Annual report 2017

Safestore Holdings plc
Annual report and financial statements 2017

Strong strategic progress and a fourth consecutive year of double-digit cash tax adjusted EPS[1] growth

"We have had a successful year through a combination of organic and acquisitive growth combined with a strong operational performance. Over the last 18 months our market-leading positions in the UK and Paris have been consolidated, supported by the acquisitions of Space Maker and Alligator Self Storage, which added 24 stores to the UK portfolio and boosted earnings from the outset. Organically we have developed and opened six new stores in the UK and Paris, with a pipeline of a further four new stores opening in London, Birmingham and Paris."

Frederic Vecchioli, Safestore's Chief Executive Officer

Highlights

Strong financial performance

- Group revenue for the year up 12.6% (10.0% in CER[2])
- Like-for-like[3] Group revenue for the year in CER[2] up 3.3%
  - UK up 3.1%
  - Paris up 4.0%
- Underlying EBITDA[4] up 10.7% in CER[2] which, offset by exceptional refinancing costs of £16.3 million, drove a reduction in profit before tax[5] of 16.9%
- Cash tax adjusted earnings per share[1] up 17.7% at 23.3 pence
- 21.7% increase in the final dividend to 9.8 pence (FY2016: 8.05 pence)

Operational focus

- Balanced approach to revenue management continues to drive returns
  - Like-for-like average occupancy for the year up 1.4%
  - Like-for-like closing occupancy of 75.0% (up 1.3ppts on 2016)
  - Like-for-like average storage rate for the year up 1.3% in CER[2]
- Space Maker and new stores trading well

Strategic progress

- Twelve Alligator stores acquired on 1 November 2017 for £56 million[6], immediately earnings enhancing
- Three new UK stores in the pipeline, with 146,000 sq ft of new space scheduled to open in London – Mitcham, London – Paddington Marble Arch and Birmingham Merry Hill
- Contracts exchanged in November 2017 for an 80,000 sq ft freehold site at Poissy, in the west of Paris

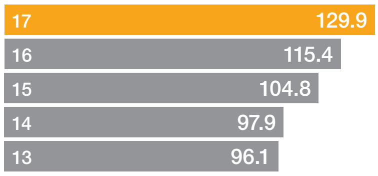
Strong and flexible balance sheet

- Debt refinancing in May 2017 resulting in circa £3 million per annum finance costs savings on a pro forma basis
- Group loan-to-value ratio ("LTV"[7]) at 31 October 2017 at 36% and interest cover ratio ("ICR"[8]) at 6.7x

Note
Please see overleaf for accompanying notes.

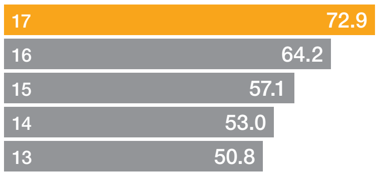
Revenue (£'m)

£129.9m
+12.6%



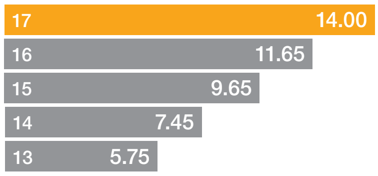
Underlying EBITDA[4] (£'m)

£72.9m
+13.6%



Dividend (pence per share)

14.00p
+20.2%



Further information and investor updates can be found on our website at **www.safestore.co.uk/corporate/**

Financial highlights

Key measures

	Year ended 31 October 2017	Year ended 31 October 2016	Change	Change – CER[2]
Underlying and operating metrics – total				
Revenue	**£129.9m**	£115.4m	12.6%	10.0%
Underlying EBITDA[4]	**£72.9m**	£64.2m	13.6%	10.7%
Closing occupancy (let sq ft– million)[9]	**4.14**	3.97	4.3%	n/a
Closing occupancy (% of MLA)[10]	**72.6%**	71.0%	+1.6ppts	n/a
Average storage rate[11]	**£26.67**	£26.17	1.9%	(0.6%)
Cash tax adjusted earnings per share[1]	**23.3p**	19.8p	17.7%	n/a
Adjusted diluted EPRA earnings per share[12]	**23.2p**	19.8p	17.2%	n/a
Free cash flow[13]	**£50.3m**	£42.4m	18.6%	n/a
EPRA basic NAV per share	**£3.29**	£3.00	9.7%	n/a
Underlying and operating metrics – like-for-like[3]				
Revenue	**£117.7m**	£111.1m	5.9%	3.3%
Underlying EBITDA[4]	**£66.6m**	£61.5m	8.3%	5.2%
Closing occupancy (let sq ft– million)[9]	**3.65**	3.59	1.7%	n/a
Closing occupancy (% of MLA)[10]	**75.0%**	73.7%	+1.3ppts	n/a
Average occupancy (let sq ft– million)[9]	**3.57**	3.52	1.4%	n/a
Average storage rate[11]	**£27.35**	£26.26	4.2%	1.3%
Statutory metrics				
Profit before tax[5]	**£78.9m**	£94.9m	(16.9%)	n/a
Basic earnings per share	**37.4p**	42.0p	(11.0%)	n/a
Dividend per share	**14.0p**	11.65p	20.2%	n/a
Cash inflow from operating activities	**£55.6m**	£47.0m	18.3%	n/a

Notes

1 Cash tax adjusted earnings per share is defined as profit or loss for the year before exceptional items, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties and the associated tax impacts as well as exceptional tax items and deferred tax charges, divided by the weighted average number of shares in issue (excluding shares held by the Safestore Employee Benefit Trust).

2 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).

3 Like-for-like adjustments have been made to remove the impact of the 2016 openings of Wandsworth, Altrincham, Birmingham (including closure of our existing Birmingham store) and Emerainville, as well as Chiswick and Combs-la-Ville and the closure of Deptford in the current financial year. In addition, the impact of the acquisition of Space Maker on 29 July 2016 has been adjusted.

4 Underlying EBITDA is defined as operating profit before exceptional items, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties, contingent rent and depreciation. 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.

5 Profit before tax decreased by £16.0 million to £78.9 million (FY2016: £94.9 million) principally as a result of exceptional costs totalling £17.7 million (FY2016: exceptional income of £4.3 million), which includes exceptional refinancing costs of £16.3 million, and a reduction in the gain on investment properties by £2.5 million to £39.2 million (FY2016: £41.7 million), offset by an improvement in underlying EBITDA of £8.7 million.

6 The consideration paid for Alligator on 1 November 2017 was £56.0 million, and is subject to customary working capital adjustment.

7 LTV ratio is loan-to-value ratio, which is defined as gross debt (excluding finance leases, but adjusted for the fair value of the US Dollar cross currency swap) as a proportion of the valuation of investment properties and investment properties under construction (excluding finance leases).

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

9 Occupancy excludes offices but includes bulk tenancy. As at 31 October 2017, closing occupancy includes 27,000 sq ft of bulk tenancy (31 October 2016: 37,000 sq ft).

10 MLA is maximum lettable area. At 31 October 2017, Group MLA was 5.71m sq ft (FY2016: 5.59m sq ft).

11 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.

12 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 will disclose earnings both on a statutory, EPRA and Adjusted Diluted EPRA basis and will provide a full reconciliation of the differences in the financial year in which any LTIP awards may vest.

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

Chairman's statement

Strong strategic progress over the year

The Board remains confident in the prospects for the Group

I am pleased to announce, on behalf of the Board of Safestore, another strong set of results for the year ended 31 October 2017.

There has been strong strategic progress over the year. Space Maker, acquired in July 2016, is fully integrated into the Group and the six new stores opened over the last sixteen months are all performing at least in line with their business plans. The acquisition of Alligator, completed on 1 November 2017, will be integrated during the first half of the current financial year and we have a pipeline of four new sites, adding 226,000 sq ft of capacity, opening over the next 18 months.

Management's focus remains on the existing store portfolio and filling the 1.7m sq ft of available capacity (including Alligator), building on the operational improvements made over the previous four years.

The refinancing of our bank debt and US private placement notes in May 2017 has improved further the balance sheet flexibility and capacity to continue to take advantage of carefully selected development and acquisition opportunities. I remain confident that the business is well positioned for growth and to deliver additional value for shareholders.

During the year, our Remuneration Committee has spent a significant amount of time engaging with our shareholders around our new remuneration policy. Like the Remuneration Committee, I strongly believe that the new remuneration structure, which is designed to break away from the conventional model and drive exceptional corporate performance from our talented management team over the next five years, is in the best interests of all stakeholders. I would like to take this opportunity to thank all the shareholders who have supported our proposals, as well as all of those who have engaged with us and put considerable time and effort into analysing and providing feedback on our proposals.

Financial results

Revenue for the year was £129.9 million, 12.6% ahead of last year (FY2016: £115.4 million) and was up 10.0% on a constant currency basis. Like-for-like revenue was up 3.3% in constant currency. This result was driven by a solid performance in the UK, which grew like-for-like revenue by 3.1%, combined with another strong performance by Une Pièce en Plus, our Parisian business, which grew like-for-like revenue by 4.0%. In addition, the July 2016 acquisition of Space Maker contributed to the revenue growth.

Underlying EBITDA increased by 13.6% to £72.9 million (FY2016: £64.2 million) and 10.7% on a constant currency basis. Underlying EBITDA after rental costs increased by 13.0% to £62.6 million (FY2016: £55.4 million).

The refinancing of our bank debt and US private placement notes in May 2017 was the principal driver of a reduction in the year in the underlying finance charge of £0.7 million or 6.9% to £9.4 million (FY2016: £10.1 million). Over the last four years we have reduced our finance charges by 49% or £9.0 million.

As a result of the above factors, cash tax adjusted earnings per share grew by 17.7% to 23.3 pence (FY2016: 19.8 pence). Cash tax adjusted EPS has grown by 12.2 pence or 110% over the last four years.

Statutory basic earnings per share decreased to 37.4 pence (FY2016: 42.0 pence), the increase in cash tax adjusted earnings per share being offset by a reduction in the gain on investment properties and an increase in exceptional costs and exceptional finance charges.

Capital structure

The Group's balance sheet remains robust with a Group LTV[7] ratio of 36% and an interest cover ratio of 6.7x. 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 to achieve our medium term strategic objectives.

Dividend

Reflecting the Group's strong trading performance, the Board is pleased to recommend a 21.7% increase in the final dividend to 9.8 pence per share (FY2016: 8.05 pence per share), resulting in an increase of 20.2% in the total dividend to 14.0 pence per share for the year (FY2016: 11.65 pence per share). The total dividend for the year is covered 1.66 times by cash tax earnings (1.70 times in 2016). The Group's dividend has increased by 143% in the last four years. Shareholders will be asked to approve the dividend at the Company's Annual General Meeting on 21 March 2018 and, if approved, the final dividend will be payable on 6 April 2018 to shareholders on the register at close of business on 9 March 2018.

The Board remains confident in the prospects for the Group and will continue its progressive dividend policy in 2018 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[12].

People

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

Alan Lewis
Non-Executive Chairman
8 January 2018

Chief Executive's statement

We have strengthened our market-leading portfolio

Reflecting the Group's strong trading performance, the Board is pleased to recommend a 21.7% increase in the final dividend

Summary

Building on the performance of 2016, Safestore has delivered another strong financial result through a combination of organic and acquisitive growth and the debt refinancing in May 2017. Total Group revenue increased by 12.6% (10.0% at CER[1]) with a strong performance across the UK (+11.6%) and continued strength in Paris (+5.1%). On a like-for-like basis[2] in CER, Group revenue increased by 3.3% with the UK up 3.1% and Paris up 4.0%. The Group's like-for-like closing occupancy increased by 1.3 percentage points ("ppts") to 75.0% with the average storage rate up 1.3% at CER.

Our operational performance across the UK has been robust this year. Our updated consumer website, combined with our digital marketing expertise, delivered good enquiry growth, which has resulted in like-for-like closing occupancy in the UK growing by 0.6ppts to 72.5%. Growth in occupancy in the UK regions outside London and the South East performed particularly well.

In the UK, we successfully integrated the Space Maker portfolio during the year and completed the acquisition of the twelve-store Alligator Self Storage portfolio on 1 November 2017 for £56 million[3]. In addition, the four new stores opened in London – Chiswick, London – Wandsworth, Birmingham and Altrincham, on time and on budget, between August and November 2016 are all performing in line with or ahead of their business plans.

In Paris, our performance has been robust with like-for-like revenue growing by 4.0%. Our balanced approach to revenue management resulted in like-for-like rate growth of 2.3% and average occupancy growth of 1.2%. Like-for-like closing occupancy ended the year at 84.7% (FY2016: 80.7%). This is the nineteenth consecutive year of revenue growth in Paris with average growth over the last five years of circa 5%. We opened a new store in Emerainville in September 2016 and our most recent new store at Combs-la-Ville opened in June 2017. Both are trading in line with their business plans.

Group underlying EBITDA of £72.9 million increased by 10.7% at CER on the prior year and by 13.6% on a reported basis reflecting the impact of the strengthening Euro on the profit earned on our Paris business. The Group's strong EBITDA performance, combined with reduced finance costs arising from the refinancing of the Group's USPP notes and amendment and extension of the bank facilities completed in May 2017, resulted in a 17.7% increase in cash tax adjusted EPS[4] in the period to 23.3 pence (FY2016: 19.8 pence). Going forward, the business will be focusing on the Adjusted Diluted EPRA EPS[5] measure, which is consistent with how the underlying performance of the business is measured and with how management is incentivised for the long term. Adjusted Diluted EPRA EPS for FY2017 was 23.2 pence (FY2016: 19.8 pence).

Our property portfolio valuation, including investment properties under construction, increased in the year by 6.2% on a constant currency basis. After exchange rate movements the portfolio valuation increased by 5.5% to £1,007.0 million with the UK portfolio up £33.8 million to a total UK value of £744.4 million and the French portfolio increased €27.7 million to €298.6 million.

Reflecting the Group's strong trading performance, the Board is pleased to recommend a 21.7% increase in the final dividend to 9.8 pence per share (FY2016: 8.05 pence) resulting in a full year dividend up 20.2% to 14.0 pence per share (FY2016: 11.65 pence).

Notes

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3 The consideration paid for Alligator on 1 November 2017 was £56.0m, and is subject to customary working capital adjustment.

4 Cash tax adjusted earnings per share is defined as profit or loss for the year before exceptional items, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties and the associated tax impacts as well as exceptional tax items and deferred tax charges, divided by the weighted average number of shares in issue (excluding shares held by the Safestore Employee Benefit Trust).

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Outlook

In the last 18 months Safestore has further strengthened its market positions in both the UK and Paris with the acquisitions of Space Maker and Alligator, the opening of six new stores and the establishment of a pipeline of a further four new stores. Including Alligator, the Group has 1.7m sq ft of fully invested unlet space available, offering significant operational upside in the existing portfolio. We remain focused on further optimising the Group's operational performance whilst our balance sheet strength and flexibility provide us with the opportunity to actively consider further selective development and acquisition opportunities in our key markets.

We believe Safestore is well placed to withstand the uncertain macro-economic backdrop in the UK and have seen encouraging like-for-like revenue trends in both the UK and Paris in the first two months of the current financial year. Our recently acquired businesses and newly opened stores are trading at least in line with their business plans and we look forward with confidence to the 2017/18 financial year.

Our strategy

The Group's proven strategy remains unchanged and as stated in our last Annual Report. We believe that the Group has a well located asset base, management expertise, infrastructure, scale and balance sheet strength to exploit the current healthy industry dynamics. As we look forward, we consider that the Group has the potential to significantly 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.

Key performance indicators

The key performance indicators ("KPIs") of our business are occupancy and average rental rate, which drive the revenue of our business. These KPIs, along with underlying EBITDA, are reported in the financial highlights section on page 2 and within the trading performance section of the strategic report on page 12.

Optimisation of existing portfolio

With the opening of six new stores in the last 16 months, and the acquisitions of Space Maker in July 2016 and Alligator in November 2017, we have strengthened our market-leading portfolio. We have a high quality, fully invested estate in both the UK and Paris. Of our 146 stores (including Alligator), 93 are in London and the South East of England or in Paris, with 53 in the other major UK cities. We now operate 44 stores within the M25, which represents a higher number of stores than any other competitor.

With the aforementioned new store openings, our MLA has increased to 5.71m sq ft at 31 October 2017. At the current occupancy level of 72.6% we have 1.6m sq ft of unoccupied space (excluding Alligator), of which 1.3m sq ft is in our UK stores and 0.3m sq ft in Paris. With the addition of the Alligator portfolio from 1 November 2017, a further 0.57m sq ft of MLA is added, of which 0.40m sq ft was occupied at 31 October 2017 resulting in a total MLA of 6.28m sq ft with an occupancy of 72.3%. In total this unlet space is the equivalent of circa 40 empty stores located across the estate. 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.

"We have a high quality, fully invested estate in both the UK and Paris"

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.

In-house digital marketing expertise

Awareness of self-storage is increasing each year but remains relatively low with 58% of the UK population either knowing very little or nothing about self-storage (source: 2017 SSA Annual Report). In the UK around 75% of our new customers are using self-storage for the first time. It is largely a brand-blind purchase with only 12% of respondents in the 2017 Self Storage Association Annual Survey stating that a brand would influence their purchase decision. 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").

We believe there is a clear benefit of scale in the generation of customer enquiries. The Group has continued to invest in its consumer website as well as in-house expertise which has resulted in the development of a leading digital marketing platform that has generated over 40% enquiry growth over the last four years.

In December 2016, the Group launched a new trading website for the Paris business, building on the success of the new UK site, which is performing well.

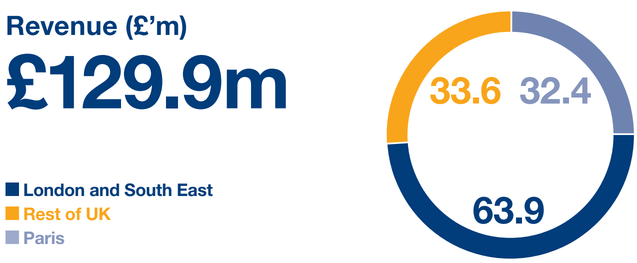
Online enquiries now represent over 82% of our enquiries in the UK (FY2016: 81%) and 72% in France (FY2016: 63%). 57% of our online enquiries in the UK originate from mobile devices, compared to 54% last year, highlighting the need for continual investment in our responsive web platform.

Our in-house expertise and skills and significant annual budget enable us to achieve the above results. We will continue to invest in activities that promote a strong search engine presence to grow enquiry volume whilst managing efficiency in terms of the overall cost per enquiry.

Feefo, the independent review system, which allows our customers to leave their feedback on the quality of our customer service, has been integrated into our website since 2013. Over this period, our customer satisfaction score has averaged above 96% and we have achieved a Feefo Gold Service Merchant rating every year since its introduction.

Revenue (£'m)

£129.9m



Chief Executive's statement *continued*

Optimisation of existing portfolio *continued*

Motivated and effective store teams benefiting from improved training and coaching

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

The experience gained from the integration of the Space Maker brand, as well as enhancements to our regional leadership structure, supported the recent acquisition of Alligator Self Storage, allowing us to quickly integrate the stores into our geographical regional structure. Our dedicated online learning platform allows our new colleagues to take part in our industry-leading training and development programmes.

November 2016 saw the launch of our internal Store Manager Development Programme, designed to provide the business with its future store managers. The first group of trainees graduated in November 2017 and the second intake of sales consultants have now commenced the 2018 programme.

As with our new Alligator colleagues, new recruits to the business benefit from enhanced induction and training tools which have been developed in house and enable us to quickly identify high potential individuals. 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 our training store managers. This allows our people to be trained with the knowledge and skills to sell effectively in today's market place.

All new recruits receive individual performance targets within four weeks of joining the business and are placed on the "pay-for-skills" programme, which allows accelerated basic pay increases dependent on success in demonstrating specific and defined skills. The key target of our programme, to ensure that close to 100% of our store managers are promoted internally, still remains and we are pleased with our progress to date.

The training and development of our store and customer-facing colleagues is an essential part of our daily routines. In 2017 we delivered a further 22,500 hours of training through face-to-face sessions and via our internally developed online learning tool. This Learning Management System also provides the opportunity for team members to receive rigorously enforced health and safety, fire and compliance training, ensuring that our staff are up to date in relation to their technical knowledge and continue to operate a safe environment for both our colleagues and customers. These modules are continually updated to target the areas of most opportunity and maintain colleague engagement.

To further support our cyber-security efforts we have introduced further enhanced online training modules. All colleagues are required to complete this training.

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 level enhances our competitive approach to team and individual performance. We continue to reward our people for their performances with bonuses of up to 50% of basic salary based on their achievements against individual new lets, occupancy, ancillary sales and pricing targets. In addition, a Values and Behaviours framework is overlaid on individuals' financial performance in order to assess team members' performance and development needs on a quarterly basis.

Customers continue to be at the heart of everything we do, whether it be in store, online or in their communities. Our Feefo customer service score of 96% reflects our ongoing commitment to their satisfaction.

> "Close to 100% of our store managers are promoted internally"

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 when needed, the store sales teams have the ability to offer a Lowest Price Guarantee in the event that a local competitor is offering a lower price.

During the last year, we have continued to enhance our business intelligence software, which we first implemented in 2015. This has improved the team's ability to identify pricing opportunities, monitor competitive pricing in local markets and to establish optimal unit mix in individual stores.

Our strategy to optimise revenue is implemented by continually reviewing the appropriate mix of occupancy and rate growth targets, store by store.

Rate growth is 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 pricing policy and the confidence provided by analytical capabilities that smaller players may lack.

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

Costs are managed centrally with a lean structure maintained at the Head Office.

We are continually challenging our cost base and in 2017 we completed a full retendering process of maintenance suppliers to further improve the efficiency, quality and cost of both our planned and reactive maintenance. Our rollout of LED lighting has moved at pace in 2017 and we plan to complete the entire estate by March 2018, reducing our CO_2 emissions by the equivalent of removing 800 cars from the road per annum.

Strong and flexible capital structure

Since 2014 we have refinanced the business on three occasions and believe we now have 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.

On 31 May 2017 we completed the refinancing of the Group's US private placement notes ("USPP") and an amendment and extension of its existing bank facilities to extend the average maturity and lower the cost of the Group's debt financing.

The key terms of the new and amended arrangements are as follows:

US private placement notes

— The previous $65.6 million 5.83%[1] 2019 USPP and $47.3 million 6.74%[1] 2024 USPP were repaid in full;

— New Euro and Sterling-denominated USPP notes were issued with the following tenor and fixed coupons:

  — €50.9 million 7 year notes at a coupon of 1.59%;

  — €74.1 million 10 year notes at a coupon of 2.00%; and

  — £50.5 million 12 year notes at a coupon of 2.92%.

Amendment and extension of bank facilities

— The previous UK and Euro revolving credit facilities were extended by two years from June 2020 to June 2022, with an option (on an uncommitted basis) to extend for a further year; the previous £126 million term loan was cancelled.

— As at 31 May 2017, the amended facilities comprised:

  — a £190 million revolving credit facility; and

  — a €70 million revolving facility.

— The margin on the amended facilities was reduced by 25bps from 150bps to 125bps.

— Similarly, the non-utilisation fee on the undrawn facilities reduced from 0.6% to 0.5%.

— The Group also had the option (on an uncommitted basis) to increase the quantum of the Sterling revolving credit facility by £60 million. This option was exercised in October 2017 to increase the UK revolving facility to £250 million, in anticipation of the acquisition of the Alligator business, which completed following the year end on 1 November 2017.

As part of the refinancing, the Group made a "make-whole" payment to existing USPP noteholders of £12.4 million and broke the Sterling/Dollar cross currency swap relating to the existing USPP notes, leading to the Group receiving £13.9 million, being the mark-to-market value of the swap which was in the Group's favour and which was carried at that value at the date of breakage. Exceptional finance charges reported by the Group in respect of the refinancing for the year are £16.3 million, comprising the £12.4 million "make-whole" payment, with the balance relating to fees and the write off of previous unamortised issue costs. The refinancing was broadly cash flow neutral.

The USPP was issued to insurance company affiliates of AIG, Inc. and the bank facilities are provided by a syndicate of RBS, HSBC, Lloyds, Santander and BRED.

Subsequent to amendment and extension of the bank facilities, the Group also restructured its interest rate hedge arrangements. Existing swaps, which mirrored the previous term of the bank facilities to June 2020, at weighted average fixed rates of 1.34% (over £100 million) and 0.309% (over €30 million), were broken, resulting in a cash outflow of £2.6 million. New interest rate hedge agreements were put in place to June 2022, swapping LIBOR on £100 million at an effective rate of 0.8145% and EURIBOR on €30 million at an effective rate of 0.1635%.

At 31 October 2017, based on the current level of borrowings and interest swap rates, the Group's weighted average cost of debt is 2.14%, a reduction of 144bps since the prior year end (FY2016: 3.58%). The weighted average maturity of the Group's debt has increased from 3.9 years at 31 October 2016 to 6.7 years at the current year end. The Group's LTV ratio under the new financing arrangements was 36% as at 31 October 2017; however, this has been distorted due to the drawdown of £56 million of loans just prior to the year end in anticipation of the Alligator acquisition, which completed immediately after the year end on 1 November 2017. On a pro forma basis, excluding this £56 million drawdown, LTV at 31 October 2017 would have been 31%, or by including the value of the Alligator stores at 31 October 2017, LTV would have been 34%.

Note

1 Adjusted for the impact of cross currency swap agreements.

"In the last 16 months, the Group has opened six new stores"

This LTV and interest cover ratio of 6.7x for the year ended 31 October 2017 provide us with significant headroom compared to our banking covenants. We have £108 million of available bank facilities at 31 October 2017.

Taking into account the improvements we have made in the performance of the business and the reduction in underlying finance charges of £9.0 million per annum over the last four years, the Group is now capable of generating free cash after dividends sufficient to fund the building of 2–3 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 LTV of between 30% and 40% for the foreseeable future.

Portfolio management

As ever, our approach to store development and acquisition in the UK and Paris will continue to be pragmatic, flexible and focused on the return on capital.

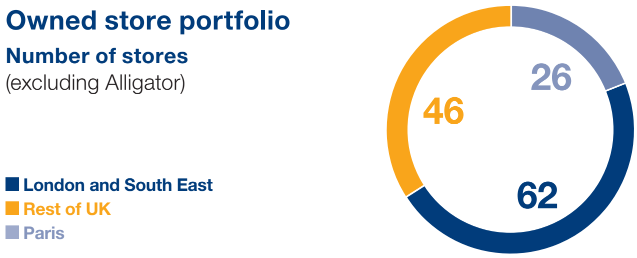
Our property teams in both the UK and Paris are continually seeking investment opportunities in new sites to add to the store pipeline. However, investments will only be made if they comply with our disciplined and strict investment criteria.

In the last 16 months, the Group opened six new stores in Chiswick and Wandsworth in London, Birmingham, Altrincham, and Emerainville and Combs-la-Ville in Paris as well as completing the extension and refurbishment of our Acton and Longpont (Paris) stores. All of these stores are performing in line with or ahead of their business plans.

In December 2016, we acquired the freehold of a site in Mitcham, in South West London. We now have planning permission and have started construction on a new circa 54,000 sq ft store on this site. The store is scheduled to open in the first half of the current financial year.

Owned store portfolio

Number of stores
(excluding Alligator)



Chief Executive's statement *continued*

Portfolio management *continued*

In July 2017, we obtained planning permission and exchanged contracts for a new 37,000 sq ft leasehold store located between Paddington and Marble Arch in central London. The lease will be for a period of 20 years, with an option to extend for a further ten years. We anticipate that the store will open in the second calendar quarter of 2018.

In addition, in October 2017, we completed the acquisition of a 1.34 acre industrial site at Merry Hill, around ten miles west of the centre of Birmingham, in a very prominent location close to Merry Hill regional shopping centre. Subject to receiving planning consent we expect to open a purpose-built freehold 55,000 sq ft store in the first quarter of 2019.

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

In April 2017, we completed the acquisition of a freehold site in south-eastern Paris adjacent to the M104 motorway at Combs-la-Ville. The cost to buy and convert the site was €6.3 million and the store opened for business in June 2017. The building was constructed in 2001 and is in good condition, requiring a relatively simple reconfiguration for self-storage usage. The store has 73,500 sq ft of MLA and circa 10,000 sq ft of serviced offices.

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

In November 2017, we exchanged contracts on a site at Poissy, in the west of Paris, an area where we currently have no stores. We expect to complete the acquisition of the site in the first calendar quarter of 2018 and to open a freehold 80,000 sq ft store in summer 2018.

In June 2017, we accepted an offer of £4.8 million on our leasehold Deptford store. The store contributed £0.4 million of EBITDA after rent in the year ended October 2016. The transaction was completed on 31 August 2017.

In September 2017, we continued our programme of extending the leases on our leasehold store portfolio. The lease on our Oldbury store, which had six years remaining, has been extended to 2042 resulting in a certain term of 25 years. A year's rent-free period was agreed as part of the extension. We have now extended the leases on 18 stores or 51% of our leased store portfolio in the UK over the last five years and our average lease length remaining now stands at 13.3 years as compared to 13.7 years at FY2016.

Acquisitions

Over the last 18 months Safestore has completed two acquisitions, adding 24 stores to the Group's portfolio at a total consideration of £98.3 million (prior to potential working capital adjustments in respect of the Alligator acquisition). Both acquisitions are immediately earnings accretive.

Space Maker

At the end of July 2016 we completed the acquisition of Space Maker for a total consideration of £42.3 million.

Space Maker was the ninth largest self-storage portfolio in the UK, with twelve stores, located in Bournemouth (two stores), Colchester, Redhill, Romford, Brentford, Chelmsford, Exeter, Leeds, Plymouth, Portsmouth and Poole, and had a fully invested built out lettable area of circa 496,000 sq ft. Six of the Space Maker stores are freehold or long leasehold and six are leasehold stores with an average remaining lease length of 14.9 years at 31 October 2017.

Space Maker has been fully integrated into the Safestore portfolio from an operational perspective during the course of the 2017 financial year, and is performing in line with its business plan.

Alligator

Subsequent to the year end, on 1 November 2017 the Group completed the acquisition of Stork Self Storage (Holdings) Limited ("SSSHL") trading as Alligator Self Storage. The consideration was £56.0 million (subject to customary working capital adjustment) and was paid in cash on completion of the acquisition.

SSSHL was the eleventh largest self-storage portfolio in the UK, with twelve stores with a maximum lettable area estimated at circa 569,000 sq ft. SSSHL's stores, which are geographically complementary to the existing estate, are located in London (Camden), the South East of the UK (Fareham, Farnham, Luton and Winchester), Birmingham (three stores), Southampton, Bolton, Bristol and Nottingham. Ten of the SSSHL stores are freehold or long leasehold and two are leasehold stores with an average remaining lease length of 15.3 years.

The acquisition reinforces Safestore's position as the UK's largest self-storage group by number of sites with a combined total of 120 stores, 67 of which are in London and the South East. The SSSHL portfolio was 70% occupied (of maximum lettable area) at 31 October 2017.

Pro forma EBITDA after rent is currently circa £4.3 million per annum on turnover of £7.5 million. At the consideration price, the SSSHL portfolio has an implied first year net operating income yield of circa 7.7%.

The SSSHL business, which had provisional net assets of £56.7 million at 31 October 2017, was acquired on a debt and cash-free basis. The acquisition was funded from the Group's existing debt facilities, with the Group's £60 million accordion facility converted into a committed revolving credit facility. On a pro forma basis, the Group's LTV ratio post completion of the acquisition is 34% compared to 32% at 30 April 2017 (as adjusted on a pro forma basis for our May 2017 refinancing).

Portfolio summary

The self-storage market has been growing in the last 15 years across many European countries but few regions offer the unique characteristic of London and Paris, both of which consist of large, wealthy and densely populated markets. In the London region, the population is 13 million inhabitants with a density of 5,200 inhabitants per square mile in the region, 11,000 per square mile in the city of London and up to 32,000 in the densest boroughs.

The population of the Paris urban area is 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 72% of our French stores are located and which has one of the highest 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 circa 245 storage centres within the M25 as compared to only circa 90 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 particularly the case for Paris and its first belt, which inhibits new development possibilities.

Our combined operations in London and Paris, with 69 stores, contribute £79.4 million of revenue and £55.1 million of store EBITDA and offer a unique exposure to the two most attractive European self-storage markets.

We have a strong position in both the UK and Paris markets operating 108 stores in the UK (excluding Alligator), 62 of which are in London and the South East, and 26 stores in Paris.

In the UK, 66% 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, excluding Alligator, we operate 43 stores within the M25, more than any other competitor.

In France, we have a leading position in the heart of the affluent City of Paris market, with eight stores branded as Une Pièce en Plus ("UPP") ("A spare room") with more than twice the number of stores of our two major competitors combined. 69% of the UPP stores are located in a cluster within a five-mile radius of the city centre, which facilitates strong operational and marketing synergies as well as options to differentiate and channel customers to the right store subject to their preference for convenience or price affordability. The Parisian market has attractive socio-demographic characteristics for self-storage and we believe that UPP enjoys unique strategic strength in such an attractive market.

Together, as at 31 October 2017, London, the South East and Paris represent 66% of our owned stores, 74% of our revenues, as well as 59% of our available unlet capacity.

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

Owned store portfolio by region

(Excluding Alligator Self Storage)	London and South East	Rest of UK	UK total	Paris	**Group total**
Number of stores	62	46	108	26	**134**
Let square feet (m sq ft)	1.78	1.47	3.25	0.89	**4.14**
Maximum lettable area (m sq ft)	2.42	2.12	4.54	1.17	**5.71**
Average let square feet per store (k sq ft)	29	32	30	34	**31**
Average store capacity (k sq ft)	39	46	42	45	**43**
Closing occupancy (%)	73.6%	69.4%	71.6%	76.6%	**72.6%**
Average rate (£ per sq ft)	29.01	18.65	24.42	35.08	**26.67**
Revenue (£'m)	63.9	33.6	97.5	32.4	**129.9**
Average revenue per store (£'m)	1.03	0.73	0.90	1.25	**0.97**

Notes

The above table represents the 31 October 2017 position (excluding Alligator).

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

From 1 November 2017, the portfolio includes Alligator Self Storage and the pro forma regional splits and occupancy figures are as follows:

(Including Alligator Self Storage)	London and South East	Rest of UK	UK total	Paris	**Group total**
Number of stores	67	53	120	26	**146**
Let square feet (m sq ft)	1.91	1.74	3.65	0.89	**4.54**
Maximum lettable area (m sq ft)	2.58	2.53	5.11	1.17	**6.28**
Average let square feet per store (k sq ft)	28	33	30	34	**31**
Average store capacity (k sq ft)	38	48	43	45	**43**
Closing occupancy (%)	74.0%	68.8%	71.4%	76.6%	**72.3%**

Notes

The above table represents the pro forma 31 October 2017 position (including Alligator).

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

Chief Executive's statement *continued*

Market

The self-storage market in the UK and France remains relatively immature compared to geographies such as the USA and Australia. The Self Storage Association ("SSA") Annual Survey (May 2017) confirmed that self-storage capacity stands at 0.64 sq ft per head of population in the UK and 0.15 sq ft per capita in France. Whilst the Paris market density is greater than France, we estimate it to be significantly lower than the UK at around 0.36 sq ft per inhabitant. This compared with 7.8 sq ft per inhabitant in the USA and 1.8 sq ft in Australia. In the UK, in order to reach the US density of supply would require the addition of around 12,000 stores as compared to the current circa 1,000 stores. In the Paris region, it would require around 1,800 new facilities versus circa 90 currently opened.

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

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

Respondents to the survey indicated aspirations to develop an average of 49 stores per annum from 2017 to 2019. Typically, actual developments have averaged less than 50% of respondents' aspirations, although the 25 new openings in 2016 were closer than usual to the previous year's aspirations. This recent history suggests that circa 25 to 40 new stores are likely to be added in the coming year.

The supply in the UK market, according to the SSA survey, remains relatively fragmented. Safestore is the leader by number of stores with 120 wholly owned sites (including Alligator), followed by Big Yellow with 73 wholly owned stores, Access with 57 stores, Shurgard with 26 stores, Lok'n Store with 25 stores and Storage King with 25 stores. In aggregate, the top ten leading operators account for 27% of the UK store portfolio. The remaining circa 1,000 self-storage outlets (including 317 container-based operations) are independently owned in small chains or single units. In total there are 693 storage businesses operating in the UK.

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

Consumer awareness of self-storage remains low, providing an opportunity for future industry growth. The SSA survey indicated that 58% (58% in 2016) of consumers either knew nothing about the service offered by self-storage operators or had not heard of self-storage at all. The opportunity to grow awareness, combined with limited new industry supply, makes for an attractive industry backdrop.

Self-storage is a brand-blind product. 70% of respondents were unable to name a self-storage brand in the SSA survey, 88%[1] of respondents would not consider brand in their decision and 97% would not even use brand as a search criteria. 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 71% of those surveyed (68% in 2016) 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 circa 23% of respondents (circa 28% in 2016).

Note

1 Source: Self Storage Association ("SSA") Annual Survey (May 2016).

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.

Our domestic customers' need for storage is often driven by lifestyle events such as births, marriages, bereavements, divorces or by the housing market, including house moves and developments and moves between rental properties. Safestore has estimated that UK owner-occupied housing transactions drive around 8–13% of the Group's storage revenue. The SSA survey confirmed that only 28% of domestic self-storage customers stored for reasons related to a property move and this would include people renting accommodation.

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

Business and personal customers	UK	Paris
Personal customers		
Numbers (% of total)	72%	82%
Square feet occupied (% of total)	51%	67%
Average length of stay (months)	20.5	26.6
Business customers		
Numbers (% of total)	28%	18%
Square feet occupied (% of total)	49%	33%
Average length of stay (months)	30.4	31.9

Safestore's customer base is resilient and diverse and consists of around 60,000 domestic, business and National Accounts customers across London, Paris and the UK regions (including Alligator).

Business model

Safestore's proven business model remains unchanged from our previous Annual Report.

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

With more stores inside London's M25 than any other operator and a strong position in central Paris, Safestore has leading positions in the two most important and demographically favourable markets in Europe. In addition, our regional presence in the UK is unsurpassed and contributes to the success of our industry-leading National Accounts business. In the UK, Safestore is the leading operator by number of wholly owned stores.

Our capital-efficient portfolio of 134 wholly owned stores in the UK and Paris (146 stores including Alligator acquired on 1 November 2017) consists of a mix of freehold and leasehold stores. In order to grow our business and secure the best locations for our facilities, we have maintained a flexible approach to leasehold and freehold developments.

Currently, (excluding Alligator) approximately one-third of our stores in the UK are leaseholds with an average remaining lease length at 31 October 2017 of 13.3 years (FY2016: 13.7 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 regearing 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 the 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 42% of stores are leaseholds, our leases typically benefit from the well enshrined Commercial Lease statute that provides that tenants own the commercial property of the premises and that they are entitled to renew their lease at a rent that is indexed to the National Construction Index published by the state. Taking into account this context, the valuer values the French leaseholds based on an indefinite property tenure, similar to freeholds.

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

Safestore excels in the generation of customer enquiries which are received through a variety of channels including the internet, telephone and "walk-ins". In the early days of the industry, local directories and store visibility were key drivers of enquiries.

The internet is now by far the dominant channel, accounting for 82% of our enquiries in the UK and 72% in France. Telephone enquiries comprise 11% of the UK total and 19% in France, and "walk-ins" amount to only 7% (UK) and 9% (France). This key change 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 a leading digital marketing platform that has generated 40% enquiry growth over the last four years. Towards the end of 2015 the Group launched a new dynamic and mobile-friendly UK website, which has achieved its aim of providing the customer with an even clearer, more efficient experience. In December 2016, a similar website was launched in our Paris business.

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 now handles 18% of all enquiries, in particular when the store staff are busy handling calls or outside of normal store opening hours.

Our pricing platform provides the store and CSC staff with system-generated real-time prices managed by our centrally based yield management team. Local staff 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. Over the last twelve months we have achieved over 96% customer satisfaction, based on "excellent" or "good" ratings as collected by Feefo via our customer website.

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

We remain focused on business as well as domestic customers. Our national network means that we are uniquely placed to further grow the business customer market and, in particular, National Accounts. Business customers in the UK now constitute 49% of our total space let and have an average length of stay of 30 months. Within our business customer category, our National Accounts business continues to grow with storage revenue increasing by 102% compared with 2013. The space let to National Accounts customers has increased by 57% compared with 2013 and, at 385,000 sq ft, constitutes 12% of our total occupied space in the UK business. 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 (excluding Alligator) now has in excess of 55,000 business and domestic customers with an average length of stay of 31 months and 22 months respectively.

The cost base of our 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 and the subsequent amendments and extensions of our banking facilities in summer 2015 and May 2017, as well as the May 2017 refinancing of our US private placement notes, 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 2017, prior to completion of the Alligator acquisition, we had 1.3m sq ft of unoccupied space in the UK and 0.3m sq ft in France, equivalent to over 40 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.

Chief Executive's statement *continued*

Trading performance

UK – solid organic performance with new stores and Space Maker delivering strong growth

	2017	2016	Change
UK operating performance – total			
Revenue (£'m)	**97.5**	87.4	11.6%
Underlying EBITDA (£'m)[1]	**52.8**	46.5	13.5%
Underlying EBITDA (after leasehold costs) (£'m)	**46.6**	41.6	12.0%
Closing occupancy (let sq ft– million)[2]	**3.25**	3.15	3.2%
Maximum lettable area (MLA)[3]	**4.54**	4.52	0.4%
Closing occupancy (% of MLA)	**71.6%**	69.7%	+1.9ppts
Average storage rate (£)[4]	**24.42**	24.60	(0.7%)
UK operating performance – like-for-like[5]			
Revenue (£'m)	**85.7**	83.1	3.1%
Underlying EBITDA (£'m)[1]	**46.2**	43.8	5.5%
Closing occupancy (let sq ft– million)[2]	**2.79**	2.77	0.7%
Closing occupancy (% of MLA)	**72.5%**	71.9%	+0.6ppts
Average occupancy (let sq ft– million)[2]	**2.75**	2.71	1.5%
Average storage rate (£)[4]	**24.88**	24.65	0.9%

The UK has delivered another strong year growing revenue by 11.6%. The annualisation of the acquisition of Space Maker (29 July 2016) has contributed to this growth as have the four recently opened stores so, on a like-for-like basis, revenue grew by 3.1% in the year. The first full year of our ownership of Space Maker has gone to plan with the business fully integrated into the Group from an operational perspective. The four recently opened stores (Wandsworth, Chiswick, Birmingham and Altrincham) are all performing at least in line with their business plans.

Total occupancy grew by 95,000 sq ft in the year (FY2016: 397,000 sq ft). The reduction reflected the acquisition of Space Maker, which constituted 341,000 sq ft of the growth in the previous year. The recently opened four stores diluted total closing occupancy which ended the year at 71.6% (FY2016: 69.7%) but like-for-like closing occupancy grew by 0.6ppts to 72.5% (FY2016: 71.9%). Like-for-like average occupancy for the year grew by 1.5%.

We take a balanced approach to revenue management and our occupancy growth was accompanied by a 0.9% increase in the like-for-like average storage rate for the year. Sequentially, our Q4 like-for-like average rate was 2.8% higher than the rate achieved in Q3 2017.

We remain focused on our cost base. During the year, our cost base, on a like-for-like basis, increased by just 0.5% or £0.2 million. Our total cost base grew by £3.8 million, reflecting the annualisation of the acquisition of Space Maker and the cost bases relating to the recently opened stores.

As a result, underlying EBITDA for the UK business was £52.8 million (FY2016: £46.5 million), an increase of £6.3 million or 13.5%.

Paris – another year of strong revenue growth

	2017	2016	Change
Paris operating performance – total			
Revenue (€'m)	**37.2**	35.4	5.1%
Underlying EBITDA (€'m)[1]	**23.1**	22.4	3.1%
Underlying EBITDA (after leasehold costs) (€'m)	**18.5**	17.5	5.7%
Closing occupancy (let sq ft– million)[2]	**0.89**	0.82	8.5%
Maximum lettable area (MLA)[3]	**1.17**	1.07	9.3%
Closing occupancy (% of MLA)	**76.6%**	76.3%	0.3ppts
Average storage rate (€)[4]	**40.28**	39.85	1.1%
Revenue (€'m)	**32.4**	28.0	15.7%
Paris operating performance – like-for-like[5]			
Revenue (€'m)	**36.8**	35.4	4.0%
Underlying EBITDA (€'m)[1]	**23.4**	22.4	4.5%
Closing occupancy (let sq ft– million)[2]	**0.86**	0.82	4.9%
Closing occupancy (% of MLA)	**84.7%**	80.7%	+4.0ppts
Average occupancy (let sq ft– million)[2]	**0.82**	0.81	1.2%
Average storage rate (€)[4]	**40.75**	39.85	2.3%

Our Paris business had another strong year growing like-for-like revenue by 4.0%. Combined with the impact of the two new stores opened since summer 2016, total revenue grew by 5.1%. The impact of the 9% weakening of the average Sterling to Euro exchange rate across the period resulted in the Sterling equivalent revenue growing by 15.7% for the full year.

Pricing was robust and our like-for-like average rate was up 2.3% for the full year. Like-for-like closing occupancy ended the year at 84.7% (FY2016: 80.7%). Our like-for-like average occupancy for the year was up 1.2% on 2016.

We opened a new store at Emerainville in the east of Paris at the end of the 2016 financial year, which added 60,000 sq ft of MLA to our portfolio. In June 2017, we opened a freehold site in south-eastern Paris adjacent to the M104 motorway at Combs-la-Ville, which added 73,500 sq ft of MLA and circa 10,000 sq ft of serviced offices. Given that these stores have only recently started to trade, they have a dilutive effect on total closing occupancy. In addition the extension of our Longpont store, which adds 22,600 sq ft of new space, completed in March 2017.

The cost base in Paris remained well controlled during the year with like-for-like costs growing by 3.1% or €0.4 million. The total cost base grew by 8.5% or €1.1 million, reflecting the new store openings which typically make a loss in the first full year of operations. As a result, like-for-like underlying EBITDA in Paris grew by €1.0 million and underlying EBITDA grew by €0.7 million to €23.1 million (FY2016: €22.4 million).

Frederic Vecchioli
Chief Executive Officer
8 January 2018

Notes

1 Underlying EBITDA is defined as operating profit before exceptional items, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties, contingent rent and depreciation. Underlying profit before tax is defined as underlying EBITDA less leasehold rent, depreciation charged on property, plant and equipment and net finance charges relating to bank loans and cash.

2 Occupancy excludes offices but includes bulk tenancy. As at 31 October 2017, closing occupancy includes 27,000 sq ft of bulk tenancy (31 October 2016: 37,000 sq ft).

3 MLA is maximum lettable area. At 31 October 2017, Group MLA was 5.71m sq ft (FY2016: 5.59m sq ft).

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

5 Like-for-like adjustments have been made to remove the impact of the 2016 openings of Wandsworth, Altrincham, Birmingham (including closure of our existing Birmingham store) and Emerainville, as well as Chiswick and Combs-la-Ville and the closure of Deptford in the current financial year. In addition, the impact of the acquisition of Space Maker on 29 July 2016 has been adjusted.

The Group aims to achieve its strategic objectives, whilst managing the risks it faces within a clearly defined risk appetite

Risks and risk management

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

Risk management process

The Group faces a number of risks which, if they arise, could affect its ability to achieve its strategic objectives. The Board is responsible for determining the nature of these risks and ensuring appropriate mitigating actions are in place for managing them.

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

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

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

Principal risks and uncertainties

The principal risks and uncertainties described are considered to have the most significant effect on Safestore's strategic objectives. This list is not intended to be exhaustive. Some risks, however, remain outside of the Group's full control, for example macro-economic issues, changes in government regulation and acts of terrorism.

"The risk management process commences with rigorous risk identification"

Principal risks *continued*

Risks and risk management *continued*

Principal risks and uncertainties *continued*

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

Risk	Current mitigation activities	Developments since 2016
Strategy		
The Group develops business plans based on a wide range of variables. Incorrect assumptions about the self-storage market, or changes in the needs of customers, or the activities of customers may adversely affect the returns achieved by the Group, potentially resulting in loss of shareholder value.	— The strategy development process draws on internal and external analysis of the self-storage market, emerging customer trends and a range of other factors. — Continuing focus on yield management with regular review of demand levels and pricing at each individual store. — The portfolio is geographically diversified with performance monitoring covering the personal and business customers by segments.	The Group's strategy is regularly reviewed through the annual planning and budgeting process, and regular reforecasts are prepared during the year. This year has seen the twelve Space Maker stores and five development stores acquired or opened during 2016 successfully integrated into the Group's store portfolio. Further developments during FY2017, including the acquisition of the twelve Alligator stores and four new sites, strengthen the Group's portfolio and develop its geographical diversification. However, no business strategy is without risk, and the level of this risk is considered to have remained broadly similar to last year.
Finance risk		
Lack of funding resulting in inability to meet business plans or satisfy liabilities or breach of covenants.	— Funding requirements for business plans and the timing for commitments are reviewed regularly as part of the monthly management accounts. — The Group manages liquidity in accordance with Board-approved policies designed to ensure that the Group has adequate funds for its ongoing needs. — The Board regularly monitors financial covenant ratios and headroom. — The Group's banking facilities run to 30 June 2022, with an option to extend for a further year. The new US private placement notes mature in seven, ten and twelve years.	In May 2017, the Group refinanced its borrowing arrangements, which resulted in an increase of the weighted average maturity of the Group's debt by more than three years and, along with the subsequent restructuring of our interest hedging arrangements, has reduced the overall cost of debt to 2.14% (FY2016: 3.58%). Subsequently, in October 2017, the Group increased its committed borrowing facilities by the exercise of a £60 million accordion facility in anticipation of the acquisition of the Alligator portfolio, which completed after the year end on 1 November 2017. Although the Group's loan-to-value ratio ("LTV") has increased due to the Alligator acquisition, this risk is considered to have decreased as a result of the refinancing.
Treasury risk		
Adverse currency or interest rate movements could see the cost of debt rise, or impact the Sterling value of income flows or investments.	— Guidelines are set for our exposure to fixed and floating interest rates and use of interest rate and currency swaps to manage this risk. — Foreign currency denominated assets are financed by borrowings in the same currency where appropriate.	We repaid our US Dollar-denominated borrowings during the year, and replaced them with additional Euro-denominated borrowings to provide a natural hedge against the Euro-denominated net assets of our French business. Following the refinancing of our borrowing arrangements, we cancelled all our existing interest rate swaps and replaced them with new interest rate swaps at more competitive interest rates. Despite the increase in the UK base rate shortly after the year end, it remains low; however, current forecasts suggest it may increase further over coming months. Therefore, despite the mitigation provided by our interest rate swaps and fixed interest borrowings, the risk of adverse interest rate fluctuations has increased during the year.
Property investment and development		
Acquisition and development of properties that fail to meet performance expectations or overexposure to developments within a short timeframe may have an adverse impact on the portfolio valuation, resulting in loss of shareholder value.	— Thorough due diligence is conducted and detailed analysis is undertaken prior to Board approval for property investment and development. — The Group's overall exposure to developments is monitored and controlled, with projects phased to avoid overcommitment. — The performance of individual properties is benchmarked against target returns.	A robust due diligence process was undertaken prior to the Alligator acquisition. Other projects were considered during the year, but were not pursued when they failed to meet our rigorous investment criteria. The capital requirements of development projects undertaken during the year have been carefully forecast and monitored. We continue to pursue investment and development opportunities, and consider our recent track record to have been successful. Therefore, the Board considers that there has been no significant change to this risk since last year.

Risk	Current mitigation activities	Developments since 2016
Valuation risk		
Value of our properties declining as a result of external market or internal management factors. In the absence of relevant transactional evidence, valuations can be inherently subjective leading to a degree of uncertainty.	— Independent valuations are conducted regularly by experienced, independent, professionally qualified valuers. — A diversified portfolio which is let to a large number of customers helps to mitigate any negative impact arising from changing conditions in the financial and property markets. — Headroom of LTV banking covenants is maintained and reviewed. — Current gearing levels provide sizeable headroom on our portfolio valuation and mitigate the likelihood of covenants being endangered.	The valuation of the Group's portfolio has continued to grow during the year, reflecting both valuation gains arising from the increasing profitability of our portfolio and additions to our portfolio through corporate acquisitions and the opening of new development stores over the last two financial years. In addition, there has been an increase in relevant transactional evidence recently. As a result of the continuing strengthening of the Group's balance sheet, the level of this risk is viewed as having decreased slightly since last year.
Occupancy risk		
A potential loss of income and increased vacancy due to falling demand, oversupply or customer default, which could also adversely impact the portfolio valuation.	— Personal and business customers cover a wide range of segments, sectors and geographic territories with limited exposure to any single customer. — Dedicated support for enquiry capture. — Weekly monitoring of occupancy levels and close management of stores. — Management of pricing to stimulate demand, when appropriate. — Monitoring of reasons for customers vacating and exit interviews conducted. — Independent feedback facility for customer experience. — The like-for-like occupancy rate across the portfolio has continued to grow due to flexibility offered on deals by in-house marketing and the customer support centre.	We have continued to grow like-for-like occupancy during the year, and the newly opened stores are performing well. The new stores which have been acquired or opened over the last two financial years have diversified the potential impact of underperformance of an individual store. As a result, the level of this risk has reduced since last year.
Real estate investment trust ("REIT") risk		
Failure to comply with the REIT legislation could expose the Group to potential tax penalties or loss of its REIT status.	— Internal monitoring procedures are in place to ensure that the appropriate rules and legislation are complied with and this is formally reported to the Board.	The Group has remained compliant with all REIT legislation throughout the year. There has been no significant change to this risk since last year.
Catastrophic event		
Major events mean that the Group is unable to carry out its business for a sustained period; health and safety issues put customers, staff or property at risk; or the Group suffers a cyber-attack, hacking or malicious infiltration of websites. These may result in reputational damage, injury or property damage, or customer compensation, causing a loss of market share and income.	— Business continuity plans are in place and tested. — Back-up systems at offsite locations and remote working capabilities. — Reviews and assessments are undertaken periodically for enhancements to supplement the existing compliant aspects of buildings and processes. — Monitoring and review by the Health and Safety Committee. — Robust operational procedures, including health and safety policies, and a specific focus on fire prevention and safety procedures. — Fire risk assessments in stores. — Specialist cyber-security advice and consultancy; dedicated in-house monitoring and security review; and external penetration testing. — Limited retention of customer data.	Continuing focus from the Risk Committee, with particular attention to specific issues. For example, a review of our store fire strategy was undertaken following the tragic fire at Grenfell Tower in London during the year. The threat from cyber-attacks continues to grow, so this risk has increased since last year, and the risk management and mitigation actions have been developed accordingly.

Principal risks *continued*

Risks and risk management *continued*

Principal risks and uncertainties *continued*

Risk	Current mitigation activities	Developments since 2016
Consequences of the UK's decision to leave the EU ("Brexit")		
The UK is expected to leave the EU by March 2019. The terms of the UK's departure remain unclear, which has generated uncertainty in the economy and also with regard to legislation changes both before and after Brexit. Potential changes to UK legislation or regulations may include changes to the right of EU citizens to work in the UK, changes to direct or indirect tax legislation or other legislation changes such as health and safety.	— Economic uncertainty is not a new risk for the Group, but increases the likelihood of previously recognised risks, and is addressed under the finance risk, treasury risk and valuation risk categories above. — Self-storage is a localised industry, with a broad and diversified customer base, so demand is unlikely to be significantly impacted by Brexit related changes.	The UK has now triggered Article 50, which sets the expected date of the UK's departure from the EU for March 2019. We are developing contingency plans; however, until the terms of Brexit become clearer, limited progress can be made. A review has identified that the UK workforce includes a low proportion of employees whose right to work in the UK may be impacted by potential Brexit related legislation changes. The level of this risk has not changed since last year.

Viability statement

The Directors have assessed the viability of the Group over a three-year period to October 2020, and have confirmed that they have a reasonable expectation that the Group will be able to continue to operate and meet its liabilities as they fall due over this period. This assessment has been performed taking account of the Group's current position and prospects, the Group's strategy, the Board's risk appetite and the potential impact of the principal risks, which are described on pages 13 to 16 of the strategic report.

The review period is consistent with the timeframes incorporated into the Group's strategic planning cycle, and the review considers the Group's cash flows, dividend cover, REIT compliance, financial covenants and other key financial performance metrics over the period. Following the refinancing undertaken by the Group during the year, no borrowings will fall due to be repaid during the three-year outlook period; however, the Directors consider that additional funding for the business in the form of equity or borrowings will be available in all likely market conditions, if required. In reaching their conclusion, the Directors have considered the impact of sensitivities and scenario testing to reflect more severe scenarios than the Group has previously experienced, even during the last financial downturn. This involved flexing a number of the main assumptions underlying the Group's strategic plan and evaluating the potential impact of the principal risks facing the Group, along with mitigating actions, on the business model, future performance, solvency and liquidity over the review period.

Financial review

Cash tax adjusted EPS[1] has increased by 17.7%

Underlying income statement

The table below sets out the Group's underlying results of operations for the year ended 31 October 2017 and the year ended 31 October 2016. To calculate underlying performance metrics, adjustments are made for the impact of exceptional items, corporate transaction costs, change in fair value of derivatives, gain or loss on investment properties and the associated tax impacts as well as exceptional tax items and deferred tax charges. Management considers this presentation of earnings to be representative of the underlying performance of the business, as it removes the income statement impact of items not fully controllable by management, such as the revaluation of derivatives and investment properties, and the impact of exceptional credits, costs and finance charges.

Underlying EBITDA increased by 13.6% to £72.9 million (FY2016: £64.2 million), reflecting a 12.6% increase in revenue, and an 11.3% increase to the underlying cost base. This performance reflects a full year contribution from the acquisition of Space Maker in July 2016 as well as the impact of the six new stores opened since August 2016, offset by the closure of Deptford and our old Birmingham Central store.

	2017 £'m	2016 £'m	Movement %
Revenue	**129.9**	115.4	12.6%
Underlying costs	**(57.0)**	(51.2)	11.3%
Underlying EBITDA	**72.9**	64.2	13.6%
Leasehold rent	**(10.3)**	(8.8)	17.0%
Underlying EBITDA after leasehold rent	**62.6**	55.4	13.0%
Depreciation	**(0.5)**	(0.4)	25.0%
Finance charges	**(9.4)**	(10.1)	(6.9%)
Underlying profit before tax	**52.7**	44.9	17.4%
Current tax	**(4.0)**	(3.7)	8.1%
Cash tax earnings/EPRA basic earnings	**48.7**	41.2	18.2%
Add back: share-based payments charge	**1.5**	1.5	0.0%
Adjusted EPRA earnings	**50.2**	42.7	17.6%
Average shares in issue (m)	**209.2**	208.2	
Underlying (cash tax adjusted) EPS (pence)	**23.3**	19.8	17.7%
Adjusted diluted EPRA EPS (pro forma) (pence)	**23.2**	19.8	17.2%

Note

1 Cash tax adjusted earnings per share is defined as profit or loss for the year before exceptional items, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties and the associated tax impacts as well as exceptional tax items and deferred tax charges, divided by the weighted average number of shares in issue (excluding shares held by the Safestore Employee Benefit Trust).

Financial review *continued*

Underlying income statement *continued*

Leasehold rent increased by 17.0% from £8.8 million to £10.3 million, principally due to an additional six leases in respect of the Space Maker business, plus an adverse currency impact of £0.4 million.

Underlying finance charges reduced by 6.9% from £10.1 million to £9.4 million. This principally reflects the benefit of the refinancing of our borrowing arrangements undertaken in May 2017, as well as the restructuring of our hedging arrangements undertaken in August 2017.

As a result, we achieved a 17.4% increase in underlying profit before tax to £52.7 million (FY2016: £44.9 million).

Given the Group's REIT status in the UK, tax is normally only payable in France. The underlying tax charge for the year was £4.0 million (FY2016: £3.7 million), calculated at the French statutory income tax rate of 33.33% of the taxable profits earned by our Paris business.

Management had previously considered that the most representative earnings per share ("EPS") measure is cash tax adjusted EPS, which has increased by 17.7% to 23.3 pence (FY2016: 19.8 pence). Going forward this will be replaced by a new measure of EPS, Adjusted Diluted EPRA EPS, which is explained further under earnings per share below. On a pro forma basis, Adjusted Diluted EPRA EPS for the year was 23.2 pence (FY2016: 19.8 pence).

Reconciliation of underlying EBITDA

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

	2017 £'m	2016 £'m
Operating profit	**109.6**	109.3
Adjusted for:		
– gain on investment properties	**(39.2)**	(41.7)
– depreciation	**0.5**	0.4
– contingent rent	**0.6**	0.5
Exceptional items:		
– costs incurred relating to corporate transactions	**1.4**	1.3
– negative goodwill on acquisition of subsidiary	**—**	(5.6)
Underlying EBITDA	**72.9**	64.2

The main reconciling items between operating profit and underlying EBITDA are the gain on investment properties and exceptional items, as well as adjustments for depreciation, contingent rent and changes in the fair value of derivatives.

The gain on investment properties was £39.2 million, as compared to £41.7 million in 2016. The Group has recognised an exceptional cost of £1.4 million in the year (FY2016: £4.3 million net exceptional credit) in respect of corporate transaction costs arising on the acquisition of the Alligator business, which was agreed during the financial year, but did not complete until after the year end on 1 November 2017.

Underlying profit by geographical region

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

	2017			2016		
	UK £'m	**Paris €'m**	**Total (CER) £'m**	UK £'m	Paris €'m	Total (CER) £'m
Revenue	**97.5**	**37.2**	**126.9**	87.4	35.4	115.4
Underlying cost of sales	**(35.6)**	**(10.4)**	**(43.8)**	(32.4)	(9.7)	(40.0)
Store EBITDA	**61.9**	**26.8**	**83.1**	55.0	25.7	75.4
Store EBITDA margin	***63.5%***	***72.0%***	***65.5%***	*62.9%*	*72.6%*	*65.3%*
Underlying administrative expenses	**(9.1)**	**(3.7)**	**(12.0)**	(8.5)	(3.3)	(11.2)
Underlying EBITDA	**52.8**	**23.1**	**71.1**	46.5	22.4	64.2
EBITDA margin	***54.2%***	***62.1%***	***56.0%***	*53.2%*	*63.3%*	*55.6%*
Leasehold rent	**(6.2)**	**(4.6)**	**(9.9)**	(4.9)	(4.9)	(8.8)
Underlying EBITDA after leasehold rent	**46.6**	**18.5**	**61.2**	41.6	17.5	55.4
EBITDA after leasehold rent margin	***47.8%***	***49.7%***	***48.2%***	*47.6%*	*49.4%*	*48.0%*
	UK £'m	**Paris €'m**	**Total £'m**	UK £'m	Paris €'m	Total £'m
Underlying EBITDA after leasehold rent (CER)	**46.6**	**14.6**	**61.2**	41.6	13.8	55.4
Adjustment for swap income	**—**	**1.4**	**1.4**	—	—	—
Reported underlying EBITDA after leasehold rent	**46.6**	**16.0**	**62.6**	41.6	13.8	55.4

Note

CER is constant exchange ates (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 £6.3 million, or 13.5%, to £52.8 million (FY2016: £46.5 million), underpinned by an 11.6% or £10.1 million increase in revenue, which was driven primarily by a full year contribution from the acquisition of Space Maker in July 2016 as well as the impact of the new stores opened in Wandsworth, Chiswick, Birmingham and Altrincham, offset by the closure of Deptford and our old Birmingham Central store. Underlying UK EBITDA after leasehold rent increased by 12.0% to £46.6 million (FY2016: £41.6 million).

In Paris, underlying EBITDA increased by €0.7 million, or 3.1%, to €23.1 million (FY2016: €22.4 million), reflecting a €1.8 million increase in revenue, arising from a 1.1% increase in the average storage rate and an 8.5% increase in closing occupancy. Underlying EBITDA after leasehold rent in Paris increased by 5.7% to €18.5 million (FY2016: €17.5 million).

Recently opened or immature stores have a dilutive effect on the Group's reported performance. On a like-for-like basis, adjusting for the dilutive impact of immature stores, store EBITDA margin in the UK was 64.4% (FY2016: 62.9%) and in France it was 73.6% (FY2016: 72.6%).

The combined results of the UK and Paris delivered a 10.5% increase in underlying EBITDA after leasehold rent at constant exchange rates at Group level. Adjusting for a favourable exchange impact of £1.4 million in the current year, the Group's reported underlying EBITDA after leasehold rent has increased by 13.0% or £7.2 million to £62.6 million (FY2016: £55.4 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) in both the UK and Paris.

The split of the Group's revenues by geographical segment is set out below for 2017 and 2016.

		2017	% of total	2016	% of total	% change
UK	£'m	**97.5**	**75%**	87.4	76%	11.6%
Paris						
Local currency	€'m	**37.2**		35.4		5.1%
Average exchange rate	€:£	**1.148**		1.262		
Paris in Sterling	£'m	**32.4**	**25%**	28.0	24%	15.7%
Total revenue		**129.9**	**100%**	115.4	100%	12.6%

The Group's revenue increased by 12.6% or £14.5 million in the year. The Group's occupied space was 170,000 sq ft higher at 31 October 2017 (4.14 million sq ft) than at 31 October 2016 (3.97 million sq ft), and the average rental rate per square foot for the Group was 1.9% higher in 2017 at £26.67 than in 2016 (£26.17).

Adjusting the Group's revenue to a like-for-like basis (to reflect the Space Maker acquisition, the opening of four new stores in the UK and two in Paris, and the closures of Deptford and our old Birmingham Central store), revenue has increased by 5.9%. Adjusting further for the strengthening of the Euro during the year, Group like-for-like revenue at constant exchange rates has increased by 3.3%.

In the UK, revenue grew by £10.1 million or 11.6%, and on a like-for-like basis it was up by 3.1%. Occupancy was 95,000 sq ft higher at 31 October 2017 than at 31 October 2016, at 3.25 million sq ft (3.15 million sq ft). The average rental rate for the year fell 0.7%, from £24.60 in 2016 to £24.42 in 2017, due to the dilutive impact of the immature new stores. On a like-for-like basis, the average rental rate in the UK increased by 0.9% to £24.88 (FY2016: £24.65).

In Paris, revenue increased by 5.1% to €37.2 million (FY2016: €35.4 million). However, the strengthening of the Euro during the financial year had a favourable currency impact of approximately £3.0 million on translation, which results in a 15.7% increase when reported in Sterling. Closing occupancy grew to 0.89 million sq ft (FY2016: 0.82 million sq ft), and the average rental rate grew by 1.1% to €40.28 for the year (FY2016: €39.85), however, adjusting for the dilutive impact of immature stores, on a like-for-like basis the average rental rate grew 2.3% to €40.75 (FY2016: €39.85).

Financial review *continued*

Analysis of cost base

Cost of sales

The table below details the key movements in cost of sales between 2016 and 2017.

	2017 £'m	2016 £'m
Reported cost of sales	**(45.7)**	(40.9)
Adjusted for:		
– depreciation	**0.5**	0.4
– contingent rent	**0.6**	0.5
Underlying cost of sales	**(44.6)**	(40.0)
Underlying cost of sales for 2016		(40.0)
– Space Maker, closed and new store cost of sales		1.6
Underlying cost of sales for 2016 (like-for-like)		(38.4)
– Store maintenance and business rates		0.5
– Employee remuneration and volume related cost of sales		(0.3)
Underlying cost of sales for 2017 (like-for-like CER)		(38.2)
– Space Maker, closed and new store cost of sales		(5.6)
Underlying cost of sales for 2017 (CER)		(43.8)
– Foreign exchange		(0.8)
Underlying cost of sales for 2017 (reported)		(44.6)

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 contingent rent, which forms part of our leasehold rent costs in the presentation of our underlying income statement.

Cost of sales increased by £4.6 million in the year, from £40.0 million in 2016 to £44.6 million in 2017. Adjusting for a £0.8 million adverse currency impact, in constant currency underlying cost of sales grew by £3.8 million, which is attributable to a £4.0 million increase in costs of sales arising from the twelve Space Maker stores, four new stores in the UK and two in Paris, less the closures of our Deptford and old Birmingham Central stores. On a like-for-like basis, at constant exchange rates, cost of sales decreased by £0.2 million, with savings of £0.5 million from store maintenance and business rates, partly offset by a £0.3 million increase from employee remuneration and volume related costs.

Administrative expenses

The table below reconciles reported administrative expenses to underlying administrative expenses and details the key movements in underlying administrative expenses between 2016 and 2017.

	2017 £'m	2016 £'m
Reported administrative expenses	**(13.8)**	(12.5)
Adjusted for:		
– exceptionals and non-underlying items	**1.4**	1.3
Underlying administrative expenses	**(12.4)**	(11.2)
Underlying administrative expenses for 2016		(11.2)
– Employee remuneration		(0.3)
– Professional fees and administration costs		(0.4)
Underlying administrative expenses for 2017 (like-for-like CER)		(11.9)
– Space Maker, closed and new store administrative expenses		(0.1)
Underlying administrative expenses for 2017 (CER)		(12.0)
– Foreign exchange		(0.4)
Underlying administrative expenses for 2017 (reported)		(12.4)

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

Exceptional costs reported within administrative expenses include net costs relating to corporate transactions of £1.4 million (FY2016: £1.3 million).

Administrative expenses increased by £1.2 million in the year, from £11.2 million in 2016 to £12.4 million in 2017. Adjusting for a £0.4 million adverse currency impact, in constant currency underlying administrative expenses increased by £0.8 million to £12.0 million (FY2016: £11.2 million) due to higher employee remuneration costs (£0.3 million), professional fees and administration costs (£0.4 million) and £0.1 million arising from the impact of Space Maker and the new stores.

Total costs (cost of sales plus administrative expenses) on a like-for-like basis in constant currency have grown by £0.5 million, or 1.0%, to £50.1 million (FY2016: £49.6 million), principally as a result of the increase in administrative expenses explained above.

Exceptional items

The Group incurred exceptional transaction related costs totalling £1.4 million during the year, which arose on the acquisition of Stork Self Storage (Holdings) Limited (which trades as Alligator Self Storage). Although the transaction did not complete until after the year end, on 1 November 2017, we are required to recognise the costs in the period in which they were incurred.

In the prior year, the Group recognised a net gain of £4.3 million, arising on the acquisition of Space Maker Stores Limited, which comprised £5.6 million of negative goodwill less £1.3 million of transaction related costs.

Gain on investment properties

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

	2017 £'m	2016 £'m
Revaluation of investment properties	**43.6**	45.8
Revaluation of investment properties under construction	**0.9**	0.5
Depreciation on leasehold properties	**(5.3)**	(4.6)
Gain on investment properties	**39.2**	41.7

In the current financial year, including investment properties under construction, the UK business contributed £28.6 million to the positive valuation movement and the Paris business contributed £15.9 million. The gain on investment properties principally reflects the continuing progress in the performance of both businesses, which drive positive changes in the cash flow metrics that are used to assess the value of the store portfolio.

Operating profit

Operating profit increased marginally by £0.3 million from £109.3 million in 2016 to £109.6 million in 2017, with the £8.7 million increase in underlying EBITDA being broadly offset by the £2.5 million lower investment property gain and non-repeating negative goodwill of £5.6 million recognised in the prior year.

Net finance costs

Net finance costs includes interest payable, interest on obligations under finance leases, fair value movements on derivatives, exchange gains or losses, unwinding of discounts and exceptional refinancing costs. Net finance costs increased by £16.3 million in 2017, to £30.7 million from £14.4 million in 2016, principally due to £16.3 million of exceptional refinancing costs incurred during the year.

	2017 £'m	2016 £'m
Net bank interest payable	**(9.4)**	(10.1)
Interest on obligations under finance leases	**(4.4)**	(3.7)
Fair value movement on derivatives	**(5.2)**	18.4
Net exchange gains/(losses)	**4.5**	(19.1)
Unwinding of discount on Capital Goods Scheme receivable	**0.1**	0.1
Exceptional finance expenses	**(16.3)**	—
Net finance costs	**(30.7)**	(14.4)

Financial review *continued*

Net finance costs *continued*

Underlying finance charge

The underlying finance charge (net bank interest payable) reduced by £0.7 million to £9.4 million, principally reflecting interest savings arising from the refinancing of our borrowing arrangements undertaken in May 2017, as well as the restructuring of our hedging arrangements in August 2017. Net bank interest payable also includes the amortisation of debt issue costs, which decreased to £0.3 million (FY2016: £0.4 million).

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	£166.0	£100.0	60%	1.25%	0.81%	0.44%	1.91%
UK revolver – non-utilisation	£84.0	—	—	—	0.50%	—	—	0.50%
Euro revolver	€70.0	£37.8	£26.4	70%	1.25%	0.16%	(0.33%)	1.26%
Euro revolver – non-utilisation	€27.0	—	—	—	0.50%	—	—	0.50%
US private placement 2024	€50.9	£44.8	£44.8	100%	1.59%	—	—	1.59%
US private placement 2027	€74.1	£65.1	£65.1	100%	2.00%	—	—	2.00%
US private placement 2029	£50.5	£50.5	£50.5	100%	2.92%	—	—	2.92%
Unamortised finance costs	—	(£0.6)	—	—	—	—	—	—
Total	**£472.0**	**£363.6**	**£286.8**	**79%**				**2.14%**

The above table sets out the position as at 31 October 2017, reflecting the refinancing of our borrowing arrangements in May 2017 and the restructuring of our hedging arrangements in August 2017. Further explanation is provided in the gearing and capital structure section below.

As at 31 October 2017, £166 million of the £250 million UK revolver and €43 million (£37.8 million) of the €70 million Euro revolver were drawn. The drawn amounts attract a bank margin of 1.25%, and the Group pays a non-utilisation fee of 0.50% on the undrawn balances of £84 million and €27 million.

The Group has interest rate hedge agreements in place to June 2022, swapping LIBOR on £100 million at an effective rate of 0.8145% and EURIBOR on €30 million at an effective rate of 0.1635%.

The 2024 and 2027 US private placement notes are denominated in Euros and attract fixed interest rates of 1.59% (on €50.9 million) and 2.00% (on €74.1 million) respectively. The Euro-denominated borrowings provide a natural hedge against the Group's investment in the Paris business.

The £50.5 million 2029 US private placement notes are denominated in Sterling and attract a fixed interest rate of 2.92%.

79% of the Group's drawn debt is effectively at fixed rates of interest as a result of the hedging arrangements and fixed interest loan notes. Overall, the Group has an effective interest rate on its borrowings of 2.14% at 31 October 2017, compared to 3.58% at the previous year end, as a result of the benefits of the refinancing undertaken during the year.

Non-underlying finance charge

Interest on finance leases was £4.4 million (FY2016: £3.7 million) and reflects part of the leasehold rental charge. The balance of the leasehold rental charge is expensed through the gain/loss on investment properties line and contingent rent in the income statement. Overall, our leasehold rental charge increased to £10.3 million in 2017, £1.5 million higher than the charge of £8.8 million in 2016. This increase is principally due to a full year's rent charge arising on the leased Space Maker stores (acquired in July 2016) and adverse currency movements on retranslation of the Paris results.

Prior to the May 2017 refinancing, the Group's $112.9 million US Dollar loan notes were exposed to currency fluctuations, in respect of which a £4.5 million net exchange gain has been reported, arising due to the strengthening of Sterling against the US Dollar. The US Dollar borrowings were hedged by cross currency swap arrangements. The fair value movement on derivatives was a £5.2 million net loss (FY2016: £18.4 million net gain), which comprised a loss of £6.5 million arising on the US Dollar cross currency swaps, less a net gain of £1.3 million arising on our interest rate hedging arrangements.

The Group applies net investment hedge accounting in respect of the €125 million of Euro-denominated US private placement notes, so the retranslation of these borrowings is recognised directly in the translation reserve, with no impact on finance charges.

The Group incurred £16.3 million of exceptional finance costs as a result of the May 2017 refinancing, comprising a £12.4 million "make-whole" payment to holders of the cancelled US Dollar loan notes, with the balance relating to fees and the write off of previous unamortised issue costs.

The Group also broke the Sterling/Dollar cross currency swap relating to the cancelled US Dollar loan notes, leading to the Group receiving £13.9 million, being the mark-to-market value of the swap which was in the Group's favour and which was carried at that value at the date of breakage. The refinancing was broadly cash flow neutral.

Tax

The tax charge for the year is analysed below:

	2017 £'m	2016 £'m
Underlying current tax	**(4.0)**	(3.7)
Current tax	**(4.0)**	(3.7)
Tax on investment properties movement	**(5.4)**	(4.0)
Tax on revaluation of interest rate swaps	**(0.1)**	0.1
Impact of tax rate change in France	**8.8**	—
Other	**0.1**	0.1
Deferred tax	**3.4**	(3.8)
Tax charge	**(0.6)**	(7.5)

The net income tax charge for the year is £0.6 million (FY2016: £7.5 million). In the UK, the Group is a REIT, so the tax charge relates solely to the Paris business. The underlying current tax charge relating to Paris amounted to £4.0 million (FY2016: £3.7 million), calculated at the French statutory income tax rate of 33.33% of its taxable profits.

Deferred tax was a £3.4 million credit (FY2016: £3.8 million charge). In France, the 2017 Finance Bill, which was adopted in December 2016, introduced a reduction in the income tax rate from 33.33% to 28.0%, applicable progressively from 2017 to 2020 according to size of company. As a result of this change, a non-recurring deferred tax credit of £8.8 million (FY2016: £nil) has been recognised.

All other deferred tax movements are non-underlying and relate to Paris. The deferred tax impact of the revaluation gain on investment properties was a charge of £5.4 million (FY2016: £4.0 million).

Earnings per share

As a result of the movements explained above, profit after tax for 2017 was £78.3 million as compared with £87.4 million in 2016. Basic EPS was 37.4 pence (FY2016: 42.0 pence) and diluted EPS was 37.3 pence (FY2016: 41.7 pence). Between 2013 and 2017, management has considered cash tax adjusted EPS to be more representative of the underlying EPS performance of the business and this is discussed above. However, in order to better reflect the underlying performance of the business and to align the key EPS metric with management incentivisation, management will be adopting Adjusted Diluted EPRA EPS going forward.

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 Long Term Incentive Plan ("LTIP") awards may vest.

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

Financial review *continued*

Earnings per share *continued*

Adjusted Diluted EPRA EPS for the year was 23.2 pence (FY2016: 19.8 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:

	2017			2016		
	Earnings £'m	**Shares million**	**Pence per share**	Earnings £'m	Shares million	Pence per share
Basic earnings	**78.3**	**209.2**	**37.4**	87.4	208.2	42.0
Adjustments:						
Gain on investment properties	**(39.2)**	**—**	**(18.8)**	(41.7)	—	(20.1)
Exceptional items	**1.4**	**—**	**0.7**	(4.3)	—	(2.1)
Exceptional finance costs	**16.3**	**—**	**7.8**	—	—	—
Unwinding of discount on CGS receivable	**(0.1)**	**—**	**—**	(0.1)	—	—
Net exchange (gain)/loss	**(4.5)**	**—**	**(2.2)**	19.1	—	9.2
Change in fair value of derivatives	**5.2**	**—**	**2.5**	(18.4)	—	(8.8)
Tax on adjustments	**(4.4)**	**—**	**(2.1)**	2.9	—	1.4
Adjusted	**53.0**	**209.2**	**25.3**	44.9	208.2	21.6
EPRA adjusted:						
Depreciation of leasehold properties	**(5.3)**	**—**	**(2.5)**	(4.6)	—	(2.2)
Tax on leasehold depreciation adjustment	**1.0**	**—**	**0.5**	0.9	—	0.4
Adjusted cash tax earnings/EPRA basic EPS	**48.7**	**209.2**	**23.3**	41.2	208.2	19.8
Share-based payments charge	**1.5**			1.5		
Dilutive shares (pro forma)		**7.5**			8.0	
Adjusted Diluted EPRA EPS (pro forma)	**50.2**	**216.7**	**23.2**	42.7	216.2	19.8

Dividends

The Directors are recommending a final dividend of 9.8 pence (FY2016: 8.05 pence), which shareholders will be asked to approve at the Company's Annual General Meeting on 21 March 2018. If approved by shareholders, the final dividend will be payable on 6 April 2018 to shareholders on the register at close of business on 9 March 2018.

Reflective of the Group's improved performance, the Group's full year dividend of 14.0 pence is 20.2% up on the prior year dividend of 11.65 pence. The property income dividend ("PID") element of the full year dividend is 11.9 pence (FY2016: 9.85 pence).

Property valuation and net asset value ("NAV")

Cushman & Wakefield LLP has valued the Group's property portfolio. As at 31 October 2017, the total value of the Group's property portfolio was £999.2 million (excluding investment properties under construction of £7.8 million). This represents an increase of £55.9 million compared with the £943.3 million valuation as at 31 October 2016. A reconciliation of the movement is set out below:

	UK £'m	Paris £'m	Total £'m	Paris €'m
Value as at 1 November 2016	699.7	243.6	943.3	270.9
Currency translation movement	—	(5.1)	(5.1)	—
Additions	6.4	2.7	9.1	3.2
Disposals	(8.1)	—	(8.1)	—
Reclassifications	10.9	5.5	16.4	6.3
Revaluation	27.7	15.9	43.6	18.2
Value at 31 October 2017	**736.6**	**262.6**	**999.2**	**298.6**

The exchange rate at 31 October 2017 was €1.14:£1 compared with €1.11:£1 at 31 October 2016. This movement in the foreign exchange rate has resulted in a £5.1 million adverse currency translation movement in the year. This has impacted Group net asset value ("NAV") but had no impact on the LTV covenant as the assets in Paris are tested in Euros.

The value of the UK property portfolio has increased by £36.9 million compared with 31 October 2016, comprising a £27.7 million valuation gain and capital additions (including reclassifications from investment properties under construction) of £17.3 million, less disposal proceeds of £8.1 million in respect of the sales of Deptford and our old Birmingham Central store.

Our pipeline of expansion stores in the UK, comprising sites at Mitcham, Paddington Marble Arch and Merry Hill in Birmingham, is valued at £7.8 million.

In Paris, the value of the property portfolio increased by €27.7 million, of which €18.2 million was valuation gain and capital additions (including reclassifications) were €9.5 million. However, the net increase in Sterling amounted to £19.0 million, reflecting the foreign exchange impact described above.

The Group's freehold exit yield for the valuation at 31 October 2017 reduced to 7.06%, from 7.19% at 31 October 2016, and the weighted average annual discount rate for the whole portfolio has reduced from 10.75% at 31 October 2016 to 10.56% at 31 October 2017.

The adjusted EPRA NAV per share was 329 pence at 31 October 2017, up 9.7% since 31 October 2016, and reported NAV per share was 304 pence (FY2016: 282 pence), reflecting a £50.3 million increase in reported net assets during the year.

Gearing and capital structure

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

Net debt (including finance leases and cash) stood at £354.2 million at 31 October 2017, a decrease of £15.0 million from the 2016 position of £369.2 million. Total capital (net debt plus equity) increased from £956.6 million at 31 October 2016 to £991.9 million at 31 October 2017. The net impact is that the gearing ratio has decreased from 39% to 36% in the year.

Management also measures gearing with reference to its LTV ratio defined as gross debt (excluding finance leases, but adjusted for the fair value of the US Dollar cross currency swaps) as a proportion of the valuation of investment properties and investment properties under construction (excluding finance leases). At 31 October 2017 the Group LTV ratio was 36% as compared to 31% at 31 October 2016; however, this has been distorted due to the drawdown of £56 million of loans just prior to the year end in anticipation of the Alligator acquisition, which completed immediately after the year end on 1 November 2017. On a pro forma basis, excluding this £56 million drawdown, LTV at 31 October 2017 would have been 31%, or by including the value of the Alligator stores at 31 October 2017, LTV would have been 34%. 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 to achieve our medium term strategic objectives.

Refinancing in May 2017

In May 2017, the Group announced the refinancing of its US private placement notes ("USPP") and an amendment and extension of its existing bank facilities to extend the average maturity and lower the cost of the Group's debt financing. The key terms of the new and amended arrangements, which came into effect on 31 May 2017, are as follows:

US private placement notes

- The previous $65.6 million 5.83% 2019 USPP and $47.3 million 6.74% 2024 USPP were repaid in full;
- New Euro and Sterling-denominated USPP notes were issued with the following tenor and fixed coupons:
  - €50.9 million 7 year notes at a coupon of 1.59%;
  - €74.1 million 10 year notes at a coupon of 2.00%; and
  - £50.5 million 12 year notes at a coupon of 2.92%.

Amendment and extension of bank facilities

- The previous UK and Euro revolving credit facilities were extended by two years from June 2020 to June 2022, with an option (on an uncommitted basis) to extend for a further year; the previous £126 million term loan was cancelled.
- As at 31 May 2017, the amended facilities comprised:
  - a £190 million revolving credit facility; and
  - a €70 million revolving facility.
- The margin on the amended facilities was reduced by 25bps from 150bps to 125bps.
- Similarly, the non-utilisation fee on the undrawn facilities reduced from 0.6% to 0.5%.
- The Group also had the option (on an uncommitted basis) to increase the quantum of the Sterling revolving credit facility by £60 million. This option was exercised in October 2017 to increase the UK revolving facility to £250 million, in anticipation of the acquisition of the Alligator business, which completed following the year end on 1 November 2017.

As part of the refinancing, the Group made a "make-whole" payment to existing USPP noteholders of £12.4 million and broke the Sterling/Dollar cross currency swap relating to the existing USPP notes, leading to the Group receiving £13.9 million, being the mark-to-market value of the swap which was in the Group's favour and which was carried at that value at the date of breakage. As noted above, exceptional finance charges reported by the Group in respect of the refinancing for the year were £16.3 million, comprising the £12.4 million "make-whole" payment, with the balance relating to fees and the write off of previous unamortised issue costs. The refinancing was broadly cash flow neutral.

Subsequent to amendment and extension of the bank facilities, the Group also restructured its interest rate hedge arrangements. Existing swaps, which mirrored the previous term of the bank facilities to June 2020, at weighted average fixed rates of 1.34% (over £100 million) and 0.309% (over €30 million), were broken, resulting in a cash outflow of £2.6 million. New interest rate hedge agreements were put in place to June 2022, swapping LIBOR on £100 million at an effective rate of 0.8145% and EURIBOR on €30 million at an effective rate of 0.1635%.

Borrowings at 31 October 2017

As at 31 October 2017, £166 million of the £250 million UK revolver and €43 million (£37.8 million) of the €70 million Euro revolver were drawn. Including the US private placement debt of €125 million (£109.9 million) and £50.5 million, the Group's borrowings totalled £364.2 million (before adjustment for unamortised finance costs).

As at 31 October 2017, the weighted average remaining term for the Group's committed borrowing facilities is 6.3 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 2017 is 6.7x.

Financial review *continued*

Gearing and capital structure *continued*

Borrowings at 31 October 2017 *continued*

The LTV covenant is 60% in both the UK and France, where it will remain until the end of the facilities' terms. As at 31 October 2017, 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 2017 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 2017 and 2016. For statutory reporting purposes, leasehold rent cash flows are allocated between finance costs, principal repayments and contingent rent, however, management considers a presentation of cash flows that reflects leasehold rent as a single line item to be representative of the underlying cash flow performance of the business.

	2017 £'m	2016 £'m
Underlying EBITDA	**72.9**	64.2
Working capital/exceptionals/other	**0.7**	(1.8)
Operating cash inflow	**73.6**	62.4
Interest payments	**(10.4)**	(9.5)
Leasehold rent payments	**(10.3)**	(8.8)
Tax payments	**(2.6)**	(1.7)
Free cash flow (before investing and financing activities)	**50.3**	42.4
Acquisition of subsidiary, net of cash acquired	**—**	(41.8)
Capital expenditure – investment properties	**(21.7)**	(28.3)
Capital expenditure – property, plant and equipment	**(0.6)**	(0.8)
Capital Goods Scheme receipt	**1.4**	1.5
Proceeds from disposal – investment properties	**8.1**	—
Net cash flow after investing activities	**37.5**	(27.0)
Issue of share capital	**0.3**	0.1
Dividends paid	**(25.6)**	(21.3)
Net drawdown of borrowings	**38.9**	38.6
Debt issuance costs	**(2.0)**	(0.4)
Net hedge breakage receipt	**11.3**	—
Net increase/(decrease) in cash	**60.4**	(10.0)

Operating cash flow increased by £11.2 million in the year, principally due to the £8.7 million improvement in underlying EBITDA. Working capital, exceptional items and other resulted in a £0.7 million inflow, compared to a £1.8 million outflow in the prior year, with the year-on-year difference principally attributable to the timing of VAT recovery in the prior year, due to VAT incurred on capital expenditure during the fourth quarter of FY2016.

Free cash flow (before investing and financing activities) grew by 18.6% to £50.3 million (FY2016: £42.4 million). The free cash flow benefitted from the increase in operating cash flow, which was partly offset by a £0.9 million increase in interest payments as a result of the timing of cash flows, a £1.5 million increase in leasehold rental payments reflecting an equivalent increase in the rent charge and a £0.9 million increase in tax due to the timing of payments.

Investing activities experienced a net outflow of £12.8 million (FY2016: £69.4 million), which included £21.7 million (FY2016: £28.3 million) of capital expenditure on our investment property portfolio, of which £12.4 million was in respect of our new store at Combs-la-Ville and our three new pipeline sites at Mitcham, Paddington Marble Arch and Merry Hill in Birmingham. £8.1 million (FY2016: £nil) was generated from the sales of Deptford and our old Birmingham Central store. The prior year included £22.3 million of capital expenditure in respect of our five new stores at Chiswick, Wandsworth, Altrincham, Birmingham and Emerainville, plus the extension at Acton, as well as £41.8 million for the acquisition of Space Maker.

Financing activities generated a net cash inflow of £22.9 million (FY2016: £17.0 million). Dividend payments totalled £25.6 million (FY2016: £21.3 million). The net drawdown of borrowings of £38.9 million (FY2016: £38.6 million) included £56.0 million in anticipation of the Alligator acquisition, which completed immediately after the year end on 1 November 2017 (and which is the principal reason for the £60.4 million net increase in cash during the year), less the £12.4 million "make-whole" payment on cancellation of US private placement loan notes. In addition, financing activities includes a net inflow of £11.3 million (FY2016: £nil), comprising a receipt of £13.9 million on breaking the Sterling/Dollar cross currency swap relating to the cancelled loan notes less a cash outflow of £2.6 million on restructuring of our interest rate hedge arrangements.

Andy Jones
Chief Financial Officer
8 January 2018

We continue to build stronger teams, improve customer service and develop relationships

At Safestore, corporate social responsibility ("CSR") is important to our business processes and operations. We strive to ensure that our activities reflect our ongoing commitment to customer care, employee engagement, responsible supply chains, driving shareholder value and helping to maintain a sustainable environment for future generations.

The Group continues to contribute to the development of a sustainable society through:

- creating a diverse, dynamic and engaged workplace;
- developing and maintaining partnerships with local communities and charities;
- mitigating the environmental effects of our activities; and
- fulfilling our responsibility to society through ethical sourcing.

2017 saw much change from a political and social perspective as the UK approaches Brexit. Whilst the self-storage industry remains resilient, we continue with our efforts to build stronger teams, improve customer service and develop relationships with local partners alongside our commitment to business growth.

As the UK's largest provider of self-storage facilities, we are very aware of the impact we can have in society and on the environment and therefore by making incremental changes year-on-year, we can ensure that our actions have positive implications for our employees, suppliers and wider society.

We are continuously adapting our business to respond to our customers' changing expectations including improving customer convenience and offering flexibility for small, medium and large businesses.

We are proud of the role we continue to play in the lives of our customers as we meet the demand for space from home and business owners, and we want to keep pace with their needs and expectations whilst delivering our commercial objectives.

The Board has a collective responsibility to create and deliver sustainable value for our shareholders and the business has continued to make significant progress this year in the face of a challenging operating environment.

During the year, the Board continued to focus on delivering the Group's strategy whilst addressing the key environmental, social and ethical factors facing Safestore.

We continue to do this by:

- ensuring our employees are engaged and have the expertise to deliver high quality customer service;
- developing long term relationships with local charities and creating strong ties to the communities where we have a storage centre;
- strengthening partnerships with our suppliers so we can serve our customers better and grow our businesses together going forward;
- managing the resources we use in order to minimise any negative impact on the environment either through our direct operations or through our sourcing activities; and
- maintaining our membership of the Self Storage Association to further industry standards and codes of ethics for the benefit of our customers.

Our CSR objectives support the delivery of our business strategy. We report progress against them under four pillars: Our Customers, Our People, Our Community and Our Environment.

Highlights

- The total space occupied in stores by local charities was 23,077 sq ft.
- We achieved an overall recycling rate of 50.5%.
- 40% of our stores have been fitted with LED lighting throughout.
- 25 colleagues were successfully promoted to a more senior position.

Our Customers

We put our customers at the very core of our business as we continue to build our capability to respond to changing customer expectations in today's fast-paced world.

Our high standards of customer service online, on the phone and in store, alongside our leading digital platforms, mean that our skilled workforce across the Group is effective at converting enquiries by delivering the best to our customers in terms of price, service and quality.

We are continuing to see a sustained improvement in the feedback we are getting from customers on our service through Feefo, the independent customer rating system for businesses launched in 2013 which guarantees 100% genuine feedback. Feefo polls real Safestore customers about their experiences meaning that feedback is a true representation of consumer opinion. All of our stores across the country receive feedback which means customers can view the ratings for each individual store.

In 2017, Safestore once again achieved a customer service rating of 96% based on the customers who rated their experience as "Excellent" or "Good". Having achieved this service level, Safestore was again recognised with a "Gold Trusted Merchant" award – given to businesses achieving over 95%.

Corporate social responsibility ("CSR") *continued*

Our Customers *continued*

This award is evidence of our staff going above and beyond to deliver the best customer service possible and we are encouraged to see the impact of recruiting, developing and retaining the right people, and supporting and engaging them so that they are able to be the best they can be.

Une Pièce en Plus continues to use Trustpilot to obtain independent customer reviews. In the three years since launch, more than 1,350 reviews have been collected with an excellent average score of 4.56 out of 5. More than 93% of customers are satisfied with their customer service experience, rating it four stars and above.

Customer reviews are becoming increasingly important to the Group as a whole as they enable us to manage our high customer service standards and they increase the likelihood of online enquiries.

Our People

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

Health and safety

As a Board we play an active role in ensuring a healthy and safe environment for our people, customers, suppliers and contractors. Safestore endeavours to continuously strive to meet, and where possible, exceed best practice by:

- conducting regular health and safety reviews across our portfolio including the review of risk assessments and accident reports to identify, prevent and mitigate against potential risks;
- ensuring our Health and Safety Committee meets regularly to review issues, processes, policy and actions harnessing a culture where health and safety always sits high on our agenda;
- delivering accredited health and safety training relevant to job role as standard to all colleagues; and
- increasing awareness and compliance through a blended learning approach.

Equality and diversity

- Committing to equality of opportunity in all our employment practices, policies and procedures. No team member or potential team member will receive less favourable treatment due to any of the following protected characteristics: age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage or civil partnership, pregnancy or maternity;
- being an equal opportunities employer that maintains a workforce that reflects the uniqueness of the communities in which we operate;
- continuing to nurture the talents of our people and the benefit they bring to our varying business functions through a clearly defined and transparent performance framework;
- taking all reasonable steps to employ, train and promote employees on the basis of their experience, abilities and qualifications;
- maintaining an active succession planning strategy that considers the ability of internal colleagues before recruiting externally and ensuring that the criteria for selecting team members for training opportunities is non-discriminatory. These are based upon the individual's merits, abilities and needs, business needs, and the availability of appropriate training and development opportunities. All team members participate in the appraisal process and there is positive encouragement to discuss development and training needs and opportunities; and
- Equality Essentials, our bespoke e-learning workshop, has been delivered to every employee at Safestore, covering the following key areas:
  - introduction to equality, diversity and protected characteristics;
  - handling harassment;
  - providing an inclusive service; and
  - equality in action.

Group gender split at 31 October 2017

	Male	Female
Board Directors	5	2
Senior managers (excluding Directors)	7	1
All employees	395	199

Work–life balance

- Providing a range of initiatives that celebrate the cultural diversity of our colleagues including a tax-free cycle to work scheme and Childcare Voucher scheme;
- engaging in programmes that encourage our people to take responsibility for their own development with funding for professional qualifications;
- welcoming and considering all requests from colleagues for flexible working on a case-by-case basis;
- recognising that there may be circumstances when it is more beneficial or flexible for individuals to work at home, either on a permanent basis, or in order to complete a particular task, for example a special project. Providing guidance and support to both occasional one off working from home as well as flexible working requests which incorporate a request to work from home;
- encouraging colleagues to take regular rest breaks; and
- offer of provision of private healthcare to 195 colleagues.

Training and development

As an "Investors in People" organisation since 2003 our aim is to be an employer of choice and we passionately believe that our continual success is dependent on our highly motivated and well trained colleagues.

We are delighted that for the year FY2017 our people have participated in over 22,500 hours of formal training time.

This training consisted of:

- refreshing our recruitment and induction tools to identify high calibre people and enable their performance as early as possible;
- developing our colleagues' sales and customer service skills continually regardless of length of service through onboarding and refresher programmes;
- fulfilling health and safety requirements;
- creating a coaching and performance culture determined by explicit standards, consistency and sustainability in order to support individual needs at all job levels whilst driving performance forward as a collective; and
- leadership development for our management and senior management population including the use of psychometrics.

In keeping with our approach of continuous improvement, we have delivered several key initiatives to support our people's performance:

— QUEST – this year we have continued to develop all new team members using the two-day selling skills programme QUEST. This workshop provides every team member at Safestore with skills and tools to enable them to focus on the customer's needs at every stage of the buying cycle;

— The Learning Space – our innovative e-learning platform is designed to aid effective adult learning and development in the workplace and completes our blended learning approach. There are currently 18 modules available to our people in an engaging, bitesize and efficient format;

— Our Values and Behaviours – our framework for articulating the attributes of high performing team members, along with commercial results, informs our performance related pay principles;

— Pay for Skills – supporting internal talent creates clearly defined career pathways linked to reward and recognition which enable us to attract higher calibre individuals at entry level and develop our future store management population in a consistent way; and

— The Safestore Store Management Development Programme prepares the next generation of internally developed managers. The twelve-month programme focuses on developing competent, business-focused managers who have a talent in building highly performing teams. We currently have 30 colleagues participating in the Store Management Development Programme.

Promotions

25 colleagues were successfully promoted to a more senior position. This compares to 15 last year (excluding the 37 promotions related to structure changes).

Our Community

The Safestore Group seeks to be an integral and trusted part of our communities nationwide and this is achieved largely in part by our partnerships with local charities. It is our continuing commitment to behave ethically and contribute to local communities and society at large as we believe that building and developing trust with those around us is one of the sources of steady business operations.

Over the year, we have sponsored charity events with cardboard box donations, employees have volunteered in community projects and we have provided free storage space for a number of charities.

We have:

— provided fundraising support to existing and new local charity partnerships;

— provided free or discounted storage space for 161 charities within our local communities through our "charity room in every store" scheme. This is a 41% increase on last year; and

— leveraged social media and our blog platform to promote our charity partners and raise awareness of their cause.

Hands on London

Safestore has been supporting Hands on London's "Wrap Up London" campaign for the past six years. The charity, which promotes community-based volunteering, organises the annual campaign encouraging Londoners to donate any unwanted coats ahead of the winter season.

In November 2016, we provided storage space at three London stores to facilitate the sorting, storage and distribution of coats to over 100 charities, homeless shelters, vulnerable women and children centres, elderly people in need and refugees.

Several members of our Head Office team joined over 800 volunteers to collect nearly 23,000 coats. The rapidly growing annual campaign also added additional collection locations as part of a plan to grow it nationwide. Making its debut in Manchester, we supported the campaign with storage space in one of our northern stores.

Jon Meech, CEO, Hands on London, said:

"We are extremely grateful to Safestore for supporting Wrap Up London 2016. Not only did they generously donate storage space at three Safestore locations around London to make the storage, sorting and distribution of thousands of coats possible, but the help and enthusiasm of all the Safestore team members at Head Office who came to help really did make a massive contribution to the campaign's success.

"The accessibility for people to donate a coat would not enjoy the impact that it does without the help of Safestore. We were also excited to launch Wrap Up Manchester, where a number of coats were collected – many thanks to Safestore for helping us to keep thousands of vulnerable Londoners and Mancunians warm this winter!"

Grenfell Tower fire – our response

June 2017 saw the horrific fire in a tower block in West London, which claimed the lives of many people and left many others homeless. Our Notting Hill store is located very close to the tower block – in fact, the store was within the cordoned off area and was closed for two days.

Our marketing department received a lot of requests for help with storage space as donations poured in and space began to run out. Such was the response to this tragedy that donated items soon began to exceed the demand.

We were able to offer storage space to enable the sorting and packing up of items. We also donated over 2,000 boxes and tape and pens to twelve different charities and organisations. In total we provided 800 sq ft in Notting Hill, eight rooms totalling 1,875 sq ft in Acton and 500 sq ft in Crystal Palace.

Perry Godfrey, Store Manager at Notting Hill, said:

"Following the Grenfell Tower fire and the amazing support from the public, as a store team we were able to offer a number of large spaces to eight different charities as well as offer support to the local tenants and the nearby local pre-school nursery.

"All of the team really stepped up during these testing times, by showing a truly professional manner with a real sense of empathy to everyone who has been affected by this."

The Honeypot Children's Charity

The charity offers both respite breaks and outreach support to young carers and vulnerable children, many of whom would otherwise have nowhere to turn.

Not only did we donate free storage space to free up resources and funds for the charity, our Head Office colleagues held a charity breakfast event to raise money and awareness for this fantastic charity who work with young carers to give them a break from their responsibilities.

Melina Alexandrou, Corporate Partnerships Manager, The Honeypot Children's Charity, said:

"We are extremely grateful to be partnering with Safestore Earls Court. They have enabled Honeypot to save money through offering us help and storage when moving office.

"This support enables us to concentrate our efforts and direct the funds saved to our vital services. A direct benefit of which is ensuring young carers and vulnerable children have the opportunity to make the most of their one chance at childhood."

Corporate social responsibility (“CSR”) *continued*

Our Community *continued*

DIY SOS – BBC TV show

In the summer we were contacted by DIY SOS, the BBC series hosted by Nick Knowles, which enables amazing home renovations to transform the lives of deserving families. In this case, the family was of PC Kris Aves, a survivor of the Westminster terror attack in March 2017 who was left paralysed, wheelchair bound and subsequently unable to return home.

The BBC was looking to store the family’s belongings during the renovations and we were able to support by donating space at a local store. In addition, volunteers from Safestore’s Head Office were able to go along to the project and work alongside local tradespeople to complete the big build within ten days.

Wanjiku Calver, Safestore Marketing Manager, said:
“It’s been a privilege to have played a part in getting Kris home and back with his family. The sheer joy on their faces was an absolute pleasure to witness. It was great to be part of the local community, to work together and achieve so much in a short space of time!”

The big reveal will air sometime in 2018 but in the meantime Kris can now fully access the family home.

Other local charity support

In addition to our fundraising and voluntary activities, we continue to support individual charities with free storage space through our “charity room in every store” scheme.

This year saw a 41% increase in the number of charities we have partnered with who are receiving free or discounted storage space.

This space has enabled a diverse range of local charities to focus on their core activities without the added cost of storing donations and archives etc.

In addition to the provision of storage space, we actively encourage our colleagues in Head Office and in stores to make a positive difference to the local community by supporting charities through fundraising and volunteering.

During the year, some of our colleagues took part in the gruelling Tough Mudder challenge whilst another speed-hiked the iconic Tour du Mont Blanc trail. Another group spent a cold night sleeping rough to raise money for a homeless charity whilst another store acted as a drop-off point for a local toy appeal.

Whilst we support many charities in the vicinity of our stores, we believe it is important for us to support our colleagues when they take the initiative and go above and beyond to raise awareness and fundraise for charities close to their hearts.

Our Environment

Safestore aims to minimise the impact of our business operations on the environment, both directly and through our sourcing activities. Management of natural resources is vital for us too as reducing our impact will help us save costs and compete more effectively.

We continue to:

- minimise waste production and promote reuse and recycling where possible;
- ensure the safe handling and disposal of waste products;
- continue to deploy cardboard recycling facilities across our stores;
- reduce our energy usage through a range of initiatives;
- work with our suppliers to build more sustainable supply chains; and
- use eco-friendly solutions when building new stores and, as a minimum, building to the BRE Environmental Assessment Method.

During the year, we have made progress in a number of areas:

- an overall recycling rate of 50.5% with recycling collections in place at all of our sites, 4.0% pts higher than last year;
- 80% of our stores have smart meters installed;
- LED lighting installed within 40% of our stores, increasing to 50% by the end of 2017; and
- 1.7% decrease in mileage driven by business vehicles (602,000 miles in twelve months to 31 August 2017).

Chiswick – a case study

We opened a new store in Chiswick, London on 4 November 2016. The store is located on the A4 and is easily accessible to the local affluent catchment area.

The facility used to be an old local dairy, and provides 42,500 sq ft over six floors, including two levels in the basement. These basement levels have a water mist fire system, and a mechanical smoke extraction system to remove smoke in the event of a fire.

As well as our usual security features, 24-hour recorded CCTV, intruder alarms, fire protection and key fob entry for customers, this store has a couple of interesting eco-friendly features.

The building has solar panels on the roof, bringing the benefits of sustainable energy and therefore reduced energy costs.

In addition, the store also has a “Green Wall”, a vertical garden facing the residential properties surrounding the facility, allowing for not only a better view for those living nearby, but also supplying a haven for bees and British wildlife, especially over the summer months.

Our packaging range

A general increase in sales has meant that all areas have shown increases in volumes over the previous twelve-month period. Please see confirmation below of this year’s and last year’s numbers for comparison in kilos supplied.

	2015–2016 in kgs	2016–2017 in kgs	Difference
Oxy-bio bubble	5,082	5,775	693
Poly covers	3,914	4,230	316
Stretch	18,818	19,183	365
Corrugated	235,000	250,000	15,000

The change last year of using a third party transport company to deliver to the Scottish and Northern English stores, we believe, will have saved in the region of 1,280kg of CO_2 every month, or an annualised saving of 15 tonnes of CO_2.

As the total weight of corrugated material has increased, our continued commitment to fully recycled papers has minimised the cost to the environment; we estimate that at these volumes around 600 trees have been saved versus an 80% recycled mix product (on the basis that every tonne of recycled paper used instead of virgin kraft paper saves twelve trees).

We continue to work closely with our suppliers to explore any opportunity that might help to improve the impact of Safestore’s business on the environment.

Mandatory greenhouse gas ("GHG") emissions reporting

This report was undertaken in accordance with the mandatory greenhouse gas ("GHG") emissions reporting requirements outlined in the Companies Act for listed companies, which requires us to report on our GHG emissions each financial year. This report contains our GHG disclosure for the 2016/17 financial year.

Our GHG report covers the period 1 September 2016 to 31 August 2017 and during this period there were 109 stores in the UK and 26 stores in France. Altrincham, Birmingham Goliath and Emerainville were opened between September 2016 and October 2016, which fall into the 2016 financial year, and Chiswick and Combs-la-Ville were opened in November 2016 and June 2017, which fall into the 2017 financial year. For the purposes of the GHG report, these five stores are all reported as new stores as they opened within our GHG reporting period (1 September 2016 to 31 August 2017). The Deptford store closed in August 2017, which falls into the 2017 financial year, so is also included. This report contains the following environmental data for all 135 of our stores that were open during the reporting period: GHG emissions, electricity consumption, electricity transmission and distribution, gas consumption, water consumption, waste generation (recycling, landfill and energy from waste) and business travel.

Methodology

Scope of analysis and data collection

Over 2016/17 we have collected primary data for all of our stores, including: building size (sq ft), electricity consumption (kWh), electricity transmission and distribution (kWh losses), gas consumption (kWh), water consumption (m^3), waste generation (tonnes by waste disposal method) and business travel (mileage). We do not have any refrigerant leakage to report for any of our stores in the UK or France. All primary data used within this report is from 1 September 2016 to 31 August 2017, covering the same reporting period as last year.

KPI selection and calculation

For the purposes of this report stationary energy use (electricity and gas consumption), water consumption, waste generation and business travel have been selected as the most appropriate key performance indicators ("KPIs") for the Group. To ensure consistency in our reporting, particularly where there are differences between the UK and France, we are reporting all GHG emissions in units of CO_2e. We have used the 2017 GHG conversion factors published annually by Defra and BEIS with the exception of the French CO_2e conversion factors, which are no longer published by Defra and BEIS. This is outlined in further detail at the end of this report.

GHG emissions scope

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

— **Scope 1 emissions:** includes direct emissions from sources which Safestore owns or controls. This includes direct emissions from fuel combustion and industrial processes.

— **Scope 2 emissions:** covers indirect emissions relating solely to the generation of purchased electricity that is consumed by the owned or controlled equipment or operations of Safestore.

— **Scope 3 emissions:** covers other indirect emissions including third party-provided business travel.

GHG emissions – scopes included in this report

— **Scope 1 emissions:** we are reporting our gas consumption and business mileage.

— **Scope 2 emissions:** we are reporting our electricity consumption.

— **Scope 3 emissions:** we are reporting our electricity transmission and distribution, waste generation and water consumption.

Group environmental performance

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

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

During the reported period, the Safestore Group included 109 stores in the UK and 26 stores in France, as described above. It is important to note that we completed our acquisition of Space Maker Stores Limited ("SMS") on 29 July 2016. So, for our previous year's GHG report (2015/16) we were only able to report on one month of data for each of these twelve stores. This year's GHG report (2016/17) will be the first report where we will be reporting a full year's worth of data for these twelve stores.

The table below displays our "total Group performance" (including the Space Maker Stores and our two new sites) for electricity consumption, gas consumption, water consumption, waste generation (recycling, landfill and energy from waste) and business travel against the previous financial year.

Table 1: Group environmental performance

	Units	2014/15 (Sept–Aug)	2015/16 (Sept–Aug)	**2016/17 (Sept–Aug)**
Natural gas	kWh	2,798,080	1,887,917	**2,349,277**
Electricity	kWh	19,631,052	19,165,216	**22,005,201**
Purchased water	m^3	35,512	37,005	**45,129**
Recycling	tonnes	605	757	**787**
Landfill	tonnes	41	56	**49**
Energy from waste	tonnes	593	419	**721**
Business travel	miles	486,192	612,588	**602,240**

Corporate social responsibility ("CSR") *continued*

Group environmental performance – analysis

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

Gas performance

We are continually seeking opportunities to reduce energy consumption to the lowest practicable levels appropriate with the operational needs of the business and to satisfy the needs of our customers. Our stores consume low volumes of gas for space heating in reception and office locations. At the design and construction stage we seek opportunities to design efficient, low consumption working environments.

Table 2: Gas performance

Year ended 31 August		2014/15	2015/16	**2016/17**	% change
Gas use	kWh	2,798,080	1,887,917	**2,349,277**	24.44
Scope 1 emissions	tCO_2e	516	347	**434**	25.07

Between September 2016 and August 2017, the total gas consumption across all of our stores was 2,349,277 kWh.

Electricity performance

We are continually seeking opportunities to reduce energy consumption to the lowest practicable levels appropriate with the operational needs of the business and to satisfy the needs of our customers. To this effect we have installed smart meters in 80% of our stores and we are aiming to have 100% smart meter coverage by the end of 2017. Where possible we will consider installing energy management technology such as building management systems and voltage optimisation, although these are not currently suitable for our stores.

Recognising that our electricity consumption is predominantly derived from our lighting requirements we have installed timers and PIR sensors at all of our stores and we are currently undertaking a portfolio-wide LED lighting upgrade programme. To date we have retrofitted LED lighting in 40% of our stores and by the end of 2017 we will have increased this to 50% of stores with a short term plan of investing across the entire portfolio over the coming year.

Table 3: Electricity performance

Year ended 31 August		2014/15	2015/16	**2016/17**	% change
Electricity use	kWh	19,631,052	19,165,216	**22,005,201**	14.82
Scope 2 emissions	tCO_2e	7,819.77	6,707.66	**6,563.29**	(2.15)
Scope 3 emissions	tCO_2e	646.43	604.04	**613.64**	1.59

Between September 2016 and August 2017, the total electricity consumption across all of our stores was 22,005,201 kWh, which is a 14.8% increase compared with the previous financial year. We were expecting this increase in electricity consumption as we have opened five new stores during this period and this is the first year that we are reporting a full year's worth of electricity consumption for the twelve Space Maker Stores ("SMS") that we acquired in July 2016. In total, the twelve SMS stores accounted for 1,635,349 kWh of electricity consumption and our five new stores accounted for a further 603,760 kWh of electricity consumption.

Water performance

Our stores consume very low volumes of water and we strive to further minimise our consumption of water wherever possible through the installation of efficient water fixtures and fittings. We also take a systematic approach for implementing biodiversity protection projects across our sites where these are deemed to be of importance, such as our Chiswick store where we built a Green Wall.

Table 4: Water performance

Year ended 31 August		2014/15	2015/16	**2016/17**	% change
Water use	m^3	35,512	37,005	**45,129**	21.95
Scope 3 emissions	tCO_2e	37.36	38.93	**47.48**	21.96

Between September 2016 and August 2017, the total water consumption across all of our stores was 45,129 m^3, a 22% increase compared with the previous financial year. We were expecting this increase in water consumption as we have opened five new stores during this period and this is the first year that we are reporting a full year's worth of water consumption for the twelve Space Maker Stores ("SMS") that we acquired in July 2016. In total, the twelve SMS stores accounted for 7,234 m^3 of water consumption and our five new stores accounted for a further 816 m^3 of water consumption.

Waste performance

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

Table 5: Waste performance

Year ended 31 August		2014/15	2015/16	**2016/17**	% change
Waste – recycling	tonnes	604.9	756.7	**787.1**	4.02
Waste – EfW	tonnes	592.8	419.2	**721.6**	72.14
Waste – landfill	tonnes	40.5	56.0	**49.2**	(12.14)
Scope 3 emissions	tCO_2e	28.9	35.8	**37.8**	5.59

In the twelve months to August 2017, a total of 1,558 tonnes of waste has been generated, an increase of 26% compared with the previous financial year. We have reduced the amount of waste going to landfill by 12% and we are pleased to report that the amount of waste being recycled has increased by 4% compared to the previous financial year. As a result, we are now sending 50.5% of all of our waste to recycling.

Business travel performance

We report on our business travel, which includes vehicles owned by Safestore and business mileage. We are continually looking for opportunities to reduce the need to travel wherever possible.

Table 6: Business travel performance

Year ended 31 August		2014/15	2015/16	**2016/17**	% change
Business travel	miles	486,192	612,588	**602,240**	(1.69)
Scope 1 emissions	tCO_2e	142.48	176.14	**168.46**	(4.36)

Business vehicles travelled 602,240 miles in the twelve months to 31 August 2017, resulting in a 1.7% decrease compared with the previous financial year.

Group GHG performance ("mandatory GHG reporting")

We have used the Defra and Greenhouse Gas Protocol methodology for compiling this GHG data and, for UK energy consumption and emissions, included the following material GHGs: CO_2, N_2O and CH_4. In accordance with the Defra reporting guidelines and data conversion factors for greenhouse gas emissions, the equivalent reports on Safestore's French properties used the CO_2e factors provided by the International Energy Agency ("IEA"). Our GHG emissions for 2016/17 covered 100% of floor space and the UK vehicle fleet, both directly controlled and owner driven vehicles (company mileage only).

We used the following GHG emission conversion factors:

UK Government GHG Emission Conversion Factors for Company Reporting Standard Set from 30/06/2017 to 30/06/2018

Scope	Emissions source	Unit	Conversion factors
1	Natural gas (gross CV)	kWh	0.18416
1	Business travel	miles	0.27972
2	UK electricity grid supply	kWh	0.35156
2	France electricity grid supply*	kWh	0.0409
3	UK electricity transmission and distribution	kWh losses	0.03287
3	France electricity transmission and distribution	kWh losses	0.00382
3	Water supply	m^3	0.344
3	Water treatment	m^3	0.708
3	Commercial waste – recycling	tonnes	21.8
3	Commercial waste – energy from waste	tonnes	21.8
3	Commercial waste – landfill	tonnes	100.1

* France: IEA fuel combustion conversion factor as supported by the IEA Foreign Electricity Emissions Factors (Note: Defra no longer provides the overseas electricity generation conversion factors and the conversion factors are obtained directly from the IEA).

In accordance with the mandatory GHG emissions reporting requirements outlined in the Companies Act for listed companies, we have reported our GHG disclosure for the 2016/17 financial year.

Mandatory GHG emissions reporting data

GHG emissions	Units	2014/15	2015/16	**2016/17**	% change
Scope 1	tonnes CO_2e (UK and France)	659	524	**602**	14.89
Scope 2	tonnes CO_2e (UK and France)	7,820	6,708	**6,563**	(2.16)
Scope 3	tonnes CO_2e (UK and France)	713	679	**699**	2.95
Total GHG CO_2e	total tonnes CO_2e (UK and France)	9,192	7,911	**7,864**	(0.59)
GHG CO_2e intensity	tonnes CO_2e/floor space (thousand sq ft)	1.16	0.94	**0.90**	(4.26)

Group GHG performance ("mandatory GHG reporting") analysis:

Total GHG emissions for Scope 1, Scope 2 and Scope 3 for the twelve-month period to 31 August 2017 were 7,864 tonnes CO_2e with Scope 1 accounting for 8%, Scope 2 accounting for 83% and Scope 3 accounting for 9% of the total GHG emissions. On a reporting basis total GHG emissions have decreased by 0.6% compared with the previous financial year.

This reduction in GHG emissions, particularly Scope 2 emissions (purchased electricity) is partially attributed to rebasing of the GHG conversion factors. The rebasing of GHG conversion factors has seen the GHG emissions conversion factor for electricity reduced by 15%. This reflects changes to the UK's energy mix during 2016/17 which saw a reduction in the use of coal-powered electricity generation and increases in gas and renewables generation.

Our GHG emissions CO_2e intensity has decreased slightly from 0.94 tonnes CO_2e per 1,000 sq ft in 2015/16 to 0.90 tonnes CO_2e per 1,000 sq ft in 2016/17, which is a decrease of 4.3%.

Corporate governance introduction

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

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

Chairman's governance statement

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

This governance report comprises the following sections:

- Board of Directors
- How the Board works
- Effectiveness
- Relations with shareholders
- Accountability
- Nomination Committee report
- Audit Committee report
- Directors' remuneration report

The role of the Board

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

UK Corporate Governance Code – statement of compliance

The Group recognises the importance of, and is committed to, high standards of corporate governance. These are set out in the UK Corporate Governance Code issued by the Financial Reporting Council in April 2016 ("the Code"), which is the version of the Code which applies to the Company for its 2017 financial year. The Board is accountable to the Company's shareholders for good governance and this report describes how the Board has applied the main principles of good governance set out in the Code during the year under review. Throughout the year ended 31 October 2017, the Company has complied with the main principles of the Code.

Approved for release on 9 January 2018

A S Lewis
Non-Executive Chairman

Board of Directors

Alan Lewis
Non-Executive Chairman N

Alan Lewis joined the Group in June 2009 as a Non-Executive Director and was appointed Chairman in January 2014. He is also on the supervisory board of Palico, a Paris and New York-based information business for the private equity industry, and chairman of Amplan, a private property development and investment business. He is an advisory board member of Leaders' Quest, a social enterprise that develops leaders from diverse backgrounds. After five years in manufacturing with RTZ and Black & Decker he spent 30 years in the private equity industry, firstly with 3i, then from 1991 to 2011 with Bridgepoint, where he was a founding partner. Since 2011 he has been an independent chairman of various companies including Leeds Bradford Airport and Porterbrook, a train leasing company. Alan is a graduate of the University of Liverpool and holds an MBA from Manchester Business School.

Ian Krieger
Senior Independent Director A N R

Ian Krieger joined the Group in October 2013 as a Non-Executive Director and was appointed Chairman of the Audit Committee in April 2014 and Senior Independent Director in March 2015. He is senior independent director and chairman of the audit committee of Premier Foods plc, and a non-executive director and chairman of the audit committee of Capital & Regional plc. He is chairman of Anthony Nolan (blood cancer charity) and is a trustee and chairman of the finance committee of the Nuffield Trust. Previously Ian was a senior partner and vice-chairman at Deloitte until his retirement in 2012.

Frederic Vecchioli
Chief Executive Officer

Frederic Vecchioli is a founding Director of our French business since 1998 and has overseen its growth to 26 stores in Paris operating under the "Une Pièce En Plus" brand. He joined the Group as President and Head of French Operations following the Mentmore acquisition in 2004. Frederic became Chief Executive Officer of the Group in September 2013.

Andy Jones
Chief Financial Officer

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

Joanne Kenrick
Non-Executive Director A N R

Joanne Kenrick joined the Group in October 2014 as a Non-Executive Director. She is currently a non-executive director of Coventry Building Society, a non-executive director of Welsh Water, an independent director of Bacs, and chair of trustees of the charity Make Some Noise. Until September 2015 Joanne was a non-executive director of Principality Building Society, where she was also a member of the audit and conduct risk committees. Previously, Joanne was chief executive officer of Start, a Prince of Wales charity. She was marketing director at Homebase, marketing and customer proposition director at B&Q and marketing director at Camelot Group plc. Joanne has a law degree and started her career at Mars Confectionery and PepsiCo.

Claire Balmforth
Non-Executive Director R

Claire Balmforth joined the Group in August 2016 as a Non-Executive Director and was appointed Chairman of the Remuneration Committee. Claire is also a member of the British Heart Foundation retail committee. Previously Claire was group HR director of the Priory Group and, at Carpetright plc, she served as group human resources director from 2006 and as operations director UK from 2011. She also served as its people and customer director. She began her career in Selfridges, and has worked in many retail businesses including Tesco and Boots and has experience in the B2B sector with RAC plc.

Bill Oliver
Non-Executive Director A R

Bill Oliver joined the Group in November 2016 as a Non-Executive Director and as a member of the Remuneration and Audit Committees of the Board. He is non-executive deputy chairman of Churchill Retirement plc, a privately owned company. Bill is a chartered accountant with over 30 years' experience with residential and commercial development companies such as Alfred McAlpine, Barratt and the Rutland Group. He joined St Modwen Properties PLC in 2000 as finance director and was subsequently appointed managing director in 2003 and chief executive in 2004, and he retired from this role in November 2016.

Committee membership

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

Corporate governance

How the Board works

The Board

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

Following Keith Edelman's retirement from the Board on 31 December 2016, the Company currently has seven Directors, which include the Chairman, two Executive Directors and four independent Non-Executive Directors. As a result, the Directors consider that there is a satisfactory balance of decision-making power on the Board.

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

Alan Lewis was deemed to be independent from January 2011 following the disposal by Bridgepoint of its major shareholding in the Company. Each of the remaining Non-Executive Directors was deemed to be independent upon their appointment. Ian Krieger is the Senior Independent Director.

A clear division of responsibility at the head of the Group is established, agreed in writing and approved by the Board. There is a clear division of responsibilities between the Chairman and the Chief Executive Officer. The Chairman is responsible for the management of the Board and for aspects of external relations, while the Chief Executive Officer has overall responsibility for the management of the Group's businesses and implementation of the strategy approved by the Board. The statement of the division of responsibilities between the Chairman and the Chief Executive Officer is available on the Group's website at www.safestore.com.

Composition of the Board at January 2018

Chairman	1
Executive Directors	2
Independent Non-Executive Directors	4

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

Board process

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

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

Attendance at Board/Committee meetings

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

Director who served during the year	Board	Audit Committee	Nomination Committee	Remuneration Committee
Alan Lewis	8/8	—	1/1	—
Frederic Vecchioli	8/8	—	—	—
Andy Jones	8/8	—	—	—
Ian Krieger	8/8	4/4	1/1	12/12
Joanne Kenrick	8/8	4/4	1/1	12/12
Claire Balmforth	8/8	—	—	12/12
Bill Oliver	8/8	4/4	—	12/12
Keith Edelman	2/2	1/1	—	—

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

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

Board Committees

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

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

Nomination Committee (page 39)
The Nomination Committee comprises Alan Lewis (Chairman), Ian Krieger and Joanne Kenrick. Keith Edelman was a member of the Committee until his retirement in December 2016.

Audit Committee (pages 40 and 41)
The Audit Committee comprises Ian Krieger (Chairman), Joanne Kenrick and Bill Oliver. Keith Edelman was a member of the Committee until his retirement in December 2016.

Remuneration Committee (pages 42 to 62)
The Remuneration Committee comprises Claire Balmforth (Chairman), Ian Krieger, Joanne Kenrick and Bill Oliver.

Effectiveness

Board performance evaluation

During the year, an evaluation of the performance of the Board, its Committees, the individual Directors and the Chairman was conducted. The scope of the Board and Committee evaluation process was agreed with the Chairman and undertaken by the Company Secretary.

Directors completed detailed written questionnaires covering a number of key areas including strategy, succession planning, Board size and composition, risk management and the relationship between the Board and management. The results of the reviews were then considered by the Chairman and discussed by the Board as a whole.

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

The anonymity of respondents was ensured in order to promote the open and frank exchange of views. A report was produced mapping the performance of the Board which addressed the following areas:

- dynamics of the Board, including the engagement of the Directors in the affairs of the Company and the environment in the boardroom;
- the priorities for Board meetings;
- management of time and planning of the annual cycle of work and agenda;
- evaluation of the Board's oversight of operations;
- management of risk, including the Board's review and testing of risk management policies;
- composition and performance of the Committees of the Board; and
- identification of the main priorities for the Board for the coming year.

The Directors have concluded that, following this evaluation, the Board and its Committees operate effectively. Recommendations were made for some enhancements, mainly comprising minor modifications to Board meeting material.

The content for any subsequent evaluation will be designed to build upon insights gained in the previous exercise to ensure that the recommendations agreed in the review have been implemented and that year-on-year progress is measured. It is intended that an externally facilitated Board evaluation will be held at least every three years.

Board appointments

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

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

Re-election of Directors

The Company's Articles of Association provide that one-third of the Directors retire by rotation each year and that each Director will seek re-election by the shareholders at the AGM at least once every three years. Additionally, new Directors are subject to election by shareholders at the first opportunity after their appointment. All Directors have offered to stand for re-election at the 2018 AGM and their details are given in the Notice of Annual General Meeting.

Diversity

The Board has due regard for the benefits of diversity in its membership and strives to maintain the right diversity balance including gender, age and professional background. The Chairman seeks to ensure that the composition of the Board includes individuals with deep knowledge and experience, bringing a wide range of perspectives to the business.

The Board, as at the date of this Annual Report and Financial Statements, comprises 29% women (FY2016: 29%). The Board must continue to provide strong leadership at Safestore, and therefore continues to appoint only the most appropriate candidates to the Board.

Corporate governance *continued*

Accountability

Risk management and internal controls

A summary of the principal risks and uncertainties within the business is set out on pages 13 to 16.

The Board retains overall responsibility for setting Safestore's risk appetite, and for risk management and internal control systems. The Risk Committee supports the Group's risk management strategy and undertakes regular reviews of the formal risk assessment, and reports regularly to the Audit Committee of the Board. The Risk Committee is headed by the Chief Financial Officer and comprises Executives from the operations, finance, secretariat and property functions. Risk management remains an ongoing programme within the Group and is formally considered at operational meetings as well as at meetings of the Board.

In accordance with Section C.2.3 of the UK Corporate Governance Code, the Board is responsible for reviewing their effectiveness and confirms that:

— there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Company;

— the systems have been in place for the year under review and up to the date of approval of the Annual Report and Financial Statements;

— they are regularly reviewed by the Board; and

— the systems accord with the FRC guidance on risk management, internal control and related financial and business reporting.

The Group currently employs a risk manager supported by two store auditors who are responsible for reviewing operational and financial control at store level. The risk manager reports to the Chief Executive Officer and the Chief Financial Officer. Further details are provided in the Audit Committee report set out on pages 40 and 41.

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

Budgetary process

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

Investment appraisal (including acquisitions)

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

Relations with shareholders

The Group places a great deal of importance on communication with its shareholders and maintains a dialogue with them through investor relations programmes. These include formal presentations of the full year and interim results and meetings with institutional investors and analysts as required. The remuneration report includes comment on extensive engagement with shareholders in respect of the renewal of the remuneration policy during the financial year.

To ensure all Board members share a good understanding of the views of major shareholders about the Group, there is a formal process whereby the Board reviews announcements and reports prior to public distribution and is sent summaries of institutional investor comments following meetings on the full year and interim results. The Non-Executive Directors are available to meet major shareholders when requested.

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

Nomination Committee report

Members of the Committee

The Nomination Committee ("the Committee") comprises:

— Alan Lewis (Chairman)

— Ian Krieger

— Joanne Kenrick

Keith Edelman was a member of the Committee until his retirement from the Board in December 2016. The Nomination Committee is appointed by the Board and it comprises the Chairman of the Board and Non-Executive Directors. The Chairman does not chair or attend when the Committee is considering matters relating to his position, in which circumstances the Committee is chaired by an independent Non-Executive Director, usually the Senior Independent Director.

At the invitation of the Committee, any other Director may attend meetings of the Committee.

Role

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

Succession planning

The Board comprises a Chairman, two Executive Directors and four Non-Executive Directors who have wide business experience and skills as well as a detailed understanding of the Group's philosophy and strategy. It is a key responsibility of the Committee to advise the Board on succession planning. The Committee ensures that future changes in the Board's membership are anticipated and properly managed and that, in the event of unforeseen changes, management and oversight of the Group's business and long term strategy will not be disrupted. The Committee also addresses continuity in, and development of, the Executive Team below Board level.

As a Board, we recognise the benefits of diversity. Diversity of skills, background, knowledge, experience and gender, amongst a number of other factors, are and will continue to be taken into consideration when new appointments to the Board are made. All aspects of diversity are considered at every level of recruitment. All appointments to the Board are and will continue to be made on merit. The Committee seeks a Board composition with the right balance of skills and diversity to meet the demands of the business. The Board does not consider that quotas are appropriate for its representation and has therefore chosen not to set targets. Gender diversity will, however, remain a consideration when reviewing the Board's future composition.

The Committee previously identified a need to appoint Non-Executive Directors who had recent or current executive experience and had worked in retail or property businesses. Specialist recruitment consultants were engaged to undertake a search and selection process for additional Non-Executive Directors.

Bill Oliver joined the Board on 1 November 2016 following a selection process undertaken by the Committee in the previous financial year, which involved the appointment of a specialist recruitment consultant, Ridgeway Partners, who shortlisted candidates with the appropriate range of skills for appointment as a Non-Executive Director.

During the year, the Committee considered the performance of the Chief Executive Officer and the Chief Financial Officer.

Ian Krieger was appointed Senior Independent Director following the Company's AGM in 2015.

New Director induction

During the 2017 financial year, the Chairman oversaw Bill Oliver's induction, which commenced upon his appointment in November 2016. The Chairman agreed a full, formal and tailored induction programme with him, which included meetings with senior management, a number of site visits and briefings from the Company Secretary and the Company's advisers. Bill completed his induction programme promptly and reported that he had found this a useful way of developing his understanding about the Group.

Board performance evaluation

The Board undertook the annual evaluation of the performance of the Board and its Committees seeking to identify areas where performance and procedures might be improved. Further details are provided in the corporate governance section of this report.

Directors standing for re-election

All Directors will stand for re-election at the 2018 AGM. Following the annual Board performance reviews of individual Directors, as applicable, the Chairman considers:

— that each Director subject to re-election continues to operate as an effective member of the Board; and

— that each Director subject to re-election has the skills, knowledge and experience that enable them to discharge their duties properly and contribute to the effective operation of the Board.

The Board, on the advice of the Committee, therefore recommends the re-election of each Director standing for re-election. Full biographical details of each Director are available on pages 34 and 35.

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

This report was approved by the Nomination Committee for release on 9 January 2018 and signed on its behalf by:

A S Lewis
Chairman of the Nomination Committee

Audit Committee report

Members of the Committee

The Audit Committee ("the Committee") comprises:

- Ian Krieger (Chairman)
- Joanne Kenrick
- Bill Oliver

Bill Oliver joined the Committee upon his appointment to the Board in November 2016. Keith Edelman was a member of the Committee until his retirement from the Board in December 2016.

The Committee members have been selected to provide the wide range of financial and commercial expertise necessary to fulfil the Committee's duties and responsibilities. The Board considers the Committee members' financial experience to be recent and relevant for the purposes of the UK Corporate Governance Code.

In addition to the Committee members, the following were also in attendance by invitation:

- the Chief Financial Officer and the Group Financial Controller;
- other members of the Board, when considered appropriate – for example, the Chairman and the Chief Executive attended meetings at which the Group's full year and half year results were considered; and
- representatives from Deloitte.

The secretary of the Committee is the Company Secretary. Details of attendance at Committee meetings during the 2017 financial year are set out on page 36.

Role

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

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

The terms of reference set out that the Audit Committee will:

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

Risk management and internal control

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

Safestore's internal controls, along with its design and operating effectiveness, are subject to ongoing monitoring by the Audit Committee through reports received from management, along with those from the external auditor. Further details of risk management and internal control are set out on page 38.

Internal audit

The Audit Committee has oversight responsibilities for the store assurance team, which is responsible for reviewing operational and financial controls at store level. The Group does not have a separate internal audit function and the Board, at least annually, reviews the requirement for establishing one. In addition, the Audit Committee will from time to time consider the requirement to commission externally facilitated reviews of the control environment, to supplement the work of the store assurance team, until the Audit Committee determines that it is appropriate for the Group to establish a separate internal audit function.

Main activities of the Committee during the year

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

- review of the financial statements and announcements relating to the financial performance and governance of the Group at year end and half year;
- principal judgemental accounting matters affecting the Group based on reports from both the Group's management and the external auditor;
- external audit plans and reports;
- review of the adequacy and the effectiveness of the Group's ongoing risk management systems and processes, through risk and assurance plans and reports, including:
  - store assurance audit reports;
  - internal financial control assessments;
  - fraud and loss prevention;
  - revenue protection; and
  - risk assessment;
- information security and business continuity;
- whistleblower reports;
- store assurance team effectiveness and independence;
- external audit effectiveness, independence and re-appointment in conjunction with audit tendering;
- anti-bribery and corruption procedures; and
- specific investigations as required.

Financial reporting and significant financial judgements

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

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

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

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

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

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

After reviewing the reports from management and following its discussions with the valuers and auditor, the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates, both in respect of the amounts reported and the disclosures. The Committee is also satisfied that the processes used for determining the value of the assets and liabilities have been appropriately reviewed and challenged and are sufficiently robust.

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

The Committee was provided with, and commented on, a draft copy of the Annual Report and Financial Statements. In carrying out the above processes, key considerations included ensuring that there was consistency between the accounts and the narrative provided in the front half of the Annual Report, and that the programme of corporate reporting reviews focused on the balance between the reporting of weaknesses, difficulties and challenges, as well as successes, in an open and honest manner. The Committee is satisfied that alternative performance measures, not defined under IFRS or "non-GAAP" measures, are consistent with how management measures and judges the Group's financial performance.

External auditor

During the year the Committee received and reviewed audit plans and reports from the external auditor. It is standard practice for the external auditor to meet privately with the Audit Committee, without any member of management or the Executive Directors being present, at each Audit Committee meeting. The Audit Committee has responsibility for making a recommendation on the appointment, re-appointment and removal of the external auditor. Following an audit tender, Deloitte LLP was appointed auditor for the Group in September 2014 and re-appointed at the subsequent Annual General Meetings in 2015, 2016 and 2017.

Audit tendering

This has been Deloitte's fourth year as the Company's external auditor following the formal tender process conducted in 2014. There are no contractual obligations that restrict the choice of external auditor. The Committee confirms that Safestore has complied with the Statutory Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Responsibilities) Order 2014 with regard to the requirement for formal tendering every ten years.

Effectiveness of the external audit process

To assess the effectiveness of the external audit process, the auditor is asked on an annual basis to articulate the steps that it has taken to ensure objectivity and independence, including where the auditor provides non-audit services. The Committee monitors the auditor's performance, behaviour and effectiveness during the exercise of its duties, which informs the Audit Committee's decision to recommend re-appointment on an annual basis.

External auditor independence and non-audit services

The Audit Committee's terms of reference set out that it is responsible for the formal policy on the award of non-audit work to the auditor. The Committee has formalised procedures for the approval of non-audit services which stipulate the services for which the auditor will not be used. The policy also stipulates projects where the auditor may be used subject to certain conditions and pre-approval requirements. In order to preserve auditor objectivity and independence, the external auditor is not asked to provide consulting or advisory services unless this is in the best interests of the Company. A report of all audit and non-audit fees payable to the external auditor is provided to the Committee twice a year, including both actual fees for the year to date and a forecast for the full year, analysed by project and into pre-defined categories. In the current financial year, Deloitte LLP provided services of £102,000. It was determined that the nature of the work would not impact auditor objectivity and independence given the safeguards in place.

Deloitte was first appointed to conduct the audit for the 2014 financial year. In accordance with regulatory requirements, the lead audit partner, Mark Beddy, is required to change after five years and this would normally take place after the conclusion of the 2018 audit. However, the Committee has been advised that the lead audit partner will retire following the 2017 audit, so a new lead audit partner is expected to be appointed in advance of the 2018 audit.

As part of the 2017 audit, Deloitte confirmed that it was independent within the meaning of applicable regulatory and professional requirements. Taking this into account, and having considered the steps taken by Deloitte to preserve its independence, the Committee concluded that Deloitte's independence had not been compromised notwithstanding the level of non-audit fees incurred during the year.

This report was approved by the Audit Committee for release on 9 January 2018 and signed on its behalf by:

I S Krieger
Chairman of the Audit Committee

Directors' remuneration report
for the year ended 31 October 2017

PART A: ANNUAL STATEMENT

Dear shareholder

On behalf of the Board, I am pleased to present the report on Directors' remuneration for 2017. Similar to 2016, this year's report is structured in four parts including an at a glance section which provides a summary of our remuneration policy (the "policy"), key 2017 Company performance highlights and the linkage to the remuneration outcomes for the year.

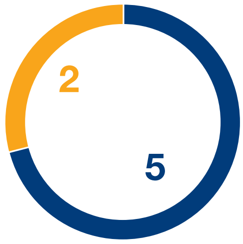
The Remuneration Committee ("Committee") has spent a significant amount of time during 2017 engaging with our shareholders around our new remuneration policy. We withdrew the resolutions relating to the proposed remuneration policy and new long term incentive, which was set out in last year's Directors' remuneration report, ahead of our 2017 AGM given feedback from some of our shareholders, in order to engage in further consultation around this matter. Following substantive changes to both the policy and LTIP, we received marginal support from shareholders at the July EGM. I was disappointed with this result as both I and your Board strongly believe that the proposed remuneration structure, which is designed to break away from the conventional model and drive exceptional corporate performance from our talented management team over the next five years, is in the best interests of all stakeholders. I would like to take this opportunity to thank all the shareholders who have supported our proposals, as well as all of those who have engaged with us and put considerable time and effort into analysing and providing feedback on our proposals.

Throughout the year the Committee has also followed the debate around the fairness of pay with great interest, and I would like to reassure you that this reinforces our approach and that the new remuneration structure should apply to a wide group of employees and not just the Executive Directors. The new structure has enabled a large number of key employees to share in the future success of the Company and work together with a common goal of driving value for shareholders.

Additionally, the Committee has implemented a number of the commitments made throughout the engagement process to limit fixed pay and ensure alignment with best practice:

Board gender composition
As at date of publication

■ Male
■ Female



— We committed to maintaining salary and benefits at conservative levels and we have integrated this element into the new remuneration policy by committing to only increase the Executive Director salaries in line with the wider workforce. The salary levels for our Executive Directors continue to be highly conservative against the market.

— We have reduced Executive Directors' maximum pension contribution from 20% to 10% of salary to ensure better alignment with the wider workforce.

— We committed to a higher level of transparency around bonus targets and we have provided a thorough explanation of the assessment of the strategic and operational element of the bonus outcome for the year (please see pages 54 to 56).

— We committed to following best practice and introduced annual bonus share deferral as set out in the Investment Association guidelines;

— We have granted the awards under the new LTIP arrangement to the Executive Directors and a wider group than first anticipated of circa 55 key individuals.

— Finally, we pledged to enhance the alignment of interests of management and shareholders, and as such have increased shareholding requirements to 1,000% of salary for the CEO and 350% for the CFO.

Business context

You will have read earlier in this Annual Report that the Company delivered strong results for 2017 with:

— Group revenues up 12.6% for 2017;

— underlying EBITDA up 13.6% for 2017;

— cash tax adjusted earnings per share up 17.7% for 2017;

— Adjusted Diluted EPRA earnings per share up 17.2% for 2017;

— completion of the acquisition of the twelve-store Alligator portfolio on 1 November 2017 and the opening of two new stores; and

— Space Maker integration completed.

The results for 2017 are a continuation of the strong performance of the business since 2013, when the current team took over the management of Safestore. From 2013 to the current date, shareholders have benefitted from an increase in total shareholder return of circa 290% and significant outperformance of industry benchmarks as shown in the graph on page 45.

2017 remuneration outcomes

In line with the policy, the Committee has fully reflected corporate performance in assessing remuneration outcomes for 2017 such that there is a demonstrable link between pay and performance as set out below:

- Executive Directors salaries will be reviewed in 2018 and will not exceed the increases awarded to the wider workforce for the three-year duration of the remuneration policy.
- Executive Directors will receive annual bonus payments of 122% of salary (82% of maximum) for 2017. In line with the payout schedule, the EBITDA element contributed a payout of 35% of maximum, whilst the Committee determined that 33% and 14% of maximum were achieved by the Executive Directors under the strategic and personal elements. In line with the new policy, the Executive Directors will receive a cash bonus of 100% of salary and a deferred share award of 22% of salary.
- The 2014 PSP awards vested in full during the year.
- The EPS element of the 2015 PSP awards will vest in full on 28 January 2018 (for the end of the performance period of 31 October 2017) and it is anticipated based on current performance that the relative TSR element will vest in full in February 2018. Over the three-year performance period the Company achieved 79% EPS growth (compared with a maximum performance level of 62% growth).

In our assessment, overall remuneration for 2017 represents a balanced outcome and is aligned with Company performance. We believe the newly implemented remuneration policy, together with our clear remuneration strategy, will continue to ensure this remains true throughout the period of the delivery of the five-year strategy of the business.

Summary

My goal has been to be thoughtful and clear in the layout of the Directors' remuneration report. I hope that you find the information helpful and I look forward to your support on the advisory vote on the 2017 Annual report on remuneration at the Company's upcoming AGM. We are committed to listening, and take an active interest in, your views as shareholders. If you would like to discuss any further aspect of our remuneration strategy or disclosure and transparency in this area, I would welcome your views. I can be contacted via the Company Secretary, Sam Ahmed at SAhmed@safestore.co.uk.

On behalf of the Committee and Board for release on 9 January 2018

Claire Balmforth
Chair of the Remuneration Committee

Directors' remuneration report *continued*

for the year ended 31 October 2017

PART B: OUR REMUNERATION AT A GLANCE

Ahead of the detailed 2017 Directors' remuneration report, we have summarised below the key elements of our remuneration policy and how we intend to implement it in 2018 along with the key remuneration outcomes for 2017.

(i) Summary of our Directors' remuneration policy and implementation of remuneration policy for 2018

Element	Key features of policy	Implementation for 2018	
Executive Directors		**Frederic Vecchioli**	**Andy Jones**
Base salary	To provide competitive fixed remuneration that will attract and retain appropriate talent. Reflects an individual's responsibilities, experience and role. No salary increases in excess of those awarded to the wider workforce.	Base salary of £400,000. The next salary review will take place in May 2018.	Base salary of £285,000. The next salary review will take place in May 2018.
Benefits and pension	Market competitive benefits/pension package provided. Maximum contribution to personal pension scheme or cash in lieu is equal to 10% of salary.	10% of salary as Company pension contribution.	10% of salary as Company pension contribution.
Annual bonus	Maximum award equal to 150% of salary per annum. Performance period is one financial year with payout based on achievement against a range of financial and non-financial targets. Any bonus in excess of 100% deferred into shares for two years.	150% maximum of salary. Adjusted EBITDA, strategic, operational and personal measures.	150% maximum of salary.
LTIP	One off equity grant made in 2017. Awards vest after five years subject to the achievement of stretching performance measures.	2 million shares awarded in 2017 (no further awards granted under the LTIP). Adjusted Diluted EPRA EPS growth, relative TSR vs FTSE 250 (exc. investment trusts) and relative TSR vs FTSE Real Estate Index. In addition, no award will vest unless a minimum level of cash on cash return ("CoCR") of 8% p.a. has been achieved.	1.34 million shares awarded in 2017 (no further awards granted under the LTIP).
Shareholding requirements	1,000% of salary for CEO and 350% of salary for CFO.	1,000% of salary.	350% of salary.
Non-Executive Directors			
Fees	Non-Executive Directors may receive a base fee and additional fees for chairing a committee.	Chairman fee: £135,000. Non-Executive base fee: £42,500. Committee Chair fee: £10,000.	

Our full remuneration policy is set out on pages 46 to 53 and details on how we will implement the remuneration policy in 2018 are set out on page 58.

(ii) How have we performed?

Key FY2017 business highlights

— gross revenues up 12.6% for 2017;

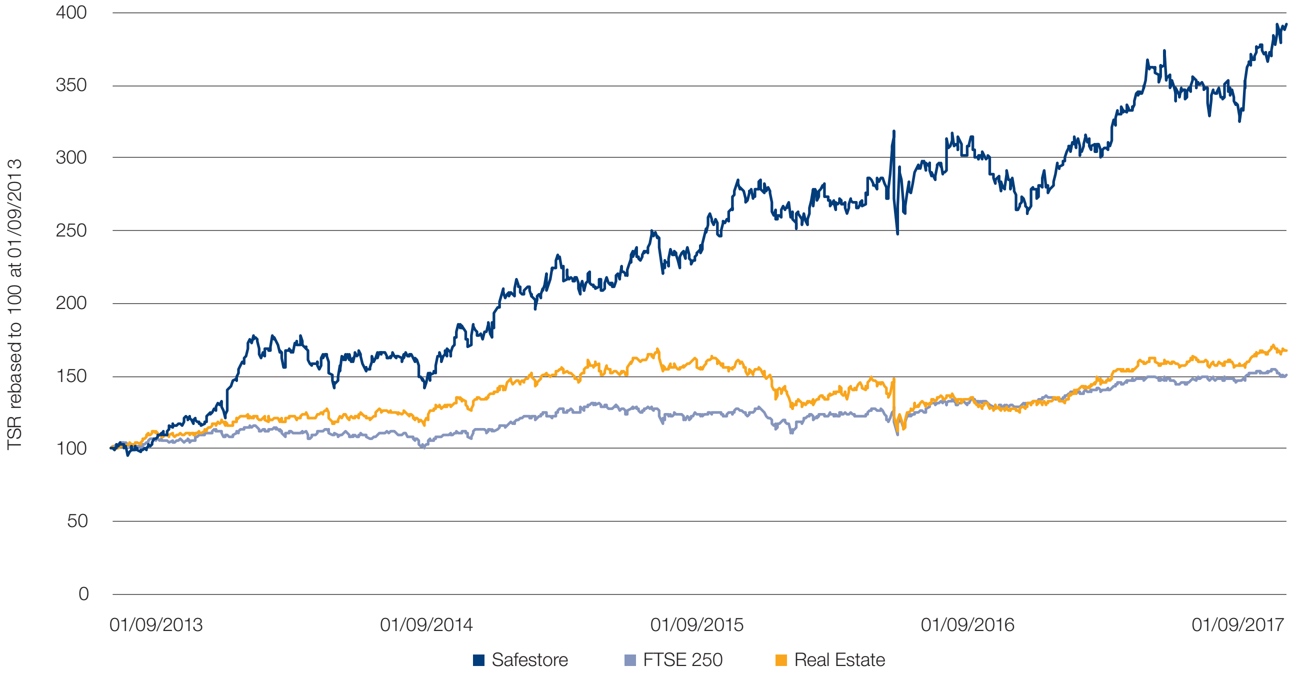
— underlying EBITDA up 13.6% for 2017;

— cash tax adjusted earnings per share up 17.7% for 2017; and

— Adjusted Diluted EPRA earnings per share up 17.2% for 2017.

Performance since new management team appointed

The results for 2017 are a continuation of the strong performance of the business since 2013, when the current team took over the management of Safestore. From 2013 to the current date, shareholders have benefitted from an increase in total shareholder return of circa 290% and significant outperformance of industry benchmarks as shown in the graph below.



(iii) Outcomes for 2017

Below we summarise the targets and their outcomes for both Frederic Vecchioli and Andy Jones for the 2017 annual bonus and the 2015 PSP awards whose performance period was substantially completed in 2017.

2017 annual bonus assessment:

At the start of the 2017 financial year, we set stretching performance targets for the annual bonus plan. The table below summarises the achievement of these targets (please see pages 54 to 56 for more detail).

Measure (weighting)	Target	Actual	% of max achieved
Adjusted EBITDA before non-recurring items (53%)	£71.4m	£71.1m	35%
Strategic/operational measures (33%)	–	–	33%
Personal (14%)	–	–	14%
Overall			**82%**

Based on an assessment against the 2017 bonus scorecard, the Committee determined that Frederic Vecchioli would receive a bonus of £489,349 (82% of maximum) and Andy Jones would receive £348,661 (82% of maximum). In line with the approved Directors' remuneration policy any bonus payment above 100% of salary will be deferred into shares for two years.

2015 PSP award vesting

Measure (weighting)	Performance range	Actual	% of max achieved
PBT-EPS growth (67%)	3%+RPI – 8%+RPI p.a.	100% p.a.	67%
Relative TSR vs FTSE Small Cap (33%)	Median – upper quartile	Expect above upper quartile	33%
Overall			100%

Based on an assessment against the 2015 PSP award performance measures, the Committee envisaged that the award would vest in full. Based on the average share price over the three months to 31 October 2017, this provided a value of £634,330 for Frederic Vecchioli and £497,707 for Andy Jones.

Directors' remuneration report *continued*

for the year ended 31 October 2017

PART C: DIRECTORS' REMUNERATION POLICY

The Directors' remuneration policy set out on the following pages was approved by shareholders at a General Meeting on 25 July 2017. The information on the following pages is largely replicated however some information such as the illustration of policy has been updated for the latest information. The Directors' remuneration policy as approved can be found in the General Meeting Notice on the Company's website www.safestore.co.uk.

The Committee has established the policy on the remuneration of the Executive Directors and the Chairman. The Board has established the policy on the remuneration of the other Non-Executive Directors. Awards granted under the previous Directors' remuneration policy will be honoured.

Executive Directors' remuneration policy

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

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

The Committee believes that the Directors' remuneration policy below will support and motivate our Executive Directors in furthering the Group's long term strategic objectives, including the creation of sustainable shareholder returns. Furthermore, the Committee is satisfied that the composition and structure of the remuneration package is appropriate and does not incentivise undue risk taking or reward underperformance.

Element and strategic link	Operation	Maximum	Performance targets and recovery provisions	Changes to policy and rationale
Basic salary				
To provide competitive fixed remuneration that will attract and retain appropriate talent. Reflects an individual's responsibilities, experience and role.	Normally reviewed annually with any changes taking effect from 1 May. Salaries are paid monthly. When determining the salary of an Executive, the Committee takes into consideration: — the individual Director's experience and responsibilities; — the performance of the individual Director; — the performance of the Group; and — pay and conditions throughout the Group. Levels of base salary are reviewed periodically against companies of a comparable size in both the Real Estate sector and the FTSE 250.	There is no prescribed maximum annual basic salary increase, however, the increase in salary of the CEO or CFO will not be more than the increase of the general workforce for the duration of the policy. Current salary levels are set out in the Annual report on remuneration.	A broad assessment of individual and business performance is used as part of the salary review. No recovery provisions apply.	Current salary levels are set out in the Annual report on remuneration. The comparator group has changed from FTSE All Share companies of a comparable size to FTSE 250 and Real Estate sector companies of a comparable size. This change reflects Safestore's current size and provides flexibility to benchmark against a group that is most applicable at any point in time.

Element and strategic link	Operation	Maximum	Performance targets and recovery provisions	Changes to policy and rationale
Benefits				
To provide competitive benefits and to attract and retain high calibre employees.	Reviewed periodically to ensure benefits remain market competitive. Currently includes car allowance and life, private medical and dental insurance. Other benefits may be provided where appropriate.	Benefit values vary year on year depending on premiums and the maximum potential value is the cost of the provision of these benefits.	No performance or recovery provisions applicable.	No change.
Pension				
To provide a competitive Company contribution that enables effective retirement planning.	Pensions are provided by way of a contribution to a defined contribution arrangement and/or cash salary supplement.	The maximum contribution is up to 10% of salary.	No performance or recovery provisions applicable.	The maximum contribution has reduced to 10% of salary from 20% of salary to reflect the standard annual contribution levels of 10%.
Annual bonus				
Incentivises the achievement of a combination of financial and non-financial performance targets in line with corporate strategy over the one-year operating cycle.	Award made annually based on the achievement of a combination of financial and non-financial performance measures. Any bonus in excess of 100% of salary will be deferred into shares which will vest at the end of two years following the financial year in which the bonus is earned. Dividend equivalents are payable on deferred shares.	Bonus potential: maximum: 150% of salary; threshold performance: 40% of salary.	Performance measures and targets will be set by the Committee annually based on a range of financial and non-financial measures, including but not limited to: — EBITDA growth; — strategic/operational measures; and — personal objectives. The Committee has the discretion to adjust targets or performance conditions for any exceptional events that may occur during the year. As well as determining the measures and targets, the Committee will also determine the weighting of the various measures to ensure that they support the business strategy and objectives for the relevant year. Malus (up to vesting) and clawback (three years post vesting) provisions operate in line with best practice corporate governance. Further details on the measures for 2017 are set out in the Annual report on remuneration on pages 54 to 56.	Strategic and operational measures have been introduced to provide a more holistic assessment of corporate performance and to support the five-year financial targets of the new LTIP. The maximum bonus opportunity has increased from 100% to 150% and was adjusted to ensure that levels are competitive against the market and reflective of the Company's current value. Deferral has been introduced to provide further alignment with shareholders during the five-year period prior to the LTIP vesting and underpins the one off nature of the LTIP. Any amount earned under the increased award level will be deferred into shares. Malus has been introduced to sit alongside clawback which was already operated.

Directors' remuneration report *continued*

for the year ended 31 October 2017

PART C: DIRECTORS' REMUNERATION POLICY *continued*

Executive Directors' remuneration policy *continued*

Element and strategic link	Operation	Maximum	Performance targets and recovery provisions	Changes to policy and rationale
Long Term Incentive Plan				
Incentivises Directors to execute the long term business plan and deliver long term sustainable value for shareholders.	One off equity grant made following the 2017 EGM with vesting dependent on the achievement of demanding performance conditions over a five-year period. Awards will be made to participants expressed as a fixed number of shares. Participants will be entitled to receive any dividends paid on vested shares during the vesting period. This benefit is delivered in the form of cash or additional shares at the time that award vests.	The total equity award for all participants is equal to 3.25% of the current share capital with circa 1.6% for Executive Directors. The CEO was granted an award over 2m shares and the CFO was granted an award over 1.34m shares in September 2017.	Awards vest based on performance against stretching targets, measured over a five-year performance period. The performance measures and weightings are as follows: — Adjusted Diluted EPRA EPS growth (2/3 weighting); — relative TSR versus FTSE 250 (1/6 weighting); and — relative TSR versus FTSE Real Estate Index (1/6 weighting). In addition, no award will vest unless a minimum level of cash on cash return ("CoCR") of 8% p.a. has been achieved. Malus (up to vesting) and clawback (three years post vesting) provisions operate. Further details on the performance measures are set out in the Annual report on remuneration on pages 56 and 57.	The previous LTIP was structured as an annual rolling market standard long term incentive plan. This has been replaced with the simplified one off equity award, under which management will be provided with an opportunity to earn a fixed level of equity which is directly aligned with the delivery of the business strategy over the next five years. The LTIP ensures that the Committee has a tool in place with which to incentivise the Executive Directors to execute the long term business plan and ultimately deliver long term sustainable value for shareholders. The extended five-year performance period will ensure a further lock-in period and an alignment between the interest of management and shareholders. Under the new LTIP an increased number of key senior employees have been invited to participate on the same terms as the Executive Directors but at lower award levels.
All-employee Sharesave scheme				
Encourages long term shareholding in the Company by all employees.	Under the terms of the Sharesave scheme all employees can apply for three or five-year options to acquire the Company's shares priced at a discount of up to 20%.	£500 per month or HMRC limits as applicable from time to time.	No performance or recovery provisions applicable.	No change.

Element and strategic link	Operation	Maximum	Performance targets and recovery provisions	Changes to policy and rationale
Share ownership				
To ensure that Executive Directors' interests are aligned with those of shareholders over a longer time horizon.	Executive Directors are encouraged to build up their shareholding over a five-year period. Executive Directors would be expected to retain any shares vesting (post-tax) under inflight awards and the proposed deferred bonus until they have acquired the necessary shares to meet their requirement. Deferred, vested and beneficially owned shares would count towards the shareholding requirements.	For current Executive Directors: — CEO: 1,000% of salary — CFO: 350% of salary For any new recruits, the guideline level of shareholding would be 500% for the CEO and 350% for the CFO. The level of shareholding will be tested five years from the date of approval of this remuneration policy or appointment if later.	No performance or recovery provisions applicable.	The shareholding ownership requirements have been increased from 100% of salary. The Committee considers that higher shareholder requirements ensure a long term alignment between the shareholders and management in light of the higher quantum of equity awards.

Discretion within the Directors' remuneration policy

The Committee has discretion in several areas of policy as set out in this report. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders.

Legacy awards

The Committee reserves the right to honour any historic awards that were granted under any previous share schemes operated by the Company but remain outstanding, notwithstanding that they are not in line with the policy set out above, where the terms of the payment or award were agreed before the new policy came into effect. Such payments or awards will be set out in the Annual report on remuneration in the relevant year.

Performance measures and targets

The table below sets out the rationale for performance measures chosen in respect of the annual bonus and LTIP.

Performance measures	Rationale	How targets are set
Annual bonus — EBITDA growth (53%); — strategic/operational measures (33%); and — personal objectives (14%).	The combined use of financial, strategic and operational measures provides a holistic assessment of corporate performance and allows for the Company to focus annually on targets that work towards the delivery of the five-year financial measures under the LTIP. The use of personal objectives allows for the tailoring of the annual bonus to each participant and ensures there is an element of payout that is assessed on specific measures which reflect successful performance of the individual in their roles as well as the Company.	The performance targets are determined annually by the appropriate line manager and calibrated by the Committee taking into account the Company's business plan, market conditions and internal and external forecasts. Targets are calibrated to reflect the Committee's assessment of good to exceptional performance.
LTIP — Adjusted Diluted EPRA EPS growth (2/3 weighting); — relative TSR vs FTSE 250 (excluding investment trusts) (1/6 weighting); and — relative TSR vs FTSE Real Estate Index (1/6 weighting).	EPS is considered to be the most appropriate measure for aligning the interests of the Executive Directors with those of shareholders and is also an established measure of Safestore's long term sustainable profitability. Relative TSR performance measured against two peer groups (FTSE 250 and FTSE Real Estate Index) provides a balanced approach, recognising returns to shareholders against the broader market, whilst also ensuring performance is competitive against other real estate companies.	Targets have been calibrated to reflect the Committee's assessment of good to exceptional performance, taking into account internal budgets and the current economic environment. EPS targets were set by reference to the Company's business plan and market conditions and consideration is also given to external forecasts. Relative TSR targets were determined taking into account the comparative market returns and the expected level of returns for Safestore's shareholders.

Directors' remuneration report *continued*
for the year ended 31 October 2017

PART C: DIRECTORS' REMUNERATION POLICY *continued*

Executive Directors' remuneration policy *continued*

Performance measures and targets *continued*
The Committee is of the opinion that disclosing precise targets for the annual bonus in advance would not be in shareholders' interests. Except in circumstances where elements remain commercially sensitive, actual targets, performance achieved and awards made will be published at the end of the performance periods so shareholders can fully assess the basis for any payouts.

Comparison with other employees
All employees receive base salary, benefits and pension, and are eligible to participate in the Company's Sharesave scheme. The Sharesave scheme gives all employees the opportunity to become shareholders in Safestore through the acquisition of shares (up to a limit) at a discount to the market price.

For below Board-level employees, Safestore operates a range of bonus plans appropriate to the various areas of its business with opportunity levels linked to seniority and role.

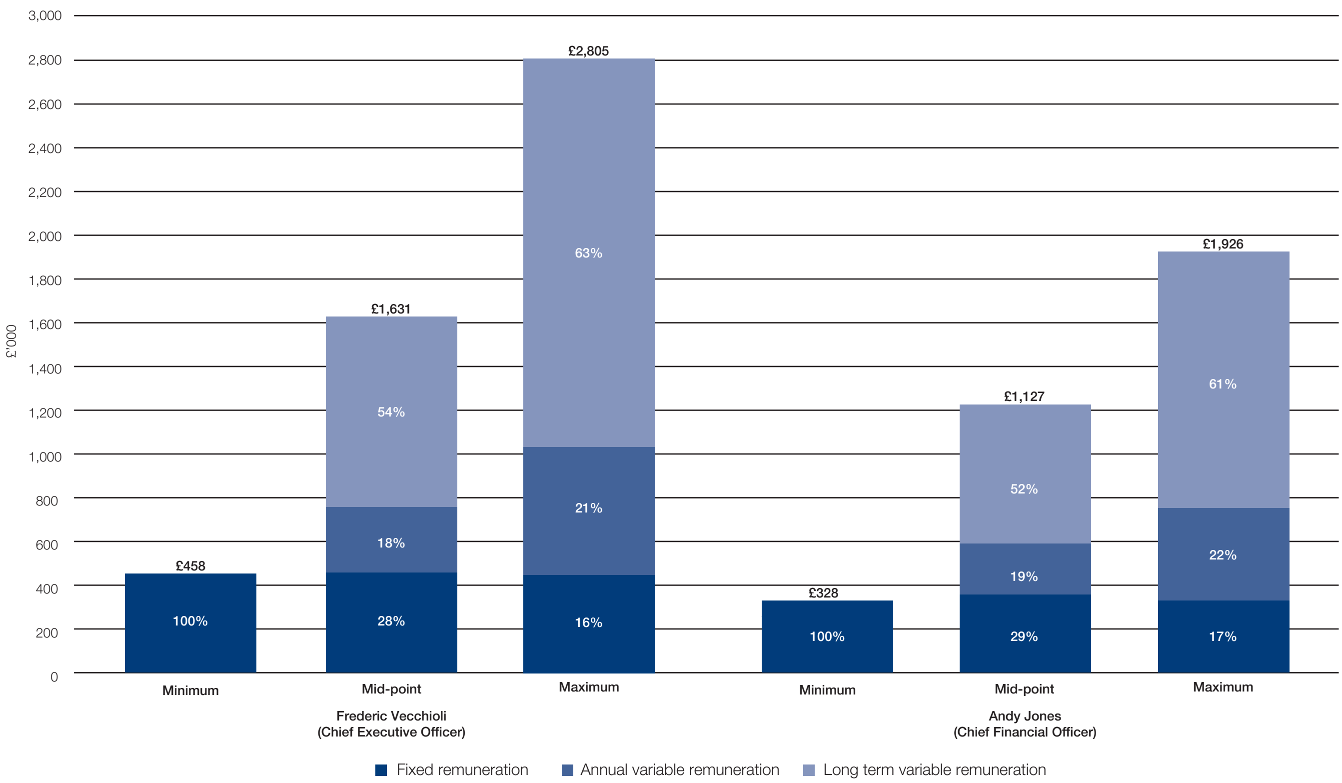
Under the new LTIP an increased number of circa 55 key employees have been invited to participate allowing them to share in the success of the Company. The performance conditions for below Board-level employees in the LTIP are the same as those for the Executive Directors.

Any differences in an individual's reward package is reflective of an individual's location, seniority and level of responsibility.

As part of the new remuneration policy, the Committee set out that Executive Directors' salary increases would be in line with those of the wider workforce.

Reward scenarios

The charts below seek to demonstrate how pay varies with performance for the Executive Directors based on the stated policy. The charts show an estimate of the remuneration that could be received by Executive Directors under the policy set out in this report. Each of the bars is broken down to show how the total under each scenario is made up of fixed elements of remuneration, the annual bonus and the LTIP. The charts indicate that a significant proportion of both target and maximum pay is performance related.



Assumptions used in determining the level of payout under given scenarios are as follows:

Element	Minimum	Mid-point	Maximum
Fixed elements	Base salary at 1 November 2017. Pension is 10% of salary to be paid in cash, after deducting employer's National Insurance costs. Estimated benefits (car allowance, private medical insurance and life assurance).		
Annual bonus	Nil	50% of maximum	100% of maximum
LTIP[1]	Nil	50% of annualised maximum	100% of annualised maximum

Note

1 LTIP values are based on the annualised value of the shares awarded (i.e. 1/5th of the individual maximum shares granted) as at the grant date of 29 September 2017. The share price as at 29 September 2017 was 436.7 pence. No share price growth has been factored into the calculation.

2 Dividend equivalents have not been added to the deferred share bonus and LTIP share awards.

Approach to recruitment and promotions

The Committee's approach to recruitment remuneration is to pay no more than is necessary to attract candidates of the appropriate calibre and experience needed for the role. The remuneration package for any new recruit would be assessed following the same principles as for the Executive Directors and would be set in accordance with the terms of the Company's prevailing approved remuneration policy at the time of appointment and take into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

- Salary levels will take into account the individual's experience, market data for the relevant role, internal relativities and their current base salary. Where an individual is recruited at below market norms, they may be realigned over time, subject to performance in the role.
- Benefits and pension will be in accordance with the remuneration policy.
- Annual bonus will operate in line with the remuneration policy with the maximum opportunity set at 150% of salary.
- LTIP will operate in line with the remuneration policy. The amount of shares granted will be reflective of the role and where appropriate will be time apportioned for the time remaining until the end of the five-year period versus the total five-year period. The maximum award granted will be no more than 500% of salary.

The maximum variable remuneration will be the total of the annual bonus opportunity and grant of shares under the LTIP.

Where an existing employee is promoted to the Board, the policy set out above will apply from the date of promotion but there would be no retrospective application of the policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the employee. These would be disclosed to shareholders in the following year's Annual report on remuneration.

The Committee does not have an automatic policy to buy out subsisting incentives granted by an Executive's previous employer and which would be forfeited on cessation. Should, however, the Committee determine that it is appropriate to do so, the Committee may consider buying out incentive awards which an individual would forfeit upon leaving their current employer, although any compensation would, where possible, be consistent with respect to currency (i.e. cash for cash, equity for equity), vesting periods (i.e. there would be no acceleration of payments), expected values and the use of performance targets. The Committee may then grant up to the same expected values where possible under the Company's incentive plans, subject to the annual limits under these plans. It does, however, retain the discretion to provide the expected value under specific arrangements in relation to the recruitment of the particular individual.

In instances where the new Executive is relocated from one work location to another, the Company will provide compensation to reflect the cost of relocation for the Executive in cases where they are expected to spend significant time away from their home location in accordance with its normal relocation package for employees. The level of the relocation package will be assessed on a case-by-case basis but may take into consideration any cost of living differences, housing allowance and schooling in accordance with the Company's normal relocation package for employees.

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

Service contracts for Executive Directors

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

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

When setting notice periods, the Committee has regard to market practice and corporate governance best practice. All service contracts are available for viewing at the Company's registered office and at the AGM.

The Board allows Executive Directors to accept appropriate outside commercial non-executive director appointments provided the aggregate commitment is compatible with their duties as Executive Directors. The Executive Directors concerned may retain fees paid for these services, which will be subject to approval by the Board.

PART C: DIRECTORS' REMUNERATION POLICY *continued*

Payment for loss of office

When determining any loss of office payment for a departing Director the Committee will always seek to minimise cost to the Company whilst complying with the contractual terms and seeking to reflect the circumstances in place at the time. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation), or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

With regard to salary, benefits and pension, there will be no compensation for normal resignation or in the event of termination by the Company due to misconduct. In other circumstances, Executive Directors will be entitled to receive payment in lieu of notice. A summary of the main contractual terms in relation to annual bonus and LTIP are set out below:

<table>
<tr><th>Cessation of employment</th><th>Change of control</th></tr>
<tr><td colspan="2">Annual bonus</td></tr>
<tr><td>— Where a participant's employment is terminated after the end of a performance year but before the payment is made, the participant may remain eligible for a bonus award for that performance year subject to an assessment of the performance targets over the period. Where an award is made the payment may be delivered fully in cash. No award will be made in these circumstances in the event of gross misconduct.
— If the participant is a good leaver during the performance year, a bonus will normally be paid in cash at the end of the year pro-rated for length of service and the achievement of performance targets measured over the full year. Any unvested deferred share bonus awards will vest on the normal vesting date.
— The Committee has the discretion to determine that a bonus award may be paid in cash at the date of cessation, and/or that deferred share bonus awards will vest early, and/or in exceptional circumstances whether to pro-rate the award for time served as an employee.
— A "good leaver" is defined as a participant ceasing to be in employment by reason of death, ill health, injury, disability, redundancy, retirement, the Company employing the participant ceasing to be a member of the Group, the participant's employing business being sold out of the Group or at the Committee's discretion.
— Anyone who is not a good leaver will be a "bad leaver". For a bad leaver, there will be no cash bonus payout for the year in which they leave and any unvested deferred share bonus awards will lapse.</td><td>— The participant will receive the annual bonus in cash immediately prior to the date of the change of control.
— The level of cash payment will be determined by the Committee at its discretion by reference to the time elapsed from the start of the performance year to the change of control date and the performance levels achieved as at the date of the change of control (where applicable).
— The Committee has the discretion to determine, in exceptional circumstances, whether to pro-rate the award for time served as an employee.
— Any unvested deferred bonus shares will also vest immediately prior to a change of control.
— In the event of an internal corporate reorganisation, the Remuneration Committee may decide (with the consent of the acquiring company) to replace unvested deferred awards with equivalent new awards over shares in the acquiring company.</td></tr>
<tr><td colspan="2">LTIP</td></tr>
<tr><td>— For good leavers, unvested awards will vest on the normal vesting date subject to (i) the extent any applicable performance targets have been satisfied at the end of the normal performance period and (ii) pro-rating to reflect the period of time between grant and cessation of employment as a proportion of the vesting period that has elapsed.
— The Committee has the discretion to determine that the end of the performance period is the date of cessation and whether to pro-rate the number of vested awards to reflect the vesting period completed.
— A "good leaver" is defined as a participant ceasing to be in employment by reason of death, injury, ill health, disability, redundancy, retirement, the Company employing the participant ceasing to be a member of the Group, the participant's employing business being transferred to a person who is not a Group member, or any other reason at the Committee's discretion.
— Anyone who is not a good leaver will be a "bad leaver". Bad leavers will forfeit all unvested awards.</td><td>— On a change in control, the Committee will determine the level of vesting taking into account: (i) the extent that any applicable performance targets have been satisfied at that time; (ii) the bid consideration received; and (iii) the portion of the vesting period that has then elapsed. Options must then be exercised within one month, otherwise they will lapse.
— In the event of an internal corporate reorganisation, the Committee may decide to replace unvested awards with equivalent new awards over shares in the acquiring company.</td></tr>
</table>

Non-Executive Directors and letters of appointment

The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors, other than the Chairman whose remuneration is determined by the Committee and recommended to the Board.

The table below sets out the key elements of the policy for Non-Executive Directors.

Strategic link	Operation	Maximum	Performance targets and recovery provisions
To provide compensation that attracts high calibre individuals and reflects their experience and knowledge.	Non-Executive Directors may receive a base fee and additional fees for the role of Senior Independent Director or Chairmanship of a Committee. Fees are reviewed annually with any changes generally effective from 1 May. Non-Executive Directors also receive reimbursement of reasonable expenses (and any tax thereon) incurred undertaking their duties and/or Company business. Non-Executive Directors do not receive any variable remuneration element or pension contribution but may receive benefits if determined appropriate to the role.	Any increases in fees will be determined based on time commitment and take into consideration level of responsibility and fees paid in other companies of comparable size and complexity. Where made, any increase in Non-Executive Director fees will generally be in line with the increase awarded to the wider workforce; however, the increase may be higher to reflect any changes to time commitments or responsibilities.	No performance or recovery provisions applicable.

Letters of appointment

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

The Non-Executive Directors do not have service contracts but are appointed under letters of appointment. Each Non-Executive Director is subject to an initial three-year term followed by annual re-election at the Company's AGM. The table below sets out the dates that each Non-Executive Director was first appointed.

Director	Letter of appointment date	Unexpired term	Notice period by Company and Director
Alan Lewis	16 February 2011	Rolling (with no fixed expiry date)	Three months
Ian Krieger	2 October 2013	Rolling (with no fixed expiry date)	Three months
Joanne Kenrick	6 October 2014	Rolling (with no fixed expiry date)	Three months
Claire Balmforth	12 July 2016	Rolling (with no fixed expiry date)	Three months
Bill Oliver	12 July 2016	Rolling (with no fixed expiry date)	Three months

No compensation is payable in the event of early termination apart from the notice period. All letters of appointment are available for viewing at the Company's registered office and at the AGM.

Consideration of employee remuneration and shareholders

All-employee remuneration

In setting the remuneration policy for Directors, the pay and conditions of other employees are taken into account, including any base salary increases awarded. The Committee is provided with data on the remuneration structure for management level tiers below the Executive Directors and uses this information to ensure consistency of approach throughout the Company.

The Committee has not expressly sought the views of employees and no remuneration comparison measurements were used when drawing up the Directors' remuneration policy. Through the Board, however, the Committee is updated as to employee views on remuneration generally.

Consideration of shareholder views

The Committee has spent a significant amount of time during 2017 engaging with our shareholders around our new remuneration policy. Please see page 62, which sets out the changes to our remuneration policy made in response to shareholder feedback.

Directors' remuneration report *continued*

for the year ended 31 October 2017

PART D: ANNUAL REPORT ON REMUNERATION

The 2017 Annual report on remuneration contains the details of how the Company's policy for Directors was implemented during the financial year ended 31 October 2017. This report has been prepared in accordance with the provisions of the Companies Act 2016 and the Regulations. An advisory resolution to approve this report and the annual statement will be put to shareholders at the AGM on 21 March 2018.

Executive Director remuneration for the year ended 31 October 2017

Single figure remuneration table (audited)

The remuneration of Executive Directors showing the breakdown between components with comparative figures for the prior financial year is shown below. Figures provided have been calculated in accordance with regulations.

		Base salary £'000	Taxable benefits £'000	Annual bonus £'000	Long term incentives £'000	Pension £'000	Other £'000	Total £'000
Frederic Vecchioli	**2017**	**388**	**23**	**489**	**634**	**34**	**—**	**1,568**
(Chief Executive Officer)	2016	354	23	375	743	31	—	1,526
Andy Jones	**2017**	**279**	**18**	**349**	**498**	**25**	**—**	**1,169**
(Chief Financial Officer)	2016	267	19	273	620	24	—	1,203

Notes

1 Taxable benefits comprise a car allowance and private medical and dental insurance.

2 The 2017 annual bonus figures include the portion subject to deferral for two years.

3 The Executive Directors were provided pension payments in the form of a cash allowance, after a deduction for employer's National Insurance cost.

4 Frederic Vecchioli and Andy Jones received 12,001 and 10,015 shares respectively as dividend equivalents in 2016 on vesting of the PSP awards granted on 4 February 2014. This is in addition to 186,856 and 155,928 PSP awards vesting during the year for Frederic Vecchioli and Andy Jones respectively. The PSP awards included in 2017 exclude the dividend equivalents and the total amount in 2017 will be restated in the 2018 Directors' remuneration report to reflect the share price at vest date of 28 January 2018 and dividend equivalents.

5 Share price of 425.1 pence used to value 2017 long term incentives, being the average share price for the three months to 31 October 2017.

6 In the 2016 Directors' remuneration report, we used the average share price for three months to 31 October 2016 of 373.7 pence to value long term incentives for 2016. In this year's report this value has been restated using the share price on date of vesting of 4 February 2017 of 373.8 pence.

Annual bonus outcomes for the financial year ended 31 October 2017 (audited)

For 2017 the Executive Directors had a maximum annual bonus opportunity of 150% of salary. For each Executive Director, the 2017 annual bonus determination was based on performance against adjusted EBITDA, strategical/operational targets and personal objectives.

The table below provides information on the targets for each measure, actual performance and resulting bonus payment for each Executive Director:

		Performance required			Actual performance		CEO		CFO	
Measure	Weighting	Threshold (40% vesting)	On target (70% vesting)	Maximum (100% vesting)	Actual	% of element payable	Achievement as % salary	Bonus value £'000	Achievement as % salary	Bonus value £'000
Adjusted EBITDA before non-recurring items	53%	£69.3m	£71.4m	£73.6m	£71.1m	65%	52%	209	52%	149
Strategic/ operational measures	33%	Objectives based on strategic and operational			See below	100%	50%	200	50%	143
Personal performance	14%	Objectives based on personal and business targets			See below	100%	20%	80	20%	57
Total bonus achieved in 2017							**122%**	**489**	**122%**	**349**

The 2017 bonuses for Executive Directors will be paid as 100% of salary in cash, with the remainder of 22% of salary for Frederic Vecchioli and 22% of salary for Andy Jones deferred into shares for two years.

As set out above, 86% of the total bonus potential is determined by a set of precise, measurable and challenging targets, 53% of which are EBITDA based, with 33% set against the Company's strategic and operational objectives fully disclosed in detail below.

The remaining 14% of the bonus opportunity is performance based against individual objectives. These are assessed against specific targets and the individual's personal contribution, and are disclosed to the extent they no longer remain commercially sensitive.

2017 annual bonus outcomes: strategic objectives

The Committee introduced this element of the annual bonus for 2017 as set out in the remuneration policy approved by shareholders. Targets relate to the delivery of our strategic objectives as set out in the Annual Report on page 54 and provide balance to the financial and personal targets. The maximum opportunity under this element of the annual bonus is 50% of salary for the Executive Directors. The performance criteria and resulting awards as determined by the Committee are as follows:

Frederic Vecchioli and Andy Jones

Objective	Achievement
— Research and assess strategic opportunities for internal and external growth and execute should the risk/reward ratio be attractive with a view to potentially adding at least one store per year subject to Board appetite for new investment. — Complete the development pipeline on time and on budget.	— Alligator acquisition completed for a consideration of £56 million. — Chiswick (London) and Combs-la-Ville (Paris) stores opened in the financial year on time and on budget. — Paddington Marble Arch, Mitcham (London) and Merry Hill (Birmingham) sites secured.
— Review the capital structure of the business with a view to balancing flexibility, cost effectiveness and debt maturity. — Grow the Group's free cash flow (before investing and financing activities) from £42.4 million to £45 million for the year ended 31 October 2017. — Comply with all banking covenants and retain a net assets valuation in excess of £500 million (subject to FX movements). — Continue to adhere to the Group's strategy of maintaining dividend growth at least in line with earnings growth. For 2017 this equates to paying a dividend of at least 12.5 pence for the year whilst maintaining dividend cover of circa 1.7x.	— Refinancing of US private placement notes and amendment and extension of the UK and Euro bank facilities completed in the year reducing cost of debt and extending maturity of facilities. — Group free cash flow (before investing and financing activities): £50.3 million. — Full compliance with banking covenants throughout period. — Net assets: £637.7 million. — Proposed dividend (subject to Board and shareholder approval): 14.0 pence/cover of 1.66x.
— Complete the rebranding and integration of the Space Maker business. — Complete the new French consumer website on time and on budget by 31 October 2017.	— Space Maker integration completed. — The redevelopment of the Une Pièce en Plus website was delivered on time and within expected budget.
— Retain a level of customer satisfaction in excess of 90% as measured by Feefo. — Implement customer data protection plan as approved by the Risk Committee by 31 October 2017.	— Safestore's customer satisfaction measured by independent customer review service Feefo, has consistently remained above 90% for the year and the average for the full year is above 95%. — Customer data protection plan completed.
— Develop by 31 October 2017 and then implement a multi-year carbon footprint reduction plan on a store like-for-like basis with a view to elaborate in 2018 a measurement of progress over the years.	— The LED project is in the process of being implemented and will deliver a carbon reduction which will be the equivalent of taking over 800 cars permanently off the road per annum. — Reduction of circa 460 contractor maintenance visits arising from more efficient lighting systems. — Elimination of the need to replace and recycle circa 5,000 fluorescent tubes per annum. — Improved heating efficiency arising from replacement of old boilers across the estate.

Performance against personal objectives related to targets set in a number of areas that included customers, people, financing and service improvement. Retrospective disclosure of performance against these targets is as follows:

Frederic Vecchioli

Objective	Achievement
People	— Continued to build internal team capability with successful integration of new operations structure. — Aligned people strategy and incentives across the Group to business strategy. — Detailed plans implemented during the year to support future growth supported by the appointment of our new Digital Marketing Director.
Stakeholders	— Developed stronger relationships with stakeholders, demonstrated through multiple conferences attended in the UK and overseas in addition to full investor roadshows after interim and preliminary results. — Various investor asset tours during the year producing excellent feedback.
Service improvements	— Key initiatives applied across the Group from in-country best practice delivering efficiencies in cost and resource.

PART D: ANNUAL REPORT ON REMUNERATION *continued*

Executive Director remuneration for the year ended 31 October 2017 *continued*

Annual bonus outcomes for the financial year ended 31 October 2017 (audited) *continued*

2017 annual bonus outcomes: strategic objectives *continued*

Andy Jones

Objective	Achievement
People	— Development of clear objectives within the finance team, strengthening performance.
Stakeholders	— Developed and sustained strong relationships with key external and internal stakeholders.
Financing	— Explored the feasibility of improving cost of debt and debt maturity by refinancing the US private placement notes and the UK and Euro bank facilities. — US private placement notes and UK/Euro bank facilities refinancing completed on 19 May 2017. Debt maturity was increased by 4.1 years and cost of debt reduced by 1.2% (on a pro forma basis as at 30 April 2017).
Service improvements	— Significant improvement in reporting efficiency and tighter control over the cost base, cash flow management, risk management and controls.

The Committee felt that the strategic and operational objectives had been achieved in full and that both Executive Directors had fully met their personal objectives and approved 100% payout for these elements of the bonus. The achievement of the 2017 strategic, operational and personal targets will be taken into account when setting next year's budget, as determined by the Board, and will therefore be reflected in future EBITDA targets.

The Committee has reviewed the overall bonus outcomes against corporate performance and believe that the bonus payout (82% of maximum payable) is commensurate with the shareholder experience in 2017. No discretion was exercised by the Committee when determining the bonus outcomes.

PSP awards included in single figure for the year ended 31 October 2017 (audited)

Awards were granted on 28 January 2015 and are due to vest on 28 January 2018. These awards were granted subject to the achievement of certain EPS-PBT growth and relative TSR targets. The table below summarises these awards for which the performance period was substantially completed in the year.

Director	Date of grant	Date of vesting	Number of nil-cost options granted	Performance measures	Performance targets	Performance outcome	Number of awards vesting in the year	Number of awards lapsed in the year	Value of awards shown in the single figure table for 2017[1]
F Vecchioli	28/01/2015	28/01/2018	149,219	PBT-EPS growth (67% weighting)	Threshold (25% vesting): 3%+RPI Maximum (100% vesting): 8%+RPI	PBT-EPS growth of 21% (100% vesting)	149,219	—	£634,330
A Jones	28/01/2015	28/01/2018	117,080	Relative TSR vs FTSE Small Cap (33% weighting)	Threshold (25% vesting): equal to median Maximum (100% vesting): upper quartile and above	Upper quartile (100% vesting)	117,080	—	£497,707

Note

1 Share price of 425.1 pence used being the average share price for the three months to 31 October 2017.

PSP awards included in single figure for the year ended 31 October 2016 (audited)

Awards were granted on 4 February 2014 and vested on 4 February 2017. These awards were granted subject to the achievement of certain EPS-PBT growth and relative TSR targets. The table below summarises these awards for which the performance period was substantially completed in the year.

Director	Date of grant	Date of vesting	Number of nil-cost options granted	Performance measures	Performance targets	Performance outcome	Number of awards vesting in the year/dividend equivalents awarded	Number of awards lapsed in the year	Value of awards shown in the single figure table for 2016[1]
F Vecchioli	04/02/2014	04/02/2017	186,856	PBT-EPS growth (67% weighting)	Threshold (25% vesting): 3%+RPI Maximum (100% vesting): 8%+RPI	PBT-EPS growth of 24% p.a. (100% vesting)	198,857	—	£743,327
A Jones	04/02/2014	04/02/2017	155,928	Relative TSR vs FTSE Small Cap (33% weighting)	Threshold (25% vesting): equal to median Maximum (100% vesting): upper quartile and above	Upper quartile (100% vesting)	165,943	—	£620,295

Note

1 In the 2016 Directors' remuneration report, we used the average share price for three months to 31 October 2016 of 373.7 pence to value long term incentives for 2016. In this year's report this value has been restated using the share price on date of vesting of 4 February 2017 of 373.8 pence.

2 The number of shares that vested during the year for Frederic Vecchioli and Andy Jones were 186,856 and 155,928 respectively. The number of dividend equivalents awarded to Frederic Vecchioli and Andy Jones were 12,001 for and 10,015 shares respectively.

LTIP awards granted in the year ended 31 October 2017 (audited)

The table below sets out the details of the LTIP awards granted on 29 September 2017 where vesting will be determined according to the achievement of certain performance measures.

Director	Type of award	Number of shares under option	Vesting period
F Vecchioli	Nil-cost option	2m	Five years from grant
A Jones		1.34m	

The awards will vest subject to achieving the following targets:

Measure	Performance period	Performance target	Vesting (% of award)[1]
Adjusted Diluted EPRA EPS growth (2/3 weighting)	Five financial years	Less than 6%+RPI per annum	—
		6%+RPI per annum	10%
		12%+RPI per annum	100%
Relative TSR[2] vs FTSE 250 (excluding Investment Trusts) (1/6 weighting)	Five years from grant date	Below median peer group return	—
		Equal to peer group median return	25%
		Upper quartile	100%
Relative TSR[2] vs FTSE Real Estate Index (1/6 weighting)	Five years from grant date	Below median peer group return	—
		Equal to peer group median return	25%
		Upper quartile	100%

Notes

1 Vesting between the threshold and maximum based on the sliding scale.

2 No TSR portion of awards will vest unless the Committee is satisfied that the TSR performance of the Group is reflective of the Group's underlying performance.

3 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 will disclose earnings both on a statutory, EPRA and Adjusted Diluted EPRA basis and will provide a full reconciliation of the differences in the financial year in which any LTIP awards may vest.

Additionally, the LTIP includes a bespoke cash on cash return ("CoCR") which will be tested at the end of the five-year performance period. This is defined as underlying EBITDA after leasehold rents divided by the original cost of investments. No awards will vest if the Company's CoCR over the five-year performance period is below 8% per annum.

Payments to past Directors or for loss of office (audited)

During the year there were no payments to past Directors and no payments for loss of office.

Directors' remuneration report *continued*

for the year ended 31 October 2017

PART D: ANNUAL REPORT ON REMUNERATION *continued*

Implementation of the Remuneration policy for the year ending 31 October 2018

Base salary

Base salary is determined by reference to the individual's experience, performance, responsibility and pay levels across the Group more generally. In addition, the Committee periodically reviews base salary levels within similarly sized listed real estate and FTSE 250 companies, although the Committee is careful not to place excessive reliance on the use of external comparator analysis. Current base salary levels for Executive Directors are presented below:

	Base salary
F Vecchioli	£400,000
A Jones	£285,000

The next salary review will be effective from 1 May 2018. The increases in Executive Director salaries will not exceed the raises awarded to the wider workforce for the three-year duration of the remuneration policy.

Benefits

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

Pension

The Group will contribute 10% of basic salary for the pension arrangements of the Executive Directors. The maximum contribution under the policy has been reduced to 10% of salary from 20% of salary to reflect the standard annual contribution levels of 10%.

Annual bonus

Consistent with the new policy the maximum bonus will be 150% of salary for each Executive Director. Any bonus in excess of 100% of salary will be deferred into shares which will vest at the end of two years following the financial year in which the bonus is earned. For the 2017 financial year, the bonus will be based on the following performance measures:

Performance measures	Provisional weighting
Adjusted EBITDA	53%
Operational/strategic	33%
Personal	14%
Total	**100%**

The Committee is of the opinion that disclosing precise targets for the annual bonus in advance would not be in shareholders' interests. Except in circumstances where elements remain commercially sensitive, actual targets, performance achieved and awards made will be published at the end of the performance periods so shareholders can fully assess the basis for any payouts.

Long term incentives

No further LTIP grants will be made under the current remuneration policy. The details of the one off LTIP awards made in 2017 are set out on page 57 of the annual report on remuneration.

Non-Executive Directors

Single figure remuneration table (audited)

The remuneration of Non-Executive Directors showing the breakdown between components, with comparative figures for the prior year, is shown below. Figures provided have been calculated in accordance with the Regulations.

Director		Fees £'000	Other £'000	Total £'000
	2017	**135**	**—**	**135**
A S Lewis	2016	120	—	120
	2017	**53**	**—**	**53**
I Krieger	2016	49	—	49
	2017	**9**	**—**	**9**
K G Edelman[1]	2016	49	—	49
	2017	**43**	**—**	**43**
J L Kenrick	2016	39	—	39
	2017	**53**	**—**	**53**
C Balmforth[2]	2016	13	—	13
	2017	**43**	**—**	**43**
B Oliver[3]	2016	—	—	—

Notes

1 Keith Edelman stepped down from the Board on 31 December 2016.

2 Claire Balmforth was appointed to the Board on 1 August 2016.

3 Bill Oliver was appointed to the Board on 1 November 2016.

Fees to be provided in 2017 to the Non-Executive Directors

The following table sets out the annual fee rates for the Non-Executive Directors:

Fee component	2017
Chairman fee	£135,000
Non-Executive Director base fee	£42,500
Committee Chair fee (Audit and Remuneration Committees)	£10,000

Any increases in the annual fee rates for the Non-Executive Directors will be determined in May 2018.

Statement of Directors' shareholding and share interests

Shareholding and other interests at 31 October 2017 (audited)

Directors' share interests are set out below. From 2017 onwards, in order that the Executive Directors' interests are aligned with those of shareholders, Executive Directors are encouraged to build up and maintain a personal shareholding equal to 1,000% of salary for the CEO and 350% of salary for the CFO. The Executive Directors have five years from the date of approval of the remuneration policy to achieve this guideline.

Director	Number of beneficially owned shares[1]	% of salary held[2]	Total interests subject to conditions (LTIP/PSP awards)	Total interests not subject to conditions (Sharesave)	Total interests at 31 October 2017
F Vecchioli	1,746,934	1,944	2,276,876	18,475	4,033,285
A Jones	282,682	442	1,550,215	18,475	1,851,372
A S Lewis	400,000	n/a	—	—	400,000
I S Krieger	20,000	n/a	—	—	20,000
B Oliver	10,000	n/a	—	—	10,000
J L Kenrick	—	n/a	—	—	—
C Balmforth	—	n/a	—	—	—

Notes

1 Beneficial interests include shares held directly or indirectly by connected persons.

2 Based on the 31 October 2017 share price of 445.2 pence per share.

Directors' remuneration report *continued*

for the year ended 31 October 2017

Statement of Directors' shareholding and share interests *continued*

Shareholding and other interests at 31 October 2017 (audited) *continued*

The following table sets out the details of the awards that were exercised during the year.

	Type of award	Vested/exercised during the year	Share price on date of exercise	Gain on exercise
F Vecchioli	2014 PSP (nil-cost option)	198,857	378.0p	751,679
A Jones	2014 PSP (nil-cost option)	165,943	378.0p	627,265

The options exercised during the year as noted above include the dividend equivalents. These are included within the long term incentives figure in the single figure remuneration table on page 54.

Between 31 October 2017 and the date that this report was signed off, no share options were exercised and there were no changes to the beneficial interests shown above.

Outstanding awards at 31 October 2017

The following PSP and LTIP awards remain outstanding at 31 October 2017:

	Awards granted	Maximum award	Awards vested	Awards lapsed	**Maximum outstanding awards at 31 October 2017**	Market price at date of vesting (p)	Normal vesting date
F Vecchioli	04/02/2014	186,856	186,856	—	**—**	373.8	04/02/2017
	28/01/2015	149,219	—	—	**149,219**	—	28/01/2018
	14/03/2016	118,657	—	—	**118,657**	—	14/03/2019
	29/09/2017	2,000,000	—	—	**2,000,000**	—	29/09/2022
A Jones	04/02/2014	155,928	155,928	—	**—**	373.8	04/02/2017
	28/01/2015	117,080	—	—	**117,080**	—	28/01/2018
	14/03/2016	93,135	—	—	**93,135**	—	14/03/2019
	29/09/2017	1,340,000	—	—	**1,340,000**	—	29/09/2022

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

	EPS (two-thirds)	TSR (one-third)
2015 and 2016 PSP awards	25% of this part of an award vests for PBT-EPS growth of RPI+3% per annum with full vesting of this part of an award for PBT-EPS growth of RPI+8% per annum. A sliding scale operates between these points.	25% of this part of an award vests if Safestore's TSR is at a median of the comparator group (FTSE Small Cap excluding investment trusts), with full vesting of this part of an award for upper quartile performance. A sliding scale operates between these points. In addition to the above, no part of the TSR awards will vest unless the Committee is also satisfied that the TSR performance of the Group is reflective of the Group's underlying performance.

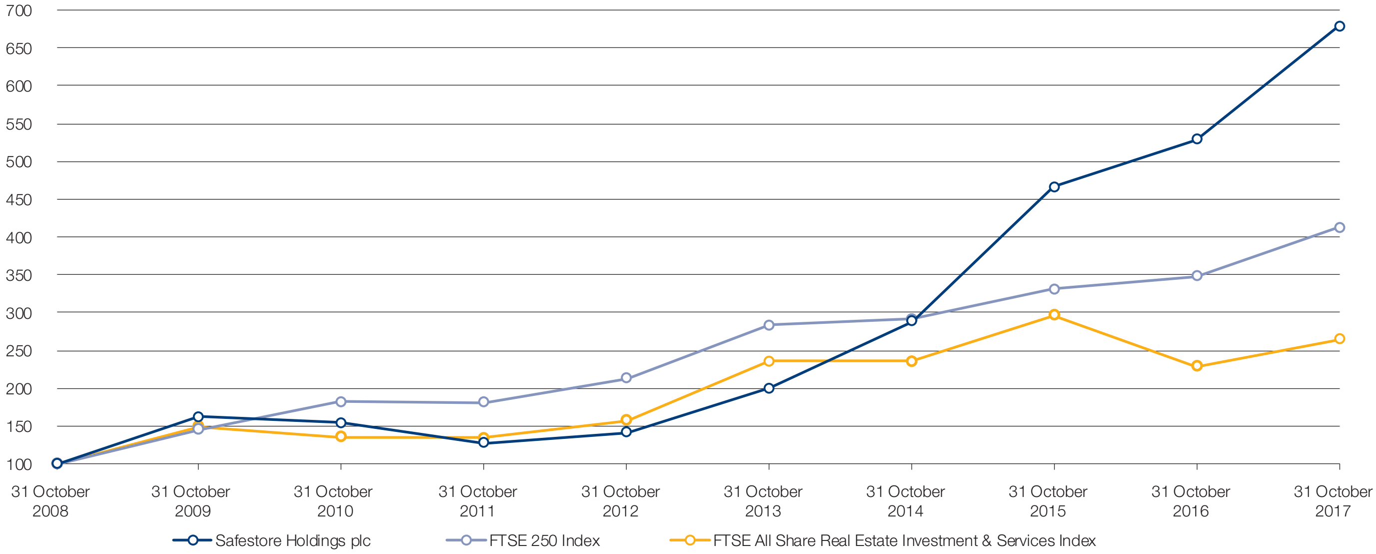
	Adjusted Diluted EPRA EPS growth (2/3 weighting)	Relative TSR vs FTSE 250 (excluding investment trusts) (1/6 weighting)	Relative TSR vs FTSE Real Estate Index (1/6 weighting)
2017 LTIP awards	10% of this part of an award vests for Adjusted Diluted EPRA EPS growth of 6%+RPI per annum with full vesting for Adjusted Diluted EPRA EPS growth of 12%+RPI per annum. A sliding scale operates between these points.	25% of this part of the award vests if Safestore's TSR is at a median of the comparator group (FTSE 250 excluding investment trusts), with full vesting of this part of the award for upper quartile performance. A sliding scale operates between these points.	25% of this part of the award vests if Safestore's TSR is at a median of the comparator group (FTSE Real Estate Index), with full vesting of this part of the award for upper quartile performance. A sliding scale operates between these points.

Chief Executive Officer and employee pay

Total shareholder return and Chief Executive Officer pay over the last eight years

The graph below shows the value of £100 invested in Safestore Holdings plc over the past nine years compared with the value of £100 invested in the FTSE 250 and the FTSE All Share Real Estate Investment & Services Index. These comparators have been chosen on the basis that they are the markets within which Safestore operates, albeit that the Real Estate Index comprises mainly commercial property companies.

Total shareholder return



	Oct 2009	Oct 2010	Oct 2011	Oct 2011	Oct 2012	Oct 2013	Oct 2013	Oct 2014	Oct 2015	Oct 2016	Oct 2017
Role	S Williams CEO £'000	S Williams CEO £'000	S Williams[1] CEO £'000	P D Gowers[2] CEO £'000	P D Gowers CEO £'000	P D Gowers CEO £'000	F Vecchioli[3] CEO £'000	F Vecchioli CEO £'000	F Vecchioli CEO £'000	F Vecchioli CEO £'000	F Vecchioli CEO £'000
Single figure of total remuneration	485	607	597	425	390	910	359	973	1,224	1,481	1,568
Annual bonus payout (% of max)	—	75%	—	59%	—	70%	70%	76%	100%	100%	82%
LTIP vesting (% of max)	—	—	—	—	—	—	—	96%	100%	100%	100%

Notes

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

2 Appointed as Chief Executive Officer on 1 March 2011, stepped down as Chief Executive Officer on 4 September 2013 and left the Company on 31 October 2013.

3 Appointed as Chief Executive Officer on 4 September 2013.

Percentage change in the Chief Executive Officer's remuneration

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

% change from 2016 to 2017	Base salary	Benefits	Annual bonus
Chief Executive Officer	6.7%	—	13.3%
Employee pay	1.6%	—	(24.3%)

Relative importance of spend on pay

The table below sets out the overall spend on pay for all employees compared with the returns distributed to shareholders.

Significant distributions	**2017**	2016	% change
Staff costs (£'m)	**22.0**	20.0	10.0%
Distributions to shareholders (£'m)	**25.6**	21.3	20.2%

Note

The above figures are taken from notes 9 and 25 to the financial statements.

Directors’ remuneration report *continued*

for the year ended 31 October 2017

Considerations by the Committee of matters relating to Directors’ remuneration for 2016

The Committee is responsible for recommending to the Board the remuneration policy for Executive Directors and the senior management and for setting the remuneration packages for each Executive Director. The Committee also has oversight of the remuneration policy for all employees. The written terms of reference of the Committee are available on the Company’s website and from the Company on request.

Members of the Committee during 2017	Independent	Number of meetings held during tenure during the year	Number of meetings attended
C Balmforth (Chairman)	Yes	12	12
I S Krieger	Yes	12	12
J L Kenrick	Yes	12	12
B Oliver	Yes	12	12

During the year, there were twelve Committee meetings. A large portion of the Committee’s time during the year was spent in relation to the remuneration and LTIP review and engagement with shareholders. Other matters covered at each meeting include salary decisions for 2017, annual bonus and PSP outturns for 2017 and long term incentive award operation.

None of the Committee members has any personal financial interest (other than as shareholders) in the decisions made by the Committee, conflicts of interests arising from cross-directorships or day-to-day involvement in running the business.

The Chairman, the Chief Executive Officer, the Chief Financial Officer and the HR Director may attend meetings at the invitation of the Committee, but are not present when their own remuneration outcomes are being discussed. The Company Secretary acts as the secretary to the Committee.

The Committee received external advice in 2017 from PwC in connection with remuneration matters including the provision of general guidance on market and best practice. PwC is considered by the Committee to be objective and independent. PwC is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee reviewed the nature of all the services provided during the year by PwC and was satisfied that no conflict of interest exists or existed in the provision of these services.

The total fees paid to PwC in respect of services to the Committee during the year were £115,000. Fees were determined based on the scope and nature of the projects undertaken for the Committee.

Shareholder voting

The table below shows the results of the latest shareholder votes on the Directors’ remuneration report and policy resolutions:

	Votes for	%	Votes against	%	Votes withheld
2017 GM vote on annual report on remuneration	77,550,007	50.83	75,030,203	49.17	17,087,197
2016 AGM vote on annual report on remuneration	141,900,265	97.28	3,964,713	2.72	9,387,669
2014 AGM vote on Directors’ remuneration policy	160,763,590	94.48	9,376,570	5.51	75,087

The Committee spent a significant amount of time during 2017 engaging with shareholders around our new remuneration policy. As outlined in the associated RNS announcement, we withdrew the resolutions relating to the proposed remuneration policy and new long term incentive, which was set out in last year’s Director remuneration report, at our 2017 AGM given feedback from some of our shareholders in order to engage in further consultation around this matter.

As a result, we made substantive changes to the policy and LTIP which included:

- a 20% reduction in LTIP quantum for Executive Directors;
- an increased stretch in the LTIP EPS target range;
- a commitment to maintaining salary and benefits at conservative levels; and
- a reduction in the maximum pension contribution from 20% to 10% of salary.

Following these changes to both the policy and LTIP as set out above, we received marginal support from shareholders at the July EGM for both the new policy and the associated LTIP. Our response to the vote was outlined in the Company Chairman’s statement included in the RNS announcement disclosing the EGM results. I would like to take this opportunity to thank all the shareholders who have supported our proposals, as well as all of those who have engaged with us and put considerable time and effort into analysing and providing feedback on our proposals.

Going forward, to ensure transparency in the implementation of the new policy, we have improved disclosures in the annual report on remuneration, with particular focus on bonus targets which support our short term strategic priorities and how in year performance supports remuneration outcomes.

The Committee are committed to listening, and take an active interest in, your views as shareholders and continue to engage on remuneration on an ongoing basis.

Directors' report

Safestore Holdings plc is a public limited liability company incorporated under the laws of England and Wales with the registered number 4726380. It has a premium listing on the London Stock Exchange Main Market for listed securities (LON:SAFE) and is a constituent member of the FTSE 250 Index. The Company is a real estate investment trust ("REIT"). It is expected that the Company, which has no branches, will continue to operate as the holding company of the Group. The address of the registered office is Brittanic House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT.

In accordance with the Companies Act 2006, the corporate governance report on pages 34 to 66 and information in the strategic report on pages 4 to 33 form part of this Directors' report and are incorporated by reference.

The Directors present their report and the audited consolidated financial statements for the year ended 31 October 2017. References to Safestore, "the Group", "the Company", "we" or "our" are to Safestore Holdings plc, and its subsidiary companies where appropriate.

Strategic report

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

Results for the year and dividends

The results for the year ended 31 October 2017 are set out in the consolidated statement of comprehensive income on page 72.

An interim dividend of 4.20 pence (FY2016: 3.60 pence) was paid on 18 August 2017 and this included a property income dividend ("PID") of 2.10 pence (FY2016: 1.80 pence). The Directors recommend a final dividend in respect of the year ended 31 October 2017 of 9.80 pence per ordinary share (FY2016: 8.05 pence). The PID element of the final dividend will be 9.80 pence (FY2016: 8.05 pence). If authorised at the 2018 AGM, the dividend will be paid on 6 April 2018 to members on the register on 9 March 2018.

The PID will be paid after the deduction of withholding tax at the basic rate (currently 20%). However, certain categories of shareholder may be entitled to receive payment of a gross PID if they are UK resident companies, UK public bodies, UK pension funds and managers of ISAs, PEPs and child trust funds. Information, together with the relevant forms which must be completed and submitted to the Company's Registrar, for shareholders who are eligible to receive gross PIDs, is available in the investor relations section of the Company's website. The ordinary dividend is not subject to withholding tax.

Going concern

After making enquiries, the Directors of Safestore are confident that, on the basis of current financial projections and facilities available and after considering sensitivities, the Group has sufficient resources for its operational needs and to enable the Group to remain in compliance with the financial covenants in its bank facilities for the foreseeable future, a period of not less than twelve months. The Directors have assessed Safestore's viability over a three-year period to October 2020. This is based on three years of the strategic plan, which gives greater certainty over the forecasting assumptions used. The viability statement is set out on page 16.

Financial instruments

The financial risk management objectives and policies of the Group, along with any details of exposure to any liability and cash flow risk, are set out on pages 13 to 16 and in note 19 to the financial statements.

Disclosures required under Listing Rule 9.8.4R

For the purposes of LR 9.8.4C, the information required to be disclosed by LR 9.8.4R can be found in the following locations within the Annual Report:

Information required under LR 9.8.4R		Page
(1)	Amount of interest capitalised and tax relief	n/a
(2)	Publication of unaudited financial information	n/a
(4)	Details of long term incentive schemes	100–101
(5)	Waiver of emoluments by a Director	n/a
(6)	Waiver of future emoluments by a Director	n/a
(7)	Non-pre-emptive issues of equity for cash	100
(8)	Item (7) in relation to major subsidiary undertakings	n/a
(9)	Parent participation in a placing by a listed subsidiary	n/a
(10)	Contracts of significance	n/a
(11)	Provision of services by a controlling shareholder	n/a
(12)	Shareholder waiver of dividends	n/a
(13)	Shareholder waiver of future dividends	n/a
(14)	Agreements with controlling shareholders	n/a

All the information referenced above is incorporated by reference into the Directors' report.

Management report

The strategic report and the Directors' report collectively comprise the "management report" for the purposes of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTR 4.1.5R).

Post balance sheet events

On 1 November 2017 the Group completed the acquisition of Stork Self Storage Holdings Limited ("SSSHL") trading as Alligator Self Storage, a company controlled by funds managed or advised by York Capital Management, for an initial consideration of £56.0 million (subject to working capital adjustments). Further information is set out in the notes to the financial statements on page 104.

Directors

Details of the Directors of the Company who served throughout the year ended 31 October 2017 and up to the date of the financial statements, and their interests in the ordinary share capital of the Company and details of options granted to Executive Directors under the Group's share schemes, are set out in the annual remuneration report on pages 42 to 62.

The Company's rules governing the appointment and replacement of Directors are contained in its Articles of Association. Changes to the Articles of Association are only permitted in accordance with legislation and must be approved by a special resolution of shareholders. The Company's Articles of Association provide that a Director may be appointed by an ordinary resolution of the shareholders or by the existing Directors, either to fill a vacancy or as an additional Director. Further information on the Company's internal procedures for the appointment of Directors is given in the corporate governance section on pages 36 to 38.

Directors *continued*

The Company's Articles of Association require that one-third of Directors retire by rotation each year and that each Director must retire at intervals of not more than three years. Non-Executive Directors must retire annually once they have been in office for a period of more than eight years. In accordance with best practice, the Directors will retire at the AGM and will offer themselves for election and annual re-election, as required.

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

The Directors have (and during the year ended 31 October 2017 had) the benefit of the qualifying third party indemnity provision contained in the Company's Articles of Association, which provides a limited indemnity in respect of liabilities incurred as a Director or other officer of the Company.

Directors' interests in contracts and conflicts of interest

No member of the Board had a material interest in any contract of significance with the Company, or any of its subsidiaries, at any time during the year. Directors are required to notify the Company of any conflict or potential conflict of interest.

The Company's policy is that Directors notify the Chairman and the Company Secretary of all new outside interests and conflicts of interest as and when they arise. The Board confirms that no conflicts have been identified or notified to the Company during the year and, accordingly, the Board has not authorised any conflicts of interest as permitted by the Company's Articles of Association.

Share capital

At 31 October 2017, the Company's issued share capital comprised 209,483,219 ordinary shares of 1 pence each. The rights and obligations attaching to the Company's ordinary shares are set out in its Articles of Association. Details of movements in the share capital during the year are provided in note 22 of the financial statements. The issued share capital has been increased by 793,591 shares during the year by fully paid issues as follows:

		Number of ordinary shares of 1 pence
29 March 2017 to 9 October 2017	On exercise of options under the Sharesave scheme	181,591
20 February 2017 to 10 May 2017	On vesting of shares under the Performance Share Plan	612,000

No person holds securities in the Company carrying special rights with regards to control of the Company.

Own shares – Employee Benefit Trust

The Employee Benefit Trust retains 16,263 ordinary shares (FY2016: 33,460 ordinary shares) with a cost of £163 (FY2016: £335) in satisfaction of awards under the Group's Long Term Incentive Plan. This represents 0.01% (FY2016: 0.02%) of the total issued share capital of the Company.

Purchase of own shares

The Company was granted authority at the 2017 AGM to make market purchases of its own ordinary shares. This authority will expire at the conclusion of the 2018 AGM and a resolution will be proposed to seek further authority. No ordinary shares were purchased under this authority during the year or in the period from 1 November 2017 to 8 January 2018.

Change of control

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

Employment and environmental matters

Information in respect of the Group's environmental and employment policies and greenhouse gas reporting is summarised in the corporate social responsibility section on pages 27 to 33 and is also available on the Group's website.

Amendment of the Articles of Association

The Company's Articles of Association may only be amended by special resolution at a general meeting of the shareholders.

Substantial shareholdings

In accordance with the Disclosure Guidance and Transparency Rules (DTR 5), the Company has been notified of the following disclosable interests in its issued ordinary shares:

	At 10 December 2017	
	Number '000	Percentage of current issued share capital
Legal & General Investment Management	9,652	4.61
Schroder Investment Management	9,254	4.42
Cohen & Steers Capital Management	8,456	4.04
BlackRock Investment Management (UK)	8,247	3.94
Kempen Capital Management IV	7,909	3.78
Principal Global Investors	7,207	3.44
JP Morgan Asset Management	6,933	3.31
Hargreave Hale	6,702	3.20
Vanguard Group	6,668	3.18
Norges Bank Investment Management	6,407	3.06

All interests disclosed to the Company in accordance with the Disclosure Guidance and Transparency Rules (DTR 5) that have occurred since 10 December 2017 can be found on our corporate website at www.safestore.com.

Disclosure of information to auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Independent auditor

The Audit Committee has recommended resolutions at the 2018 Annual General Meeting to re-appoint Deloitte LLP as the Company's auditor and to authorise the Audit Committee to agree the auditor's remuneration.

Annual General Meeting

The Annual General Meeting will be held at the Company's registered office at Brittanic House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT on 21 March 2018 at 12.00 noon.

The 2018 AGM will include, as special business, resolutions dealing with authority to issue shares, disapplication of pre-emption rights, authority to purchase the Company's own shares, authority for scrip dividend alternative, and authority to call a general meeting on not less than 14 days' notice. The Notice of Annual General Meeting sets out details of the business to be considered at the AGM and contains explanatory notes on such business. This has been dispatched to shareholders and can be found on our corporate website at www.safestore.com.

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

This report was approved by the Board for release on 9 January 2018 and signed on its behalf by:

S Ahmed
Company Secretary

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the parent company and of the profit or loss of the Group for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 'Reduced Disclosure Framework' has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website at www.safestore.com. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that, to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 8 January 2018 and is signed on its behalf by:

F Vecchioli
Chief Executive Officer

A Jones
Chief Financial Officer

Independent auditor's report

to the members of Safestore Holdings plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

— the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 October 2017 and of the Group's profit for the year then ended;

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

— the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and

— the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Safestore Holdings plc ("the parent company") and its subsidiaries ("the Group") which comprise:

— the consolidated income statement;

— the consolidated statement of comprehensive income;

— the consolidated and Company balance sheets;

— the consolidated and Company statements of changes in equity;

— the consolidated cash flow statement; and

— the Group related notes 1 to 30 and parent company related notes 1 to 11.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework'.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was Valuation of the Investment Properties.
Materiality	The materiality that we used in the current year was £12.4 million (FY2016: £10.6 million) which was determined as 2% of net assets.
Scoping	As in the prior year, we determined that there were two components within the Group: the United Kingdom and France operations. Our component audit work was executed at levels of materiality applicable to each individual component which were lower than Group materiality, ranging from £6.2 million to £8.7 million.
Significant changes in our approach	In the prior year we reported on a key audit matter relating to Space Maker Stores because this related to the acquisition which took place that year. We also reported on revenue recognition, but this was no longer considered a key audit matter in the current year.

Independent auditor's report *continued*

to the members of Safestore Holdings plc

Conclusions relating to principal risks, going concern and viability statement

We have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 2 to the financial statements and the Directors' statement on the longer term viability of the Group contained on page 16.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 13 to 16 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation on page 13 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group and the parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the Directors' explanation on page 16 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions; or
- whether the Directors' statements relating to going concern and the prospects of the Company required in accordance with Listing Rule 9.8.6R(3) are materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties

Key audit matter description	Investment properties are held at a fair value of £1,063.2 million at 31 October 2017. This is the most quantitatively material balance in the financial statements. Property valuation, which is performed by an independent valuer, is by its nature subjective with significant judgement applied, particularly in the self-storage market where there is market uncertainty due to the lower volume of transactions in comparison with other property markets. We therefore identified a risk of fraud relating to valuation of investment properties. The key judgements about individual properties are capitalisation rate, discount rate, rental growth and stabilised occupancy levels. These judgements drive a cash flow model that is used as the basis of the valuation of each individual property. For further details of the Group's valuation method and assumptions, refer to notes 2 and 11 of the financial statements. The valuation of property is also discussed in the Audit Committee report on page 41.
How the scope of our audit responded to the key audit matter	We met with the third party valuer and assessed the appropriateness of the valuer's scope and whether the valuer had sufficient expertise and resource. We obtained the source information provided by management to the valuer (e.g. historical revenue on a store-by-store basis) and tested the integrity of a sample of such information. We provided the valuations to our own internal real estate experts, who are members of the Royal Institution of Chartered Surveyors. Our experts performed an independent assessment of the assumptions that underpin the valuations, namely capitalisation rates, discount rate, rental growth and stabilised occupancy on a property-by-property basis, based on their knowledge of the self-storage industry and wider real estate market. We confirmed with the valuer and with our internal real estate experts that the Group's valuation methodology remains appropriate, and, noting that the number of transactions in the self-storage market has continued to increase year on year, assessed whether indicative rents and yields achieved in recent comparable transactions were consistent with the assumptions used in the Group's valuations.
Key observations	We found the assumptions adopted by the valuers in the valuation were reasonable and the methodology applied was appropriate in all material aspects.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£12.4 million (FY2016: £10.6 million).
Basis for determining materiality	2% of net assets.
Rationale for the benchmark applied	We consider net assets to be a critical financial performance measure for the Group on the basis that it is a key metric used by management, investors, analysts and lenders.

In addition to net assets, we also consider profit before income tax, adjusted to exclude the gain on revaluation of investment properties and movements in the fair value of derivatives, to be a critical financial performance measure for the Group, which aligns closely with EPRA earnings. We applied a lower threshold of £3.4 million (FY2016: £2.7 million), which has been determined as 5% (FY2016: 5%) of profit before income tax adjusted for testing of balances impacting that measure to exclude the gain on revaluation of investment properties and movements in the fair value of derivatives.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.6 million (FY2016: £0.5 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

As in the prior year, we determined that there were two components within the Group: the United Kingdom and France operations. In addition to performing the Group audit procedures, which included the testing of the consolidation process, the Group audit team also performed the audit of the United Kingdom component given all United Kingdom entities operate from the same office with the same financial system. We instructed component auditors to perform the audit of the France component, supervised their work through regular communication and participation in planning and closing meetings with management. We reviewed the outputs of the work performed by them during their audit and challenged their conclusions. Our component audit work was executed at levels of materiality applicable to each individual component which were lower than Group materiality, ranging from £6.2 million to £8.7 million (FY2016: £5.3 million to £8.5 million). In addition, for the lower threshold described above, our component thresholds ranged from £1.2 million to £1.7 million (FY2016: £1.3 million to £2.2 million).

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the Directors that they consider the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit Committee reporting* – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Independent auditor's report *continued*

to the members of Safestore Holdings plc

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Directors on 12 October 2014 to audit the financial statements for the year ending 31 October 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and re-appointments of the firm is four years, covering the years ending 31 October 2014 to 31 October 2017.

Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

Mark Beddy FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
8 January 2018

Consolidated income statement
for the year ended 31 October 2017

	Notes	Group 2017 £'m	Group 2016 £'m
Revenue	3	**129.9**	115.4
Cost of sales		**(45.7)**	(40.9)
Gross profit		**84.2**	74.5
Administrative expenses		**(13.8)**	(12.5)
Negative goodwill on acquisition of subsidiary		**–**	5.6
Underlying EBITDA		**72.9**	64.2
Exceptional items	4	**(1.4)**	4.3
Depreciation and contingent rent		**(1.1)**	(0.9)
Operating profit before gains on investment properties		**70.4**	67.6
Gain on investment properties	11	**39.2**	41.7
Operating profit	3,5	**109.6**	109.3
Finance income	7	**6.1**	21.0
Finance expense	7	**(36.8)**	(35.4)
Profit before income tax		**78.9**	94.9
Income tax charge	8	**(0.6)**	(7.5)
Profit for the year		**78.3**	87.4
Earnings per share for profit attributable to the equity holders			
– basic (pence)	10	**37.4**	42.0
– diluted (pence)	10	**37.3**	41.7

The financial results for both years relate to continuing activities.

Underlying EBITDA is defined as operating profit before exceptional items, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties, contingent rent and depreciation.

The notes on pages 76 to 104 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 October 2017

	Group	
	2017 £'m	2016 £'m
Profit for the year	**78.3**	87.4
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**(3.0)**	29.4
Net investment hedge	**(0.9)**	—
Other comprehensive income, net of tax	**(3.9)**	29.4
Total comprehensive income for the year	**74.4**	116.8

Consolidated balance sheet

as at 31 October 2017

	Notes	Group 2017 £'m	Group 2016 £'m
Assets			
Non-current assets			
Investment properties	11	**999.2**	943.3
Interests in leasehold properties	11	**56.2**	58.9
Investment properties under construction	11	**7.8**	10.9
Property, plant and equipment	12	**2.0**	2.0
Derivative financial instruments	19	**0.9**	20.9
Deferred income tax assets	21	**0.1**	0.2
Other receivables	15	**1.1**	2.1
		1,067.3	1,038.3
Current assets			
Inventories	14	**0.2**	0.2
Trade and other receivables	15	**23.5**	23.0
Cash and cash equivalents	16	**65.6**	5.4
		89.3	28.6
Total assets		**1,156.6**	1,066.9
Current liabilities			
Trade and other payables	17	**(42.1)**	(41.2)
Current income tax liabilities		**(4.5)**	(3.2)
Obligations under finance leases	20	**(9.0)**	(9.4)
		(55.6)	(53.8)
Non-current liabilities			
Financial liabilities			
– bank borrowings	18	**(363.6)**	(315.7)
– derivative financial instruments	19	**(0.2)**	(3.4)
Deferred income tax liabilities	21	**(52.3)**	(57.1)
Obligations under finance leases	20	**(47.2)**	(49.5)
		(463.3)	(425.7)
Total liabilities		**(518.9)**	(479.5)
Net assets		**637.7**	587.4
Equity			
Ordinary shares	22	**2.1**	2.1
Share premium		**60.4**	60.1
Translation reserve		**12.7**	16.6
Retained earnings		**562.5**	508.6
Total equity		**637.7**	587.4

These financial statements were authorised for issue by the Board of Directors on 8 January 2018 and signed on its behalf by:

A Jones
Chief Financial Officer

F Vecchioli
Chief Executive Officer

Company registration number: 4726380

Consolidated statement of changes in shareholders' equity

for the year ended 31 October 2017

	Group				
	Share capital £'m	Share premium £'m	Translation reserve £'m	Retained earnings £'m	Total £'m
Balance at 1 November 2015	2.1	60.0	(12.8)	441.3	490.6
Comprehensive income					
Profit for the year	—	—	—	87.4	87.4
Other comprehensive income					
Currency translation differences	—	—	29.4	—	29.4
Total other comprehensive income	—	—	29.4	—	29.4
Total comprehensive income	—	—	29.4	87.4	116.8
Transactions with owners					
Dividends (note 9)	—	—	—	(21.3)	(21.3)
Increase in share capital	—	0.1	—	—	0.1
Employee share options	—	—	—	1.2	1.2
Transactions with owners	—	0.1	—	(20.1)	(20.0)
Balance at 1 November 2016	2.1	60.1	16.6	508.6	587.4
Comprehensive income					
Profit for the year	—	—	—	78.3	78.3
Other comprehensive income					
Currency translation differences	—	—	(3.0)	—	(3.0)
Net investment hedge	—	—	(0.9)	—	(0.9)
Total other comprehensive income	—	—	(3.9)	—	(3.9)
Total comprehensive income	—	—	(3.9)	78.3	74.4
Transactions with owners					
Dividends (note 9)	—	—	—	(25.6)	(25.6)
Increase in share capital	—	0.3	—	—	0.3
Employee share options	—	—	—	1.2	1.2
Transactions with owners	—	0.3	—	(24.4)	(24.1)
Balance at 31 October 2017	**2.1**	**60.4**	**12.7**	**562.5**	**637.7**

The translation reserve balance of £12.7 million (FY2016: £16.6 million) comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Consolidated cash flow statement

for the year ended 31 October 2017

	Notes	Group 2017 £'m	Group 2016 £'m
Cash flows from operating activities			
Cash generated from operations	23	**73.0**	61.9
Interest paid		**(14.8)**	(13.2)
Tax paid		**(2.6)**	(1.7)
Net cash inflow from operating activities		**55.6**	47.0
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**–**	(41.8)
Expenditure on investment properties and development properties		**(21.7)**	(28.3)
Proceeds in respect of Capital Goods Scheme		**1.4**	1.5
Purchase of property, plant and equipment		**(0.6)**	(0.8)
Proceeds from disposal of investment properties		**8.1**	–
Net cash outflow from investing activities		**(12.8)**	(69.4)
Cash flows from financing activities			
Issue of share capital		**0.3**	0.1
Equity dividends paid	9	**(25.6)**	(21.3)
Proceeds from borrowings		**238.0**	58.4
Repayment of borrowings		**(199.1)**	(19.8)
Debt issuance costs		**(2.0)**	(0.4)
Hedge breakage receipts		**13.9**	–
Hedge breakage costs		**(2.6)**	–
Finance lease principal payments		**(5.3)**	(4.6)
Net cash inflow from financing activities		**17.6**	12.4
Net increase/(decrease) in cash and cash equivalents		**60.4**	(10.0)
Exchange (loss)/gain on cash and cash equivalents		**(0.2)**	1.6
Cash and cash equivalents at 1 November		**5.4**	13.8
Cash and cash equivalents at 31 October	16, 24	**65.6**	5.4

Notes to the financial statements

for the year ended 31 October 2017

1. General information

Safestore Holdings plc ("the Company") and its subsidiaries (together, "the Group") provide self-storage facilities to customers throughout the UK and Paris. The Company is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in the UK. The address of its registered office is Brittanic House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT.

2. Summary of significant accounting policies

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

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. They also comply with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Group consolidated financial statements are presented in Sterling and are rounded to the nearest £0.1 million, unless otherwise stated. They are prepared on a going concern basis under the historical cost convention as modified by the revaluation of investment properties and the fair value of derivative financial instruments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual amounts may differ from those estimates.

Going concern

The Group's viability statement is set out on page 16. In preparing the viability statement, the Directors of Safestore have assessed the viability of the Group over a three-year period to October 2020 and are confident that, on the basis of current financial projections and facilities available, it is appropriate to prepare the financial statements on a going concern basis.

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 2017:

- IFRS 14 'Regulatory Deferral Accounts';
- IFRS 10, IFRS 12 and IAS 28 Amendments relating to investment entities: applying the consolidation exception;
- IFRS 11 Amendments relating to acquisitions of interests in joint operations;
- IAS 1 Amendments relating to the Disclosure Initiative;
- IAS 16 and IAS 38 Amendments relating to clarification of acceptable methods of depreciation and amortisation;
- IAS 16 and IAS 41 Amendments relating to bearer plants;
- IAS 27 Amendments relating to equity method in separate financial statements; and
- Annual improvements to IFRSs 2012–2014 Cycle.

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

The following new standards, amendments to existing standards and interpretations issued by the International Accounting Standards Board have not been applied in preparing these consolidated financial statements, as their effective dates fall in periods beginning after 1 November 2017. The Group has no plan to adopt these standards earlier than the effective date:

Effective for the year ending 31 October 2018:

- IAS 7 Amendments to cash flows relating to the Disclosure Initiative;
- IAS 12 Amendments relating to recognition of deferred tax assets for unrealised losses; and
- Annual improvements to IFRSs 2012–2014 Cycle.

Effective for the year ending 31 October 2019:

- IAS 40 Amendments clarifying the requirements on transfers to, or from, investment property;
- IFRS 2 Amendments relating to classification and measurement of share-based payment transactions;
- IFRS 4 Amendments relating to applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts';
- IFRS 9 'Financial Instruments' – final standard, addressing the accounting for financial assets and liabilities including classification and measurement, impairment, hedge accounting and own credit;
- IFRS 15 'Revenue from Contracts with Customers';
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration'; and
- Annual improvements to IFRSs 2012–2014 Cycle.

2. Summary of significant accounting policies *continued*

Going concern *continued*

Standards, amendments to standards and interpretations issued and applied *continued*

Effective for the year ending 31 October 2020:

— IAS 28 Amendments relating to long term interests in associates and joint ventures;

— IFRS 9 Amendments relating to prepayment features with negative compensation;

— IFRS 16 'Leases'; and

— IFRIC 23 'Uncertainty over Income Tax Treatments'.

Effective for the year ending 31 October 2022:

— IFRS 17 'Insurance Contracts'.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary undertakings made up to 31 October each year. Subsidiaries are entities controlled by the Company. Control is achieved when the Company:

— has power over the investee;

— is exposed, or has rights, to variable returns from its involvement with the investee; and

— has the ability to use its power to affect its returns.

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

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

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for the acquisition is measured as the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity instruments issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Any excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets including intangible assets of the acquired entity at the date of acquisition is recognised as goodwill. Any discount received is credited to the income statement in the year of acquisition as negative goodwill on acquisition of subsidiary. Costs attributable to an acquisition are expensed in the consolidated income statement under the heading "administrative expenses".

Segmental reporting

IFRS 8 'Operating Segments' ("IFRS 8") requires operating segments to be identified based upon the Group's internal reporting to the chief operating decision maker ("CODM") to make decisions about resources to be allocated to segments and to assess their performance. The CODM is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its CODM is the Executive Directors.

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

Segment results, assets and liabilities include items directly attributable to segments as well as those that can be allocated on a reasonable basis.

Revenue recognition

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

Rental income is recognised over the period for which the space is occupied by the customer on a time apportionment basis. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due. Insurance income is recognised over the period for which the space is occupied by the customer on a time apportionment basis.

The Group acts as principal in the provision of insurance services to its customers, and therefore revenue from insurance premiums is reported on a gross basis. The portion of insurance premiums on occupied space that relates to unexpired risks at the balance sheet date is reported as unearned premium liability in other payables.

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

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

Notes to the financial statements *continued*

for the year ended 31 October 2017

2. Summary of significant accounting policies *continued*

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

Borrowing costs

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

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

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

Investment properties are those properties owned by the Group that are held to earn rental income, or for capital growth, or both. Investment properties and investment properties under construction are initially measured at cost, including related transaction and borrowing costs. After initial recognition, investment properties and investment properties under construction are held at fair value based on a market valuation by professionally qualified external valuers at each balance sheet date.

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

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

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

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

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

Property, plant and equipment

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

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

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

Owner-occupied freehold buildings	2% per annum
Motor vehicles	20–25% per annum
Computer hardware and software	15–33% per annum
Fixtures, fittings, signs and partitioning	10–15% per annum

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

2. Summary of significant accounting policies *continued*

Impairment of tangible assets (excluding investment property)

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

A reversal of an impairment loss is recognised as income immediately.

Inventories

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

Trade and other receivables

Trade and other receivables are measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

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

Cash and cash equivalents

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

Trade and other payables

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

Leases

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

Contingent rent payable under finance leases, being the difference between the rent currently payable and the minimum lease payments when the lease obligation was originally calculated, is charged as an expense in the years in which it is payable.

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

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

Borrowings

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

Where existing borrowings are replaced by others from the same lenders on substantially different terms, or the terms of existing borrowing are substantially modified, such an exchange or modification is treated as a derecognition of the original borrowings and the recognition of new borrowings, and the difference in the respective carrying amounts, including issuance costs, is recognised in the income statement. Otherwise, issuance costs incurred on refinancing are offset against the carrying value of borrowings.

Notes to the financial statements *continued*

for the year ended 31 October 2017

2. Summary of significant accounting policies *continued*

Financial instruments

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

The effective part of any gain or loss on borrowings that are designated as a hedge of a net investment in a foreign operation is recognised in other comprehensive income and presented in the translation reserve in equity, and is subsequently recognised in the Group income statement as part of the profit or loss on disposal of the net investment. The ineffective portion of the gain or loss is recognised immediately within trading profit in the Group income statement.

(a) Financial assets

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

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

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

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

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

(b) Financial liabilities

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

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

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

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

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

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

Taxation including deferred tax

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

Deferred tax is provided on items that may become taxable at a later date, on the difference between the balance sheet value and the tax base value, on an undiscounted basis. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2. Summary of significant accounting policies *continued*

Employee benefit costs

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

Share capital

Ordinary shares are classified as equity.

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

Share-based payments

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

Critical accounting judgements and key sources of estimation uncertainty

The preparation of consolidated financial statements under IFRS requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual outcomes may therefore differ from these judgements, estimates and assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following critical judgement has been made in the process of applying the Group's accounting policies:

Accounting for transactions

The Group frequently enters into transactions for the purchase or sale of properties or businesses, which can be material to the consolidated financial statements. Accounting for transactions requires judgement such as in calculating a gain or loss or, for a business combination, goodwill. Each transaction is considered separately by management.

Key sources of estimation uncertainty

The following key estimate has significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the consolidated financial statements:

Estimate of fair value of investment properties and investment property 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. A more detailed explanation of the background and methodology adopted in the valuation of the investment properties is set out in note 11 to the financial statements.

Non-GAAP financial information

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

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

— Underlying EBITDA is defined as operating profit before exceptional items, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties, contingent rent and depreciation. Management considers this presentation to be representative of the underlying performance of the business, as it removes the income statement impact of items not fully controllable by management, such as the revaluation of derivatives and investment properties, and the impact of exceptional credits, costs and finance charges. A reconciliation of statutory operating profit to underlying EBITDA can be found in the financial review on page 18.

— Cash tax adjusted earnings per share is defined as profit or loss for the year before exceptional items, corporate transaction costs, change in fair value of derivatives, gain or loss on investment properties and the associated tax impacts as well as exceptional tax items and deferred tax charges, divided by the weighted average number of shares in issue (excluding shares held by the Safestore Employee Benefit Trust). A reconciliation of statutory basic earnings per share to cash tax adjusted earnings per share can be found in note 10.

Notes to the financial statements *continued*

for the year ended 31 October 2017

2. Summary of significant accounting policies *continued*

Non-GAAP financial information *continued*

— 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. A reconciliation of statutory basic earnings per share to Adjusted Diluted EPRA EPS can be found in note 10.

— EPRA basic net assets per share is an industry standard measure recommended by the European Public Real Estate Association ("EPRA"). The basis of calculation, including a reconciliation to reported net assets, is set out in note 13.

3. Segmental analysis

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

Safestore is organised and managed in two operating segments, based on geographical areas, being the United Kingdom and Paris in France.

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, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties, contingent rent and depreciation.

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

Year ended 31 October 2017	**UK £'m**	**Paris £'m**	**Group £'m**
Continuing operations			
Revenue	**97.5**	**32.4**	**129.9**
Underlying EBITDA	**52.8**	**20.1**	**72.9**
Exceptional items	**(1.4)**	**—**	**(1.4)**
Contingent rent and depreciation	**(1.0)**	**(0.1)**	**(1.1)**
Operating profit before gain on investment properties	**50.4**	**20.0**	**70.4**
Gain on investment properties	**26.3**	**12.9**	**39.2**
Operating profit	**76.7**	**32.9**	**109.6**
Net finance expense	**(28.1)**	**(2.6)**	**(30.7)**
Profit before tax	**48.6**	**30.3**	**78.9**
Total assets	**869.8**	**286.8**	**1,156.6**

Year ended 31 October 2016	UK £'m	Paris £'m	Group £'m
Continuing operations			
Revenue	87.4	28.0	115.4
Underlying EBITDA	46.5	17.7	64.2
Exceptional items	4.3	—	4.3
Contingent rent and depreciation	(0.6)	(0.3)	(0.9)
Operating profit before gain on investment properties	50.2	17.4	67.6
Gain on investment properties	35.1	6.6	41.7
Operating profit	85.3	24.0	109.3
Net finance expense	(12.4)	(2.0)	(14.4)
Profit before tax	72.9	22.0	94.9
Total assets	800.6	266.3	1,066.9

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

	2017 £'m	2016 £'m
Costs relating to corporate transactions	**(1.4)**	(1.3)
Negative goodwill on acquisition of subsidiary	**—**	5.6
Net exceptional (cost)/income	**(1.4)**	4.3

Costs relating to corporate transactions of £1.4 million were incurred during the year in relation to the acquisition of Stork Self Storage (Holdings) Limited (trading as Alligator Self Storage), which was agreed during the financial year, but did not complete until after the year end on 1 November 2017. Further details in respect of post balance sheet events are set out in note 30.

In the prior year, costs relating to corporate transactions of £1.3 million and negative goodwill on acquisition of subsidiary of £5.6 million arose on the acquisition of Space Maker Stores Limited on 29 July 2016.

5. Operating profit

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

	Notes	2017 £'m	2016 £'m
Staff costs	25	**22.0**	20.0
Inventories: cost of inventories recognised as an expense (included in cost of sales)	14	**0.9**	0.8
Depreciation on property, plant and equipment	12	**0.5**	0.4
Gain on investment properties	11	**(39.2)**	(41.7)
Contingent rent payable under finance leases		**0.6**	0.5

6. Fees paid to auditor

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

	2017 £'m	2016 £'m
Audit services		
Fees payable to the Company's auditor and its associates for the audit of the parent company and consolidated financial statements	**0.2**	0.2
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries pursuant to legislation	**0.1**	0.1
Total audit fees	**0.3**	0.3
Fees for other services		
Transaction services	**0.1**	0.1
Total	**0.4**	0.4

The non-audit fees paid to the Company's auditor, Deloitte, during the year principally relate to multi-year projects which commenced before Deloitte's appointment as auditor in 2014.

Notes to the financial statements *continued*

for the year ended 31 October 2017

7. Finance income and costs

	2017 £'m	2016 £'m
Finance income		
Fair value movement of derivatives	**1.5**	20.9
Unwinding of discount on Capital Goods Scheme ("CGS") receivable	**0.1**	0.1
Net exchange gains	**4.5**	—
Total finance income	**6.1**	21.0
Finance costs		
Interest payable on bank loans and overdraft	**(9.1)**	(9.7)
Amortisation of debt issuance costs on bank loan	**(0.3)**	(0.4)
Underlying finance charges	**(9.4)**	(10.1)
Interest on obligations under finance leases	**(4.4)**	(3.7)
Fair value movement of derivatives	**(6.7)**	(2.5)
Net exchange losses	**—**	(19.1)
Exceptional finance expense	**(16.3)**	—
Total finance costs	**(36.8)**	(35.4)
Net finance costs	**(30.7)**	(14.4)

Included within interest payable of £9.1 million (FY2016: £9.7 million) is £1.0 million (FY2016: £0.9 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 net loss of £5.2 million (FY2016: £18.4 million net gain).

Exceptional finance costs of £16.3 million (FY2016: £nil) were incurred as a result of the May 2017 refinancing and comprise a £12.4 million "make-whole" payment to holders of the cancelled US Dollar loan notes, with the balance relating to fees and the write off of previous unamortised issue costs.

8. Income tax charge

Analysis of tax charge in the year:

	Note	2017 £'m	2016 £'m
Current tax:			
– UK corporation tax		**—**	—
– tax in respect of overseas subsidiaries		**4.0**	3.7
		4.0	3.7
Deferred tax:			
– current year		**5.4**	3.8
– impact of tax rate change		**(8.8)**	—
	21	**(3.4)**	3.8
Tax charge		**0.6**	7.5

8. Income tax charge *continued*

Reconciliation of income tax charge

The tax for the period is lower (FY2016: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 October 2017 of 19.4% (FY2016: 20.0%). The differences are explained below:

	2017 £'m	2016 £'m
Profit before tax	**78.9**	94.9
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.4% (FY2016: 20.0%)	**15.3**	19.0
Effect of:		
– permanent differences	**0.1**	0.2
– profits from the tax exempt business	**(9.4)**	(14.6)
– difference from overseas tax rates	**3.4**	2.9
– impact of tax rate change in France	**(8.8)**	—
Tax charge	**0.6**	7.5

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

The main rate of corporation tax in the UK reduced from 20% to 19% from 1 April 2017. Accordingly the Group's results for this accounting period are taxed at an effective rate of 19.4% (FY2016: 20.0%). Finance (No.2) Bill 2015 provides that the rate of corporation tax from 1 April 2020 would be 18%. At Budget 2016, the government announced a further reduction to the corporation tax main rate (for all profits except ring fenced profits) for the year starting 1 April 2020, setting the rate at 17%. This rate was incorporated in the Finance Act 2016 which was fully enacted on 15 September 2016. Due to the Group's REIT status there will be no deferred taxation impact in respect of the changes in taxation rates.

In France, the 2017 Finance Bill, which was adopted in December 2016, introduced a reduction in the income tax rate from 33.33% to 28.0%, applicable progressively from 2017 to 2020 according to size of company. As a result, the deferred tax charge includes a non-recurring deferred tax credit of £8.8 million (FY2016: £nil) relating to this change.

9. Dividends per share

The dividend paid in 2017 was £25.6 million (12.25 pence per share) (FY2016: £21.3 million (10.25 pence per share)). A final dividend in respect of the year ended 31 October 2017 of 9.8 pence (FY2016: 8.05 pence) per share, amounting to a total final dividend of £20.5 million (FY2016: £16.8 million), is to be proposed at the AGM on 21 March 2018. The ex-dividend date will be 8 March 2018 and the record date will be 9 March 2018 with an intended payment date of 6 April 2018. The final dividend has not been included as a liability at 31 October 2017.

The property income distribution ("PID") element of the final dividend is 9.8 pence (FY2016: 8.05 pence), making the PID payable for the year 11.9 pence (FY2016: 9.85 pence) per share.

10. Earnings per share

Basic earnings per share 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 earnings per share 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 2017			Year ended 31 October 2016		
	Earnings £'m	**Shares million**	**Pence per share**	Earnings £'m	Shares million	Pence per share
Basic	**78.3**	**209.2**	**37.4**	87.4	208.2	42.0
Dilutive securities	**—**	**1.0**	**(0.1)**	—	1.5	(0.3)
Diluted	**78.3**	**210.2**	**37.3**	87.4	209.7	41.7

Notes to the financial statements *continued*

for the year ended 31 October 2017

10. Earnings per share *continued*

Adjusted earnings per share

Explanations related to the adjusted earnings measures adopted by the Group are set out in note 2 under the heading Non-GAAP financial information on pages 81 and 82. Adjusted earnings per share represents profit after tax adjusted for the valuation movement on investment properties, exceptional items, change in fair value of derivatives and the associated tax thereon. The Directors consider that these alternative measures provide useful information on the performance of the Group.

EPRA earnings and earnings per share before non-recurring items, movements on revaluations of investment properties 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 2017			Year ended 31 October 2016		
	Earnings £'m	**Shares million**	**Pence per share**	Earnings £'m	Shares million	Pence per share
Basic	**78.3**	**209.2**	**37.4**	87.4	208.2	42.0
Adjustments:						
Gain on investment properties	**(39.2)**	**—**	**(18.8)**	(41.7)	—	(20.1)
Exceptional items	**1.4**	**—**	**0.7**	(4.3)	—	(2.1)
Exceptional finance costs	**16.3**	**—**	**7.8**	—	—	—
Unwinding of discount on CGS receivable	**(0.1)**	**—**	**—**	(0.1)	—	—
Net exchange (gain)/loss	**(4.5)**	**—**	**(2.2)**	19.1	—	9.2
Change in fair value of derivatives	**5.2**	**—**	**2.5**	(18.4)	—	(8.8)
Tax on adjustments	**(4.4)**	**—**	**(2.1)**	2.9	—	1.4
Adjusted	**53.0**	**209.2**	**25.3**	44.9	208.2	21.6
EPRA adjusted:						
Depreciation of leasehold properties	**(5.3)**	**—**	**(2.5)**	(4.6)	—	(2.2)
Tax on leasehold depreciation adjustment	**1.0**	**—**	**0.5**	0.9	—	0.4
Adjusted cash tax earnings[1]/EPRA basic EPS	**48.7**	**209.2**	**23.3**	41.2	208.2	19.8
Share-based payments charge	**1.5**			1.5		
Dilutive shares (pro forma)		**7.5**			8.0	
Adjusted Diluted EPRA EPS (pro forma)[1]	**50.2**	**216.7**	**23.2**	42.7	216.2	19.8

Note

1 Adjusted cash tax earnings and Adjusted Diluted EPRA EPS are defined in note 2 under Non-GAAP financial information on pages 81 and 82.

Gain on investment properties includes depreciation on leasehold properties of £5.3 million (FY2016: £4.6 million) and the related tax thereon of £1.0 million (FY2016: £0.9 million). As an industry standard measure, EPRA earnings is presented. EPRA earnings of £48.7 million (FY2016: £41.2 million) and EPRA earnings per share of 23.3 pence (FY2016: 19.8 pence) are calculated after further adjusting for these items.

EPRA adjusted income statement (non-statutory)	**2017 £'m**	2016 £'m	Movement %
Revenue	**129.9**	115.4	12.6
Underlying operating expenses (excluding depreciation and contingent rent)	**(57.0)**	(51.2)	(11.3)
Underlying EBITDA before contingent rent	**72.9**	64.2	13.6
Depreciation and contingent rent	**(1.1)**	(0.9)	(22.2)
Operating profit before depreciation on leasehold properties	**71.8**	63.3	13.4
Depreciation on leasehold properties	**(5.3)**	(4.6)	(15.2)
Operating profit	**66.5**	58.7	13.3
Net financing costs	**(13.8)**	(13.8)	—
Profit before income tax	**52.7**	44.9	17.4
Income tax	**(4.0)**	(3.7)	(8.1)
Profit for the year ("EPRA earnings")	**48.7**	41.2	18.2
EPRA basic earnings per share	**23.3 pence**	19.8 pence	17.7
Final dividend per share	**9.8 pence**	8.05 pence	21.7

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

	Investment property £'m	Interests in leasehold properties £'m	Investment property under construction £'m	Total investment properties £'m
As at 1 November 2016	**943.3**	**58.9**	**10.9**	**1,013.1**
Additions	**9.1**	**5.0**	**12.4**	**26.5**
Disposals	**(8.1)**	**(2.0)**	**—**	**(10.1)**
Reclassifications	**16.4**	**—**	**(16.4)**	**—**
Revaluations	**43.6**	**—**	**0.9**	**44.5**
Depreciation	**—**	**(5.3)**	**—**	**(5.3)**
Exchange movements	**(5.1)**	**(0.4)**	**—**	**(5.5)**
As at 31 October 2017	**999.2**	**56.2**	**7.8**	**1,063.2**

	Investment property £'m	Interests in leasehold properties £'m	Investment property under construction £'m	Total investment properties £'m
As at 1 November 2015	775.5	47.1	6.0	828.6
Additions	11.6	3.0	18.1	32.7
Acquisition of subsidiary	48.0	10.3	—	58.3
Reclassifications	13.7	—	(13.7)	—
Revaluations	45.8	—	0.5	46.3
Depreciation	—	(4.6)	—	(4.6)
Exchange movements	48.7	3.1	—	51.8
As at 31 October 2016	943.3	58.9	10.9	1,013.1

The gain on investment properties comprises:

	2017 £'m	2016 £'m
Revaluations	**44.5**	46.3
Depreciation	**(5.3)**	(4.6)
	39.2	41.7

	Cost £'m	Revaluation on cost £'m	Valuation £'m
Freehold stores			
As at 1 November 2016	431.4	327.1	758.5
Movement in year	20.3	31.7	52.0
As at 31 October 2017	**451.7**	**358.8**	**810.5**
Leasehold stores			
As at 1 November 2016	88.8	96.0	184.8
Movement in year	2.0	1.9	3.9
As at 31 October 2017	**90.8**	**97.9**	**188.7**
All stores			
As at 1 November 2016	520.2	423.1	943.3
Movement in year	22.3	33.6	55.9
As at 31 October 2017	**542.5**	**456.7**	**999.2**

Notes to the financial statements *continued*

for the year ended 31 October 2017

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

The valuation of £999.2 million (FY2016: £943.3 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 2017 was £107.4 million (FY2016: £95.2 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.

The freehold and leasehold investment properties have been valued as at 31 October 2017 by external valuers, Cushman & Wakefield LLP ("C&W"). The valuation has been carried out in accordance with the current edition of the RICS Valuation – Global Standards, which incorporate the International Valuation Standards and the RICS UK Valuation Standards ("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. One non-trading property was valued on the basis of fair value. The valuation has been provided for accounts purposes and, as such, is a Regulated Purpose Valuation as defined in the Red Book. In compliance with the disclosure requirements of the Red Book, C&W has confirmed that:

— the 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 October 2006. The valuations have been reviewed by an internal investment committee comprising two valuation partners and an investment partner, all unconnected with the assignment;

— C&W has been carrying out regular valuations for the same purpose as this valuation on behalf of the Group since October 2006;

— C&W does not provide other significant professional or agency services to the Group;

— in relation to the preceding financial year of C&W, the proportion of total fees payable by the Group to the total fee income of the firm is less than 5%; and

— the fee payable to C&W is a fixed amount per property and is not contingent on the appraised value.

Market uncertainty

C&W's valuation report comments on valuation uncertainty resulting from low liquidity in the market for self-storage property. C&W notes that in the UK since the start of 2013 there have only been 13 transactions involving multiple assets and 13 single asset transactions, and C&W is aware of only one comparable transaction in the Paris market. C&W states that due to the lack of comparable market information in the self-storage sector, there is greater uncertainty attached to its opinion of value than would be anticipated during more active market conditions.

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 and Paris)

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 2017 averages 80.91% (31 October 2016: 80.23%). The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth. The average time assumed for stores to trade at their maturity levels is 23.10 months (31 October 2016: 23.78 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 7.84% (31 October 2016: 7.98%), rising to a stabilised net yield pre-administration expenses of 8.80% (31 October 2016: 8.99%).

— The future net cash flow projections (including revenue growth and cost inflation) have been discounted at a rate that reflects the risk associated with each asset. The weighted average annual discount rate adopted (for both freeholds and all leaseholds) is 10.55% (31 October 2016: 10.75%).

— Purchaser's costs in the range of approximately 4.0% to 6.8% for the UK and 7.5% for Paris (see page 89) 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 6.0% to 8.8% (UK) and 9.5% (Paris) are assumed on the notional sales in the tenth year in relation to freehold and long leasehold stores.

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

Valuation method and assumptions *continued*

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 13.3 years (31 October 2016: 13.7 years). The average unexpired term excludes the commercial leases in Paris.

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.

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

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

C&W considers there to be market uncertainty in the self-storage sector due to the lack of comparable market transactions and information. The degree of uncertainty relating to the five 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 were to be contemplated then any immature low cash flow stores would normally be presented to the market for sale lotted or grouped with other more mature assets owned by the same entity, in order to alleviate the issue of negative or low short term cash flow. This approach would enhance the marketability of the group of assets and assist in achieving the best price available in the market by diluting the cash flow risk.

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

Lotting of stores with customer transfers
Where stores within the portfolio are expected to close in the short term, C&W has assumed that a proportion of the customer base from these stores will be transferred, at closure, to nearby stores also owned by the Group.

C&W has assumed that the properties that are closing would be sold together with the stores where customers will be transferred to, in the event they were offered to the market. 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 4.0% to 6.8% (UK) and 7.5% (Paris), 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 circa 2.75% of gross value. All the significant sized transactions that have been concluded in the UK in recent years were completed in a corporate structure. The Group therefore instructed C&W to prepare additional valuation advice on the basis of purchaser's cost of 2.75% of gross value which are used for internal management purposes.

Sensitivity of the valuation to assumptions
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.

Notes to the financial statements *continued*

for the year ended 31 October 2017

12. Property, plant and equipment

	Owner-occupied buildings £'m	Motor vehicles £'m	Fixtures and fittings £'m	Total £'m
Cost				
At 1 November 2016	0.8	0.4	3.5	4.7
Additions	—	0.2	0.3	0.5
Disposals	—	(0.1)	—	(0.1)
At 31 October 2017	**0.8**	**0.5**	**3.8**	**5.1**
Accumulated depreciation				
At 1 November 2016	0.2	0.2	2.3	2.7
Charge for the year	—	0.1	0.4	0.5
Disposals	—	(0.1)	—	(0.1)
At 31 October 2017	**0.2**	**0.2**	**2.7**	**3.1**
Net book value				
At 31 October 2017	**0.6**	**0.3**	**1.1**	**2.0**
At 31 October 2016	0.6	0.2	1.2	2.0

	Owner-occupied buildings £'m	Motor vehicles £'m	Fixtures and fittings £'m	Total £'m
Cost				
At 1 November 2015	0.8	0.2	3.2	4.2
Additions	—	0.1	0.7	0.8
Disposals	—	—	(0.5)	(0.5)
Exchange movements	—	0.1	0.1	0.2
At 31 October 2016	0.8	0.4	3.5	4.7
Accumulated depreciation				
At 1 November 2015	0.2	0.1	2.3	2.6
Charge for the year	—	0.1	0.3	0.4
Disposals	—	—	(0.4)	(0.4)
Exchange movements	—	—	0.1	0.1
At 31 October 2016	0.2	0.2	2.3	2.7
Net book value				
At 31 October 2016	0.6	0.2	1.2	2.0
At 31 October 2015	0.6	0.1	0.9	1.6

13. Net assets per share

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

	2017 £'m	2016 £'m
Analysis of net asset value:		
Net assets	**637.7**	587.4
Adjustments to exclude:		
Fair value of derivative financial instruments (net of deferred tax)	**(0.8)**	(17.7)
Deferred tax liabilities on the revaluation of investment properties	**51.8**	56.3
Adjusted net asset value	**688.7**	626.0
Basic net assets per share (pence)	**304**	282
EPRA basic net assets per share (pence)	**329**	300
Diluted net assets per share (pence)	**303**	280
EPRA diluted net assets per share (pence)	**327**	298

	Number	Number
Shares in issue	**209,466,956**	208,656,168

Basic net assets per share is shareholders' funds divided by the number of shares at the year end. Diluted net assets per share is shareholders' funds divided by the number of shares at the year end, adjusted for dilutive share options of 1,049,438 shares (FY2016: 1,480,168 shares). EPRA diluted net assets per share exclude 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 £688.7 million (FY2016: £626.0 million), giving EPRA net assets per share of 329 pence (FY2016: 300 pence). The Directors consider that these alternative measures provide useful information on the performance of the Group.

EPRA adjusted balance sheet (non-statutory)

	2017 £'m	2016 £'m
Assets		
Non-current assets	**1,066.3**	1,017.2
Current assets	**89.3**	28.6
Total assets	**1,155.6**	1,045.8
Liabilities		
Current liabilities	**(55.6)**	(53.8)
Non-current liabilities	**(411.3)**	(366.0)
Total liabilities	**(466.9)**	(419.8)
EPRA net asset value	**688.7**	626.0
EPRA net asset value per share	**329 pence**	300 pence

Notes to the financial statements *continued*

for the year ended 31 October 2017

14. Inventories

	2017 £'m	2016 £'m
Finished goods and goods held for resale	**0.3**	0.3
Less: provision for impairment of inventories	**(0.1)**	(0.1)
	0.2	0.2

The Group consumed £0.9 million (FY2016: £0.8 million) of inventories during the year. Inventory write downs were £nil for the financial year ended 31 October 2017 (FY2016: £nil). Inventories of £0.1 million (FY2016: £0.1 million) are carried at fair value less costs to sell. Provisions are made against slow-moving and obsolete stock lines where considered appropriate.

15. Trade and other receivables

	2017 £'m	2016 £'m
Current:		
Trade receivables	**13.4**	12.7
Less: provision for impairment of receivables	**(1.6)**	(1.5)
Trade receivables – net	**11.8**	11.2
Other receivables	**5.5**	5.8
Prepayments	**6.2**	6.0
	23.5	23.0

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

	2017 £'m	2016 £'m
Provisions for doubtful debts against trade receivables:		
At 1 November	**1.5**	1.1
Acquisition of subsidiary	**—**	0.1
Provision for receivables impairment	**0.9**	0.6
Receivables written off during the year as uncollectable	**(0.8)**	(0.3)
At 31 October	**1.6**	1.5

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

The provision for impairment of trade receivables is estimated by reference to the ageing of the receivable balance and historical experience. As at 31 October 2017, trade receivables of £3.5 million (FY2016: £3.2 million) were determined to be impaired. Provision for impairment of trade receivables is also made on a portfolio basis against trade receivables which are not individually determined to be impaired. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

As at 31 October 2017, trade receivables of £4.0 million (FY2016: £3.6 million) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default, some of whom benefit from an extension to normal terms. The ageing analysis of these trade receivables is as follows:

	2017 £'m	2016 £'m
Up to 28 days overdue	**3.5**	3.2
Up to 60 days overdue	**0.5**	0.4

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

15. Trade and other receivables *continued*

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

	2017 £'m	2016 £'m
Sterling	**17.2**	17.2
Euros	**6.3**	5.8
	23.5	23.0

Other receivables includes amounts in relation to VAT recoverable on qualifying expenditure in respect of the Capital Goods Scheme. As at 31 October 2017 the Group had a total discounted other receivable of £2.2 million (FY2016: £3.5 million). This is split £1.1 million as non-current assets and £1.1 million as current assets (FY2016: £2.1 million and £1.4 million respectively).

16. Cash and cash equivalents

	2017 £'m	2016 £'m
Cash at bank and in hand	**65.6**	5.4

As at 31 October 2017, the Group retained the beneficial interest of £56.0 million of cash which was held in a solicitor client account in advance of completion of the acquisition of Stork Self Storage (Holdings) Limited (trading as Alligator Self Storage) on 1 November 2017.

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

	2017 £'m	2016 £'m
Sterling	**61.3**	3.6
Euros	**4.3**	1.8
	65.6	5.4

17. Trade and other payables

	2017 £'m	2016 £'m
Current:		
Trade payables	**8.2**	7.3
Other taxes and social security payable	**3.6**	2.2
Other payables	**2.4**	2.7
Accruals	**14.9**	16.1
Deferred income	**13.0**	12.9
	42.1	41.2

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

	2017 £'m	2016 £'m
Sterling	**33.3**	32.1
Euros	**8.8**	9.1
	42.1	41.2

Notes to the financial statements *continued*

for the year ended 31 October 2017

18. Financial liabilities – bank borrowings and secured notes

Non-current	2017 £'m	2016 £'m
Bank loans and secured notes:		
Secured	**364.2**	317.5
Debt issue costs	**(0.6)**	(1.8)
	363.6	315.7

The Group's borrowings consist of bank facilities of £250 million and €70 million, which run to June 2022, and US private placement notes of €125 million, with maturities extending to 2024 and 2027, and £50.5 million, maturing in 2029. The blended cost of interest on the overall debt is 2.14% per annum.

The bank facilities attract a margin over LIBOR/EURIBOR. The margin ratchets between 1.25% and 2.50%, by reference to the Group's performance against its interest cover covenant. Approximately 62% of the drawn bank facilities have been hedged at an effective rate of 0.8145% (LIBOR) or 0.1635% (EURIBOR).

The Company also has in issue €50.9 million 1.59% Series A Senior Secured Notes due 2024, €74.1 million 2.00% Series B Senior Secured Notes due 2027 and £50.5 million 2.91% Series C Senior Secured Notes due 2029 (FY2016: $65.6 million 5.52% Series A Senior Secured Notes due 2019 and $47.3 million 6.29% Series B Senior Secured Notes due 2024). The €125.0 million of Euro-denominated borrowings provide a natural hedge against the Group's investment in the Paris business, 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 entered into several interest rate swap contracts, details of which are shown in note 19.

Bank loans and secured notes are stated before unamortised issue costs of £0.6 million (FY2016: £1.8 million).

Bank loans and secured notes are repayable as follows:

	Group	
	2017 £'m	2016 £'m
Between two and five years	**203.8**	278.7
After more than five years	**160.4**	38.8
Bank loans and secured notes	**364.2**	317.5
Unamortised debt issue costs	**(0.6)**	(1.8)
	363.6	315.7

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

	2017	2016
Bank loans (UK term loan)	**Quarterly or monthly LIBOR plus 1.25%**	Quarterly or monthly LIBOR plus 1.50%
Bank loans (Euro term loan)	**Quarterly EURIBOR plus 1.25%**	Quarterly or monthly EURIBOR plus 1.50%
Private placement notes (Euro)	**Weighted average rate of 1.83%**	n/a
Private placement notes (Sterling)	**2.92%**	n/a
Private placement notes (US Dollar)	**n/a**	Weighted average rate of 6.21%

In the prior year, the US Dollar private placement secured loan notes bore interest at 5.83% on $65.6 million and 6.7375% on $47.3 million, as a result of cross currency swap agreements.

18. Financial liabilities – bank borrowings and secured notes *continued*

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	
	2017 £'m	2016 £'m
Expiring beyond one year	**107.7**	89.2

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

	2017 £'m	2016 £'m
Sterling	**216.5**	187.0
Euro	**147.7**	37.8
US Dollar	**–**	92.7
	364.2	317.5

19. Financial instruments

Financial risk management

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

The principal financial risks facing the Group are described below.

Interest rate risk

The Group finances its operations through a mixture of retained profits, issued share capital and bank borrowings. The Group borrows in Sterling and Euros and, previously, US Dollars at floating rates and, where necessary, uses interest rate swaps to convert these to fixed rates to generate the preferred interest rate profile and to manage its exposure to interest rate fluctuations. A 1% change in interest rates would have a £0.8 million (FY2016: £1.0 million) impact on net interest. This sensitivity impact has been prepared by determining average floating interest rates and flexing these against average floating rate deposits and borrowings by major currency area over the course of the year.

Liquidity risk

The Group's policy on liquidity risk is to ensure that sufficient cash is available to fund ongoing operations without the need to carry significant net debt over the medium term. The Group's principal borrowing facilities are provided by a group of core relationship banks in the form of term loans and overdrafts. The quantum of committed borrowing facilities available to the Group is reviewed regularly and is designed to exceed forecast peak gross debt levels. Further details of the Group's borrowing facilities, including the repayment profile of existing borrowings and the amount of undrawn committed borrowing facilities, are set out in note 18.

Credit risk

Credit risk arises on financial instruments such as trade and other receivables and short term bank deposits. Policies and procedures exist to ensure that customers have an appropriate credit history and account customers are given credit limits that are monitored. Short term bank deposits are executed only with A-rated or above authorised counterparties based on ratings issued by the major rating agencies. Counterparty exposure positions are monitored regularly so that credit exposures to any one counterparty are within predetermined limits. Overall, the Group considers that it is not exposed to a significant amount of credit risk. The amount of trade receivables outstanding at the year end does not represent the maximum exposure to operational credit risk due to the normal patterns of supply and payment over the course of a year. Based on management information collected as at month ends the maximum level of net trade receivables at any one point during the year was £11.7 million (FY2016: £11.3 million).

Notes to the financial statements *continued*

for the year ended 31 October 2017

19. Financial instruments *continued*

Financial risk management *continued*

Foreign exchange risk

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

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

The Group holds Euro-denominated loan notes totalling €125 million and as such is exposed to foreign exchange risk on these notes. The foreign exchange risk relating to the notes provides a natural hedge against the Euro-denominated assets of its operations in France. As a result, the Group applies net investment hedging in respect of these loan notes, so the Group income statement is not exposed to exchange risk.

At 31 October 2017, if Sterling had weakened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been unchanged (FY2016: unchanged), as a result of foreign exchange gains and losses on translation of Euro-denominated receivables. Equity would have been £4.3 million higher (FY2016: £14.4 million higher), arising primarily on translation of Euro-denominated net assets held by subsidiary companies with a Euro functional currency.

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

Capital risk

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Being a REIT, the Group is required to distribute as a dividend a minimum of 90% of its property rental income to shareholders. This is factored into the Group's capital risk management.

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

The gearing ratios at 31 October 2017 and 2016 were as follows:

	2017 £'m	2016 £'m
Total borrowings (excluding derivatives)	**419.8**	374.6
Less: cash and cash equivalents (note 16)	**(65.6)**	(5.4)
Net debt	**354.2**	369.2
Total equity	**637.7**	587.4
Total capital	**991.9**	956.6
Gearing ratio	**36%**	39%

The Group considers that a loan-to-value ("LTV") ratio, defined as gross debt (excluding finance leases, but adjusted for the fair value of the US Dollar cross currency swaps) as a proportion of the valuation of investment properties and investment properties under construction (excluding finance leases), of between 30% and 40% represents an appropriate medium term capital structure objective. The Group's LTV ratio was 36% at 31 October 2017 (FY2016: 31%). On a pro forma basis, adjusting for cash held in a solicitor client account, the LTV ratio at 31 October 2017 would have been 31%, or by including the value of the Alligator stores at 31 October 2017, LTV would have been 34%.

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

19. Financial instruments *continued*

Financial instruments

Financial instruments disclosures are set out below:

	2017		2016	
	Asset £'m	Liability £'m	Asset £'m	Liability £'m
Interest rate swaps	**0.9**	**(0.2)**	0.1	(3.4)
Cross currency swaps	**—**	**—**	20.8	—
	0.9	**(0.2)**	20.9	(3.4)

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

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

The fair value of bank loans is calculated as:

	2017		2016	
	Book value £'m	Fair value £'m	Book value £'m	Fair value £'m
Bank loans	**363.6**	**364.7**	315.7	327.6

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	2017 £'m	2016 £'m
Derivative financial instruments – Level 2	**0.9**	20.9

Liabilities per the balance sheet	2017 £'m	2016 £'m
Derivative financial instruments – Level 2	**0.2**	3.4

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

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

Interest rate swaps not designated as part of a hedging arrangement

The notional principal amounts of the outstanding interest rate swap contracts at 31 October 2017 were £100 million and €30 million (FY2016: £100 million and €30 million). At 31 October 2017 the weighted average fixed interest rates were Sterling at 0.8145% and Euro at 0.1635% (FY2016: Sterling at 1.34% and Euro at 0.309%) and floating rates are at quarterly LIBOR and quarterly EURIBOR. The LIBOR swaps and the EURIBOR swaps expire in June 2022. The movement in fair value recognised in the income statement was a net gain of £1.3 million (FY2016: £2.4 million net loss).

Cross currency swaps not designated as part of a hedging arrangement

The Group had previously entered into cross currency swaps to mitigate the foreign exchange risk arising on future interest payments and the principal repayments arising from the $65.6 million and $47.3 million US Senior Secured Notes. These cross currency swaps commenced in May 2012 and were due to terminate in 2019 and 2024 in line with the maturity of the notes. When the loan notes were repaid early during the year, the cross currency swaps were also terminated, resulting in a £13.9 million receipt to the Group. The movement in fair value during the year recognised in the income statement was a net loss of £6.5 million (FY2016: £20.8 million net gain).

Notes to the financial statements *continued*
for the year ended 31 October 2017

19. Financial instruments *continued*

Financial instruments *continued*

Financial instruments by category

Assets per the balance sheet	Loans and receivables £'m	Assets at fair value through profit and loss £'m	Total £'m
Trade receivables and other receivables excluding prepayments	17.3	—	17.3
Derivative financial instruments	—	0.9	0.9
Cash and cash equivalents	65.6	—	65.6
As at 31 October 2017	**82.9**	**0.9**	**83.8**

Liabilities per the balance sheet	Liabilities at fair value through profit and loss £'m	Other financial liabilities at amortised cost £'m	Total £'m
Borrowings (excluding finance lease liabilities)	—	363.6	363.6
Finance lease liabilities	—	56.2	56.2
Derivative financial instruments	0.2	—	0.2
Payables and accruals	—	29.1	29.1
As at 31 October 2017	**0.2**	**448.9**	**449.1**

Assets per the balance sheet	Loans and receivables £'m	Assets at fair value through profit and loss £'m	Total £'m
Trade receivables and other receivables excluding prepayments	17.0	—	17.0
Derivative financial instruments	—	20.9	20.9
Cash and cash equivalents	5.4	—	5.4
As at 31 October 2016	22.4	20.9	43.3

Liabilities per the balance sheet	Liabilities at fair value through profit and loss £'m	Other financial liabilities at amortised cost £'m	Total £'m
Borrowings (excluding finance lease liabilities)	—	315.7	315.7
Finance lease liabilities	—	58.9	58.9
Derivative financial instruments	3.4	—	3.4
Payables and accruals	—	28.3	28.3
As at 31 October 2016	3.4	402.9	406.3

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

	2017			2016		
	Floating rate £'m	**Fixed rate £'m**	**Total £'m**	Floating rate £'m	Fixed rate £'m	Total £'m
Borrowings	**76.8**	**286.8**	**363.6**	96.0	219.7	315.7

The weighted average interest rate of the fixed rate financial borrowing was 1.90% (FY2016: 3.91%) and the weighted average remaining period for which the rate is fixed was seven years (FY2016: four years).

19. Financial instruments *continued*

Financial instruments *continued*

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
2017				
Borrowings	**7.2**	**7.2**	**225.3**	**179.6**
Derivative financial instruments	**1.2**	**1.2**	**3.2**	**—**
Contractual interest payments and finance lease charges	**9.5**	**8.7**	**23.1**	**48.8**
Payables and accruals	**29.1**	**—**	**—**	**—**
	47.0	**17.1**	**251.6**	**228.4**
2016				
Borrowings	9.7	9.7	296.7	46.1
Derivative financial instruments	5.6	5.6	10.5	6.0
Contractual interest payments and finance lease charges	9.8	9.4	23.5	51.3
Payables and accruals	28.3	—	—	—
	53.4	24.7	330.7	103.4

20. Obligations under finance leases

The Group leases certain of its investment properties under finance leases. The average remaining lease term is 11.1 years (FY2016: 11.5 years).

	Minimum lease payments		Present value of minimum lease payments	
	2017 £'m	2016 £'m	**2017 £'m**	2016 £'m
Within one year	**9.5**	9.8	**9.0**	9.4
Within two to five years	**31.8**	32.9	**25.3**	26.2
Greater than five years	**48.8**	51.3	**21.9**	23.3
	90.1	94.0	**56.2**	58.9
Less: future finance charges on finance leases	**(33.9)**	(35.1)	**—**	—
Present value of finance lease obligations	**56.2**	58.9	**56.2**	58.9

	2017 £'m	2016 £'m
Current	**9.0**	9.4
Non-current	**47.2**	49.5
	56.2	58.9

21. Deferred income tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 18% (FY2016: 20%) for the UK and 28.0% (FY2016: 33.3%) for France. The movement on the deferred tax account was as shown below.

	Note	**2017 £'m**	2016 £'m
At 1 November		**56.9**	41.8
(Credit)/charge to income statement	8	**(3.4)**	3.8
Exchange differences		**(1.3)**	11.3
At 31 October		**52.2**	56.9

Notes to the financial statements *continued*

for the year ended 31 October 2017

21. Deferred income tax *continued*

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below.

Deferred tax liability	Revaluation of investment properties £'m	Other timing differences £'m	Total £'m
At 1 November 2015	41.2	0.7	41.9
Charge/(credit) to income statement	4.0	(0.1)	3.9
Exchange differences	11.1	0.2	11.3
At 31 October 2016	56.3	0.8	57.1
At 1 November 2016	56.3	0.8	57.1
Credit to income statement	(3.2)	(0.3)	(3.5)
Exchange differences	(1.3)	—	(1.3)
At 31 October 2017	**51.8**	**0.5**	**52.3**

Deferred tax asset	Interest swap £'m	Total £'m
At 1 November 2015	0.1	0.1
Credit to income statement	0.1	0.1
At 31 October 2016	0.2	0.2
At 1 November 2016	0.2	0.2
Charge to income statement	(0.1)	(0.1)
At 31 October 2017	**0.1**	**0.1**

The deferred tax liability due after more than one year is £52.3 million (FY2016: £57.1 million).

As at 31 October 2017, the Group had trading losses of £14.2 million (FY2016: £8.9 million) and capital losses of £36.4 million (FY2016: £36.4 million) in respect of its UK operations. All losses can be carried forward indefinitely. No deferred tax asset has been recognised in respect of these losses.

22. Called up share capital

	2017 £'m	2016 £'m
Called up, allotted and fully paid		
209,483,219 (FY2016: 208,689,628) ordinary shares of 1 pence each	**2.1**	2.1

Ordinary shares

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

During the year the Company issued 793,591 ordinary shares (FY2016: 1,005,992 ordinary shares).

Under the authority granted by shareholders in March 2010, the Company no longer has an authorised share capital.

Safestore Holdings plc Sharesave scheme

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

		Grant date 24 October 2017	
		(UK three years)	(UK five years)
Number of options granted		281,437	63,496
Share price at grant date	(pence)	449.8	449.8
Exercise price	(pence)	352.8	352.8
Risk-free rate of interest	(% per annum)	0.55	0.80
Expected volatility	(% per annum)	27.5	28.7
Expected dividend yield	(% per annum)	2.72	2.72
Expected term to exercise	(years)	3.0	5.0
Value per option	(pence)	110	121

22. Called up share capital *continued*

Safestore Long Term Incentive Plan

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

		Grant date September/October 2017	
		(PBT-EPS part)	(TSR part)
Number of options granted		4,198,667	2,099,333
Share price at grant date	(pence)	437	437
Exercise price	(pence)	—	—
Risk-free rate of interest	(% per annum)	n/a	0.78
Expected volatility	(% per annum)	n/a	28.9
Expected term to exercise	(years)	5	5
Weighted average value per option	(pence)	431	272

Details of the awards outstanding under all of the Group's share schemes are set out below:

Date of grant	At 31 October 2016	Granted	Exercised	Lapsed	**At 31 October 2017**	Exercise price	Expiry date
Safestore Holdings plc Sharesave scheme							
26/08/2014	202,149	—	(181,591)	(2,560)	**17,998**	164.0p	01/03/2018
26/08/2014	62,075	—	—	—	**62,075**	164.0p	01/03/2020
24/10/2017	—	281,437	—	—	**281,437**	352.8p	01/05/2021
24/10/2017	—	63,496	—	—	**63,496**	352.8p	01/05/2023
Total	264,224	344,933	(181,591)	(2,560)	**425,006**		
Safestore 2009 Performance Share Plan							
06/02/2013	29,304	—	(29,304)	—	**—**	0.0p	06/02/2017
04/02/2014	576,399	—	(574,916)	—	**1,483**	0.0p	04/02/2018
28/01/2015	489,529	—	—	(8,628)	**480,901**	0.0p	28/01/2019
14/03/2016	389,280	—	—	(22,399)	**366,881**	0.0p	14/03/2020
Total	1,484,512	—	(604,220)	(31,027)	**849,265**		
Safestore Long Term Incentive Plan							
29/09/2017	—	6,148,000	—	—	**6,148,000**	0.0p	28/09/2027
09/10/2017	—	150,000	—	—	**150,000**	0.0p	28/09/2027
Total	—	6,298,000	—	—	**6,298,000**		

In addition, amounts totalling £153,000 (FY2016: £nil) in respect of bonuses awarded to Executive Directors for the year ended 31 October 2017 will be deferred into shares which will vest at the end of two years following the financial year in which the bonus is earned. The grant date is the start of the financial year in which the performance stage is assessed, which is one year before the shares are awarded. The shares are expected to be awarded in January 2018.

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

The weighted average exercise price of outstanding options under the Sharesave scheme is 317 pence (FY2016: 164 pence).

Participants exercising Performance Share Plan awards during the year also received a further 24,977 shares in respect of dividends accrued during the vesting period.

Own shares

Included within retained earnings are ordinary shares with a nominal value of £163 (FY2016: £335) that represent shares allotted to the Safestore Employee Benefit Trust in satisfaction of awards under the Group's Long Term Incentive Plan and which remain unvested.

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23. Cash flow from operating activities

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

Cash generated from continuing operations	Notes	2017 £'m	2016 £'m
Profit before income tax		78.9	94.9
Gain on investment properties	11	(39.2)	(41.7)
Negative goodwill on acquisition of subsidiary		—	(5.6)
Depreciation	12	0.5	0.4
Net finance expense	7	30.7	14.4
Employee share options		1.2	1.2
Changes in working capital:			
Increase in trade and other receivables		(1.0)	(0.3)
Increase/(decrease) in trade and other payables		1.9	(1.4)
Cash generated from continuing operations		73.0	61.9

24. Analysis of movement in net debt

	2016 £'m	Cash flows £'m	Non-cash movements £'m	2017 £'m
Cash in hand	5.4	60.4	(0.2)	65.6
Debt due after one year	(315.7)	(38.9)	(9.0)	(363.6)
Total net debt excluding finance leases	(310.3)	21.5	(9.2)	(298.0)
Finance leases due within one year	(9.4)	5.3	(4.9)	(9.0)
Finance leases due after one year	(49.5)	—	2.3	(47.2)
Total finance leases	(58.9)	5.3	(2.6)	(56.2)
Total net debt	(369.2)	26.8	(11.8)	(354.2)

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

25. Employees and Directors

Staff costs (including Directors) for the Group during the year	2017 £'m	2016 £'m
Wages and salaries	17.7	15.9
Social security costs	2.8	2.7
Other pension costs	0.3	0.2
Share-based payments	1.2	1.2
	22.0	20.0

During the period ended 31 October 2017 the Company's equity-settled share-based payment arrangements comprised the Safestore Holdings plc Sharesave scheme, the Safestore 2009 Performance Share Plan and the Safestore Long Term Incentive Plan. The number of awards made under each scheme is detailed in note 22. No options have been modified since grant under any of the schemes.

25. Employees and Directors *continued*

Average monthly number of people (including Executive Directors) employed	2017 Number	2016 Number
Sales	**512**	475
Administration	**75**	70
	587	545

Key management compensation	2017 £'m	2016 £'m
Wages and salaries	**3.0**	2.9
Social security costs	**1.4**	1.1
Post-employment benefits	**0.2**	0.1
Share-based payments	**1.2**	1.2
	5.8	5.3

The key management figures given above include Directors.

Directors	2017 £'m	2016 £'m
Aggregate emoluments	**3.1**	2.7
Company contributions paid to money purchase pension schemes	**0.1**	0.1
	3.2	2.8

There were two Directors (FY2016: two) accruing benefits under a money purchase scheme.

26. Contingent liabilities

As part of the Group banking facility, the Company has guaranteed the borrowings totalling £364.2 million (FY2016: £317.5 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.

Following a tax audit carried out on the Group's operations in Paris, elements of tax were challenged by the French Tax Administration ("FTA") for financial years 2011 to 2013. Similar challenges from the FTA have also been made to other operators within the self-storage industry. The Company and its legal advisers are of the opinion that there are no valid grounds for these challenges and intend to strongly contest the findings of the FTA. The duration and outcome of this dispute cannot be anticipated at this stage of the proceedings. Based on our analysis of the relevant information, any potential exposure in relation to the tax audit issues is not likely to be material, and no provision for any potential exposure has been recorded in the consolidated financial statements. Bank guarantees to cover any potential additional tax assessment will be put in place during the coming financial year.

27. Capital commitments

The Group had £61.6 million of capital commitments as at 31 October 2017 (FY2016: £1.7 million), including £56.0 million consideration for the acquisition of Stork Self Storage Holdings Limited ("SSSHL"), which completed after the year end on 1 November 2017. Further details are set out in note 30.

28. Related party transactions

The Group's shares are widely held.

During the year £nil (FY2016: £nil) transactions were carried out with related parties.

Notes to the financial statements *continued*

for the year ended 31 October 2017

29. Parent company

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

30. Post balance sheet events

Following the year end, on 1 November 2017 the Group completed the acquisition of Stork Self Storage Holdings Limited ("SSSHL") trading as Alligator Self Storage, a company controlled by funds managed or advised by York Capital Management, for an initial consideration of £56.0 million (subject to working capital adjustments). The estimated consideration paid is greater than the provisional fair value of the identifiable net assets and, as a result an estimated £0.9 million of goodwill is expected to be recognised within the consolidated balance sheet for the year ended 31 October 2018. In respect of this transaction, £1.4 million of transaction related costs are reported as an exceptional item within administrative expenses for the year ended 31 October 2017.

Due to the timing of the acquisition, the determination of the fair values of the net assets acquired is provisional and will be subject to further review during the twelve months following the acquisition date. The transaction will be reported in the Group's 2018 financial statements. The provisional fair values of the net assets acquired and the fair value of the consideration paid and expected to be paid are as follows:

	£'m
Assets	
Investment properties	55.9
Interests in leasehold properties	1.4
Trade and other receivables	1.0
Cash	1.7
Total assets	**60.0**
Liabilities	
Trade and other payables	(1.9)
Obligations under finance leases	(1.4)
Total liabilities	**(3.3)**
Net assets	**56.7**
Fair value of initial consideration paid on 1 November 2017	56.0
Estimated additional consideration to be paid	1.6
Estimated total consideration	57.6
Fair value of net assets	(56.7)
Goodwill on acquisition of subsidiary	**0.9**

Company balance sheet
as at 31 October 2017

	Notes	Company 2017 £'m	Company 2016 £'m
Fixed assets			
Tangible assets	5	**–**	–
Investments in subsidiaries	6	**1.0**	1.0
Total fixed assets		**1.0**	1.0
Current assets			
Debtors: amounts falling due after more than one year	7	**302.1**	234.8
Cash and cash equivalents		**–**	0.4
Total current assets		**302.1**	235.2
Total assets		**303.1**	236.2
Creditors: amounts falling due within one year	8	**(18.2)**	(16.4)
Total assets less current liabilities		**284.9**	219.8
Creditors: amounts falling due after more than one year	9	**(160.4)**	(92.3)
Net assets		**124.5**	127.5
Capital and reserves			
Called up share capital	10	**2.1**	2.1
Share premium account		**60.4**	60.1
Profit and loss account		**62.0**	65.3
Total shareholders' funds		**124.5**	127.5

The Company's profit for the financial year amounted to £21.1 million (FY2016: £57.5 million).

The Company financial statements on pages 105 to 109 were approved by the Board of Directors on 8 January 2018 and signed on its behalf by:

A Jones
Chief Financial Officer

F Vecchioli
Chief Executive Officer

Company registration number: 4726380

Company statement of changes in equity

for the year ended 31 October 2017

	Company			
	Share capital £'m	Share premium £'m	Retained earnings £'m	Total £'m
Balance at 1 November 2015	2.1	60.0	27.9	90.0
Comprehensive income				
Profit for the year	—	—	57.5	57.5
Total comprehensive income	—	—	57.5	57.5
Transactions with owners				
Dividends	—	—	(21.3)	(21.3)
Increase in share capital	—	0.1	—	0.1
Employee share options	—	—	1.2	1.2
Transactions with owners	—	0.1	(20.1)	(20.0)
Balance at 1 November 2016	2.1	60.1	65.3	127.5
Comprehensive income				
Profit for the year	—	—	21.1	21.1
Total comprehensive income	—	—	21.1	21.1
Transactions with owners				
Dividends	—	—	(25.6)	(25.6)
Increase in share capital	—	0.3	—	0.3
Employee share options	—	—	1.2	1.2
Transactions with owners	—	0.3	(24.4)	(24.1)
Balance at 31 October 2017	**2.1**	**60.4**	**62.0**	**124.5**

For details of the dividend paid in the year see note 9 in the Group financial statements.

Notes to the Company financial statements

for the year ended 31 October 2017

1. Accounting policies and basis of preparation

The Company financial statements are prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). In preparing these financial statements the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards ("IFRS") as adopted by the European Union, but makes amendments where necessary in order to comply with the Companies Act 2006 and sets out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

— a cash flow statement and related notes;

— comparative period reconciliations for tangible fixed assets;

— disclosures in respect of transactions with wholly owned subsidiaries;

— disclosures in respect of capital management;

— the effects of new but not yet effective IFRSs;

— IFRS 2 'Share-based Payment' in respect of Group-settled share-based payments; and

— certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures'.

The above disclosure exemptions are permitted because equivalent disclosures are included in the Group consolidated financial statements.

The financial statements are prepared on a going concern basis under the historical cost convention. The Company's principal accounting policies are the same as those applied in the Group financial statements, except as described below:

Investments

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

2. Results of parent company

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account as part of these financial statements. The Company's profit for the financial year amounted to £21.1 million (FY2016: £57.5 million).

3. Directors' emoluments

The Directors' emoluments are disclosed in note 25 of the Annual Report and Financial Statements of the Group.

4. Operating profit

The Company does not have any employees (FY2016: none). Details of the Company's share-based payments are set out in note 22 to the Group financial statements.

Auditor's remuneration for the year ended 31 October 2017 was £10,000 (FY2016: £10,000). There were no non-audit services (FY2016: none) provided by the auditor.

Notes to the Company financial statements *continued*

for the year ended 31 October 2017

5. Tangible assets – fixtures and fittings

	£'m
Cost	
As at 1 November 2016 and at 31 October 2017	0.2
Accumulated depreciation	
As at 1 November 2016	0.2
Charge for the year	–
At 31 October 2017	**0.2**
Net book value	
At 31 October 2017	**–**
At 31 October 2016	–

6. Investments in subsidiaries

	£'m
Cost and net book value	
At 1 November 2016 and 31 October 2017	1.0

Investments in subsidiaries are stated at cost. A list of interests in subsidiary undertakings is given below. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Interests in subsidiary undertakings

The entities listed below are subsidiaries of the Company or the Group. The Group percentage of equity capital and voting rights is 100% for all subsidiaries listed. The results of all of the subsidiaries have been consolidated within these financial statements. The registered address of each subsidiary is Brittanic House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT, except where indicated below by a footnote.

Subsidiary	Country of incorporation	Principal activity
Safestore Investments Limited[1]	England and Wales	Holding company
Access Storage Holdings (France) S.à r.l.	Luxembourg[2]	Holding company
Assay Insurance Services Limited	Guernsey[3]	Insurance services
Compagnie de Libre Entreposage France SAS	France[4]	Holding company
Crown Self Storage (Exeter) Limited	England and Wales	Provision of self-storage
Crown Self Storage (Plymouth) Limited	England and Wales	Provision of self-storage
Mentmore Limited	England and Wales	Holding company
R & M Hampson Limited	England and Wales	Provision of self-storage
Safestore Acquisition Limited	England and Wales	Holding company
Safestore Group Limited	England and Wales	Holding company
Safestore Limited	England and Wales	Provision of self-storage
Safestore Properties Limited	England and Wales	Provision of self-storage
Safestore Trading Limited	England and Wales	Non-trading
Space Maker Properties Limited	Cayman Islands[5]	Provision of self-storage
Space Maker Stores Limited	England and Wales	Holding company
Space Maker Trading Limited	England and Wales	Provision of self-storage
Spaces Personal Storage Limited	England and Wales	Provision of self-storage
Une Pièce en Plus SAS	France[4]	Provision of self-storage

Notes

1 Held directly by the Company.

2 Registered address: 412F, route d'Esch, L-2086 Luxembourg.

3 UK tax resident; registered address: St Martin's House, Le Bordage, St Peter Port, Guernsey.

4 Registered address: 1, rue François Jacob, 92500 Rueil Malmaison, France.

5 Registered address: 2nd Floor, The Grand Pavilion Commercial Centre, 802 West Bay Road, Grand Cayman KY1-1003, Cayman Islands.

7. Debtors

	2017 £'m	2016 £'m
Amounts owed by Group undertakings	**302.1**	234.8
Debtors due after more than one year	**302.1**	234.8

Amounts owed by Group undertakings are unsecured and repayable on demand; however, the Directors consider it unlikely that repayment will arise in the short term and it is for this reason that the amounts are shown as falling due after one year.

Interest is charged to Group undertakings on amounts totalling £160.4 million (FY2016: £92.7 million). The remaining amounts owed by Group undertakings are interest free.

8. Creditors: amounts falling due within one year

	2017 £'m	2016 £'m
Trade creditors	**0.1**	—
Amounts owed to Group undertakings	**15.4**	14.5
Accruals and deferred income	**2.7**	1.9
Creditors due within one year	**18.2**	16.4

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

9. Creditors: amounts falling due after more than one year

	2017 £'m	2016 £'m
Secured loan notes	**160.4**	92.7
Debt issue costs	**—**	(0.4)
Creditors due after more than one year	**160.4**	92.3

The secured loan notes are €50.9 million 1.59% Series A Senior Secured Notes due 2024, €74.1 million 2.00% Series B Senior Secured Notes due 2027 and £50.5 million 2.92% Series C Senior Secured Notes due 2029 (FY2016: $65.6 million 5.52% Series A Senior Secured Notes due 2019 and $47.3 million 6.29% Series B Senior Secured Notes due 2024).

10. Called up share capital

	2017 £'m	2016 £'m
Called up, allotted and fully paid		
209,483,219 (FY2016: 208,689,628) ordinary shares of 1 pence	**2.1**	2.1

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

For details of share options see note 22 in the Group financial statements.

11. Contingent liabilities

For details of contingent liabilities see note 26 in the Group financial statements.

Notice of Annual General Meeting

This document is important and requires your immediate attention. If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from a stockbroker, bank manager, solicitor, accountant or other independent professional adviser duly authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your ordinary shares in Safestore Holdings plc, please pass this document together with any accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the purchaser or transferee who now holds the shares.

Safestore Holdings plc

("the Company")

(Incorporated in England and Wales under the Companies Act 1985 with registered number 04726380)

Notice of the Annual General Meeting of the Company to be held at the offices of the Company, Brittanic House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT on 21 March 2018 at 12.00 noon ("the Meeting") is set out on pages 111 to 116 of this document.

A proxy form for use at the Meeting accompanies this document. Whether or not you propose to attend the Meeting, please complete and submit the proxy form in accordance with the instructions printed on it. The proxy form must be deposited at the offices of the Registrar of the Company, Link Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Alternatively, you can appoint a proxy electronically at www.signalshares.com or, if you hold your shares in CREST, you may appoint a proxy via the CREST electronic proxy appointment service. Notice of your appointment of a proxy should reach Link Asset Services by no later than 12.00 noon on 19 March 2018.

The voting results will be announced as soon as practicable after the Meeting and will appear on the Company's website at www.safestore.com.

All times shown in this document are London times unless otherwise indicated.

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING ("the Meeting") of Safestore Holdings plc ("the Company") will be held at Brittanic House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT on 21 March 2018 at 12.00 noon for the following purposes:

To consider and, if thought fit, pass the following resolutions, of which numbers 1 to 14 will be proposed as ordinary resolutions and numbers 15 to 17 will be proposed as special resolutions:

Ordinary resolutions

1. To receive the Company's annual accounts for the financial year ended 31 October 2017, together with the Directors' report and the auditor's report on those accounts and on the auditable part of the Directors' remuneration report.
2. To approve the Directors' remuneration report (other than the part containing the Directors' remuneration policy) for the financial year ended 31 October 2017.
3. To re-appoint Deloitte LLP as auditor to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company at which accounts are laid.
4. To authorise the Directors to determine the auditor's remuneration.
5. To declare a final dividend for the year ended 31 October 2017 of 9.8 pence per ordinary share payable to shareholders on the register at the close of business on 9 March 2018.
6. To re-elect Alan Lewis as a Director of the Company.
7. To re-elect Frederic Vecchioli as a Director of the Company.
8. To re-elect Andy Jones as a Director of the Company.
9. To re-elect Ian Krieger as a Director of the Company.
10. To re-elect Joanne Kenrick as a Director of the Company.
11. To re-elect Claire Balmforth as a Director of the Company.
12. To re-elect Bill Oliver as a Director of the Company.
13. To authorise the Company and all companies that are its subsidiaries at any time during the period for which this resolution has effect for the purposes of Part 14 of the Companies Act 2006 ("the Act") to:

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

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

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

    during the period beginning with the date of the passing of this resolution and ending at the conclusion of the Annual General Meeting of the Company to be held in 2019 or, if earlier, at close of business on 30 April 2019, provided that the maximum amounts referred to in (a), (b) and (c) may comprise sums in different currencies which shall be converted at such rate as the Board may in its absolute discretion determine to be appropriate.
14. THAT for the purposes of Section 551 of the Companies Act 2006 ("the Act") and so that expressions used in this resolution shall bear the same meanings as in the said Section 551)

    14.1 the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares and to grant such subscription and conversion rights as are contemplated by Sections 551(1)(a) and (b) of the Act respectively up to a maximum nominal amount of £698,317 to such persons and at such times and on such terms as they think proper during the period expiring at the end of the Annual General Meeting of the Company to be held in 2019 or, if earlier, at close of business on 30 April 2019 (unless previously revoked or varied by the Company in general meeting);

    14.2 the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot equity securities (as defined in Section 560 of the Act) in connection with a rights issue in favour of the holders of equity securities and any other persons entitled to participate in such issue where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by them up to an aggregate nominal amount of £698,317 during the period expiring at the end of the Annual General Meeting of the Company to be held in 2019 or, if earlier, at close of business on 30 April 2019, subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and

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

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

Notice of Annual General Meeting *continued*

Special resolutions

15. THAT, subject to the passing of resolution 14 set out in the Notice convening this Meeting, the Directors be and are empowered in accordance with Section 570 of the Companies Act 2006 ("the Act") to allot equity securities (as defined in Section 560 of the Act) for cash, pursuant to the authority conferred on them to allot such shares or grant such rights by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if Section 561(1) and subsections (1) – (6) of Section 562 of the Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to:

    15.1 the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities (but in the case of the authority granted under resolution 14.2 by way of a rights issue only) and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by or deemed to be held by them on the record date of such allotment, subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and

    15.2 the allotment (otherwise than pursuant to resolution 15.1 above) of equity securities or sale of treasury shares up to an aggregate nominal value not exceeding £104,747,

    and this power, unless renewed, shall expire at the end of the Annual General Meeting of the Company to be held in 2019 or, if earlier, at close of business on 30 April 2019, but shall extend to the making, before such expiry, of an offer or agreement which would or might require equity securities to be allotted (and treasury shares to be sold) after such expiry and the Directors may allot equity securities (and sell treasury shares) in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

16. THAT the Company be and is hereby generally and unconditionally authorised for the purpose of Section 701 of the Companies Act 2006 ("the Act") to make market purchases (as defined in Section 693 of the Act) of ordinary shares of 1 pence each in the capital of the Company ("Ordinary Shares") provided that:

    16.1 the maximum number of Ordinary Shares hereby authorised to be purchased is 20,949,529;

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

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

    16.4 the authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the end of the Annual General Meeting of the Company to be held in 2019 or close of business on 30 April 2019; and

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

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

By order of the Board

Andy Jones
Director
Registered office:
Brittanic House
Stirling Way
Borehamwood
Hertfordshire WD6 2BT
Dated: 8 February 2018

Notes to Notice

(i) A member entitled to attend and vote at the Meeting convened by the above notice ("the Notice") is entitled to appoint a proxy to exercise all or any of the rights of the member to attend and speak and vote on his or her behalf. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. The right to appoint a proxy does not apply to any person to whom this Notice is sent who is a person nominated under Section 146 of the Companies Act 2006 ("the Act") to enjoy information rights ("a Nominated Person").

(ii) To appoint a proxy you may:

(a) use the proxy form enclosed with this Notice. To be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be received by post or (during normal business hours only) by hand at Link Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, in each case no later than 12.00 noon on 19 March 2018 or not later than 48 hours before the time fixed for any adjourned meeting (as an alternative you may appoint a proxy electronically at www.signalshares.com); or

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

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

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

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

(iv) Pursuant to Section 360B of the Act and Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only shareholders registered in the register of members of the Company as at close of business on 19 March 2018 shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at such time. If the Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned Meeting is close of business on the day preceding the date fixed for the adjourned Meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

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

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

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

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

Notice of Annual General Meeting *continued*

Notes to Notice *continued*

(ix) Copies of the terms and conditions of appointment of the Non-Executive Directors are available for inspection at the registered office of the Company, Brittanic House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT, during usual business hours on any weekday (public holidays excluded) from the date of this Notice until the conclusion of the Meeting and will be available for inspection at the place of the Meeting for at least 15 minutes prior to and during the Meeting.

(x) As at 1 February 2018 (being the latest practicable date prior to the publication of this Notice) the Company's issued share capital consisted of 209,495,291 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 1 February 2018 were 209,495,291.

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

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

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

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

Explanatory notes to resolutions

Resolutions 6–12 – Re-election of Alan Lewis, Frederic Vecchioli, Andy Jones, Ian Krieger, Joanne Kenrick, Bill Oliver and Claire Balmforth as Directors (ordinary resolutions)

Under the Company's Articles of Association, one-third of the Directors are to retire from office and offer themselves for re-election. For the sake of good corporate governance as a FTSE 350 company, it has been decided that the entire Board (and not just one-third of the Board) will be put up for re-election and, therefore, all the Directors will stand for re-election to the Board.

Following the annual Board performance reviews of individual Directors, the Chairman considers that each Director continues to operate as an effective and committed member of the Board and that they have the skills, knowledge and experience to enable them to discharge their duties properly and contribute to the effective operation of the Board.

Brief biographies of the Directors are set out on pages 34 and 35 of the Company's Annual Report and Financial Statements for the year ended 31 October 2017.

Resolutions 6–12 (inclusive) propose the re-election of Directors, each of which will take effect at the conclusion of the Meeting.

Resolution 13 – Political donations and political expenditure (ordinary resolution)

Resolution 13 seeks to renew the authority granted at last year's Annual General Meeting for the Company to make political donations to political parties, to other political organisations and to independent election candidates or to incur political expenditure.

It is not the policy of the Company or its subsidiaries to make political donations of this type and the Directors have no intention of changing that policy. However, as a result of the wide definitions in the Companies Act 2006 ("the Act") of matters constituting political donations, normal expenditure (such as expenditure on organisations concerned with matters of public policy, law reform and representation of the business community) and business activities (such as communicating with the government and political parties at local, national and European level) might be construed as political expenditure or as a donation to a political party or other political organisation and fall within the restrictions of the Act.

This resolution does not purport to authorise any particular donation or expenditure but is expressed in general terms as required by the Act and is intended to authorise normal donations and expenditure. If passed, resolution 13 would allow the Company and its subsidiaries:

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

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

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

during the period up to the conclusion of the end of the Annual General Meeting of the Company to be held in 2019 or, if earlier, at close of business on 30 April 2019, whilst avoiding inadvertent infringement of the statute. Any political donation made or political expenditure incurred which is in excess of £2,000 will be disclosed in the Company's Annual Report for next year, as required by the Act. The authority will not be used to make political donations within the normal meaning of that expression.

Resolution 13 replaces a similar authority put in place at the Annual General Meeting held on 22 March 2017. No payments were made under this authority.

Resolution 14 – Directors' authority to allot shares or grant subscription or conversion rights (ordinary resolution)

The resolution asks shareholders to grant the Directors authority under Section 551 of the Act to allot shares or grant such subscription or conversion rights as are contemplated by Sections 551(1)(a) and (b) respectively of the Act up to a maximum aggregate nominal value of £1,396,634, being approximately two-thirds of the nominal value of the issued ordinary share capital of the Company as at 1 February 2018. As at 1 February 2018, the Company did not hold any treasury shares. £698,317 of this authority is reserved for a fully pre-emptive rights issue. This is the maximum permitted amount under best practice corporate governance guidelines. The Directors consider it important to have the maximum ability and flexibility commensurate with good corporate governance guidelines to raise finance to enable the Company to respond to market developments and conditions. The Directors have no present intention of exercising such authority. The authority will expire at the end of the Annual General Meeting of the Company to be held in 2019 or, if earlier, at close of business on 30 April 2019. The resolution replaces a similar resolution passed at the Annual General Meeting of the Company held on 22 March 2017.

Resolution 15 – Disapplication of pre-emption rights (special resolution)

If the Directors wish to allot new shares or other equity securities for cash, the Act requires that such shares or other equity securities are offered first to existing shareholders in proportion to their existing holding. Resolution 15 asks shareholders to grant the Directors authority to allot shares (or sell any shares which the Company holds in treasury following a purchase of its own shares) for cash up to an aggregate nominal value of £104,747 (being 5% of the Company's issued ordinary share capital as at 1 February 2018) without first offering the securities to existing shareholders. The Directors confirm that equity securities in excess of 7.5% of the Company's issued ordinary share capital will not be issued for cash on a non-pre-emptive basis over a rolling three-year period without suitable advance consultation with shareholders. The resolution also disapplies the statutory pre-emption provisions in connection with a rights issue and allows the Directors, in the case of a rights issue, to make appropriate arrangements in relation to treasury shares, fractional entitlements or other legal or practical problems which might arise.

The authority will expire at the end of the Annual General Meeting of the Company to be held in 2019 or, if earlier, at close of business on 30 April 2019. The resolution replaces a similar resolution passed at the Annual General Meeting of the Company held on 22 March 2017.

Notice of Annual General Meeting *continued*

Explanatory notes to resolutions *continued*

Resolution 16 – Purchase of own shares by the Company (special resolution)

Resolution 16 to be proposed at the Meeting seeks authority from shareholders for the Company to make market purchases of its own ordinary shares of 1 pence each ("Ordinary Shares"), such authority being limited to the purchase of 10% of the Ordinary Shares in issue as at 1 February 2018. The maximum price payable for the purchase by the Company of its own Ordinary Shares will be limited to the higher of 5% above the average of the middle market quotations of the Ordinary Shares, as derived from The Daily Official List of the London Stock Exchange, for the five business days prior to the purchase and the higher of the price of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share as derived from the London Stock Exchange Trading System. The minimum price payable by the Company for the purchase of its own Ordinary Shares will be 1 pence per Ordinary Share (being the amount equal to the nominal value of an Ordinary Share). The authority to purchase the Company's own Ordinary Shares will only be exercised if the Directors consider that there is likely to be a beneficial impact on earnings per Ordinary Share and that it is in the best interests of the Company at the time. The authority will expire at the earlier of the end of the Annual General Meeting of the Company to be held in 2019 or close of business on 30 April 2019. The resolution renews a similar resolution passed at the Annual General Meeting of the Company held on 22 March 2017. The Company will be able to hold the Ordinary Shares which have been repurchased as treasury shares and re-sell them for cash, cancel them or use them in connection with certain of its share schemes.

Options to subscribe for up to 7,594,385 Ordinary Shares have been granted and are outstanding as at 1 February 2018 (being the latest practicable date prior to publication of this document) representing 3.6% of the issued Ordinary Share capital at that date (excluding shares held in treasury). If the Directors were to exercise in full the power for which they are seeking authority under resolution 16, the options outstanding as at 1 February 2018 would represent 4.0% of the Ordinary Share capital (excluding shares held in treasury) in issue following such exercise.

Resolution 17 – Calling of general meetings (special resolution)

Resolution 17 to be proposed at the Meeting seeks authority from shareholders to hold general meetings (other than Annual General Meetings) on 14 days' clear notice. This is permissible under the existing Articles of Association of the Company and the Act. However, pursuant to the EU Shareholders' Rights Directive, the Company must offer the facility, accessible to all shareholders, to vote by electronic means and must obtain specific shareholder approval annually in order to retain this ability. The Directors believe that there may be circumstances in which it will be important for the Company to be able to call meetings at such short notice. The shorter notice would not be used as a matter of course, but only where it is merited by the business of the Meeting and is thought to be to the advantage of shareholders as a whole. Accordingly, the Directors believe that it is important for the Company to retain this flexibility.

Directors' recommendation

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

Safestore Holdings plc
Proxy form

For the 2018 Annual General Meeting to be held at 12.00 noon on 21 March 2018

I/We the undersigned, being a holder of ordinary shares of 1 pence each of the capital of Safestore Holdings plc ("the Company"), hereby appoint the duly appointed Chairman of the meeting (see note 1 below) or

(BLOCK CAPITALS PLEASE)

to act as my/our proxy at the Annual General Meeting of the Company to be held at 12.00 noon on 21 March 2018 at Brittanic House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT and at any adjournment thereof and to vote on my/our behalf as directed below.

Please tick here if this proxy appointment is one of multiple appointments being made. ☐

Please indicate with an "X" in the spaces provided below how you wish your votes to be cast on a poll. Should this card be returned duly signed, but without specific direction, the proxy will vote or abstain at his/her discretion.

Ordinary resolutions	For	Against	Vote withheld
1. To receive and adopt the Annual Report and Financial Statements for the year ended 31 October 2017			
2. To approve the Directors' remuneration report (other than the part containing the Directors' remuneration policy) for the year ended 31 October 2017			
3. To re-appoint Deloitte LLP as auditor			
4. To authorise the Directors to determine the auditor's remuneration			
5. To declare a final dividend of 9.8 pence per ordinary share for the year ended 31 October 2017			
6. To re-elect Alan Lewis as a Director of the Company			
7. To re-elect Frederic Vecchioli as a Director of the Company			
8. To re-elect Andy Jones as a Director of the Company			
9. To re-elect Ian Krieger as a Director of the Company			
10. To re-elect Joanne Kenrick as a Director of the Company			
11. To re-elect Claire Balmforth as a Director			
12. To re-elect Bill Oliver as a Director			
13. To authorise political donations and political expenditure			
14. To authorise the Directors to allot shares subject to the restrictions set out in the resolution			
Special resolutions			
15. To authorise the disapplication of pre-emption rights subject to the limits set out in the resolution			
16. To authorise market purchases of ordinary shares up to a specified amount set out in the resolution			
17. To reduce the notice period for general meetings other than Annual General Meetings			

Unless otherwise instructed, the proxy may vote as he/she thinks fit or abstain from voting in respect of the resolutions specified and also on any other business (including amendments to resolutions) that may properly come before the meeting.

Signature	Dated
Full name of registered holder(s)	
Address	
	Postcode

Please return this proxy form to Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive by 12.00 noon on 19 March 2018.

As an alternative to completing your hard-copy proxy form, you can appoint a proxy electronically at www.signalshares.com.

For an electronic proxy appointment to be valid, your appointment must be received by no later than 12.00 noon on 19 March 2018. You will be asked to enter the investor code shown on your share certificate or dividend tax voucher and agree to certain terms and conditions.

If you hold your shares in uncertificated form, you may appoint a proxy using the CREST electronic proxy appointment service, details of which are set out in notes vi, vii and viii to the Notice of Annual General Meeting.

Safestore Holdings plc
Proxy form *continued*

Notes

1. A member of the Company is entitled to appoint a proxy to exercise all or any of his/her rights to attend, speak and vote at a general meeting of the Company.

   A member may appoint as his/her proxy persons of his/her own choice by inserting their name in the space provided. If no name is inserted in the space provided, the Chairman will be deemed appointed as the proxy. A member of the Company may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares. If the proxy is being appointed in relation to less than a member's full voting entitlement, the number of shares in relation to which they are authorised to act as proxy should be entered in the box next to the proxy holder's name. When two or more valid but differing appointments of proxy are delivered or received for the same share for use at the same meeting, the one which is last validly delivered or received (regardless of its date or the date of its execution) shall be treated as replacing and revoking the other or others as regards that share. If the Company is unable to determine which appointment was last validly delivered or received, none of them shall be treated as valid in respect of that share. To appoint more than one proxy, you should contact Link Asset Services at the address stated in the information included with this proxy form, or you may photocopy this form.
2. A member is entitled to appoint a proxy of his or her own choice. The Chairman of the meeting will act as proxy unless another proxy is chosen. A proxy need not be a member of the Company but must attend the meeting in person.
3. In the case of an individual, this proxy form should be signed by the appointer or his or her attorney. In the case of a corporation, this proxy form must be executed under its common seal or under the hand of an officer, attorney or other person duly authorised.
4. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, in respect of the holding will be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names appear in the register of members in respect of the joint holding.
5. Please indicate with a cross in the appropriate box how you wish your votes to be cast. In the absence of any specific direction, the proxy will vote (or abstain from voting) at his or her discretion. The proxy will act in his/her discretion in relation to any other business at the meeting (including any resolution to amend a resolution or to adjourn the meeting).
6. To be effective, the proxy form and any authority under which it is executed (or a certified copy of such authority) must be deposited with Link Asset Services at Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time for holding the meeting.
7. Completion and return of this proxy form will not prevent a member from attending and voting at the Annual General Meeting.
8. Any alteration or deletion must be signed or initialled.

Directors and advisers

Directors

Alan Lewis	(Non-Executive Chairman)
Frederic Vecchioli	(Chief Executive Officer)
Andy Jones	(Chief Financial Officer)
Ian Krieger	(Non-Executive Director)
Joanne Kenrick	(Non-Executive Director)
Claire Balmforth	(Non-Executive Director)
Bill Oliver	(Non-Executive Director)

Company Secretary

Sam Ahmed

Registered office

Brittanic House
Stirling Way
Borehamwood
Hertfordshire WD6 2BT

Registered company number

4726380

Websites

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

Bankers

National Westminster Bank
HSBC Bank
Lloyds Bank
Santander UK
BRED Banque Populaire

Independent auditor

Deloitte LLP
Statutory Auditor
2 New Street Square
London EC4A 3BZ

Legal advisers

Travers Smith LLP
10 Snow Hill
London EC1A 2AL

Eversheds LLP
115 Colmore Row
Birmingham B3 3AL

Brokers and financial advisers

Investec Bank Plc
2 Gresham Street
London EC2V 7QP

Citigroup Global Markets Limited
Citigroup Centre
33 Canada Square
London E14 5LB

Financial PR advisers

Instinctif Partners
65 Gresham Street
London EC2V 7NQ

Shareholder information

Registrar
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Telephone (in UK): 0871 664 0300
(Calls cost 12 pence per minute plus your phone company's access charge.)

Telephone (from overseas): +44 (0)371 664 0300
(Calls outside the United Kingdom will be charged at the applicable international rate.)
Lines are open between 9.00 am and 5.30 pm Monday to Friday, excluding public holidays in England and Wales.

Email: enquiries@linkgroup.co.uk
Share Portal Enquiries: enquiries@linkgroup.co.uk
Share Portal: www.signalshares.com

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

Please visit our investor relations website

All the latest news and updates for investors at www.safestore.com.

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Further information and investor updates can be found on our website at **www.safestore.co.uk/corporate/**