on the site will provide a rental income in the meantime.

In May 2022, the Group completed the acquisition of a 2.1-acre freehold site including an existing warehouse in Wigan in Greater Manchester. Subject to minor planning approvals for elevations and signage, we plan to convert the existing building and open a c.42,700 sq ft MLA store in 2023.

The Group has also previously acquired two additional sites in London at Morden and Bermondsey. Morden is a freehold 0.9-acre site in an established industrial location. Planning permission for a 52,000 sq ft self storage facility has now been granted and construction on this site is underway with a view to opening in 2023. Bermondsey is a 0.5-acre freehold site with income from existing tenants and is adjacent to our existing leasehold store. Our medium term aim, subject to planning permission, is to extend our existing Bermondsey operations with the addition of a new self storage facility to complement our existing store.

In Romford in London, we have secured a freehold site with an existing warehouse which will be converted, subject to planning permission, to a 41,000 sq ft store, opening in 2024.

In Crayford, we have secured a leasehold site on which we will convert an existing warehouse to a 9,400 sq ft extension to our existing Crayford site. We hope to open the satellite store in 2023.

In Walton-on-Thames in London, we have secured a freehold site with an existing warehouse which will be converted, subject to planning permission, to a 20,700 sq ft store. We hope to open the store in 2025.

Our total UK development pipeline now amounts to c.511,800 sq ft of which c.415,100 sq ft is in London.

Paris

Safestore has for many years owned a vacant freehold site in the town of Nanterre on the edge of La Défense, Paris' main business district. This area of Paris is undergoing significant development and Safestore has invested a 24.9% stake in a joint venture development company, PBC Les Groues SAS, which is constructing a c.300,000 sq ft development of offices, retail, a school and residential properties.

Safestore has contributed its Nanterre site into the project, receiving cash of €1.0 million in addition to the delivery of an underground storage area and reception within the complex, ready to be fitted out into a 44,000 sq ft self storage facility. Planning for the project has been received and construction has commenced.

It is anticipated that the project will be completed in 2025 when the self storage facility will open.

In August 2021, the Group exchanged contracts on a freehold site in Southern Paris with a significant frontage onto the N104 motorway. The site includes an existing building which will be demolished and replaced by a 55,000 sq ft MLA store. We expect the store to open in 2023.

Over the first half of 2022 we exchanged contracts on three freehold development sites to the west of Paris. All sites required planning permission and newly built stores of 56,000 sq ft, 20,000 sq ft and 58,000 sq ft were planned to be constructed by the end of 2023. Our Paris West 2 site (20,000 sq ft) did not receive planning permission and has been removed from the pipeline.

Paris East 1 and Paris North West 1 are freehold sites on which we will convert existing buildings, subject to planning, to 60,000 sq ft and 54,000 sq ft stores respectively. We expect the stores to open in 2023.

Our Paris pipeline now amounts to c.349,200 sq ft.

Spain

In December 2019, the Group completed the acquisition of OMB Self Storage which operates three leasehold properties and one freehold property, all very well located in the centre of Barcelona. The four locations (Valencia, Calabria, Glories and Marina) have an MLA totalling 108,000 sq ft. A fifth store, in Central Barcelona, was opened during 2022. The occupancy of the business at the end of October 2022 was 78.9% and 85.9% on a like-for-like basis.

The Group is continuing its expansion of the business in Barcelona and its entry into the Madrid market with the acquisition of the following sites.

In April 2021, the Group exchanged contracts on a freehold building in Northern Barcelona. Subject to planning, we will convert the existing building into a 42,000 sq ft MLA . It is anticipated that the site will open in the 2022/23 financial year.

In June 2021, the Group exchanged contracts on a freehold property in South Barcelona. The site includes an existing industrial building which will be converted into a 30,000 sq ft MLA self storage facility. Planning has been granted and we expect to open the site in the 2022/23 financial year.

In August 2021, the Group exchanged contracts on a leasehold site in Central Barcelona. The site is a former car dealership which will be converted to a 24,700 sq ft MLA store which, subject to planning, should open in 2024.

In December 2021, the Group exchanged contracts on a freehold building in a commercial and industrial area of Eastern Madrid. Subject to completion, we will convert the existing building into a 50,000 sq ft MLA self storage facility. It is anticipated that the site will open in 2023.

In August 2022, the Group exchanged contracts on a freehold building in a commercial and industrial area of South West Madrid. Subject to planning and completion, we will convert the existing building into a 46,800 sq ft MLA self storage facility. It is anticipated that the site will open in 2024.

A new freehold site has been secured in Southern Madrid (Southern Madrid 2) on which we will convert an existing building, subject to planning permission, into a 68,800 sq ft storage facility. It is anticipated that the site will open in 2024.

Our Spanish pipeline now amounts to c.262,300 sq ft including 165,600 sq ft across three stores in Madrid and 96,700 sq ft over three stores in Barcelona.

The Spanish business now has seven open stores and a pipeline consisting of a further six stores amounting to c.262,300 sq ft of MLA.

Netherlands

During the year we exchanged contracts on a freehold site at Amersfoort, 40 minutes east of Amsterdam. The acquisition is subject to planning permission and we anticipate that the new store, which will have an MLA of 58,000 sq ft, will be opened in 2023.

The Group completed the acquisition of a freehold site in Almere, a city with a population of 214,000 which is 20 minutes' drive from Amsterdam. Subject to planning, we will convert the two existing buildings on the site into a 44,500 sq ft MLA self storage facility. It is anticipated that the site will open in 2023.

New freehold sites have been secured in Amsterdam and Aalsmeer where we will build new stores, subject to planning, of 61,400 sq ft and 48,400 sq ft respectively. The two stores should open in 2024.

Since the year end, the Group has secured a freehold site in Rotterdam for construction of a 71,000 sq ft MLA store subject to planning. Rotterdam is one of the major cities in the Netherlands with a population of 588,000 and forms part of the larger Randstad area. The new site forms part of a larger re-development within the heart of an affluent district of the city.

In the Netherlands, our pipeline now consists of 283,300 sq ft of space in five stores.

Store Extensions

The Group plans to redevelop and extend its Pyrénées store in Paris. The extension will add 22,200 sq ft and is planned to open in 2023. As of September 2022, the store occupancy was 94%.

Lease Extensions and Assignments

During the period we extended the lease on our Exeter store in the UK. The lease will now continue until February 2045 with tenant-only break clauses in 2035 and 2040. A six-month rent-free period was agreed as part of the renegotiation.

In Crayford, we have extended the lease on our existing store to 2042, with a tenant-only break option in 2032. A rent-free period of four months was agreed as part of this agreement. The lease on the new satellite store reported above also terminates in 2042.

In Sunderland, we have extended the lease on our store to 2047 with a tenant break option in 2037. A six-month rent-free period was agreed as part of this lease extension.

As part of our ongoing asset management programme, we have now extended the leases on 27 stores or 70% of our leased store portfolio in the UK since 2012. As a result, since 2012 the remaining lease length of our UK stores has remained at c.11-13 years.

Site Disposal

In April 2021 we opened our Birmingham Middleway store (58,000 sq ft MLA) and closed our Digbeth store (44,500 sq ft MLA) shortly thereafter. Customers were relocated to the bigger, better located new store. At the time, we stated that we intended to sell the Digbeth site.

We are pleased to confirm that the Digbeth site sale was completed in August 2022. The proceeds received funded the entire acquisition and construction of the Middleway site. As of September 2022, the Middleway site was 83% occupied.

Property Pipeline Summary

Our pipeline of c.1.4m sq ft represents c.18% of our existing property portfolio.

Opening 2023	FH/ LH	Status*	MLA	Other
Redevelopments and Extensions				
London- Crayford	LH	C, UC	9,400	Extension
Paris- Pyrenees	LH	C, UC	22,200	Extension
New Developments				
London- Morden	FH	C, PG, UC	52,000	New build
Wigan	FH	C, UC	42,700	Conversion
Paris- South Paris	FH	C, PG	55,000	New build
Paris- West 1	FH	CE, STP	56,000	New build
Paris- West 3	FH	CE, STP	58,000	New build
Paris- East 1	FH	CE, STP	60,000	Conversion
Paris- North West 1	FH	CE, STP	54,000	Conversion
Eastern Madrid	FH	C, PG	50,000	Conversion
Northern Barcelona	FH	C, PG	42,000	Conversion
South Barcelona	FH	C, PG	30,000	Conversion
Amersfoort- Netherlands	FH	CE, STP	58,000	New build
Almere- Netherlands	FH	C, STP	44,500	Conversion
Opening 2024				
Redevelopments and Extensions				
New Developments				
London- Paddington Park West	FH	C, PG	13,000	Conversion, Satellite
London- Lea Bridge	FH	C, PG	76,500	New build
London- Romford	FH	C, STP	41,000	New build
Shoreham	FH	CE, STP	54,000	New build
South West Madrid	FH	CE, STP	46,800	Conversion
Southern Madrid 2	FH	CE, STP	68,800	Conversion
Central Barcelona 2	LH	CE, STP	24,700	Conversion
Amsterdam- Netherlands	FH	CE, STP	61,400	New build
Aalsmeer- Netherlands	FH	CE, STP	48,400	New build
Rotterdam- Netherlands	FH	CE, PG	71,000	New build
Opening Beyond 2024				
New Developments				
London- Old Kent Road	FH	C, STP	76,500	New build
London- Woodford	FH	CE, PG	76,000	New build
London- Bermondsey	FH	C, STP	50,000	New build
London- Walton	FH	C, STP	20,700	Conversion
Paris- La Défense	FH	C, PG	44,000	Mixed use facility
Total Pipeline MLA (let sq ft- million)			**c.1.407**	
Total Outstanding CAPEX (£'m)			**c.146.0**	

**C = completed, CE = contracts exchanged, STP = subject to planning, PG = planning granted, UC = under construction*

Acquisitions

Acquisition of Your Room Self Storage, Christchurch[10]

In December 2021, Safestore acquired Your Room Self Storage in Christchurch, Dorset, for £2.45 million. The freehold Christchurch store has an MLA of 14,000 sq ft and the Group anticipates that the initial yield in the first year will be in excess of 6%.

The Group will rebrand the store and has taken over operation of the site with immediate effect. The store will operate as a satellite store to our two existing Bournemouth stores.

Acquisition of remaining 80% of Carlyle JV[14]

As announced on 31 March 2022, Safestore acquired the remaining 80% of the equity owned by Carlyle in the Joint Venture[14] formed in 2019 (the "Joint Venture"). The total consideration paid to Carlyle was €67 million. The total initial cash outflow was €135.3 million and included the share purchase (€53.6 million), debt purchase (€13.4 million), and refinancing of the existing borrowings (€68.3 million) and was funded from the Group's existing loan facilities. The Joint Venture was acquired based on an enterprise value of €146 million.

The Joint Venture[14] was set up in 2019 to acquire and develop assets in the Netherlands and Belgium in order to leverage Safestore's operating platform outside our core markets. Since then, the Joint Venture has grown to a portfolio of 55,000 sq m (600,000 sq ft) of MLA.

The portfolio is made up of 15 high quality properties (twelve freehold properties, two ground leases and one leasehold property). Nine properties are located in the Netherlands, six of which are concentrated in the Haarlem/Amsterdam area with additional properties in The Hague, Het Gooi and the recently opened Nijmegen store. In Belgium, two stores are located in the Brussels area, two in the city of Liege and further properties in Nivelles and Charleroi. Safestore has managed the properties since acquisition by the Joint Venture.

The Group's investment was marginally accretive to Group Earnings per Share in FY2021/22 and supports the Group's future dividend capacity. The expected initial yield based on total enterprise value was 3.9% which we expect to grow to Safestore's normal returns hurdles as the portfolio matures.

New Joint Venture with Carlyle and Investment in myStorage in Germany

Safestore has entered the German self storage market via a new joint venture with Carlyle, which has acquired the myStorage business.

Safestore has developed a multi-country highly scalable platform with leading marketing and operational expertise in self storage, with a proven track record for developing its platform in new markets.

The acquisition of myStorage represents an excellent opportunity to develop our platform into the attractive German self storage market. The Joint Venture builds upon our previous successful relationship with Carlyle having entered the Benelux market in 2019. Our common intention is to target development and acquisition opportunities through the Joint Venture, providing the opportunity to achieve operational scale and to develop local market knowledge, whilst also retaining the option for Safestore to develop its own wholly owned self storage sites in Germany. We look forward to continuing our working relationship with Carlyle, and to developing a long and mutually beneficial relationship.

The German market is one of Europe's more under-penetrated markets with just 0.09 sq ft of storage space per capita which compares to 0.76 sq ft in the UK, 0.24 sq ft in France, 0.24 sq ft in Spain, 0.60 sq ft in the Netherlands and 0.20 sq ft in Belgium. According to the 2022 FEDESSA report, there are just 320 facilities in Germany and 7.6m sq ft of lettable space.

myStorage has seven medium to long-term leasehold stores and 326,000 sq ft of MLA in Berlin, Heidelburg, Mannheim, Fürth, Nuremburg, Neu-Ulm and Reutlingen.

The occupancy of the portfolio is 67% with two of the stores having opened in 2021.

Safestore's initial investment in the Joint Venture was a c.€2.2 million equity investment for a 10% share of the Joint Venture. Safestore will also earn a fee for providing management services to the Joint Venture. The Group expects to earn an initial return on investment of c.15% for the first full year before transaction related costs reflecting its share of expected joint venture profits and fees for management services.

Portfolio Summary

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

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

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

Our combined operations in London and Paris, with 78 stores, contributed £113.2 million of revenue and £82.3 million of store EBITDA for the financial year and offer a unique exposure to the two most attractive European self storage markets.

Owned Store Portfolio by Region	**London & South East**	**Rest of UK**	**UK Total**	**Paris**	**Spain**	**Benelux**	**Group Total**
Number of Stores	72	58	130	29	5	15	179
Let Square Feet (m sq ft)	2.42	2.22	4.64	1.11	0.10	0.47	6.32
Maximum Lettable Area (m sq ft)	2.92	2.70	5.62	1.36	0.12	0.60	7.70
Average Let Square Feet per store (k sq ft)	34	38	36	38	19	32	35
Average Store Capacity (k sq ft)	41	47	43	47	24	40	43
Closing Occupancy %	83.1%	82.0%	82.6%	81.7%	78.9%	78.8%	82.1%
Average Rate (£ per sq ft)	34.76	22.38	28.79	34.36	28.92	16.61	29.25
Revenue (£'m)	101.1	61.9	163.0	41.4	3.0	5.1	212.5
Average Revenue per Store (£'m)	1.40	1.07	1.25	1.43	0.60	0.34	1.19

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

We have a strong position in both the UK and Paris markets, operating 130 stores in the UK, 72 of which are in London and the South East, and 29 stores in Paris.

In the UK, 62% of our revenue is generated by our stores in London and the South East. On average, our stores in London and the South East are smaller than in the rest of the UK but the rental rates achieved are materially higher, enabling these stores to typically achieve similar or better margins than the larger stores. In London we operate 49 stores within the M25, more than any other competitor.

In France, we have a leading position in the heart of the affluent City of Paris market with ten stores branded as Une Pièce en Plus ("UPP") ("A spare room"). Over 60% of the UPP stores are located in a cluster within a five-mile radius of the city centre, which facilitates strong operational and marketing synergies as well as options to differentiate and channel customers to the right store subject to their preference for convenience or price affordability. The Parisian market has attractive socio-demographic characteristics for self storage and we believe that UPP enjoys unique strategic strength in such an attractive market.

As at 31 October 2022, 70% of our Group Revenue, 65% of our stores and 58% of our available capacity are in London, South East England, Paris, Amsterdam and the Randstad area, Brussels and Barcelona. These major population areas deliver 71% of the Group's store EBITDA from 62% of our MLA, highlighting the attractiveness of being present in these major cities and conurbations. The current pipeline includes 26 further developments in these areas which will increase the number of stores to 68% of our portfolio.

In addition, Safestore has the benefit of a leading national presence in the UK regions where the stores are predominantly located in the centre of key metropolitan areas such as Birmingham, Manchester, Liverpool, Bristol, Newcastle, Glasgow and Edinburgh. Our 2019 acquisition of OMB in Barcelona and our 2022 Benelux JV acquisition represents a platform into the Spanish, Netherlands and Belgium markets where we hope to take advantage of further development and acquisition opportunities.

Market

The Self Storage Association ("SSA") noted in its May 2022 report that, "despite two record years, inflationary pressures, escalating costs of construction and a war in Europe, operators remain optimistic about the future.". Previous downturns have presented opportunities for self storage and the pandemic seems to have once again demonstrated the resilience of the self storage industry and the broad range of demand drivers.

The self storage market in the UK, France, Spain and Benelux remains relatively immature compared to geographies such as the USA and Australia. The SSA Annual Survey (May 2022) confirmed that self storage capacity stands at 0.76 sq ft per head of population in the UK. The most recent report relating to Europe (FEDESSA's 2022 report) showed that capacity in France is 0.24 sq ft per capita. Whilst the Paris market density is greater than France, we estimate it to be significantly lower than the UK at around 0.4 sq ft per inhabitant. This compares with closer to 10 sq ft per inhabitant in the USA and 2 sq ft in Australia. In the UK, in order to reach the US density of supply, it would require the addition of around another 17,000 stores as compared to c.1,400 currently. In the Paris region, it would require around 2,400 new facilities versus c.95 currently opened.

In Spain, the Netherlands and Belgium, geographies the Group has recently entered, penetration is similarly low. In Spain capacity is around 0.24 sq ft per head of population and the consumer is serviced by just 580 stores. In the Netherlands penetration is 0.6 sq ft per head of population (355 stores) and in Belgium 0.2 sq ft per head of population (101 stores).

The Group recently entered a JV with Carlyle in Germany. The German market is one of Europe's more under-penetrated markets with just 0.09 sq ft of storage space per capita and, according to the 2022 FEDESSA report, there are just 320 facilities in the country and 7.6m sq ft of lettable space.

Our interpretation of the most recent 2022 SSA report is that similar levels of capacity are likely to be developed in 2022 and 2023 at around 30-40 stores per annum. We do not consider this level of new supply growth to be of concern.

The 30-40 comparable sites represent between 2% and 3% of the traditional self storage industry in the UK. These figures represent gross openings and do not take into account storage facilities closing or being converted for alternative uses. We estimate that only a small proportion of these sites compete with existing Safestore stores.

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

The supply in the UK market, according to the SSA Survey, remains relatively fragmented despite a number of acquisitions in the sector in the last four years. The SSA's estimates of the scale of the UK industry are finessed each year and changes from one year to the next represent improved data rather than new supply. In the 2022 report the SSA estimates that 2,050 self storage facilities exist in the UK market including around 621 container-based operations. According to the 2022 survey, Safestore is the industry leader by number of stores with 130 wholly owned sites followed by Big Yellow with 105 stores (including Armadillo), Access with 60 stores, Shurgard with 40 stores, Lok'n Store with 39 stores, Storage King with 37 stores and Ready Steady Store with 27 stores. In aggregate, the top seven leading operators account for almost 21% of the UK store portfolio. The remaining c.1,613 self storage outlets (including 621 container-based operations) are independently owned in small chains or single units. In total there are 1,015 storage brands operating in the UK.

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

Our Spanish business operates in Barcelona and has a pipeline of future store openings in both Barcelona and Madrid. The metropolitan areas of Barcelona and Madrid have combined growing high-density populations of twelve million inhabitants and significant barriers to entry.

Consumer awareness of self storage is increasing but remains relatively low, providing an opportunity for future industry growth. The SSA survey consistently indicates that approximately half of consumers either knew nothing about the service offered by self storage operators or had not heard of self storage at all. Since 2016, this statistic has only fallen 10ppts from 59%. Therefore, the opportunity to grow awareness, combined with limited new industry supply, makes for an attractive industry backdrop.

Self storage is a brand-blind product. 64% of respondents were unable to name a self storage business in their local area (56% in 2021). The lack of relevance of brand in the process of purchasing a self storage product emphasises the need for operators to have a strong online presence. This requirement for a strong online presence was also reiterated by the SSA Survey where 73% of those surveyed (77% in 2021) confirmed that an internet search would be their chosen means of finding a self storage unit to contact, whilst knowledge of a physical location of a store as reason for enquiry was only c.26% of respondents (c.25% in 2021).

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

Safestore's domestic customers' need for storage is often driven by life events such as births, marriages, bereavements, divorces or by the housing market including house moves and developments and moves between rental properties. Safestore has estimated that UK owner-occupied housing transactions drive around 8-13% of the Group's new lets.

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

Business and Personal Customers	UK	Paris	Spain	Benelux
Personal Customers				
Numbers (% of total)	77%	82%	89%	85%
Square feet occupied (% of total)	58%	65%	83%	77%
Average Length of Stay (months)	17.4	28.7	23.2	28.4
Business Customers				
Numbers (% of total)	23%	18%	11%	15%
Square feet occupied (% of total)	42%	35%	17%	23%
Average Length of Stay (months)	26.4	32.0	31.2	30.2

Safestore's customer base is resilient and diverse and consists of around 90,000 domestic, business and National Accounts customers across London, Paris, Spain, the UK regions, the Netherlands and Belgium.

Business Model

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

With more stores inside London's M25 than any other operator and a strong position in central Paris, Safestore has leading positions in the two most important and demographically favourable markets in Europe. In addition, our regional presence in the UK is unsurpassed and contributes to the success of our industry-leading National Accounts business. In the UK, Safestore is the leading operator by number of wholly owned stores. With 85% of customers travelling for less than 30 minutes to their storage facility (2022 SSA Survey) Safestore's national store footprint represents a competitive advantage.

The Group's capital-efficient portfolio of 179 wholly owned stores in the UK, Paris, Spain, the Netherlands and Belgium consists of a mix of freehold and leasehold stores. In order to grow the business and secure the best locations for our facilities we have maintained a flexible approach to leasehold and freehold developments as well as being comfortable with a range of building types, from new builds to conversions of warehouses and underground car parks.

Currently, around a quarter of our stores in the UK are leaseholds with an average remaining lease length at 31 October 2022 of 12.7 years (FY2021: 11.8 years). Although our property valuation for leaseholds is conservatively based on future cash flows until the next contractual lease renewal date, Safestore has a demonstrable track record of successfully re-gearing leases several years before renewal whilst at the same time achieving concessions from landlords.

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

In Paris, where 41% of stores are leaseholds, our leases typically benefit from the well-enshrined Commercial Lease statute that provides that tenants own the commercial property of the premises and that they are entitled to renew their lease at a rent that is indexed to the Indice des Loyers Commerciaux (Commercial Rental Index) published by the state. Taking into account this context, the valuer values the French leaseholds based on an indefinite property tenure, similar to freeholds but at a significantly higher exit cap rate.

The Group believes there is an opportunity to leverage its highly scalable marketing and operational expertise in new geographies outside the UK and Paris. During 2019, a Joint Venture[14] was established with Carlyle, which acquired the M3 Self Storage business in the Netherlands which had six stores in Amsterdam and Haarlem. In June 2020, the Joint Venture[14] added the Lokabox business, a portfolio of six stores in Brussels (2), Liege (2), Charleroi and Nivelles. In December 2020, the Joint Venture[14] acquired the Opslag XL portfolio adding a further three stores in Amsterdam, The Hague and Hilversum and opened a store in Nijmegen in the Netherlands in January 2022. The Amsterdam store has subsequently been closed as planned following lease expiry. After three years of learning about and understanding these markets, the Group acquired the remaining 80% of equity in the Joint Venture[14] owned by Carlyle in March 2022.

In 2019 the Group entered the Spanish market with the acquisition of OhMyBox. Our Spanish portfolio currently consists of five stores in Barcelona, and two recently opened Madrid stores. We have a further six stores in our development pipeline situated in both Madrid and Barcelona. We consider both of these cities to have attractive characteristics in relation to self storage and intend to continue to seek further expansion opportunities.

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

Safestore excels in the generation of customer enquiries which are received through a variety of channels including the internet, telephone and “walk-ins”. In the early days of the industry, local directories and store visibility were key drivers of enquiries. However, the internet is now by far the dominant channel, accounting for 90% (2021: 89%) of our enquiries in the UK and 85% (2021: 84%) in France. This dynamic is a clear benefit to the leading national operators that possess the budget and the management skills necessary to generate a commanding presence in the major search engines. Safestore has developed and continues to invest in a leading digital marketing platform that has generated 54% enquiry growth over the last five years.

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

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

Customer service standards are high and customer satisfaction feedback is consistently very positive. Safestore invites customers to leave a review on a number of review platforms, including Feefo, Google and Trustpilot. Our ratings for each of these three providers in the UK are between 4.6 and 4.8 out of 5. In France, Une Pièce en Plus uses Trustpilot to obtain independent customer reviews and In HY2022, achieved a “TrustScore” of 4.6 out of 5. In Spain, OMB collects customer feedback via Google reviews and has maintained a score of 4.6 out of 5. The key drivers of sales success are the capacity to generate enquiries in a digital world, the capacity to provide storage locations that are conveniently located close to the customers’ requirements and the ability to maintain a consistently high quality, motivated retail team that is able to secure customer sales at an appropriate storage rate, all of which can be better provided by larger, more efficient organisations.

We remain focused on business as well as domestic customers. Our national network means that we are uniquely placed to further grow the business customer market and in particular National Accounts. Business customers in the UK now constitute 42% of our total space let and have an average length of stay of 26 months. Within our business customer category, our National Accounts business represents around 623,000 sq ft of occupied space (around 13% of the UK's occupancy). Approximately two-thirds of the space occupied by National Accounts customers is outside London, demonstrating the importance and quality of our well invested national estate.

The business now has in excess of c.90,000 business and domestic customers with an average length of stay of 28 months and 22 months respectively.

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

Since the completion of the rebalancing of our capital structure in early 2014, the subsequent amendment and extension of our banking facilities in summer 2015, the refinancing of all facilities in May 2017 and the issuances of a further £125 million of US Private Placement Notes in 2019, £150 million in 2021 and £89 million in 2022, as well as the recent establishment of a new £400 million unsecured multi-currency Revolving Credit Facility, Safestore has secure financing, a strong balance sheet and significant covenant headroom. This provides the Group with financial flexibility and the ability to grow organically and via carefully selected new development or acquisition opportunities.

At 31 October 2022 we had 1.0m sq ft of unoccupied space in the UK, 0.2m sq ft in France and 0.2m in Spain and Benelux, equivalent to c.35 full new stores. Our main focus is on filling the spare capacity in our stores at optimally yield-managed rates. The operational leverage of our business model will ensure that the bulk of the incremental revenue converts to profit given the relatively fixed nature of our cost base.

Trading Performance

UK – an excellent year

UK Operating Performance- total	2022	2021	Change
Revenue (£'m)	163.0	144.1	13.1%
Underlying EBITDA (£'m)[2]	103.6	88.6	16.9%
Underlying EBITDA (after leasehold costs) (£'m)	95.6	80.9	18.2%
Closing Occupancy (let sq ft - million)[3]	4.637	4.690	-1.1%
Maximum Lettable Area (MLA)[4]	5.62	5.49	2.4%
Closing Occupancy (% of MLA)	82.6%	85.4%	-2.8ppts
Average Storage Rate (£)[5]	28.79	25.32	13.7%

UK Operating Performance- like-for-like[8]	2022	2021	Change
Revenue (£'m)	160.2	142.8	12.2%
Underlying EBITDA (£'m)[2]	101.7	87.9	15.7%
Closing Occupancy (let sq ft- million)[3]	4.538	4.648	-2.4%
Closing Occupancy (% of MLA)	83.0%	85.6%	-2.6ppts
Average Occupancy (let sq ft- million)[3]	4.537	4.512	0.6%
Average Storage Rate (£)[5]	28.94	25.40	13.9%

UK statutory metrics	2022	2021	Change
Operating Profit (£'m)	393.1	331.9	18.4%
Profit before Tax (£'m)	378.7	321.4	17.8%

The UK's revenue performance was excellent in the year with the business growing total revenue by 13.1% and like-for-like[8] revenue by 12.2%. Performance was strong in both Regional UK as well as London and the South East where like-for-like[8] revenue was up 13.0% and 11.7% respectively.

The UK's performance was driven by strong rate growth in the year with like-for-like average rates up 13.9% for the year. Rate momentum was strong in the final quarter with like-for-like storage rates up 3.8% compared to the third quarter. Average like-for-like occupancy was up 0.6% over the course of the year.

Like-for-like closing occupancy, at 83.0%, decreased by 2.6ppts compared to the prior year. The addition of extensions in four of the like-for-like stores had the impact of diluting MLA by 0.7ppts. In addition, the volume of like-for-like new lets was up 6% in the year but the average new let unit size was lower than in 2021 resulting in a lower new let sq ft.

Total revenue grew by 13.1% for the full year. This reflected like-for-like growth of 12.2%, the 2021 opening of our Birmingham Middleway and subsequent closure of our Birmingham South store and the 2022 opening of our London Bow store. All acquisitions and new store developments are performing in line with or ahead of their business cases.

We remain focused on our cost base. During the year, our UK cost base, on a like-for-like[8] basis, increased by 6.6% or £3.6 million. Inflationary pressures on utilities, staff costs and insurance contributed to this increase. Our total reported underlying UK cost base grew by £3.9 million or 7.0% reflecting the cost bases relating to newly and recently opened stores.

As a result, Underlying EBITDA[2] for the UK business was £103.6 million (FY2021: £88.6 million), an increase of £15.0 million or 16.9%. Despite the increase in costs, the excellent revenue performance resulted in a 2.1ppt increase in EBITDA margins from 61.5% to 63.6%.

For the two months to December 2022 trading continued to be robust and stable through the period. Like-for-like average rate was up 7.3%, offset by a reduction in closing occupancy which was down 3.6ppts at 78.6% (FY2021: 82.2%). Overall, like-for-like revenue increased by 3.7% and total revenue grew by 4.6%.

Operating profit for the UK business was £393.1 million (FY2021: £331.9 million), an increase of £61.2 million or 18.4%, largely driven by the increase in the gain on investment properties of £35.2 million to £295.7 million (FY2021: £260.5 million). Profit before tax was £378.7 million (FY2021: £321.4 million), an increase of £57.3 million or 17.8%.

Paris – another strong year

Paris Operating Performance- total	2022	2021	Change
Revenue (€'m)	48.8	46.0	6.1%
Underlying EBITDA (€'m)[2]	33.0	31.4	5.1%
Underlying EBITDA (after leasehold costs) (€'m)	27.1	25.7	5.4%
Closing Occupancy (let sq ft - million)[3]	1.112	1.100	1.1%
Maximum Lettable Area (MLA)[4]	1.36	1.36	-
Closing Occupancy (% of MLA)	81.7%	80.7%	+1.0ppts
Average Storage Rate (€)[5]	40.47	38.90	4.0%
Revenue (£'m)	41.4	39.9	3.8%

Paris Operating Performance- like-for-like[8]	2022	2021	Change
Revenue (€'m)	48.37	45.94	5.3%
Underlying EBITDA (€'m)[2]	33.0	31.3	5.4%
Closing Occupancy (let sq ft- million)[3]	1.094	1.097	-0.3%
Closing Occupancy (% of MLA)	83.4%	83.6%	-0.2ppts
Average Occupancy (let sq ft- million)[3]	1.092	1.077	1.4%
Average Storage Rate (€)[5]	40.56	38.90	4.3%

Paris statutory metrics	2022	2021	Change
Operating Profit (£'m)	110.4	78.8	40.1%
Operating Profit (€'m)	130.0	90.7	43.3%
Profit before Tax (£'m)	108.8	77.0	41.3%
Profit before Tax (€'m)	128.2	88.7	44.5%

On a like-for-like[8] basis, the business grew revenue by 5.3% for the full year. This was driven by average occupancy growth of 1.4% for the year and an average rate improvement of 4.3%.

Like-for-like[8] closing occupancy was 83.4%, down 0.2ppts compared to the prior year.

The average Sterling-Euro exchange rate for the year was 1.1778, 2.3% stronger than the prior year (FY2021: 1.1516). As a result, there was a small foreign exchange impact on the translation of Paris revenues which were up 3.8% for the year in Sterling.

After cost reductions in 2021, like-for-like[8] costs grew by 5.5% or €0.8 million compared to the prior year in local currency as a result of increases in employee costs and utilities. As a result, like-for-like[8] underlying EBITDA[2] in Paris grew by €1.7 million and Underlying EBITDA[2] grew by €1.6 million to €33.0 million (FY2021: €31.4 million).

For the two months to December 2022 trading has been robust and improving as the period progressed. Like-for-like closing occupancy was up 2.0ppts at 80.8% (FY2021: 78.8%) and like-for-like average rate was up 1.0%, which resulted in a 2.5% increase in like-for-like revenue.

Operating profit for the Paris business was €130.0 million (FY2021: €90.7 million), an increase of €39.3 million or 43.3%, largely driven by the increase in the gain on investment properties of €28.0 million to €92.5 million (FY 2021: €64.5 million). Profit before tax was €128.2 million (FY2021: €88.7 million), an increase of €39.5 million or 44.5%.

Spain Trading Performance

Spain Operating Performance- total	2022	2021	Change
Revenue (€'m)	3.59	3.29	9.1%
Underlying EBITDA (€'m)[2]	1.8	2.0	(10.0%)
Underlying EBITDA (after leasehold costs) (€'m)	1.3	1.5	(13.3%)
Closing Occupancy (let sq ft - million)[3]	0.095	0.093	2.2%
Maximum Lettable Area (MLA)[4]	0.12	0.11	9.1%
Closing Occupancy (% of MLA)	78.9%	86.0%	-7.1ppts
Average Storage Rate (€)[5]	34.07	32.25	5.6%
Revenue (£'m)	3.0	2.8	7.1%

Spain Operating Performance- like-for-like[8]	2022	2021	Change
Revenue (€'m)	3.57	3.29	8.5%
Underlying EBITDA (€'m)[2]	2.1	2.0	5.0%
Closing Occupancy (let sq ft- million)[3]	0.093	0.093	-
Closing Occupancy (% of MLA)	85.9%	86.0%	-0.1ppts
Average Occupancy (let sq ft- million)[3]	0.094	0.096	-2.1%
Average Storage Rate (€)[5]	34.11	32.25	5.8%

Spain statutory metrics	2022	2021	Change
Operating Profit (£'m)	2.8	6.3	(55.6%)
Operating Profit (€'m)	3.3	7.2	(54.2%)
Profit before Tax (£'m)	2.7	6.2	(56.5%)
Profit before Tax (€'m)	3.2	7.1	(54.9%)

Our Spanish business was acquired in December 2019. The original four stores are, therefore, now considered like-for-like and grew like-for-like revenue by 8.5% in the year to €3.57 million (FY2021: €3.29 million). A deliberate strategy of improving average rate and ancillary revenues has continued to be pursued in the period. Closing occupancy in sq ft was consequently flat compared to 2021 whilst like-for-like average rate in the year grew by 5.8% to €34.11 (FY2021: €32.25) with ancillary revenues improving strongly.

Like-for-like Underlying EBITDA grew by 5.0% in the period after investment in additional Head Office resource dedicated to growing the development pipeline.

The Spanish business opened an additional store in Barcelona in the period. As a result, total revenue increased by 9.1%.

For the two months to December 2022 trading continued to be robust and stable through the period. Like-for-like occupancy was down 3.0ppts at 81.8% (FY2021: 84.8%) but like-for-like average rate was up 7.6%, which, combined with strong ancillary revenues, resulted in a 7.4% increase in like-for-like revenue. Total revenue was up 11.5% for the period.

Operating profit for the Spanish business was €3.3 million (FY2021: €7.2 million). 2021 included an increase in the gain on investment properties of €5.3 million, against an increase in 2022 of €2.0 million. Accordingly, profit before tax was €3.2 million (FY2021: €7.1 million).

Benelux Trading Performance

Our Netherlands and Belgium businesses were acquired on 30 March 2022 and, therefore, contributed seven months' revenue (€5.9 million) in the period.

The Benelux businesses grew revenue by 5.3% compared to the third quarter of 2022 and the businesses ended the period with a combined closing occupancy of 78.8%.

The business was originally established in 2019 with the acquisition of six stores and it has been subsequently developed into a 15-store portfolio with a pipeline of five additional stores.

Frederic Vecchioli
16 January 2023

Financial Review

EPS[1] has grown by 344% over the last nine years

Underlying income statement

The table below sets out the Group's underlying results of operations for the year ended 31 October 2022 and the year ended 31 October 2021. To calculate the underlying performance metrics, adjustments are made for the impact of exceptional items, share-based payments, corporate transaction costs, change in fair value of derivatives, gain or loss on investment properties and the associated tax impacts, as well as exceptional tax items and deferred tax. Management considers this presentation of earnings to be representative of the underlying performance of the business, as it removes the income statement impact of items not fully controllable by management, such as the revaluation of derivatives and investment properties, and the impact of exceptional credits, costs and finance charges.

	2022	**2021**	**Mvmt**
	£'m	**£'m**	**%**
Revenue	212.5	186.8	*13.8%*
Underlying costs	(77.5)	(69.3)	*11.8%*
Share of associate's Underlying EBITDA	0.1	0.5	*(80.0%)*
Underlying EBITDA	**135.1**	**118.0**	***14.5%***
Leasehold costs	(13.6)	(13.0)	*4.6%*
Underlying EBITDA after leasehold costs	**121.5**	**105.0**	***15.7%***
Depreciation	(1.0)	(1.0)	*0.0%*
Finance charges	(10.9)	(9.5)	*14.7%*
Share of associate's finance charges	(0.4)	(0.5)	*(20.0%)*
Underlying profit before tax	**109.2**	**94.0**	***16.2%***
Current tax	(5.2)	(5.5)	*(5.5%)*
Adjusted EPRA earnings	**104.0**	**88.5**	***17.5%***
Share-based payments charge	(11.2)	(18.3)	*(38.8%)*
EPRA basic earnings	**92.8**	**70.2**	***32.2%***
Average shares in issue (m)	210.9	210.8	
Diluted shares (for ADE EPS) (m)	218.9	218.3	
Adjusted Diluted EPRA EPS[1] (pro forma) (p)	**47.5**	**40.5**	***17.3%***

Note:

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

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

	2022 £'m	2021 £'m
Statutory profit before tax	498.8	404.6
Adjusted for:		
- Gain on investment properties and investment property under construction	(389.9)	(328.5)
- Change in fair value of derivatives	0.3	(2.9)
- Net exchange loss	-	0.6
- Share-based payments	11.2	18.3
- Exceptional items and other exceptional gains	(10.7)	1.9
- Exceptional finance income	(0.5)	-
Underlying profit before tax	109.2	94.0

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

Underlying EBITDA increased by 14.5% to £135.1 million (FY2021: £118.0 million), reflecting a 13.8% increase in revenue and a 11.8% increase to the underlying cost base. This performance reflects the strong growth in average rate of 8.5% to £29.25 in 2022 from £26.95 in 2021 offset by a slight reduction in occupancy of 2.4ppts to 82.1% in 2022 from 84.5% in 2021, whilst maintaining control over costs.

Leasehold costs increased by 4.6% from £13.0 million to £13.6 million, principally due to reflecting the impact of rent reviews across the portfolio in addition to the Netherlands leaseholds now forming part of the Group.

Underlying finance charges increased by 14.7% from £9.5 million to £10.9 million. This principally reflects interest charges which increased from £9.7 million in 2021 to £11.9 million in 2022 driven by higher USPP borrowing to fund the Group's acquisition and development activity, offset by the gains made on financial instruments of £1.3 million in 2022 (FY2021: £0.5 million).

As a result, we achieved a 16.2% increase in underlying profit before tax of £109.2 million (FY2021: £94.0 million). The main contributing factor in the increase in statutory profit before tax in the year is the £61.4 million increase in the gain on investment and development property, primarily due to the stronger underlying performance of the stores, as mentioned above, as well as a reduction in the share-based payment charge by £7.1 million to £11.2 million (FY2021: £18.3 million).

Included within statutory profit before tax are other exceptional gains of £10.7 million. £5.5 million relates to the valuation gain of Safestore's 20% investment in the Joint Venture formed in 2019 with Carlyle that arose on acquisition of the remaining 80%, with £5.1 million relating to the profit on the sale of the Nanterre land in Paris in November 2021. The exceptional finance income relates to the profit made on the termination of interest rate swaps associated with the Joint Venture.

Given the Group's REIT status in the UK, tax is normally only payable in France, Spain, the Netherlands and Belgium. The underlying tax charge for the year was £5.2 million (FY2021: £5.5 million), calculated by applying the effective underlying tax rate of 20.9% to the respective underlying profits earned by the non-UK businesses.

As explained in note 2 to the financial statements, management considers that the most representative Earnings per Share ("EPS") measure is Adjusted Diluted EPRA EPS which has increased by 17.3% to 47.5 pence (FY2021: 40.5 pence).

Reconciliation of Underlying EBITDA

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

	2022 £'m	2021 £'m
Statutory Operating profit	514.5	417.0
Adjusted for:		
- Gain on investment properties	(381.6)	(321.1)
- Share of associate's Underlying EBITDA	0.4	0.5
- Depreciation	1.0	1.0
- Variable lease payments	0.3	0.4
- Share-based payments	11.2	18.3
Exceptional items:		
- Costs incurred relating to corporate restructuring and exceptional taxation costs	0.1	1.9
Other exceptional gains:		
- Profit on sale of land	(5.1)	-
- Profit on disposal of investment property	(0.2)	-
- Valuation gain on associate buy-out	(5.5)	-
Underlying EBITDA	135.1	118.0

The main reconciling items between statutory operating profit and Underlying EBITDA are the gain on investment properties as well as adjustments for depreciation, variable lease payments, share-based payment charges, exceptional gains and the share of associate's Underlying EBITDA. The gain on investment properties was £381.6 million, as compared to £321.1 million in 2021 primarily due to the stronger underlying performance of the stores. The Group's approach to the valuation of its investment property portfolio at 31 October 2022 is discussed below.

Underlying profit by geographical region

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

	2022					2021			
	UK	Paris	Spain	Benelux	Total (CER)	UK	Paris	Spain	Total (CER)
	£'m	€'m	€'m	€'m	£'m	£'m	€'m	€'m	£'m
Revenue	163.0	48.8	3.6	5.9	213.5	144.1	46.0	3.3	186.8
Underlying cost of sales	(48.2)	(12.2)	(1.2)	(2.5)	(61.9)	(45.2)	(11.2)	(0.7)	(55.5)
Store EBITDA	114.8	36.6	2.4	3.4	151.6	98.9	34.8	2.6	131.3
Store EBITDA margin	*70.4%*	*75.0%*	*66.7%*	*57.6%*	*71.0%*	*68.6%*	*75.7%*	*78.8%*	*70.3%*
LFL Store EBITDA margin	*70.5%*	*75.6%*	*75.0%*	*n/a*	*71.6%*	*68.8%*	*75.8%*	*78.8%*	*70.5%*
Underlying administrative expenses	(11.2)	(3.6)	(0.6)	(1.2)	(15.9)	(10.3)	(3.4)	(0.6)	(13.8)
Underlying EBITDA	103.6	33.0	1.8	2.2	135.7	88.6	31.4	2.0	117.5
EBITDA margin	*63.6%*	*67.6%*	*50.0%*	*37.3%*	*63.6%*	*61.5%*	*68.3%*	*60.6%*	*62.9%*
LFL EBITDA margin	*63.5%*	*68.2%*	*58.3%*	*n/a*	*64.4%*	*61.6%*	*68.2%*	*60.6%*	*63.1%*
Leasehold costs	(8.0)	(5.9)	(0.5)	(0.1)	(13.7)	(7.7)	(5.7)	(0.5)	(13.0)
Underlying EBITDA after leasehold costs	95.6	27.1	1.3	2.1	122.0	80.9	25.7	1.5	104.5
EBITDA after leasehold costs margin	*58.7%*	*55.5%*	*36.1%*	*35.6%*	*57.1%*	*56.1%*	*55.9%*	*45.5%*	*55.9%*

	UK	Paris	Spain	Benelux	Total	UK	Paris	Spain	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Underlying EBITDA after leasehold costs (CER)	95.6	23.4	1.2	1.8	122.0	80.9	22.3	1.3	104.5
Adjustment to actual exchange rate	-	(0.5)	(0.1)	-	(0.6)	-	-	-	-
Reported Underlying EBITDA after leasehold costs	95.6	22.9	1.1	1.8	121.4	80.9	22.3	1.3	104.5

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

Underlying EBITDA in the UK increased by £15.0 million, or 16.9%, to £103.6 million (FY2021: £88.6 million), underpinned by a 13.1% or £18.9 million increase in revenue, which was driven by an increase in average occupancy levels and rate improvements in the like-for-like portfolio as well as the impact of the 2021 store opening in Birmingham Middleway (offset by the closure of Birmingham Digbeth), the December 2021 acquisition of Christchurch, and the December 2021 opening of our London Bow store. Underlying UK EBITDA after leasehold costs increased by 18.2% to £95.6 million (FY2021: £80.9 million).

In Paris, Underlying EBITDA increased by €1.6 million, or 5.1%, to €33.0 million (FY2021: €31.4 million), primarily driven by a €2.8 million increase in revenue. Underlying EBITDA after leasehold costs in Paris increased by 5.4% to €27.1 million (FY2021: €25.7 million).

In Spain, Underlying EBITDA decreased slightly by €0.2 million, from €2.0 million in 2021 to €1.8 million in 2022. This directly translated into a decrease in Underlying EBITDA after leasehold costs from €1.5 million in 2021 to €1.3 million in 2022.

Our Netherlands and Belgium businesses were acquired on 30 March 2022 and, therefore, contributed seven months' revenue (€5.9 million) in the period.

The combined results of the UK, Paris, Spain and Benelux delivered a 16.3% increase in Underlying EBITDA after leasehold costs at constant exchange rates at Group level. Adjusting for an unfavourable exchange impact of £0.6 million, the combined results of the UK, Paris and Spain reported an Underlying EBITDA after leasehold costs increase of 16.2% or £16.9 million to £121.4 million (FY2021: £104.5 million).

Revenue

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

The split of the Group's revenues by geographical segment is set out below for 2022 and 2021.

		2022	% of total	2021	% of total	% change
UK	£'m	163.0	76%	144.1	77%	13.1%
Paris						
Local currency	€'m	48.8		46.0		6.1%
Paris in Sterling	£'m	41.4	19%	39.9	21%	3.8%
Spain						
Local currency	€'m	3.6		3.3		9.1%
Spain in Sterling	£'m	3.0	2%	2.8	2%	7.1%
Benelux						
Local currency	€'m	5.9		-	-	-
Benelux in Sterling	£'m	5.1	3%	-	-	-
Average exchange rate		1.178		1.152		(2.3%)
Total revenue	£'m	212.5	100%	186.8	100%	13.8%

The Group's revenue increased by 13.8% or £25.7 million in the year. The Group's occupied space was 434,000 sq ft higher at 31 October 2022 (6.317 million sq ft) than at 31 October 2021 (5.883 million sq ft), and the average storage rate per sq ft for the Group was, at £29.25, 8.5% higher than in 2021 (£26.95).

Adjusting the Group's revenue to a like-for-like basis (adjusting for the Benelux acquisition in 2022, adjusting the UK for the 2021 opening of our Birmingham Middleway store and the sale of Birmingham Digbeth, the December 2021 acquisition of Christchurch, and the December 2021 opening of our London Bow store, and in Paris for the opening of our Magenta store), revenue has increased by 10.1%. There was minimal exchange rate movement in the year so Group like-for-like revenue at constant exchange rates has increased by 10.7%.

In the UK, revenue grew by £18.9 million or 13.1%, and on a like-for-like basis it increased by 12.2%. Occupancy was 53,000 sq ft lower at 31 October 2022 than at 31 October 2021, at 4.637 million sq ft (FY2021: 4.690 million sq ft). The average storage rate for the year grew 13.7%, from £25.32 in 2021 to £28.79 in 2022. On a like-for-like basis, the average storage rate in the UK also increased by 13.9% to £28.94 (FY2021: £25.40).

In Paris, revenue grew by €2.8 million or 6.1% and on a like-for-like basis it increased by 5.3% to €48.37 million (FY2021: €45.94 million). This was driven by an increase in the average storage rate of 4.0% to €40.47 for the year (FY2021: €38.90), and an increase in average occupancy growth of 2.3%, with closing occupancy growing to 1.112 million sq ft (FY2021: 1.100 million sq ft).

For Spain, revenue was €3.6 million, reflecting the growth in average rate of 5.6% to €34.07 (FY2021: €32.25), with a closing occupancy of 0.095 million sq ft (78.9%).

Our Netherlands and Belgium businesses, acquired on 30 March 2022 from the buyout of the remaining 80% of the equity owned by Carlyle in the Joint Venture formed in 2019, contributed seven months' revenue, €5.9 million in the period. Collectively, the businesses saw 6,000 sq ft of occupancy inflows in the fourth quarter and our Netherlands and Belgium businesses ended the period with a closing occupancy of 78.8%. The average rate for the seven-month period was €19.18 and €18.79 for the Netherlands and Belgium respectively.

Analysis of cost base

Cost of sales

The table below details the key movements in cost of sales between 2021 and 2022.

Cost of sales	**2022 £'m**	**2021 £'m**
Statutory cost of sales	(63.0)	(56.9)
Adjusted for:		
Depreciation	1.0	1.0
Variable lease payments	0.3	0.4
Underlying cost of sales	(61.7)	(55.5)
Underlying cost of sales for FY2021		(55.5)
New developments cost of sales		0.7
Underlying cost of sales for FY2021 (Like-for-like)		(54.8)
Volume related cost of sales		(1.0)
Employee remuneration, recruitment and training		(0.2)
Facilities and rates		(2.0)
Enquiry generation		(0.3)
Underlying cost of sales for FY2022 (Like-for-like; CER)		(58.3)
New developments cost of sales		(3.6)
Underlying cost of sales for FY2022 (CER)		(61.9)
Foreign exchange		0.2
Underlying cost of sales for FY2022		(61.7)

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

Underlying cost of sales increased by £6.2 million in the year, from £55.5 million in 2021 to £61.7 million in 2022. On a like-for-like basis and at constant exchange rates, cost of sales increased by £3.5 million or 6.4%, with a £2.0 million increase in facilities and business rates due to business rates reviews, and increases in utilities and store maintenance charges as well as a £1.0 million increase in volume related costs of sales attributed to the stronger store performance. The investment in marketing during the year represented 3.6% of revenue (FY2021: 3.7%).

Administrative expenses

The table below reconciles reported administrative expenses to underlying administrative expenses and details the key movements in underlying administrative expenses between 2021 and 2022.

Administrative expenses	2022 £'m	2021 £'m
Statutory administrative expenses	(27.1)	(34.0)
Adjusted for:		
Share-based payments	11.2	18.3
Exceptional items	0.1	1.9
Underlying administrative expenses	(15.8)	(13.8)
Underlying administrative expenses for FY2021		(13.8)
New developments administration costs		0.1
Underlying administrative expenses for FY2021 (Like-for-like)		(13.7)
Employee remuneration		(0.7)
Other employee related costs		(0.4)
Underlying administrative expenses for FY2022 (Like-for-like; CER)		(14.8)
New developments administration costs		(1.1)
Underlying administrative expenses for FY2022 (CER)		(15.9)
Foreign exchange		0.1
Underlying administrative expenses for FY2022		(15.8)

In order to arrive at underlying administrative expenses, adjustments are made to remove the impact of exceptional items, share-based payments and other non-underlying items. The decrease in share-based payments relates to the prior year recognising full performance of the Earnings per Share criteria of the 5 year scheme, which was measured over a 5 year period from 1 November 2016 to 31 October 2021. As the performance period completed in 2021, measurement of this performance criteria and the associated National Insurance charge was able to be measured accurately and in full. The current year charge reflects the charge associated with the remaining schemes.

Underlying administrative expenses increased by £2.0 million in the year, from £13.8 million in 2021 to £15.8 million in 2022. Like-for-like administrative expenses at constant exchange rates grew by 8.0% to £14.8 million. This is the result of year-on-year increases in employee remuneration and other employee related costs, which are associated with the strong business performance.

Therefore, total underlying costs (cost of sales plus administrative expenses) on a like-for-like basis and at constant exchange rates have increased by £4.6 million to £73.1 million (FY2021: £68.5 million).

Exceptional items and other exceptional gains

Included within exceptional items and other exceptional gains of £10.7 million are £5.5 million relating to the valuation gain of Safestore’s 20% investment in the Joint Venture and £5.1 million relating to the profit on the sale of the Nanterre land in Paris in November 2021.

In France, the basis on which property taxes have been assessed has been challenged by the tax authority for financial years 2011 onwards. In March 2021 the French Court of Appeal delivered a judgement, which resulted in a partial success for the Group; however, a further appeal has been lodged with the French Supreme Court against those decisions on which the Group was unsuccessful. A provision is included in the consolidated financial accounts of £2.4 million at 31 October 2022 (31 October 2021: £2.1 million), to reflect the increased uncertainty surrounding the likelihood of a successful outcome. Of the total provided, £0.3 million has been charged in relation to the year ended 31 October 2022 within cost of sales (Underlying EBITDA) (31 October 2021: £0.2 million within cost of sales (underlying EBITDA) and £1.9 million recorded as an exceptional charge in respect of financial years 2012 to 2020).

It is possible that the French tax authority may appeal the decisions of the French Court of Appeal on which the Group was successful to the French Supreme Court. The maximum potential exposure in relation to these issues at 31 October 2022 is £3.0 million (31 October 2021: £2.7 million). No provision for any further potential exposure has been recorded in the consolidated financial statements since the Group believes it is more likely than not that a successful outcome will be achieved, resulting in no additional liabilities.

Gain on investment properties

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

	2022	**2021**
	£'m	**£'m**
Revaluation of investment properties	394.1	329.0
Revaluation of investment properties under construction	(4.2)	(0.5)
Fair value re-measurement of lease liabilities add-back	(8.3)	(7.4)
Statutory gain on investment properties	381.6	321.1

In the current financial year, the UK business contributed £299.8 million to the positive valuation movement, the Paris business contributed £82.3 million, Spain contributing £1.6 million, with the remaining £6.2 million in Benelux. The gain on investment properties principally reflects the continuing progress in the performance of the businesses, which has driven further positive changes in the cash flow metrics that are used to assess the value of the store portfolio which are predominantly based on trading potential, underpinned by average rate, which has increased by 8.5% to £29.25 in 2022 from £26.95 in 2021, capitalisation rates and stabilised occupancy.

Operating profit

Operating profit increased by £97.5 million from £417.0 million in 2021 to £514.5 million in 2022, comprising a £17.1 million increase in Underlying EBITDA, a £61.4 million higher investment properties and investment properties under construction gain primarily due to significant improvement in store performance and a reduction in the share-based payments charge of £7.1 million as well as other exceptional gains and exceptional items of £10.7 million, of which £5.5 million relates to the valuation gain of Safestore’s 20% investment in the Joint Venture formed in 2019 with Carlyle that arose on acquisition of the remaining 80%, with £5.1 million relating to the profit on the sale of the Nanterre land in Paris in November 2021.

Net finance costs

Net finance costs include interest payable, interest on lease liabilities, fair value movements on derivatives, exchange gains or losses, unwinding of discounts and exceptional refinancing costs. Net finance costs increased by £3.3 million in 2022 to £15.7 million from £12.4 million in 2021, principally due to the increased interest charges associated with the USPP's to fund the Group's acquisition and development activity, offset by the gains made on financial instruments.

	2022	**2021**
	£'m	**£'m**
Net bank interest payable	(11.9)	(9.7)
Amortisation of debt issuance costs on bank loans	(0.5)	(0.4)
Interest from loan to associates	0.1	0.1
Financial instruments income	1.3	0.5
Other interest received	0.1	-
Underlying finance charges	(10.9)	(9.5)
Interest on lease liabilities	(5.0)	(5.2)
Fair value movement on derivatives	(0.3)	2.9
Net exchange losses	-	(0.6)
Exceptional finance income	0.5	-
Net finance costs	(15.7)	(12.4)

Underlying finance charge

The underlying finance charge (net bank interest payable reflecting term loan, swap and USPP interest costs) increased by £1.4 million to £10.9 million, principally reflecting the increased interest charge associated with the Group's additional borrowings in the year, drawn to fund the Group's acquisition and development activity. The underlying finance charge represents the finance expense before exceptional items and changes in fair value of derivatives, amortisation of debt issuance costs and interest on lease liabilities and is disclosed because management reviews and monitors performance of the business on this basis.

Financial instruments income in the year of £1.3 million (FY2021: £0.5 million) related to the gains made on the expiration of average rate forwards which matured in April 2022 and October 2022.

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

	Facility £/€'m	Drawn £'m	Hedged £'m	Hedged %	Bank Margin %	Hedged Rate %	Floating Rate %	Total Rate %
UK Revolver	£250.0	£76.0	£55.0	72%	1.25%	0.69%	2.19%	2.35%
UK Revolver- non-utilisation	£174.0	-	-	-	0.50%	-	-	0.50%
Euro Revolver	€70.0	£25.8	-	-	1.25%	-	1.38%	2.63%
Euro Revolver- non-utilisation	€40.0	-	-	-	0.50%	-	-	0.50%
US Private Placement 2024	€50.9	£43.8	£43.8	100%	1.59%	-	-	1.59%
US Private Placement 2026	€70.0	£60.2	£60.2	100%	1.26%	-	-	1.26%
US Private Placement 2026	£35.0	£35.0	£35.0	100%	2.59%	-	-	2.59%
US Private Placement 2027	€74.1	£63.7	£63.7	100%	2.00%	-	-	2.00%
US Private Placement 2028	£20.0	£20.0	£20.0	100%	1.96%	-	-	1.96%
US Private Placement 2028	€29.0	£24.9	£24.9	100%	0.93%	-	-	0.93%
US Private Placement 2029	£50.5	£50.5	£50.5	100%	2.92%	-	-	2.92%
US Private Placement 2029	£30.0	£30.0	£30.0	100%	2.69%	-	-	2.69%
US Private Placement 2029	€105.0	£90.3	£90.3	100%	2.45%	-	-	2.45%
US Private Placement 2031	£80.0	£80.0	£80.0	100%	2.39%	-	-	2.39%
US Private Placement 2033	€29.0	£24.9	£24.9	100%	1.42%	-	-	1.42%
Unamortised finance costs	-	(£1.3)	-	-	-	-	-	-
Total	£833.5	£623.8	£578.3	93%				2.41%

As at 31 October 2022, £76.0 million of the £250.0 million UK Revolver and €30.0 million (£25.8 million) of the €70.0 million Euro Revolver were drawn. The drawn amounts attract a bank margin of 1.25%, and the Group pays a non-utilisation fee of 0.50% on the undrawn balances of £174.0 million and €40.0 million.

The Group has £55.0 million of interest rate swaps in place to June 2023, swapping SONIA at a weighted average effective rate of 0.69%. These interest rate swaps are in place to hedge the UK Revolver floating SONIA rate.

On 21 April 2022, Safestore extended its borrowing facilities with the issuance of €105.0 million denominated US Private Placement (“USPP”) Notes with the following coupon and tenor:

- €105.0 million seven-year notes at a coupon of 2.45% (credit spread of 120 bps)

The funds were received in April 2022 and were used to pay down Revolving Credit Facilities (“RCF”) utilised to acquire the remaining 80% owned by Carlyle in the Joint Venture formed in 2019. The Joint Venture was set up in 2019 to acquire and develop assets in the Netherlands and Belgium in order to leverage Safestore’s operating platform outside our core markets. Since then, the Joint Venture has grown to a portfolio of 600,000 sq ft of MLA which is currently 78.8% occupied.

The 2024, 2026, 2027, 2028, 2029 and 2033 US Private Placement Notes are denominated in Euros and attract fixed interest rates of 1.59% (on €50.9 million), 1.26% (on €70.0 million), 2.00% (on €74.1 million), 0.93% (on €29.0 million), 2.45% (on €105.0 million) and 1.42% (on €29.0 million) respectively. The Euro denominated borrowings provide a natural hedge against the Group’s investment in the Paris and Spain businesses.

The 2026 (£35.0 million), 2028 (£20.0 million), 2029 (£50.5 million), 2029 (£30.0 million) and 2031 (£80.0 million) US Private Placement Notes are denominated in Sterling and attract a fixed interest rate of 2.59%, 1.96%, 2.92%, 2.69% and 2.39% respectively.

As a result of the hedging arrangements and fixed interest loan notes, effectively 93% of the Group’s drawn debt is at fixed rates of interest. Overall, the Group has an effective interest rate on its borrowings of 2.41% as at 31 October 2022, consistent with 2.36% at the previous year end.

On 11 November 2022, the Group completed the refinancing of its RCF which were due to expire in June 2023.

The previous £250.0 million Sterling and €70.0 million Euro RCF's have been replaced with a single multi-currency £400 million facility. In addition, a further £100 million uncommitted accordion facility is incorporated in the facility agreement. The facility is for a four-year term with two one-year extension options exercisable after the first and second years of the agreement.

The Group will pay interest at a margin of 1.25% plus SONIA or Euribor depending on whether the borrowings are drawn in Sterling or Euros. The margin is at the same level as the previous facility agreements.

Non-underlying finance charge

Interest on lease liabilities was £5.0 million (FY2021: £5.2 million) and reflects part of the leasehold rent costs. The balance of the leasehold payment is charged through the gain or loss on investment properties line and variable lease payments in the income statement. Overall, the leasehold rent costs charge increased from £13.0 million in 2021 to £13.6 million in 2022, principally reflecting the increase rent costs across the portfolio in addition to the Netherlands leaseholds now forming part of the Group.

A net loss of £0.3 million was recognised on fair valuation of derivatives (FY2021: net gain of £2.9 million). The prior year gain was primarily driven by the movement in the unexpired interest rate swaps year on year due to future market expectations around rising inflation and interest rates.

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

Tax

The tax charge for the year is analysed below:

Tax charge	**2022** £'m	**2021** £'m
Underlying current tax	(5.2)	(5.5)
Current year - exceptional	(0.9)	-
Current tax charge	(6.1)	(5.5)
Tax on investment properties movement	(29.9)	(17.8)
Tax on revaluation of interest rate swaps	-	(0.1)
Other	0.1	0.8
Deferred tax charge	(29.8)	(17.1)
Net tax charge	(35.9)	(22.6)

The net income tax charge for the year is £35.9 million (FY2021: £22.6 million), which relates solely to the Group's non-UK European businesses. In the UK, the Group is a REIT and benefits from a zero rate of tax on its qualifying earnings. The underlying current tax charge relating to the European businesses amounted to £5.2 million (FY2021: £5.5 million), calculated by applying the effective overall underlying tax rate of 20.9% to the underlying profits arising earned by the non-UK businesses.

The deferred tax charge relating to Paris, Spain and Benelux was £29.8 million (FY2021: Paris and Spain £17.1 million charge).

In 2022, an exceptional current year tax charge of £0.9 million arose on the disposal of the Nanterre land.

All deferred tax movements are non-underlying. The deferred tax impact of the revaluation gain on investment properties was a charge of £29.9 million (FY2021: £17.8 million charge).

Earnings per Share

As a result of the movements explained above, profit after tax for 2022 was £462.9 million as compared with £382.0 million in 2021. Basic EPS was 219.5 pence (FY2021: 181.2 pence) and diluted EPS was 212.4 pence (FY2021: 176.4 pence).

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

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

The Group has exposure to the movement in the Euro/Sterling exchange rate. Based on the FY2022 results, for every 10 cents variance to the average exchange rate of 1.178, there would be an impact of £1.5 million to Adjusted EPRA Earnings.

Adjusted Diluted EPRA EPS for the year was 47.5 pence (FY2021: 40.5 pence), calculated on a pro forma basis, as if the dilutive LTIP shares were in issue throughout both the current and prior years, as follows:

		2022			**2021**	
	Earnings £'m	**Shares million**	**Pence per share**	**Earnings £'m**	**Shares million**	**Pence per share**
Basic earnings	462.9	210.9	219.5	382.0	210.8	181.2
Adjustments:						
Gain on investment properties	(381.6)	-	(180.9)	(321.1)	-	(152.3)
Exceptional items	0.1	-	-	1.9	-	0.9
Other exceptional gains	(10.8)	-	(5.1)	-	-	-
Exceptional finance income	(0.5)	-	(0.2)	-	-	-
Net exchange loss	-	-	-	0.6	-	0.3
Change in fair value of derivatives	0.3	-	0.1	(2.9)	-	(1.4)
Tax on adjustments/exceptional tax	29.7	-	14.1	16.2	-	7.7
Adjusted	**100.1**	**210.9**	**47.5**	**76.7**	**210.8**	**36.4**
EPRA adjusted:						
Fair value re-measurement of lease liabilities add-back	(8.3)	-	(3.9)	(7.4)	-	(3.5)
Tax on lease liabilities add-back adjustment	1.0	-	0.5	0.9	-	0.4
EPRA basic EPS	92.8	210.9	44.1	70.2	210.8	33.3
Share-based payments charge	11.2	-	5.3	18.3	-	8.7
Dilutive shares	-	8.0	(1.9)	-	7.5	(1.5)
Adjusted Diluted EPRA EPS	104.0	218.9	47.5	88.5	218.3	40.5

Dividends

The Directors are recommending a final dividend of 20.4 pence (FY2021: 17.6 pence) which Shareholders will be asked to approve at the Company's Annual General Meeting on 15 March 2023. If approved by Shareholders, the final dividend will be payable on 7 April 2023 to Shareholders on the register at close of business on 3 March 2023.

Reflective of the Group's improved performance, the Group's full year dividend of 29.8 pence is 18.7% up on the prior year dividend of 25.1 pence. The Property Income Distribution ("PID") element of the full year dividend is 22.75 pence (FY2021: 25.1 pence).

Property valuation and Net Asset Value ("NAV")

Cushman & Wakefield Debenham Tie Leung Limited LLP ("C&W") has valued the Group's property portfolio. As at 31 October 2022, the total value of the Group's property portfolio was £2,457.8 million (excluding investment properties under construction of £94.5 million and net of lease liabilities of £95.1 million). This represents an increase of £576.0 million compared with the £1,881.8 million valuation as at 31 October 2021. A reconciliation of the movement is set out below:

	UK £'m	**Paris £'m**	**Spain £'m**	**Benelux £'m**	**Total £'m**	Paris €'m	Spain €'m	Benelux €'m
Value as at 1 November 2021	1,416.2	440.4	25.2	-	1,881.8	521.6	29.8	-
Currency translation movement	-	9.1	0.4	2.1	11.6	-	-	-
Additions	19.7	6.3	0.1	5.7	31.8	7.4	0.1	6.8
On acquisition of subsidiary	2.6	-	-	125.6	128.2	-	-	148.4
Disposals	(6.2)	-	-	-	(6.2)	-	-	-
Reclassifications	16.5	-	-	-	16.5	-	-	-
Revaluation	308.0	82.3	1.6	2.2	394.1	96.9	2.0	2.5
Value at 31 October 2022	1,756.8	538.1	27.3	135.6	2,457.8	625.9	31.9	157.7

As described in note 13 of the financial statements, the valuation is based on a discounted cash flow of the net operating income over a ten-year period and a notional sale of the asset at the end of the tenth year. Accordingly, the gain on investment properties principally reflects the continuing progress in the performance of the business and the strong underlying trading of the store, underpinned by average rate which has increased by 8.5% to £29.25 in 2022 from £26.95 in 2021 with a slight reduction in occupancy, which is down 2.4ppts to 82.1% in 2022 from 84.5% in 2021, capitalisation rates and stabilised occupancy, as explained further below.

The exchange rate at 31 October 2022 was €1.16:£1 compared with €1.18:£1 at 31 October 2021. This movement in the foreign exchange rate has resulted in a £11.6 million favourable currency translation movement in the year. This has slightly improved the Group Net Asset Value ("NAV") but had no impact on the loan-to-value ("LTV") covenant as the assets in Paris are tested in Euros.

The Group's property portfolio valuation excluding investment properties under construction has increased by £576.0 million from the valuation of £1,881.8 million at 31 October 2021. This reflects the gain on valuation of £394.1 million, which is explained above, plus £128.2 million relating to the acquisition of the remaining 80% in the Joint Venture and the UK Christchurch store as well as £42.1 million relating to additions, store refurbishments, reclassifications and disposals together with £11.6 million of favourable foreign exchange movements on the translation of the European portfolios.

The value of the UK investment property portfolio including investment properties under construction has increased by £340.7 million (comprising £324.1 million in investment properties and £16.6 million in investment properties under construction) compared with 31 October 2021. This includes a £299.8 million valuation gain, £44.5 million of capital additions, £2.6 million of acquisitions, offset by £6.2 million of disposals.

In Paris, the value of the property portfolio including investment properties under construction increased by €104.3 million, of which €96.9 million was valuation gain and capital additions were €7.4 million. The net increase in investment properties when translated into Sterling amounted to £97.7 million, reflecting the foreign exchange impact described above.

In Spain, the value of the property portfolio including investment properties under construction increased by €26.9 million, of which €2.0 million was valuation gain and capital additions were €24.9 million. The net increase in investment properties including investment properties under construction when translated into Sterling amounted to £23.6 million, reflecting the foreign exchange impact described above.

In Benelux, the value of the property portfolio including investment properties under construction was £141.1 million.

Our pipeline of future development opportunities remains strong and gives us further confidence in our future growth plans, comprising eleven stores or store extensions in the UK, seven in France, six in Spain and five in Benelux.

The Group's freehold exit yield for the valuation at 31 October 2022 reduced to 5.66%, from 6.03% at 31 October 2021, and the weighted average annual discount rate for the whole portfolio has reduced from 8.72% at 31 October 2021 to 8.49% at 31 October 2022.

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

EPRA's Best Practices Recommendations guidelines for Net Asset Value ("NAV") metrics are EPRA Net Tangible Assets ("NTA"), EPRA Net Reinstatement Value ("NRV") and EPRA Net Disposal Value ("NDV"). Safestore considers EPRA NTA to be most consistent with the nature of the Group's business.

The EPRA Basic NTA per Share, as reconciled to IFRS net assets per share in note 15 of the financial statements, was 908 pence (FY2021: 697 pence) at 31 October 2022, up 30.3% since 31 October 2021, and the IFRS reported diluted NAV per share was 820 pence (FY2021: 635 pence), reflecting a £418.5 million increase in reported net assets during the year.

Gearing and capital structure

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

Net debt (including lease liabilities and cash) stood at £698.3 million at 31 October 2022, an increase of £174.5 million from the 2021 position of £523.8 million, reflecting funding for the continued expansion of the Group portfolio. Total capital (net debt plus equity) increased from £1,898.7 million at 31 October 2021 to £2,491.7 million at 31 October 2022. The net impact is that the gearing ratio has increased from 27.6% to 28.0% in the year.

Management also measures gearing with reference to its loan-to-value ("LTV") ratio defined as gross debt (excluding lease liabilities) as a proportion of the valuation of investment properties and investment properties under construction (excluding lease liabilities). At 31 October 2022 the Group LTV ratio was 24.4% as compared to 24.9% at 31 October 2021. It should be noted, under the new facility, signed 11 November 2022, LTV is to be calculated against net debt which equates to an LTV of 23.6%. The Board considers the current level of gearing is appropriate for the business to enable the Group to increase returns on equity, maintain financial flexibility and achieve our medium term strategic objectives.

Borrowings at 31 October 2022

As at 31 October 2022, £76.0 million of the £250.0 million UK Revolver and €30.0 million (£25.8 million) of the €70.0 million Euro Revolver were drawn. Including the US Private Placement debt of €358.0 million (£307.8 million) and £215.5 million, the Group's borrowings totalled £623.8 million (after adjustment for unamortised finance costs).

As at 31 October 2022, the weighted average remaining term for the Group's available borrowing facilities is 4.0 years (FY2021: 4.6 years). If we take into consideration the new financing completed on 11 November 2022, with a four-year term to November 2026, the weighted average remaining term for the Group's available borrowing facilities is 5.1 years.

Borrowings under the existing loan facilities are subject to certain financial covenants. The UK bank facilities and the US Private Placement share interest cover and LTV covenants. The interest cover requirement of EBITDA: interest is 2.4:1, where it will remain until the end of the facilities' terms. Interest cover for the year ended 31 October 2022 is 11.4x (FY2021: 10.5x).

The LTV covenant is 60% in both the UK and France under the current facility. As at 31 October 2022, there is significant headroom in both the UK LTV and the French LTV covenant calculations.

The Group is in compliance with its covenants at 31 October 2022 and, based on forecast projections, is expected to be in compliance for a period in excess of twelve months from the date of this report.

Cash flow

The table below sets out the underlying cash flow of the business in 2022 and 2021. For statutory reporting purposes, leasehold costs cash flows are allocated between finance costs, principal repayments and variable lease payments. However, management considers a presentation of cash flows that reflects leasehold costs as a single line item to be representative of the underlying cash flow performance of the business.

	2022 £'m	2021 £'m
Underlying EBITDA	135.1	118.0
Working capital/exceptionals/other	(2.7)	(2.1)
Adjusted operating cash inflow	132.4	115.9
Interest payments	(11.8)	(8.0)
Leasehold rent payments	(13.6)	(13.0)
Tax payments	(5.6)	(5.4)
Free cash flow (before investing and financing activities)	101.4	89.5
Acquisition of subsidiary, net of cash acquired	(111.5)	-
Loan to associates	-	(0.9)
Investment in associates	(0.8)	(1.9)
Capital expenditure - investment properties	(95.2)	(62.4)
Capital expenditure - property, plant and equipment	(1.0)	(1.0)
Net proceeds from disposal of land	1.0	-
Net proceeds from disposal of investment properties	6.4	-
Proceeds from disposal - property, plant and equipment	0.2	-
Net cash flow after investing activities	(99.5)	23.3
Issue of share capital	0.5	0.7
Dividends paid	(56.9)	(42.6)
Net drawdown of borrowings	132.1	43.8
Debt issuance costs	(0.1)	(0.7)
Financial instruments	1.3	-
Swap termination	0.5	-
Net (decrease)/increase in cash	(22.1)	24.5

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

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

	2022 £'m	2021 £'m
Free cash flow (before investing and financing activities)	101.4	89.5
Add back: principal payment of lease liabilities	8.4	7.5
Net cash flow from operating activities	109.8	97.0

	2022 £'m	2021 £'m
From table above:		
Adjusted net cash flow after investing activities	(99.5)	23.3
Add back: principal payment of lease liabilities	8.4	7.5
Net cash flow after investing activities	(91.1)	30.8
From consolidated cash flow:		
Net cash inflow from operating activities	109.8	97.0
Net cash outflow from investing activities	(200.9)	(66.2)
Net cash flow after investing activities	(91.1)	30.8

	2022 £'m	2021 £'m
Adjusted operating cash inflow	132.4	115.9
Cash outflow on variable lease payments	(0.2)	(0.3)
Cash flow from operations	132.2	115.6

Adjusted operating cash flow increased by £16.5 million in the year, principally due to the £17.1 million improvement in Underlying EBITDA.

Working capital, exceptional items and other movements resulted in a net £2.7 million outflow (FY2021: £2.1 million outflow), principally relating to movements in trade receivables and trade payables.

Free cash flow (before investing and financing activities) grew by 13.3% to £101.4 million (FY2021: £89.5 million). The free cash flow benefited from the increase in Underlying EBITDA and the increase in adjusted operating cash flow.

Investing activities experienced a net outflow of £200.9 million (FY2021: £66.2 million outflow), which included £111.5 million relating to the acquisition of the remaining 80% in the Joint Venture as well as the acquisition of the new site at Christchurch and £95.2 million of capital expenditure on our investment property portfolio as well as cash generated from the sale of our Birmingham – Digbeth store. Of the £95.2 million capital expenditure on investment properties, £60.2 million related to the UK, £6.4 million related to France, £21.3 million related to Spain and £7.3 million related to Benelux. Of the £95.2 million, £7.5 million related to maintenance, £68.4 million to new stores and £19.3 million to developments and property, plant and equipment.

Adjusted financing activities generated a net cash inflow of £77.4 million (FY2021: £1.2 million inflow). Dividend payments totalled £56.9 million (FY2021: £42.6 million). The net drawdown of borrowings was £132.1 million (FY2021: £43.8 million), in order to finance the acquisition of the remaining 80% in the Joint Venture as well as development and pipeline stores.

Andy Jones
16 January 2023

Consolidated income statement
for the year ended 31 October 2022

	Notes	Group 2022 £'m	Group 2021 £'m
Revenue	2,3	**212.5**	186.8
Cost of sales		**(63.0)**	(56.9)
Gross profit		**149.5**	129.9
Administrative expenses		**(27.1)**	(34.0)
Share of loss in associate	9	**(0.3)**	—
Underlying EBITDA		**135.1**	118.0
Exceptional items	4	**(0.1)**	(1.9)
Share-based payments		**(11.2)**	(18.3)
Depreciation and variable lease payments		**(1.3)**	(1.4)
Share of associate's depreciation, interest and tax		**(0.4)**	(0.5)
Operating profit before gains on investment properties and other exceptional gains		**122.1**	95.9
Gain on investment properties	10	**381.6**	321.1
Other exceptional gains	4	**10.8**	—
Operating profit	3	**514.5**	417.0
Finance income	5	**2.0**	0.6
Finance expense	5	**(17.7)**	(13.0)
Profit before income tax		**498.8**	404.6
Income tax charge	6	**(35.9)**	(22.6)
Profit for the year		**462.9**	382.0
Earnings per share for profit attributable to the equity holders			
– basic (pence)	8	**219.5**	181.2
– diluted (pence)	8	**212.4**	176.4

The financial results for both years relate to continuing operations.

Underlying EBITDA is an Alternative Performance Measure and is defined as operating profit before exceptional items, share-based payments, corporate transaction costs, gain/loss on investment properties, depreciation and variable lease payments and the share of associate's depreciation, interest and tax.

Consolidated statement of comprehensive income
for the year ended 31 October 2022

	Group 2022 £'m	Group 2021 £'m
Profit for the year	**462.9**	382.0
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**8.0**	(20.3)
Net investment hedge	**(4.6)**	10.9
Other comprehensive income/(expense), net of tax	**3.4**	(9.4)
Total comprehensive income for the year	**466.3**	372.6

Consolidated balance sheet

as at 31 October 2022

	Notes	Group 2022 £'m	2021 £'m
Assets			
Non-current assets			
Investment in associates	9	**1.8**	7.2
External valuation of investment properties, net of lease liabilities		**2,457.8**	1,881.8
Add-back of lease liabilities		**95.1**	82.1
Investment properties under construction		**94.5**	67.4
Total investment properties	10	**2,647.4**	2,031.3
Property, plant and equipment		**3.4**	3.2
Derivative financial instruments	14	**—**	0.9
Deferred income tax assets		**0.8**	0.8
		2,653.4	2,043.4
Current assets			
Inventories		**0.3**	0.5
Derivative financial instruments	14	**1.7**	1.3
Trade and other receivables		**31.2**	28.9
Cash and cash equivalents	12, 18	**20.9**	43.2
		54.1	73.9
Total assets		**2,707.5**	2,117.3
Current liabilities			
Financial liabilities			
– bank borrowings	13, 18	**(101.7)**	—
– derivative financial instruments	14	**—**	(0.2)
Trade and other payables		**(62.7)**	(75.8)
Current income tax liabilities		**(0.8)**	(0.3)
Lease liabilities	15	**(13.2)**	(12.3)
		(178.4)	(88.6)
Non-current liabilities			
Financial liabilities			
– bank borrowings	13, 18	**(522.1)**	(484.7)
Deferred income tax liabilities		**(129.0)**	(97.0)
Lease liabilities	15	**(82.2)**	(70.0)
Provisions	19	**(2.4)**	(2.1)
		(735.7)	(653.8)
Total liabilities		**(914.1)**	(742.4)
Net assets		**1,793.4**	1,374.9
Equity			
Ordinary shares	16	**2.1**	2.1
Share premium		**61.8**	61.3
Translation reserve		**8.5**	5.1
Retained earnings		**1,721.0**	1,306.4
Total equity		**1,793.4**	1,374.9

These financial statements were authorised for issue by the Board of Directors on 16 January 2023 and signed on its behalf by:

A Jones — ***Chief Financial Officer***

F Vecchioli — ***Chief Executive Officer***

Company registration number: 04726380

Consolidated statement of changes in shareholders' equity
for the year ended 31 October 2022

	Group				
	Share capital £'m	Share premium £'m	Translation reserve £'m	Retained earnings £'m	Total £'m
Balance at 1 November 2020	2.1	60.6	14.5	958.4	1,035.6
Comprehensive income					
Profit for the year	—	—	—	382.0	382.0
Other comprehensive income/(expense)					
Currency translation differences	—	—	(20.3)	—	(20.3)
Net investment hedge	—	—	10.9	—	10.9
Total other comprehensive expense	—	—	(9.4)	—	(9.4)
Total comprehensive income	—	—	(9.4)	382.0	372.6
Transactions with owners					
Dividends (note 7)	—	—	—	(42.6)	(42.6)
Increase in share capital	—	0.7	—	—	0.7
Employee share options	—	—	—	8.6	8.6
Transactions with owners	—	0.7	—	(34.0)	(33.3)
Balance at 1 November 2021	2.1	61.3	5.1	1,306.4	1,374.9
Comprehensive income					
Profit for the year	—	—	—	462.9	462.9
Other comprehensive income/(expense)					
Currency translation differences	—	—	8.0	—	8.0
Net investment hedge	—	—	(4.6)	—	(4.6)
Total other comprehensive income	—	—	3.4	—	3.4
Total comprehensive income	—	—	3.4	462.9	466.3
Transactions with owners					
Dividends (note 7)	—	—	—	(56.9)	(56.9)
Increase in share capital	—	0.5	—	—	0.5
Employee share options	—	—	—	8.6	8.6
Transactions with owners	—	0.5	—	(48.3)	(47.8)
Balance at 31 October 2022	**2.1**	**61.8**	**8.5**	**1,721.0**	**1,793.4**

Consolidated cash flow statement

for the year ended 31 October 2022

	Notes	Group 2022 £'m	Group 2021 £'m
Cash flows from operating activities			
Cash generated from operations	17	**132.2**	115.6
Interest received		**0.1**	0.9
Interest paid		**(16.9)**	(14.1)
Tax paid		**(5.6)**	(5.4)
Net cash inflow from operating activities		**109.8**	97.0
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**(111.5)**	—
Investment in associates		**(0.8)**	(1.9)
Loans to associates		**—**	(0.9)
Expenditure on investment properties and development properties		**(95.2)**	(62.4)
Proceeds from disposal of investment properties		**6.4**	—
Proceeds from disposal of land		**1.0**	—
Purchase of property, plant and equipment		**(1.0)**	(1.0)
Proceeds from sale of property, plant and equipment		**0.2**	—
Net cash outflow from investing activities		**(200.9)**	(66.2)
Cash flows from financing activities			
Issue of share capital		**0.5**	0.7
Equity dividends paid	7	**(56.9)**	(42.6)
Proceeds from borrowings		**266.1**	196.8
Repayment of borrowings		**(134.0)**	(153.0)
Exceptional swap termination	5	**0.5**	—
Financial instruments income	5	**1.3**	—
Debt issuance costs		**(0.1)**	(0.7)
Principal payment of lease liabilities		**(8.4)**	(7.5)
Net cash inflow/(outflow) from financing activities		**69.0**	(6.3)
Net (decrease)/increase in cash and cash equivalents		**(22.1)**	24.5
Exchange loss on cash and cash equivalents		**(0.2)**	(0.9)
Cash and cash equivalents at 1 November		**43.2**	19.6
Cash and cash equivalents at 31 October	12, 18	**20.9**	43.2

Notes to the financial statements
for the year ended 31 October 2022

The Board approved this preliminary announcement on 16 January 2023.

The financial information included in this preliminary announcement does not constitute the Group's statutory accounts for the years ended 31 October 2021 or 31 October 2022. Statutory accounts for the year ended 31 October 2021 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 31 October 2022 will be delivered to the Registrar of Companies following the Company's annual general meeting.

The auditor has reported on the 2022 and 2021 accounts; their report was unqualified, did not include any references to any matters by way of emphasis and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

These financial statements for the year ended 31 October 2022 have been prepared under the historical cost convention except for the following assets and liabilities, which are stated at their fair value: investment property, derivative financial instruments and financial interest in property assets. The accounting policies used are consistent with those contained in the Group's last annual report and accounts for the year ended 31 October 2021, except for items as described below. All amounts are presented in Sterling and are rounded to the nearest £0.1 million, unless otherwise stated.

The financial information included in this preliminary announcement has been prepared in accordance with United Kingdom adopted International Financial Reporting Standards ("IFRS"), International Financial Reporting Interpretations Committee ("IFRIC") interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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 consolidated financial information.

In assessing the Group's going concern position as at 31 October 2022, the Directors have considered a number of factors, including the current balance sheet position, the principal and emerging risks which could impact the performance of the Group and the Group's strategic and financial plan. Consideration has been given to compliance with borrowing covenants along with the uncertainty inherent in future financial forecasts. The Directors considered the most recent three-year outlook approved by the Board. In the context of the current environment, four plausible scenarios were applied to the plan, including a stress test scenario. These were based on the potential financial impact of the Group's principal risks and uncertainties and the specific risks associated with the continued pandemics and the conflict in Ukraine. These scenarios are differentiated by the impact of demand and enquiry levels, average rate growth and the level of cost savings. A scenario was also performed where we have carried out a reverse stress test to model what would be required to breach ICR and LTV covenants which indicated highly improbable changes would be needed before any issues were to arise. Since the end of the financial year, the Group has completed the refinancing of its Revolving Credit Facilities ("RCF") which were due to expire in June 2023. The previous £250 million and €70 million revolving credit facilities have been replaced with a single multi-currency £400 million facility, with a four-year term with two one-year extension options (note 23). The impact of these scenarios has been reviewed against the Group's projected cash flow position and financial covenants over a three-year period. Should any of these scenarios, which are differentiated by the impact of demand and enquiry levels, average rate growth and the level of cost savings occur, clear mitigating actions are available to ensure that the Group remains liquid and able to meet its liabilities as they fall due. The financial position of the Group, including details of its financing and capital structure, is set out in the financial review section of this announcement.

Standards, amendments to standards and interpretations issued and applied

The following new or revised accounting standards or IFRIC interpretations are applicable for the first time in the year ended 31 October 2022:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2
- Amendment to IFRS 16 Covid-19 – Related Rent Concessions beyond 30 June 2021

The adoption of the standards and interpretations has not significantly impacted these financial statements and any changes to our accounting policies as a result of their adoption have been reflected in this note.

Critical accounting judgements and key sources of estimation uncertainty

The following key source of estimation uncertainty has significant risk of causing a material adjustment, within the next financial year, to the carrying amounts of assets and liabilities within the consolidated financial statements:

Estimate of fair value of investment properties and investment properties under construction

The Group values its investment properties using a discounted cash flow methodology which is based on projections of net operating income. Principal assumptions and management's underlying estimation of the fair value of those relate to: stabilised occupancy levels; expected future growth in storage rental income and operating costs; maintenance requirements; capitalisation rate; and discount rates. There are inter-relationships between the valuation inputs and they are primarily determined by market conditions. The effect of an increase in more than one input could be to magnify the impact on the valuation. However, the impact on the valuation could be offset by the inter-relationship of two inputs moving in opposite directions, e.g. an increase in rent may be offset by a decrease in occupancy, resulting in minimal net impact on the valuation. For immature stores, these underlying estimates hold a higher risk of uncertainty, due to the unproven nature of its cash flows. A more detailed explanation of the background, methodology and estimates made by management that are adopted in the valuation of the investment properties as well as detailed sensitivity analysis is set out in note 10 to the financial statements.

Critical accounting judgement of business combinations

The Directors assess whether the acquisition of property through the purchase of a corporate vehicle should be accounted for as an asset purchase or a business combination. Where the acquired vehicle is an integrated set of activities and assets that is capable of being conducted and managed to provide a return to investors, the transaction is accounted for as a business combination. Where this is not the case, or where the transaction meets the requirements of the Concentration of Fair Value test, the transaction is treated as an asset purchase. The Directors also have to assess when the Group has gained control of the acquired corporate vehicle. There have been two transactions where properties were acquired through the purchase of corporate vehicles in the year, both judged to meet the accounting definition of an asset purchase. The most significant of the two transactions was whereby the Group acquired the remaining interest in Safestore Storage Benelux B.V. (note 9) that was previously accounted for as a 20% associate. Upon gaining control, the total consideration price was allocated across the group of assets being acquired and the increased carrying values recognised within the now subsidiary investment.

Non-GAAP financial information/Alternative Performance Measures

The Directors have identified certain measures that they believe will assist the understanding of the performance of the business. The measures are not defined under IFRS and they may not be directly comparable with other companies' adjusted measures. The non-GAAP/Alternative Performance Measures are not intended to be a substitute for, or superior to, any IFRS measures of performance but they have been included as the Directors consider them to be important comparables and key measures used within the business for assessing performance. The following are the key non-GAAP/Alternative Performance Measures identified by the Group:

- The Group defines exceptional items to be those that warrant, by virtue of their nature, size or frequency, separate disclosure on the face of the income statement where, in the opinion of the Directors, this enhances the understanding of the Group's financial performance.
- Underlying EBITDA is an Alternative Performance Measure and is defined as operating profit before exceptional items, share-based payments, corporate transaction costs, gain/loss on investment properties, depreciation and variable lease payments and the share of associate's depreciation, interest and tax. Management considers this presentation to be representative of the underlying performance of the business, as it removes the income statement impact of items not fully controllable by management, such as the revaluation of derivatives and investment properties, and the impact of exceptional credits, costs and finance charges. A reconciliation of statutory operating profit to Underlying EBITDA can be found in the financial review section of this announcement.
- Adjusted Diluted EPRA Earnings per Share is based on the European Public Real Estate Association's definition of earnings and is defined as profit or loss for the period after tax but excluding corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties and the associated tax impacts. The Company then makes further company-specific adjustments for the impact of exceptional items, net exchange gains/losses recognised in net finance costs, exceptional tax items, and deferred and current tax in respect of these adjustments. The Company also adjusts for IFRS 2 share-based payment charges. This adjusted earnings is divided by the diluted number of shares. The IFRS 2 cost is excluded as it is written back to distributable reserves and is a non-cash item (with the exception of the associated National Insurance element). Therefore, neither the Company's ability to distribute nor pay dividends are impacted (with the exception of the associated National Insurance element). The financial statements disclose earnings on a statutory, EPRA and Adjusted Diluted EPRA basis and will provide a full reconciliation of the differences in the financial year in which any LTIP awards may vest. A reconciliation of statutory basic Earnings per Share to Adjusted Diluted EPRA Earnings per Share can be found in note 8.
- EPRA's Best Practices Recommendations guidelines for Net Asset Value ("NAV") metrics are EPRA Net Tangible Assets ("NTA"), EPRA Net Reinstatement Value ("NRV") and EPRA Net Disposal Value ("NDV"). EPRA NTA is considered to be the most relevant measure for the Group's business which provides sustainable long term progressive returns and is now the primary measure of net assets. The basis of calculation, including a reconciliation to reported net assets, is set out in note 11.
- Like-for-like figures are presented to aid in the comparability of the underlying business as they exclude the impact on results of purchased, sold, opened or closed stores.
- Constant exchange rate ("CER") figures are provided in order to present results on a more comparable basis, removing foreign exchange movements.

Forward-looking statements

Certain statements in this preliminary announcement are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct.

Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. We undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

2. Revenue

Analysis of the Group's operating revenue can be found below:

	2022 £'m	2021 £'m
Self storage income	**178.0**	154.3
Insurance income	**23.9**	22.3
Other non-storage income	**10.6**	10.2
Total revenue	**212.5**	186.8

3. Segmental analysis

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

Safestore is organised and managed in four operating segments, based on geographical areas, being the United Kingdom, Paris in France, Spain, and the Netherlands and Belgium in Benelux.

The chief operating decision maker, being the Executive Directors, identified in accordance with the requirements of IFRS 8, assesses the performance of the operating segments on the basis of Underlying EBITDA, which is defined as operating profit before exceptional items, share-based payments, corporate transaction costs, gain/loss on investment properties, depreciation and variable lease payments, and the share of associate's depreciation, interest and tax.

The operating profits and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Year ended 31 October 2022	**UK £'m**	**Paris £'m**	**Spain £'m**	**Benelux £'m**	**Group £'m**
Continuing operations					
Revenue	**163.0**	**41.4**	**3.0**	**5.1**	**212.5**
Share of loss in associates	**(0.3)**	**—**	**—**	**—**	**(0.3)**
Underlying EBITDA	**103.5**	**28.0**	**1.5**	**2.1**	**135.1**
Exceptional items	**—**	**(0.1)**	**—**	**—**	**(0.1)**
Share-based payments	**(10.2)**	**(1.0)**	**—**	**—**	**(11.2)**
Variable lease payments and depreciation	**(1.2)**	**(0.1)**	**—**	**—**	**(1.3)**
Share of associate's depreciation, interest and tax	**(0.4)**	**—**	**—**	**—**	**(0.4)**
Operating profit before gain on investment properties and other exceptional gains	**91.7**	**26.8**	**1.5**	**2.1**	**122.1**
Gain on investment properties	**295.7**	**78.5**	**1.3**	**6.1**	**381.6**
Other exceptional gains	**5.7**	**5.1**	**—**	**—**	**10.8**
Operating profit	**393.1**	**110.4**	**2.8**	**8.2**	**514.5**
Net finance (expense)/ income	**(14.4)**	**(1.6)**	**(0.1)**	**0.4**	**(15.7)**
Profit before tax	**378.7**	**108.8**	**2.7**	**8.6**	**498.8**
Total assets	**2,024.8**	**581.7**	**28.2**	**72.8**	**2,707.5**

Year ended 31 October 2021	UK £'m	Paris £'m	Spain £'m	Group £'m
Continuing operations				
Revenue	144.1	39.9	2.8	186.8
Share of profit in associates	—	—	—	—
Underlying EBITDA	89.1	27.2	1.7	118.0
Exceptional items	—	(1.9)	—	(1.9)
Share-based payments	(16.1)	(2.2)	—	(18.3)
Variable lease payments and depreciation	(1.1)	(0.3)	—	(1.4)
Share of associate's depreciation, interest and tax	(0.5)	—	—	(0.5)
Operating profit before gain on investment properties	71.4	22.8	1.7	95.9
Gain on investment properties	260.5	56.0	4.6	321.1
Operating profit	331.9	78.8	6.3	417.0
Net finance expense	(10.5)	(1.8)	(0.1)	(12.4)
Profit before tax	321.4	77.0	6.2	404.6
Total assets	1,617.9	474.1	25.3	2,117.3

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

4. Exceptional items and other exceptional gains

	2022 £'m	2021 £'m
Costs relating to corporate transactions and exceptional property taxation	**(0.1)**	(1.9)
Exceptional items	**(0.1)**	(1.9)

	2022 £'m	2021 £'m
Valuation gain on associate buy-out	**5.5**	—
Gain on disposals of investment properties	**0.2**	—
Gain on disposal of land	**5.1**	—
Other exceptional gains	**10.8**	—

Exceptional items of £0.1 million were incurred in the year, relating to fees associated with the Group's corporate restructuring (FY2021: £1.9 million in relation to a provision for potential liabilities in respect of the French commercial tax audit of financial years 2012 to 2020).

On 10 November 2021, the Group sold the Nanterre site to the joint venture partner of Nanterre FOCD 92 for a total price of €7.6 million excluding VAT and including demolition cost reimbursement, where the settlement is done partially in cash £1.0 million (€1.1 million excluding tax), and partially in kind through the delivery of the new building at the end of the operation (estimated at €6.5 million). This resulted in a net gain on disposal of £5.1 million (€5.9 million) included within other exceptional gains.

On 30 March 2022, the Group acquired the remaining 80% equity of Safestore Storage Benelux B.V., from its previous joint venture partner for €53.6 million (£45.3 million) and became a wholly owned subsidiary (note 9). The original 20% equity investment was effectively derecognised and re-recognised back at the fair value based on the revised equity value effective at the 30 March 2022 transaction. This resulted in a valuation gain on the associate buy-out of £5.5 million included within other exceptional gains.

On 16 August 2022, the Group sold their Birmingham Digbeth store to a third party for £6.5 million and incurred a 1% agent fee on the sale price. The carrying value of this store included within investment properties prior to disposal was £6.2 million, resulting in a gain on disposal of investment properties of £0.2 million included within other exceptional gains.

5. Finance income and costs

	2022 £'m	2021 £'m
Finance income		
Other interest and similar income	**0.1**	—
Interest receivable from loan to associates	**0.1**	0.1
Financial instruments income	**1.3**	0.5
Underlying finance income	**1.5**	0.6
Exceptional finance income	**0.5**	—
Total finance income	**2.0**	0.6
Finance costs		
Interest payable on bank loans and overdraft	**(11.9)**	(9.7)
Amortisation of debt issuance costs on bank loan	**(0.5)**	(0.4)
Underlying finance charges	**(12.4)**	(10.1)
Interest on lease liabilities	**(5.0)**	(5.2)
Fair value (loss)/gain of derivatives	**(0.3)**	2.9
Net exchange losses	**—**	(0.6)
Total finance costs	**(17.7)**	(13.0)
Net finance costs	**(15.7)**	(12.4)

Included within interest payable of £11.9 million (FY2021: £9.7 million) is £nil (FY2021: £0.6 million) of interest relating to derivative financial instruments that are economically hedging the Group's borrowings. The total change in fair value of derivatives reported within net finance costs for the year is a £0.3 million net loss (FY2021: £2.9 million net gain). Included within finance income is £1.3 million, received on settlement of two €8.0 million average rate forward contracts acquired in March 2020 and settled in April 2022, £0.7 million, and October 2022, £0.6 million, respectively. The fair value of these two forward contracts held at 31 October 2021 was £1.3 million asset now disposed and included as part of the net fair value gain of derivatives within finance costs. Further, included within finance income is £0.5 million (FY2021: £nil) in relation to the swaps held in the subsidiary acquired during the period, Safestore Storage Benelux B.V., and terminated post acquisition in order to utilise the Group's existing debt facilities and financial instruments held.

6. Income tax charge

Analysis of tax charge in the year:

	2022 £'m	2021 £'m
Current tax:		
– current year	**6.1**	5.5
– prior year	**—**	—
	6.1	5.5
Deferred tax:		
– current year	**29.8**	17.1
– prior year	—	—
	29.8	17.1
Tax charge	**35.9**	22.6

Reconciliation of income tax charge

The tax for the period is lower (FY2021: lower) than the standard rate of corporation tax in the UK for the year ended 31 October 2022 of 19.0% (FY2021: 19.0%). The differences are explained below:

	2022 £'m	2021 £'m
Profit before tax	**498.8**	404.6
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (FY2021: 19.0%)	**94.8**	76.9
Effect of:		
– permanent differences	**—**	3.6
– profits from the tax exempt business	**(71.5)**	(63.5)
– deferred tax arising on acquisition of overseas subsidiary	**4.5**	—
– difference from overseas tax rates	**8.6**	6.4
– potential deferred tax assets not recognised	**0.4**	—
– utilisation of unrecognised brought forward tax losses	**(0.9)**	(0.8)
Tax charge	**35.9**	22.6

The Group is a UK real estate investment trust ("REIT"). As a result, the Group is exempt from UK corporation tax on the profits and gains from its qualifying property rental business in the UK, providing it meets certain conditions. Non-qualifying profits and gains of the Group remain subject to corporation tax as normal. The Group monitors its compliance with the REIT conditions. There have been no breaches of the conditions to date.

The main rate of corporation tax in the UK is 19%. Accordingly, the Group's results for this accounting period are taxed at an effective rate of 19% (FY2021: 19%). Following the Finance Bill 2021, the main rate of corporation tax will increase from 19% to 25% from 1 April 2023. There will be no deferred taxation impact in respect of this change in taxation rates.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

7. Dividends per share

The dividend paid in 2022 was £56.9 million (27.00 pence per share) (FY2021: £42.6 million (20.20 pence per share)). A final dividend in respect of the year ended 31 October 2022 of 20.40 pence (FY2021: 17.60 pence) per share, amounting to a total final dividend of £42.8 million (FY2021: £37.0 million), is to be proposed at the AGM on 15March 2023. The ex-dividend date will be 2 March 2023 and the record date will be 3 March 2023 with an intended payment date of 7 April 2023. The final dividend has not been included as a liability at 31 October 2022.

The Property Income Distribution ("PID") element of the final dividend is 20.40 pence (FY2021: 17.60 pence), making the PID payable for the year 22.75 pence (FY2021: 25.10 pence) per share.

8. Earnings per Share

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

	Year ended 31 October 2022			Year ended 31 October 2021		
	Earnings £'m	**Shares m**	**Pence per share**	Earnings £'m	Shares m	Pence per share
Basic	**462.9**	**210.9**	**219.5**	382.0	210.8	181.2
Dilutive securities	—	**7.0**	**(7.1)**	—	5.8	(4.8)
Diluted	**462.9**	**217.9**	**212.4**	382.0	216.6	176.4

Adjusted Earnings per Share

Explanations related to the adjusted earnings measures adopted by the Group are set out in note 2 under the heading Non-GAAP financial information/Alternative Performance Measures. Adjusted EPS represents profit after tax adjusted for the valuation movement on investment properties, exceptional items, change in fair value of derivatives, exchange gains/losses, unwinding of the discount on the CGS receivable and the associated tax thereon. The Directors consider that these alternative measures provide useful information on the performance of the Group.

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

	Year ended 31 October 2022			Year ended 31 October 2021		
	Earnings £'m	**Shares m**	**Pence per share**	Earnings £'m	Shares m	Pence per share
Basic	**462.9**	**210.9**	**219.5**	382.0	210.8	181.2
Adjustments:						
Gain on investment properties	**(381.6)**	—	**(180.9)**	(321.1)	—	(152.3)
Exceptional items	**0.1**	—	—	1.9	—	0.9
Other exceptional gains	**(10.8)**	—	**(5.1)**	—	—	—
Exceptional finance income	**(0.5)**	—	**(0.2)**	—	—	—
Net exchange loss	—	—	—	0.6	—	0.3
Change in fair value of derivatives	**0.3**	—	**0.1**	(2.9)	—	(1.4)
Tax on adjustments	**29.7**	—	**14.1**	16.2	—	7.7
Adjusted	**100.1**	**210.9**	**47.5**	76.7	210.8	36.4
EPRA adjusted:						
Fair value re-measurement of lease liabilities add-back	**(8.3)**	—	**(3.9)**	(7.4)	—	(3.5)
Tax on lease liabilities add-back adjustment	**1.0**	—	**0.5**	0.9	—	0.4
Adjusted EPRA basic EPS	**92.8**	**210.9**	**44.1**	70.2	210.8	33.3
Share-based payments charge	**11.2**	—	**5.3**	18.3	—	8.7
Dilutive shares	—	**8.0**	**(1.9)**	—	7.5	(1.5)
Adjusted Diluted EPRA EPS[1]	**104.0**	**218.9**	**47.5**	88.5	218.3	40.5

Note

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

Gain on investment properties includes the fair value re-measurement of lease liabilities add-back of £8.3 million (FY2021: £7.4 million) and the related tax thereon of £1.0 million (FY2021: £0.9 million). As an industry standard measure, EPRA earnings is presented. EPRA earnings of £92.8 million (FY2021: £70.2 million) and EPRA Earnings per Share of 44.1 pence (FY2021: 33.3 pence) are calculated after further adjusting for these items.

EPRA adjusted income statement (non-statutory)	**2022 £'m**	2021 £'m	Movement %
Revenue	**212.5**	186.8	13.8
Underlying operating expenses (excluding depreciation and variable lease payments)	**(77.5)**	(69.3)	11.8
Share of associate's underlying EBITDA	**0.1**	0.5	(80.0)
Underlying EBITDA before variable lease payments	**135.1**	118.0	14.5
Share-based payments charge	**(11.2)**	(18.3)	(38.8)
Depreciation and variable lease payments	**(1.3)**	(1.4)	(7.1)
Operating profit before fair value re-measurement lease liabilities add-back	**122.6**	98.3	24.7
Fair value re-measurement of lease liabilities add-back	**(8.3)**	(7.4)	12.2
Operating profit	**114.3**	90.9	25.7
Net financing costs	**(15.9)**	(14.7)	8.2
Share of associate's finance charges	**(0.4)**	(0.5)	(20.0)
Profit before income tax	**98.0**	75.7	29.5
Income tax	**(5.2)**	(5.5)	(5.5)
Profit for the year ("Adjusted EPRA basic earnings")	**92.8**	70.2	32.2
Adjusted EPRA basic EPS	**44.1 pence**	33.3 pence	32.4
Final dividend per share	**20.40 pence**	17.60 pence	15.9

9. Investment in associates

	2022 £'m	2021 £'m
Safestore Storage Benelux B.V.	**—**	6.2
PBC Les Groues SAS	**1.8**	1.0
	1.8	7.2

Safestore Storage Benelux B.V. (formerly CERF Storage JV B.V.)

Until 30 March 2022, the Group had a 20% interest in Safestore Storage Benelux B.V. ("SSB") (formerly CERF Storage JV B.V.), a company registered and operating in the Netherlands. SSB was accounted for using the equity method of accounting. SSB invests in carefully selected self-storage opportunities in Europe. The Group earned a fee for providing management services to SSB. This investment as an associate was considered immaterial relative to the Group's underlying operations. On 30 March 2022, the Group acquired the remaining 80% equity from its previous joint venture partner for €53.6 million (£45.3 million) and SSB became a wholly owned subsidiary. IFRS 3 requires the consideration price be allocated across the assets being acquired. On 30 March 2022 when the Group gained control, the equity accounting of SSB ceased. The difference between the equity accounted carrying value of the investment immediately prior to acquisition and the fair value of increased investment is a valuation gain of £5.5 million (note 4).

The aggregate carrying value of the Group's 20% interest in SSB at 30 March 2022 was £8.7 million (FY2021: £8.9 million), made up of an investment of £5.9 million (FY2021: £6.2 million), a loan to the associate including interest accrued of £2.8 million (FY2021: £2.7 million) (note 22). The Group's share of losses from continuing operations for the period was £0.3 million (FY2021: £nil). The Group's share of total comprehensive income of associates in the year was £0.3 million (FY2021: £nil).

	Note	2022 £'m	2022 €'m
Initial 20% investment in SSB:			
At 31 October 2021		**6.2**	**7.1**
Share of loss in associate		**(0.3)**	**(0.4)**
		5.9	**6.7**
Revised fair value of 20% investment in SSB at 30 March 2022 :			
Net assets of SSB (100%)		**56.7**	67.0
Net assets of SSB (80%)		**(45.3)**	(53.6)
		11.4	13.4
Difference: Valuation gain on acquisition of additional 80% investment in SSB	4	**5.5**	6.7

The following provides a breakdown of the 80% share of fair value of the assets and liabilities acquired on 30 March 2022. Under IFRS 3 this transaction where properties were acquired through the purchase of a corporate vehicle in the year, has been judged to meet the accounting definition of an asset purchase.

	2022 £'m	2022 €'m
Assets:		
Investment properties net of lease liabilities	**100.5**	118.7
Add-back of lease liabilities	**0.5**	0.6
Inventories	**0.1**	0.1
Trade and other receivables	**0.5**	0.6
Cash and cash equivalents	**4.4**	5.2
	106.0	125.2
Liabilities:		
Trade and other payables	**(2.6)**	(3.0)
Lease liabilities	**(0.5)**	(0.6)
Amounts owed to joint venture partner	**(11.4)**	(13.4)
Bank borrowings	**(46.2)**	(54.6)
	(60.7)	(71.6)
Net assets (80%)	**45.3**	53.6

The cash outflow classified as investing activities (excluding acquisition costs) from this buy-out is summarised as follows:

	2022 £'m	2022 €'m
Net assets acquired (remaining 80%)	**45.3**	53.6
Non-Safestore debt acquired settled with third parties	**69.2**	81.7
Less: cash and cash equivalents acquired	**(5.5)**	(6.5)
Acquisition of subsidiary, net of cash acquired	**109.0**	128.8

The Group incurred acquisition related costs of £5.1 million on legal fees and real estate transfer tax ("RETT"). These costs have been capitalised in accordance with IFRS 3, asset purchase.

PBC Les Groues SAS

During the period the Group acquired a 24.9% interest in PBC Les Groues SAS ("PBC"), a company registered and operating in France. PBC is accounted for using the equity method of accounting. PBC is the parent company of Nanterre FOCD 92, a company also registered and operating in France, which will be developing a new store as part of a wider development programme located in Paris. The development project will be managed by its joint venture partners; therefore, the Group will have no operational liability during this phase. During the period the Group has invested £0.8 million (€0.9 million) into this investment. The investment is considered immaterial relative to the Group’s underlying operations.

The aggregate carrying value of the Group’s interest in PBC was £1.8 million (FY2021: £1.0 million), made up of an investment of £1.8 million (FY2021: £1.0 million) (note 22). The Group’s share of profits from continuing operations for the period was £nil (FY2021: £nil). The Group’s share of total comprehensive income of associates for the year was £nil (FY2021: £nil). The Group’s share of total comprehensive income of associates in the year was £nil (FY2021: £nil).

10. Investment properties

	External valuation of investment properties, net of lease liabilities £’m	Add-back of lease liabilities £’m	Investment property under construction £’m	Total investment properties £’m
At 1 November 2021	1,881.8	82.1	67.4	2,031.3
Acquisition of subsidiaries	128.2	0.6	—	128.8
Additions	31.8	20.2	47.4	99.4
Disposals	(6.2)	—	—	(6.2)
Reclassifications	16.5	—	(16.5)	—
Revaluations	394.1	—	(4.2)	389.9
Fair value re-measurement of lease liabilities add-back	—	(8.3)	—	(8.3)
Exchange movements	11.6	0.5	0.4	12.5
At 31 October 2022	**2,457.8**	**95.1**	**94.5**	**2,647.4**

On 7 December 2021, the Group completed the acquisition of Your Room Self Storage Limited, which included a freehold store located in Christchurch, Dorset. Under IFRS 3 this transaction was treated as an asset acquisition, with a fair value of the investment property of £2.6 million.

On 30 March 2022, the Group completed the buy-out of Safestore Storage Benelux B.V., which included a portfolio made of twelve freehold properties, two ground leases and one leasehold property. Nine properties are located in the Netherlands and six properties are located in Belgium. Under IFRS 3 this transaction was treated as an asset acquisition, where the fair value of 100% share of the investment properties amounting to £125.6 million.

On 16 August 2022, the Group sold their Birmingham Digbeth store to a third party for £6.5 million. The carrying value of this store included within investment properties prior to disposal was £6.2 million, resulting in a gain on disposal of investment properties of £0.2 million included within other exceptional gains (note 4).

	External valuation of investment properties, net of lease liabilities £’m	Add-back of lease liabilities £’m	Investment property under construction £’m	Total investment properties £’m
At 1 November 2020	1,557.5	76.9	14.0	1,648.4
Additions	19.5	14.1	57.9	91.5
Reclassifications	3.7	—	(3.7)	—
Revaluations	329.0	—	(0.5)	328.5
Fair value re-measurement of lease liabilities add-back	—	(7.4)	—	(7.4)
Exchange movements	(27.9)	(1.5)	(0.3)	(29.7)
At 31 October 2021	**1,881.8**	**82.1**	**67.4**	**2,031.3**

The gain on investment properties comprises:

	2022 £’m	2021 £’m
Revaluations of investment property and investment property under construction	**389.9**	328.5
Fair value re-measurement of lease liabilities add-back	**(8.3)**	(7.4)
	381.6	321.1

	Cost £’m	Revaluation on cost £’m	Valuation £’m
Freehold stores			
At 1 November 2021	684.8	846.8	1,531.6
Movement in year	207.9	295.6	503.5
At 31 October 2022	**892.7**	**1,142.4**	**2,035.1**
Leasehold stores			
At 1 November 2021	127.6	222.6	350.2
Movement in year	6.1	66.4	72.5
At 31 October 2022	**133.7**	**289.0**	**422.7**
All stores			
At 1 November 2021	812.4	1,069.4	1,881.8
Movement in year	214.0	362.0	576.0
At 31 October 2022	**1,026.4**	**1,431.4**	**2,457.8**

The valuation of £2,457.8 million (FY2021: £1,881.8 million) excludes £0.6 million in respect of owner-occupied property, which is included within property, plant and equipment. Rental income earned from investment properties for the year ended 31 October 2022 was £179.3 million (FY2021: £155.5 million).

The Group has classified the investment property and investment property under construction, held at fair value, within Level 3 of the fair value hierarchy. There were no transfers to or from Level 3 during the year.

As described in note 2 summary of significant accounting policies, where the valuation obtained for investment property is net of all payments to be made, it is necessary to add back the lease liability to arrive at the carrying amount of investment property at fair value. The lease liability of £95.4 million (FY2021: £82.3 million) per note 21 differs to the £95.1 million (FY2021: £82.1 million) disclosed above as a result of accounting for the French Head Office lease under IFRS 16. This lease is included as part of property, plant and equipment, and has a net book value of £0.3 million as at 31 October 2022 (FY2021: £0.2 million).

All direct operating expenses arising from investment property that generated rental income as outlined in note 3 were £75.3 million (FY2021: £68.5 million).

The freehold and leasehold investment properties have been valued as at 31 October 2022 by external valuers, Cushman & Wakefield Debenham Tie Leung Limited ("C&W"). The valuation has been carried out in accordance with the current edition of the RICS Valuation – Global Standards, which incorporates the International Valuation Standards and the RICS Valuation UK National Supplement (the "RICS Red Book"). The valuation of each of the investment properties has been prepared on the basis of fair value as a fully equipped operational entity, having regard to trading potential. Two non-trading properties were valued on the basis of fair value. The valuation has been provided for accounts purposes and, as such, is a Regulated Purpose Valuation as defined in the RICS Red Book. In compliance with the disclosure requirements of the RICS Red Book, C&W has confirmed that:

- the member of the RICS who has been the signatory to the valuations provided to the Group for the same purposes as this valuation has done so since April 2020. The valuations have been reviewed by an internal investment committee comprising two valuation partners and an investment partner, all unconnected with the assignment;
- C&W has been carrying out regular valuations for the same purpose as this valuation on behalf of the Group since October 2006;
- C&W does not provide other significant professional or agency services to the Group;
- in relation to the preceding financial year of C&W, the proportion of total fees payable by the Group to the total fee income of the firm is less than 5%; and
- the fee payable to C&W is a fixed amount per property and is not contingent on the appraised value.

Portfolio premium

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

Valuation method and assumptions

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

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

Freehold and long leasehold (UK, Paris, Spain, the Netherlands and Belgium)

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

Assumptions:

- Net operating income is based on projected revenue received less projected operating costs together with a central administration charge of 6% of the estimated annual revenue, subject to a cap and collar. The initial net operating income is calculated by estimating the net operating income in the first twelve months following the valuation date.
- The net operating income in future years is calculated assuming either straight-line absorption from day one actual occupancy or variable absorption over years one to four of the cash flow period, to an estimated stabilised/mature occupancy level. In the valuation the assumed stabilised occupancy level for the trading stores (both freeholds and all leaseholds) open at 31 October 2022 averages 89.18% (FY2021: 89.10%). 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 18.51 months (FY2021: 18.27 months).
- The capitalisation rates applied to existing and future net cash flows have been estimated by reference to underlying yields for industrial and retail warehouse property, yields for other trading property types such as purpose-built student housing and hotels, bank base rates, ten-year money rates, inflation and the available evidence of transactions in the sector. The valuation included in the accounts assumes rental growth in future periods. If an assumption of no rental growth is applied to the external valuation, the net initial yield pre-administration expenses for mature stores (i.e. excluding those stores categorised as "developing") is 6.30% (FY2021: 6.73%), rising to a stabilised net yield pre-administration expenses of 6.74% (FY2021: 6.90%).
- The weighted average freehold exit yield on UK freeholds is 5.83% (FY2021: 6.07%), on France freeholds is 5.49% (FY2021: 5.88%), on Spain freeholds is 5.50% (FY2021: 5.38%), on the Netherlands freeholds is 5.08% and Belgium freeholds is 5.02%. The weighted average freehold exit yield for all freeholds adopted is 5.66% (FY2021: 6.03%).

- The future net cash flow projections (including revenue growth and cost inflation) have been discounted at a rate that reflects the risk associated with each asset. The weighted average annual discount rate adopted (for both freeholds and leaseholds) in the UK portfolio is 8.40% (FY2021: 8.62%), in the France portfolio is 8.78% (FY2021: 8.98%), in the Spain portfolio is 8.00% (FY2021: 7.87%), in the Netherlands portfolio is 7.33% and in the Belgium portfolio 7.62%**.** The weighted average annual discount rate adopted (for both freeholds and all leaseholds) is 8.49% (FY2021: 8.72%).
- Purchaser's costs in the range of approximately 3.3% to 6.8% for the UK, 7.5% for Paris, 2.5% for Spain, 7.5% for the Netherlands and 7.5% for Belgium, have been assumed initially, reflecting the progressive SDLT rates brought into force in March 2016 in the UK, and sales plus purchaser's costs totalling approximately 5.3% to 8.8% (UK), 9.5% (Paris),4.5% (Spain), 7.5% (the Netherlands) and 7.5% (Belgium) 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 13.0 years (FY2021: 12.2 years). The average unexpired term excludes the commercial leases in France and Spain.

Short leaseholds (Paris)

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

Short leaseholds (Spain)

In relation to the two commercial leases in Spain, C&W has valued the cash flow projections in perpetuity due to the nature of the lease agreements which allows the tenant to renew the lease year on year into perpetuity. The valuation treatment is therefore the same as for the freehold properties. The capitalisation rates on these stores reflect the risk of the rolling lease arrangements.

In relation to one other short leasehold in Spain, the lease allows for a five-year automatic extension beyond the initial lease expiry date subject to neither party serving notice stating it does not wish to do so. This allows the landlord to terminate the lease at the original expiry date if it so wishes. The same methodology has been used as for freeholds, except that no sale of the asset in the tenth year is assumed but the discounted cash flow is extended to the expiry of the lease.

Short leaseholds (the Netherlands)

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.

Short leaseholds (Belgium)

There are no short term leaseholds in Belgium.

Investment properties under construction

C&W has valued the stores in development adopting the same methodology as set out above but on the basis of the cash flow projection expected for the store at opening and allowing for the outstanding costs to take each store from its current state to completion and full fit out, except several recently acquired stores which have been valued at acquisition costs. 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, three of the stores in the portfolio are relatively immature and have low initial cash flow. C&W has endeavoured to reflect the nature of the cash flow profile for these properties in its valuation, and the higher associated risks relating to the as yet unproven future cash flow, by adjustment to the capitalisation rates and discount rates adopted. However, immature low cash flow stores of this nature are rarely, if ever, traded individually in the market, unless as part of a distressed sale or similar situation, although, there is more evidence of such stores being traded as part of a group or portfolio transaction.

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

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

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

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

Valuation assumption for purchaser's costs

The Group's investment property assets have been valued for the purposes of the financial statements after adjusting for notional purchaser's costs in the range of approximately 3.3% to 6.8% (UK), 7.5% (Paris), 2.5% (Spain), 7.5% (the Netherlands) and 7.5% (Belgium), as if they were sold directly as property assets. The valuation is an asset valuation which is strongly linked to the operating performance of the business. They would have to be sold with the benefit of operational contracts, employment contracts and customer contracts, which would be difficult to achieve except in a corporate structure.

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

Sensitivity of the valuation to assumptions

As noted in "Key sources of estimation uncertainty", self storage valuations are complex, derived from data which is not widely publicly available and involves a degree of judgement. All other factors being equal, higher net operating income would lead to an increase in the valuation of a store and an increase in the capitalisation rate or discount rate would result in a lower valuation, and vice versa. Higher assumptions for stabilised occupancy, absorption rate, rental rate and other revenue, and a lower assumption for operating costs, would result in an increase in projected net operating income, and thus an increase in valuation.

There are inter-relationships between the valuation inputs, and they are primarily determined by market conditions. The effect of an increase in more than one input could be to magnify the impact on the valuation. However, the impact on the valuation could be offset by the inter-relationship of two inputs moving in opposite directions, e.g. an increase in rent may be offset by a decrease in occupancy, resulting in no net impact on the valuation.

As noted in "Key sources of estimation uncertainty", self storage valuations are complex, derived from data which is not widely available and involve a degree of judgement. For these reasons we have classified the valuation of our property portfolio as Level 3 as defined by IFRS 13. Inputs to the valuation, some of which are "unobservable" as defined by IFRS 13, include capitalisation yields, stable occupancy rates, and time to stabilised occupancy. The existence of an increase of more than one unobservable input would augment the impact on the valuation. The impact on the valuation would be mitigated by the inter-relationship between unobservable inputs moving in opposite directions. For example, an increase in stable occupancy may be offset by an increase in yield, resulting in no net impact on the valuation. A sensitivity analysis showing the impact on valuations of changes in capitalisation rates and stable occupancy is shown below:

	Impact of change in capitalisation rates £'m		Impact of a change in stabilised occupancy assumption £'m		Impact of a delay in stabilised occupancy assumption £'m
	25 bps decrease	25 bps increase	1% increase	1% decrease	24-month delay
Reported Group	107.0	(90.2)	40.0	(32.0)	(10.6)

11. Net assets per share

EPRA's Best Practices Recommendations guidelines for Net Asset Value ("NAV") metrics are EPRA Net Tangible Assets ("NTA"), EPRA Net Reinstatement Value ("NRV") and EPRA Net Disposal Value ("NDV").

EPRA NTA is considered to be the most relevant measure for the Group's business which provides sustainable long term progressive returns and is now the primary measure of net assets, replacing the previously reported EPRA NAV metric. EPRA NTA assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax. Due to the Group's REIT status, deferred tax is only provided at each balance sheet date on properties outside the REIT regime. As a result, deferred taxes are excluded from EPRA NTA for properties within the REIT regime. For properties outside of the REIT regime, deferred tax is included to the extent that it is expected to crystallise, based on the Group's track record and tax structuring.

There are no reconciling items between EPRA NTA and the previously reported EPRA NAV metric. EPRA NTA is shown in the table below:

	2022		2021	
	£'m	**Diluted pence per share**	£'m	Diluted pence per share
Balance sheet net assets	**1,793.4**	**820**	1,374.9	635
Adjustments to exclude:				
Fair value of derivative financial instruments (net of deferred tax)	**(1.7)**		(2.0)	
Deferred tax liabilities on the revaluation of investment properties	**129.0**		96.9	
EPRA NTA	**1,920.7**	**879**	1,469.8	679
Basic net assets per share		**848**		652
EPRA basic NTA per share		**908**		697

The basic and diluted net assets per share have been calculated based on the following number of shares:

	2022 Number	2021 Number
Shares in issue		
At year end	**211,927,497**	210,823,703
Adjustment for Employee Benefit Trust (treasury) shares	**(359,795)**	(41,259)
IFRS/EPRA number of shares (basic)	**211,567,702**	210,782,444
Dilutive effect of Save As You Earn shares	**87,562**	109,100
Dilutive effect of Long Term Incentive Plan shares	**6,956,633**	5,706,061
IFRS/EPRA number of shares (diluted)	**218,611,897**	216,597,605

Basic net assets per share is shareholders' funds divided by the number of shares at the year end. Diluted net assets per share is shareholders' funds divided by the number of shares at the year end, adjusted for dilutive share options of 7,044,195 shares (FY2021: 5,815,161 shares). EPRA diluted net assets per share excludes deferred tax liabilities arising on the revaluation of investment properties. The EPRA NAV, which further excludes fair value adjustments for debt and related derivatives net of deferred tax, was £1,920.7 million (FY2021: £1,469.8 million), giving EPRA NTA per share of 879 pence (FY2021: 679 pence). The Directors consider that these alternative measures provide useful information on the performance of the Group.

EPRA adjusted balance sheet (non-statutory)

	2022 £'m	2021 £'m
Assets		
Non-current assets	**2,653.4**	2,042.5
Current assets	**52.4**	72.6
Total assets	**2,705.8**	2,115.1
Liabilities		
Current liabilities	**(178.4)**	(88.4)
Non-current liabilities	**(606.7)**	(557.0)
Total liabilities	**(785.1)**	(645.4)
EPRA adjusted Net Asset Value	**1,920.7**	1,469.7
EPRA adjusted basic net assets per share	**908 pence**	697 pence

12. Cash and cash equivalents

	2022 £'m	2021 £'m
Cash at bank and in hand	**20.9**	43.2

13. Financial liabilities – bank borrowings and secured notes

Non-current	**2022 £'m**	2021 £'m
Bank loans and secured notes		
Secured	**625.1**	486.5
Debt issue costs	**(1.3)**	(1.8)
	623.8	484.7

The Group's borrowings consist of bank facilities of £250 million and €70 million maturing in June 2023. Further in April 2022, the Group extended its borrowing facilities, with the issuance of a €105 million US Private Shelf Placement Note from a group of existing investors. The Group now has US Private Placement Notes of € 358 million (FY2021: €253 million) which have maturities extending to 2024, 2026, 2027, 2028, 2029 and 2033 and £215.5 million (FY2021: £215.5 million) which have maturities extending to 2026, 2028, 2029 and 2031. The blended cost of interest on the overall debt at 31 October 2022 was 2.41% per annum. Since the year end the Group has successfully refinanced their bank facilities borrowings (note 23).

The bank facilities attract a margin over SONIA/EURIBOR. The margin ratchets between 1.25% and 2.50%, by reference to the Group's performance against its interest cover covenant. Approximately 54% of the drawn bank facilities have been hedged at an effective rate of 0.6885% (SONIA).

The Company has in issue €50.9 million (FY2021: €50.9 million) 1.59% Series A Senior Secured Notes due 2024, €70.0 million (FY2021: €70.0 million) 1.26% Series A Secured Notes due 2026, £35.0 million (FY2021: £35.0 million) 2.59% Series B Senior Secured Notes due 2026, €74.1 million (FY2021: €74.1 million) 2.00% Series B Senior Secured Notes due 2027, £20.0 million (FY2021: £20.0 million) 1.96% Series A Secured Notes due 2028, €29.0 million (FY2021: €29.0 million) 0.93% Series B Secured Notes due 2028, £50.5 million (FY2021: £50.5 million) 2.92% Series C Senior Secured Notes due 2029, £30.0 million (FY2021: £30.0 million) 2.69% Series C Senior Secured Notes due 2029, €105.0 million (FY2021: €nil) 2.45% Private Shelf Senior Secured Notes due 2029, £80.0 million (FY2021: £80.0 million) 2.39% Series C Secured Notes due 2031 and €29.0 million (FY2021: €29.0 million) 1.42% Series D Secured Notes due 2033. The €358.0 million of Euro denominated borrowings provides a natural hedge against the Group's investment in the France, Spain, the Netherlands and Belgium businesses, so the Group has applied net investment hedge accounting and the retranslation of these borrowings is recognised directly in the translation reserve.

The bank loans and overdrafts are secured by a fixed charge over the Group's investment property portfolio. As part of the Group's interest rate management strategy, the Group has entered into several interest rate swap contracts, details of which are shown in note 14.

Bank loans and secured notes are stated before unamortised issue costs of £1.3 million (FY2021: £1.8 million).

Bank loans and secured notes are repayable as follows:

	Group	
	2022 **£'m**	2021 £'m
Within one year	**101.8**	—
Between one and two years	**43.8**	57.3
Between two and five years	**158.9**	137.1
After more than five years	**320.6**	292.1
Bank loans and secured notes	**625.1**	486.5
Unamortised debt issue costs	**(1.3)**	(1.8)
	623.8	484.7

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

	2022	2021
Bank loans (UK term loan)	**Quarterly or monthly SONIA plus 1.25%**	Quarterly or monthly SONIA plus 1.25%
Bank loans (Euro term loan)	**Quarterly EURIBOR plus 1.25%**	Quarterly EURIBOR plus 1.25%
Private Placement Notes (Euros)	**1.80%**	Weighted average rate of 1.52%
Private Placement Notes (Sterling)	**2.55%**	Weighted average rate of 2.55%

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	
	2022 **£'m**	2021 £'m
Expiring within one year	**208.4**	-
Expiring beyond one year	**-**	251.8
	208.4	251.8

As described above the Group's bank facilities mature in June 2023.

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

	2022 **£'m**	2021 £'m
Sterling	**295.1**	247.5
Euros	**333.6**	239.0
	625.1	486.5

14. Financial instruments

Financial instruments disclosures are set out below:

	2022		2021	
	Asset **£'m**	**Liability** **£'m**	Asset £'m	Liability £'m
Interest rate swaps	**1.2**	**—**	0.3	(0.2)
Foreign currency forwards	**0.5**	**—**	1.9	—

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

The fair values of all financial instruments are equal to their book value, with the exception of bank loans, which are set out below. The fair value of secured loan notes is determined using a discounted cash flow, while the fair value of bank loans drawn from the Group's bank facilities equates to book value. The carrying value less impairment provision of trade receivables, other receivables and the carrying value of trade payables and other payables approximates to their fair value.

The fair value of bank loans is calculated as:

	2022		2021	
	Book value **£'m**	**Fair value** **£'m**	Book value £'m	Fair value £'m
Bank loans	**623.8**	**694.1**	484.7	543.9

Fair value hierarchy

IFRS 13 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

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

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

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

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

Assets per the balance sheet	**2022 £'m**	2021 £'m
Derivative financial instruments – Level 2	**1.7**	2.2
Amounts due from associates – Level 2	**—**	2.7

Liabilities per the balance sheet	**2022 £'m**	2021 £'m
Derivative financial instruments – Level 2	**—**	0.2
Bank loans – Level 2	**694.1**	543.9

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

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

Interest rate swaps not designated as part of a hedging arrangement

The notional principal amounts of the outstanding interest rate swap contracts at 31 October 2022 were £55.0 million and €nil (FY2021: £55.0 million and €30.0 million). At 31 October 2022 the weighted average fixed interest rates were Sterling at 0.6885% (FY2021: Sterling at 0.8152% and Euro at 0.1656%), and floating rates are at quarterly SONIA. The £55.0 million SONIA swaps expire in June 2023. The movement in fair value recognised in the income statement was a net gain of £1.0 million (FY2021: net gain of £1.5 million).

Foreign currency forwards not designated as part of a hedging arrangement

As at 31 October 2022, the Group has one tranche of average rate forward contracts for a notional amount totalling €8.5 million at a rate of €1.0751 to the Pound (FY2021: three tranches totalling €24.5 million). The Group will receive the Sterling equivalent at this average exchange rate and pay the Sterling equivalent of the average monthly spot rates on the Euro notional amounts, which has a maturity date of 28 April 2023. The movement in the fair value recognised in the income statement in the period was a net loss of £1.3 million (FY2021: net gain of £1.4 million). The €8.0 million tranche previously held matured and was settled in April 2022, resulting in a fair value disposal of £0.7 million and a receipt of £0.7 million. The €8.0 million tranche previously held matured and was settled in October 2022, resulting in a fair value disposal of £0.6 million and a receipt of £0.6 million. This resulted in £1.3 million recognised as finance income and £1.3 million expense as part of the £**0.3** million expense recognised in fair value movement of derivatives within finance costs in the income statement.

Financial instruments by category

Assets per the balance sheet	Financial assets at amortised cost £'m	Assets at fair value through profit and loss £'m	Total £'m
Trade receivables and other receivables excluding prepayments	24.0	—	24.0
Derivative financial instruments	—	1.7	1.7
Cash and cash equivalents	20.9	—	20.9
At 31 October 2022	**44.9**	**1.7**	**46.6**

Liabilities per the balance sheet	Other financial liabilities at amortised cost £'m	Liabilities at fair value through profit and loss £'m	Total £'m
Borrowings (excluding lease liabilities)	623.8	—	623.8
Lease liabilities	95.4	—	95.4
Payables and accruals	43.9	—	43.9
At 31 October 2022	**763.1**	**—**	**763.1**

Assets per the balance sheet	Financial assets at amortised cost £'m	Assets at fair value through profit and loss £'m	Total £'m
Trade receivables and other receivables excluding prepayments	20.9	—	20.9
Amounts due from associates	2.7	—	2.7
Derivative financial instruments	—	2.2	2.2
Cash and cash equivalents	43.2	—	43.2
At 31 October 2021	66.8	2.2	69.0

Liabilities per the balance sheet	Other financial liabilities at amortised cost £'m	Liabilities at fair value through profit and loss £'m	Total £'m
Borrowings (excluding lease liabilities)	484.7	—	484.7
Lease liabilities	82.3	—	82.3
Derivative financial instruments	—	0.2	0.2
Payables and accruals	58.2	—	58.2
At 31 October 2021	625.2	0.2	625.4

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

	2022			2021		
	Floating rate £'m	**Fixed rate £'m**	**Total £'m**	Floating rate £'m	Fixed rate £'m	Total £'m
Borrowings	**46.8**	**577.0**	**623.8**	—	484.7	484.7

The weighted average interest rate of the fixed rate financial borrowing was 2.05% (FY2021: 2.01%) and the weighted average remaining period for which the rate is fixed was five years (FY2021: six years).

Maturity analysis

The table below analyses the Group's financial liabilities and non-settled derivative financial instruments into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than one year £'m	**One to two years £'m**	**Two to five years £'m**	**More than five years £'m**
2022				
Borrowings	**114.7**	**53.9**	**187.8**	**348.3**
Derivative financial instruments	**1.0**	**—**	**—**	**—**
Lease liabilities	**13.8**	**12.9**	**35.9**	**74.7**
Payables and accruals	**43.9**	**—**	**—**	**—**
	173.4	**66.8**	**223.7**	**423.0**

	Less than one year £'m	**One to two years £'m**	**Two to five years £'m**	**More than five years £'m**
2021				
Borrowings	10.6	67.4	162.1	313.4
Derivative financial instruments	0.3	0.3	—	—
Lease liabilities	12.9	11.5	30.9	58.8
Payables and accruals	58.2	—	—	—
	82.0	79.2	193.0	372.2

15. Lease liabilities

The Group leases certain of its investment properties under lease liabilities. The average remaining lease term is 10.9 years (FY2021: 10.3 years).

	Minimum lease payments		Present value of minimum lease payments	
	2022 £'m	2021 £'m	**2022 £'m**	2021 £'m
Within one year	**13.8**	12.9	**13.2**	12.3
Within two to five years	**48.8**	42.4	**40.6**	35.3
Greater than five years	**74.7**	58.8	**41.6**	34.7
	137.3	114.1	**95.4**	82.3
Less: future finance charges on lease liabilities	**(41.9)**	(31.8)	**—**	—
Present value of lease liabilities	**95.4**	82.3	**95.4**	82.3

	2022 £'m	2021 £'m
Current	**13.2**	12.3
Non-current	**82.2**	70.0
	95.4	82.3

Amounts recognised within the consolidated income statement include interest on lease liabilities of £5.0 million and variable lease payments not included in the measurement of the lease liabilities of £0.3 million. Amounts recognised in the consolidated statement of cash flows include lease liabilities principal payments of £8.4 million and interest on lease liabilities of £5.0 million. The maturity analysis for lease liabilities under contractual undiscounted cash flows is included in note 14.

16. Called up share capital

	2022 **£'m**	2021 £'m
Called up, allotted and fully paid		
211,927,497 (FY2021: 210,823,703) ordinary shares of 1 pence each	**2.1**	2.1

17. Cash flow from operating activities

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

Cash generated from continuing operations	Notes	**2022** **£'m**	2021 £'m
Profit before income tax		**498.8**	404.6
Gain on investment properties	10	**(381.6)**	(321.1)
Other exceptional gains	4	**(10.8)**	—
Share of loss in associates		**0.3**	—
Depreciation		**1.0**	1.0
Net finance expense		**15.7**	12.4
Employee share options		**8.6**	8.6
Changes in working capital:			
Decrease/(increase) in inventories		**0.2**	(0.2)
Decrease/(increase) in trade and other receivables		**0.1**	(5.4)
(Decrease)/increase in trade and other payables		**(0.4)**	13.6
Increase in provisions		**0.3**	2.1
Cash generated from continuing operations		**132.2**	115.6

18. Analysis of movement in gross and net debt

	2021 £'m	Cash flows £'m	Non-cash movements £'m	**2022** **£'m**
Bank loans	(484.7)	(132.0)	(7.1)	**(623.8)**
Lease liabilities	(82.3)	8.4	(21.5)	**(95.4)**
Total gross debt (liabilities from financing activities)	(567.0)	(123.6)	(28.6)	**(719.2)**
Cash in hand	43.2	(22.1)	(0.2)	**20.9**
Total net debt	(523.8)	(145.7)	(28.8)	**(698.3)**

The table above details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

The cash flows from bank loans make up the net amount of proceeds from borrowings, repayment of borrowings and debt issuance costs.

Non-cash movements relate to the amortisation of debt issue costs of £0.5 million (FY2021: £0.4 million), foreign exchange movements of £6.8 million (FY2021: £12.4 million) and unwinding of discount to lease liabilities of £21.5 million (FY2021: £12.6 million).

19. Provisions

In France, the basis on which property taxes have been assessed has been challenged by the tax authority for financial years 2011 onwards. In March 2021 the French Court of Appeal delivered a judgement, which resulted in a partial success for the Group; however, a further appeal has been lodged with the French Supreme Court against those decisions on which the Group was unsuccessful. A provision is included in the consolidated financial accounts of £2.4 million at 31 October 2022 (FY2021: £2.1 million), to reflect the increased uncertainty surrounding the likelihood of a successful outcome. Of the total provided, £0.3 million has been charged in relation to twelve months to 31 October 2022 within cost of sales (Underlying EBITDA) (FY2021: £1.9 million was recorded as an exceptional charge in respect of financial years 2012 to 2020 and £0.2 million was charged in relation to twelve months to 31 October 2021 within underlying cost of sales).

It is possible that the French tax authority may appeal the decisions of the French Court of Appeal on which the Group was successful to the French Supreme Court. The maximum potential further exposure in relation to these issues at 31 October 2022 is £3.0 million (FY2021: £2.7 million). No provision for any potential further exposure has been recorded in the consolidated financial statements since the Group believes it is more likely than not that a successful outcome will be achieved, resulting in no additional liabilities.

Bank guarantees to cover any potential additional tax assessment are currently being put in place, of which guarantees totalling £1.2 million have been put in place as at 31 October 2022 (FY2021: £1.3 million).

20. Contingent liabilities

As part of the Group banking facility, the Company has guaranteed the borrowings totalling £625.1 million (FY2021: £486.5 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.

The Group also has a contingent liability in respect of property taxation in the French subsidiary as disclosed in note 19.

21. Capital commitments

The Group had £146.0 million of capital commitments as at 31 October 2022 (FY2021: £98.6 million).

22. Related party transactions

The Group's shares are widely held. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions with Safestore Storage Benelux B.V. (formerly CERF Storage JV B.V.)

As described in note 9, the Group had a 20% interest in Safestore Storage Benelux B.V. ("SSB") up until 30 March 2022 and was classified as an investment in associate. From 30 March 2022, SSB became a wholly owned subsidiary of the Group, from which point all intra-group transactions and balances are eliminated on consolidation.

During the period to 30 March 2022 the Group recharged £0.2 million (FY2021: £nil) to SSB for operational costs paid on behalf of SSB and was repaid £0.2 million (FY2021: £0.2 million) of cumulative outstanding balances during the year. Unpaid interest of £0.1 million (FY2021: £0.1 million) was accrued and charged during the year on the €3.0 million (£2.7 million) principal loan note outstanding. The total amount outstanding at 30 March 2022 included within current trade and other receivables was £2.8 million (FY2021: £2.7 million). Management fees charged and settled during the year amounted to £0.3 million (FY2021: £1.0 million).

Transactions with PBC Les Groues SAS

As described in note 9, the Group has a 24.9% interest in PBC Les Groues SAS ("PBC"). During the period, the Group made a further investment £0.8 million (€0.9 million) into PBC to fund the development of a new store in France, taking the total investment to £1.8 million (€2.1 million) (FY2021: £1.0 million (€1.2 million)). The total amount invested is included as part of its noncurrent investments in associates. The total amount outstanding at 31 October 2022 included within trade and other receivables was £nil (FY2021: £nil).

As described in note 4, during the period, the Group sold the Nanterre site to the joint venture partner of Nanterre FOCD 92 for a total price of €7.6 million excluding VAT and including demolition cost reimbursement, where the settlement is done partially in cash £1.0 million (€1.1 million excluding tax), and partially in kind through the delivery of the new building at the end of the operation (estimated at €6.5 million).

23. Post balance sheet events

On 11 November 2022 the Group completed their refinancing exercise obtaining a new increased unsecured £400 million multi-currency four-year Revolving Credit Facility (with two one-year extension options). In addition, a further £100 million uncommitted accordion facility is incorporated into the facility agreement.

On 1 December 2022 the Group acquired a 10.0% interest in CERF II German Storage Topco S.à r.l, a company registered in Luxembourg and the indirect holder of myStorage GmbH, a company registered and operating in Germany.