Safestore Holdings plc - SAFE Final Results
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Safestore Holdings plc
("Safestore", "the Company" or "the Group")

Results for the year ended 31 October 2017

Strong strategic progress and a fourth consecutive year of double-digit cash tax adjusted EPS[6] growth

Key measures

	Year Ended 31 October 2017	Year Ended 31 October 2016	Change	Change-CER[1]
Underlying and Operating Metrics- total				
Revenue	£129.9m	£115.4m	12.6%	10.0%
Underlying EBITDA[2]	£72.9m	£64.2m	13.6%	10.7%
Closing Occupancy (let sq ft- million)[3]	4.14	3.97	4.3%	n/a
Closing Occupancy (% of MLA)[4]	72.6%	71.0%	+1.6ppts	n/a
Average Storage Rate[5]	£26.67	£26.17	1.9%	(0.6%)
Cash Tax Adjusted Earnings per Share[6]	23.3p	19.8p	17.7%	n/a
Adjusted Diluted EPRA Earnings per Share[7]	23.2p	19.8p	17.2%	n/a
Free Cash flow[8]	£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[9]				
Revenue	£117.7m	£111.1m	5.9%	3.3%
Underlying EBITDA[2]	£66.6m	£61.5m	8.3%	5.2%
Closing Occupancy (let sq ft- million)[3]	3.65	3.59	1.7%	n/a
Closing Occupancy (% of MLA)[4]	75.0%	73.7%	+1.3ppts	n/a
Average Occupancy (let sq ft- million)[3]	3.57	3.52	1.4%	n/a
Average Storage Rate[5]	£27.35	£26.26	4.2%	1.3%

Statutory Metrics				
Profit before tax[10]	£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

Highlights

Strong Financial Performance

- Group revenue for the year up 12.6% (10.0% in CER[1])
- Like-for-like[9] Group revenue for the year in CER[1] up 3.3%
  - UK up 3.1%
  - Paris up 4.0%
- Underlying EBITDA[2] up 10.7% in CER[1] which, offset by exceptional refinancing costs of £16.3m, drove a reduction in Profit before Tax[10] of 16.9%
- Cash Tax Adjusted Earnings per Share[6] up 17.7% at 23.3p
- 21.7% increase in the final dividend to 9.8p (FY2016: 8.05p)

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[1]
- Space Maker and new stores trading well

Strategic Progress

- 12 Alligator stores acquired on 1 November 2017 for £56m[11], 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 £3m per annum finance costs savings on a pro forma basis
- Group loan-to-value ratio ("LTV"[12]) at 31 October 2017 at 36% and interest cover ratio ("ICR"[13]) at 6.7x

Frederic Vecchioli, Safestore's Chief Executive Officer, commented:

"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.

"The refinancing of our borrowings earlier in the year has resulted in a strengthened, efficient, low cost balance sheet which gives us the flexibility to continue to target selected development and acquisition opportunities.

"We enter the new financial year in a strong position with substantial growth potential from the integration of Alligator Self Storage and the development of three new sites. However, our priority and the largest opportunity remains the significant upside from our 1.7m square feet of invested unlet space. We remain confident in the future and focused on the continued delivery of value to all shareholders."

Notes

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

2 - 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.

3 - 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).

4 - MLA is Maximum Lettable Area. At 31 October 2017, Group MLA was 5.71m sq ft (FY2016: 5.59m sq ft).

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

6 - 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).

7 - 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.

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

9 - Like-for-like 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.

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

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

12 - 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).

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

14 - Adjusted for the impact of cross currency swap agreements.

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

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 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 £56m[11]. 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 £72.9m increased by 10.7% at CER[1] 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[6] in the period to 23.3p (FY2016: 19.8p). Going forward, the business will be focusing on the Adjusted Diluted EPRA EPS[7] measure which is consistent with how the underlying performance of the business is measured and with how management are incentivised for the long term. Adjusted Diluted EPRA EPS for FY2017 was 23.2p (FY2016: 19.8p).

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 £1,007.0m with the UK portfolio up £33.8m to a total UK value of £744.4m and the French portfolio increased €27.7m to €298.6m.

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

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 square feet 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 provides 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 macroeconomic 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.

For further information, please contact:

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A presentation for analysts will be held at 9.30am today at:

Instinctif Partners, 65 Gresham Street, London EC2V 7NQ

For dial-in details of the presentation please contact:

Guy Scarborough (guy.scarborough@instinctif.com or telephone on 020 7457 2020).

Notes to Editors

- Safestore is the UK's largest self-storage group with 146 stores (including the Alligator stores acquired on 1 November 2017), comprising 120 wholly owned stores in the UK (including 67 in London and the South East with the remainder in key metropolitan areas such as Manchester, Birmingham, Glasgow, Edinburgh, Liverpool and Bristol) and 26 wholly owned stores in the Paris region.

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

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

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

- The Group, including Alligator, provides storage to around 60,000 personal and business customers.

- At 31 October 2017, Safestore has a maximum lettable area ("MLA") of 5.71 million sq ft (excluding the expansion pipeline stores and Alligator) of which 4.14 million sq ft was occupied.

- Safestore employs around 600 people in the UK and France.

Chairman's Statement

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 £129.9m, 12.6% ahead of last year (FY2016: £115.4m) 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 £72.9m (FY2016: £64.2m) and 10.7% on a constant currency basis. Underlying EBITDA after rental costs increased by 13.0% to £62.6m (FY2016: £55.4m).

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 £0.7m or 6.9% to £9.4m (FY2016: £10.1m). Over the last four years we have reduced our finance charges by 49% or £9.0m.

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

Statutory basic earnings per share decreased to 37.4p (FY2016: 42.0p), 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[12] 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[7].

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
8 January 2018

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.

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.

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.

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 on-line 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.

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 roll-out 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 \$65.6m 5.83%[14] 2019 USPP and \$47.3m 6.74%[14] 2024 USPP were repaid in full;
- New Euro and Sterling denominated USPP notes were issued with the following tenor and fixed coupons:
    - €50.9m 7 year notes at a coupon of 1.59%;
    - €74.1m 10 year notes at a coupon of 2.00%; and
    - £50.5m 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 £126m term loan was cancelled.
- As at 31 May 2017, the amended facilities comprised:
    - a £190m revolving credit facility; and
    - a €70m revolving facility.
- The margin on the amended facilities was reduced by 25 bps from 150 bps to 125 bps.
- 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 £60m. This option was exercised in October 2017 to increase the UK revolving facility to £250m, 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 £12.4m and broke the Sterling/Dollar cross-currency swap relating to the existing USPP notes, leading to the Group receiving £13.9m, 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 £16.3m, comprising the £12.4m '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 £100m) and 0.309% (over €30m), were broken, resulting in a cash outflow of £2.6m. New interest rate hedge agreements were put in place to June 2022, swapping LIBOR on £100m at an effective rate of 0.8145% and EURIBOR on €30m 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 144 bps 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 £56m 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 £56m 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%.

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 £108m 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 £9.0m 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.

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 10 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 €6.3m 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 £4.8m on our leasehold Deptford store. The store contributed £0.4m 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 £98.3m (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 £42.3m.

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 £56.0m (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 £4.3m per annum on turnover of £7.5m. 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 £56.7m 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 £60m accordion facility converted into a committed revolving credit facility. On a pro forma basis, the Group's Loan to Value 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 £79.4m of revenue and £55.1m of store EBITDA and offer a unique exposure to the two most attractive European self-storage markets.

Owned Store Portfolio by Region	London &	Rest of	UK	Paris	Group
(Excluding Alligator Self Storage)	South East	UK	Total		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

The above table represents the 31 October 2017 position (excluding Alligator)
The reported totals have not been adjusted for the impact of rounding

We have a strong position in both the UK and Paris markets operating 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.

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

Owned Store Portfolio by Region (including Alligator Self Storage)	London & 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%

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

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 square feet per head of population in the UK and 0.15 square feet 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 square feet per inhabitant. This compared with 7.8 square feet per inhabitant in the USA and 1.8 square feet 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%[15] 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).

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 multi-national corporates utilising our national coverage to store in multiple locations while maintaining flexibility in their cost base.

Business and Personal Customers	UK	Paris
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). Although our property valuation for leaseholds is conservatively based on future cash flows until the next contractual lease renewal date, Safestore has a demonstrable track record of successfully re-gearing leases several years before renewal whilst at the same time achieving concessions from landlords.

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

In Paris, where 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 12 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.

Trading Performance

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

UK Operating Performance- total	**2017**	**2016**	**Change**
Revenue (£'m)	97.5	87.4	11.6%
	52.8	46.5	13.5%

Underlying EBITDA (£'m)[2]			
Underlying EBITDA (after leasehold costs) (£'m)	46.6	41.6	12.0%
Closing Occupancy (let sq ft- million)[3]	3.25	3.15	3.2%
Maximum Lettable Area (MLA)[4]	4.54	4.52	0.4%
Closing Occupancy (% of MLA)	71.6%	69.7%	+1.9ppts
Average Storage Rate (£)[5]	24.42	24.60	(0.7%)

UK Operating Performance- like-for-like[9]	**2017**	**2016**	**Change**
Revenue (£'m)	85.7	83.1	3.1%
Underlying EBITDA (£'m)[2]	46.2	43.8	5.5%
Closing Occupancy (let sq ft- million)[3]	2.79	2.77	0.7%
Closing Occupancy (% of MLA)	72.5%	71.9%	+0.6ppts
Average Occupancy (let sq ft- million)[3]	2.75	2.71	1.5%
Average Storage Rate (£)[5]	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 £0.2m. Our total cost base grew by £3.8m 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 £52.8m (FY2016: £46.5m), an increase of £6.3m or 13.5%.

Paris - another year of strong revenue growth

Paris Operating Performance- total	**2017**	**2016**	**Change**
Revenue (€'m)	37.2	35.4	5.1%
Underlying EBITDA (€'m)[2]	23.1	22.4	3.1%
Underlying EBITDA (after leasehold costs) (€'m)	18.5	17.5	5.7%
Closing Occupancy (let sq ft- million)[3]	0.89	0.82	8.5%
Maximum Lettable Area (MLA)[4]	1.17	1.07	9.3%
Closing Occupancy (% of MLA)	76.6%	76.3%	0.3ppts
Average Storage Rate (€)[5]	40.28	39.85	1.1%
Revenue (£'m)	32.4	28.0	15.7%

Paris Operating Performance- like-for-like[9]	**2017**	**2016**	**Change**

Revenue (€'m)	36.8	35.4	4.0%
Underlying EBITDA (€'m)[2]	23.4	22.4	4.5%
Closing Occupancy (let sq ft- million)[3]	0.86	0.82	4.9%
Closing Occupancy (% of MLA)	84.7%	80.7%	+4.0ppts
Average Occupancy (let sq ft- million)[3]	0.82	0.81	1.2%
Average Storage Rate (€)[5]	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 €0.4m. The total cost base grew by 8.5% or €1.1m 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 €1.0m and underlying EBITDA grew by €0.7m to €23.1m (FY2016: €22.4m).

Frederic Vecchioli
8 January 2018

Financial Review

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.

	2017 £'m	**2016 £'m**	**Mvmt %**
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 (p)	**23.3**	**19.8**	***17.7%***
Adjusted diluted EPRA EPS (pro forma) (p)	**23.2**	**19.8**	***17.2%***

Underlying EBITDA increased by 13.6% to £72.9m (FY2016: £64.2m), 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.

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

Underlying finance charges reduced by 6.9% from £10.1m to £9.4m. 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 £52.7m (FY2016: £44.9m).

Given the Group's REIT status in the UK, tax is normally only payable in France. The underlying tax charge for the year was £4.0m (FY2016: £3.7m), 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 £39.2m, as compared to £41.7m in 2016. The Group has recognised an exceptional cost of £1.4m in the year (FY2016: £4.3m 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	**Paris**	**Total (CER)**	**UK**	**Paris**	**Total (CER)**
	£'m	**€'m**	**£'m**	**£'m**	**€'m**	**£'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	**Paris**	**Total**	**UK**	**Paris**	**Total**
	£'m	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
Underlying EBITDA after leasehold rent (CER)	46.6	14.6	61.2	41.6	13.8	55.4
Adjustment to actual exchange rate	-	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 Rates (Euro denominated results for the current period have been retranslated at the exchange rate effective for the comparative period in order to present the reported results on a more comparable basis).

Underlying EBITDA in the UK increased by £6.3m, or 13.5%, to £52.8m (FY2016: £46.5m), underpinned by an 11.6% or £10.1m 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 £46.6m (FY2016: £41.6m).

In Paris, underlying EBITDA increased by €0.7m, or 3.1%, to €23.1m (FY2016: €22.4m), reflecting a €1.8m 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 €18.5m (FY2016: €17.5m).

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 £1.4m in the current year, the Group's reported underlying EBITDA after leasehold rent has increased by 13.0% or £7.2m to £62.6m (FY2016: £55.4m).

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 £14.5m 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 £10.1m 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: £24.65m).

In Paris, revenue increased by 5.1% to €37.2m (FY2016: €35.4m). However, the strengthening of the Euro during the financial year had a favourable currency impact of approximately £3.0m 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).

Analysis of Cost Base

Cost of sales

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

Cost of sales	**2017 £'m**	**2016 £'m**

	2017	2016
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 rents costs in the presentation of our underlying income statement.

Cost of sales increased by £4.6m in the year, from £40.0m in 2016 to £44.6m in 2017. Adjusting for a £0.8m adverse currency impact, in constant currency underlying cost of sales grew by £3.8m, which is attributable to a £4.0m 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 Deptford and our old Birmingham Central store. On a like-for-like basis, at constant exchange rates, cost of sales decreased by £0.2m, with savings of £0.5m from store maintenance and business rates, partly offset by a £0.3m 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.

Administrative expenses	**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 £1.4m (FY2016: £1.3m).

Administrative expenses increased by £1.2m in the year, from £11.2m in 2016 to £12.4m in 2017. Adjusting for a £0.4m adverse currency impact, in constant currency underlying administrative expenses increased by £0.8m to £12.0m (FY2016: £11.2m) due to higher employee remuneration costs (£0.3m), professional fees and administration costs (£0.4m) and £0.1m 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 £0.5m, or 1.0%, to £50.1m (FY2016: £49.6m), principally as a result of the increase in administrative expenses explained above.

Exceptional items

The Group incurred exceptional transaction related costs totalling £1.4m 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 £4.3m, arising on the acquisition of Space Maker Stores Limited, which comprised £5.6m of negative goodwill less £1.3m 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 £28.6m to the positive valuation movement and the Paris business contributed £15.9m. 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 £0.3m from £109.3m in 2016 to £109.6m in 2017, with the £8.7m increase in underlying EBITDA being broadly offset by the £2.5m lower investment property gain and non-repeating negative goodwill of £5.6m 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 £16.3m in 2017, to £30.7m from £14.4m in 2016, principally due to £16.3m 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)

Underlying finance charge

The underlying finance charge (net bank interest payable) reduced by £0.7m to £9.4m, 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 £0.3m (FY2016: £0.4m).

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, £166m of the £250m UK revolver and €43m (£37.8m) of the €70m 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 £84m and €27m.

The Group has interest rate hedge agreements in place to June 2022, swapping LIBOR on £100m at an effective rate of 0.8145% and EURIBOR on €30m 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 €50.9m) and 2.00% (on €74.1m) respectively. The Euro denominated borrowings provide a natural hedge against the Group's investment in the Paris business.

The £50.5m 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 £4.4m (FY2016: £3.7m) 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 £10.3m in 2017, £1.5m higher than the charge of £8.8m 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 $112.9m US dollar loan notes were exposed to currency fluctuations, in respect of which a £4.5m 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 £5.2m net loss (FY2016: £18.4m net gain), which comprised a loss of £6.5m arising on the US dollar cross currency swaps, less a net gain of £1.3m arising on our interest rate hedging arrangements.

The Group applies net investment hedge accounting in respect of the €125m 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 £16.3m of exceptional finance costs as a result of the May 2017 refinancing, comprising a £12.4m '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 £13.9m, 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:

Tax charge	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 £0.6m (FY2016: £7.5m). 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 £4.0m (FY2016: £3.7m), calculated at the French statutory income tax rate of 33.33% of its taxable profits.

Deferred tax was a £3.4m credit (FY2016: £3.8m 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 £8.8m (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 £5.4m (FY2016: £4.0m).

Earnings per share

As a result of the movements explained above, profit after tax for 2017 was £78.3m as compared with £87.4m 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.

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 £999.2m (excluding investment properties under construction of £7.8m). This represents an increase of £55.9m compared with the £943.3m 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 £5.1m adverse currency translation movement in the year. This has impacted Group net asset value ("NAV") but had no impact on the loan to value ("LTV") covenant as the assets in Paris are tested in Euros.

The value of the UK property portfolio has increased by £36.9m compared with 31 October 2016, comprising a £27.7m valuation gain and capital additions (including reclassifications from investment properties under construction) of £17.3m, less disposal proceeds of £8.1m 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 £7.8m.

In Paris, the value of the property portfolio increased by €27.7m, of which €18.2m was valuation gain and capital additions (including reclassifications) were €9.5m. However, the net increase in Sterling amounted to £19.0m, 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 £50.3m 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 £354.2m at 31 October 2017, a decrease of £15.0m from the 2016 position of £369.2m. Total capital (net debt plus equity) increased from £956.6m at 31 October 2016 to £991.9m 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 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). 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 £56m 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 £56m 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 $65.6m 5.83% 2019 USPP and $47.3m 6.74% 2024 USPP were repaid in full;
- New Euro and Sterling denominated USPP notes were issued with the following tenor and fixed coupons:
    - €50.9m 7 year notes at a coupon of 1.59%;
    - €74.1m 10 year notes at a coupon of 2.00%; and
    - £50.5m 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 £126m term loan was cancelled.
- As at 31 May 2017, the amended facilities comprised:
    - a £190m revolving credit facility; and
    - a €70m revolving facility.
- The margin on the amended facilities was reduced by 25 bps from 150 bps to 125 bps.
- 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 £60m. This option was exercised in October 2017 to increase the UK revolving facility to £250m, 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 £12.4m and broke the Sterling/Dollar cross-currency swap relating to the existing USPP notes, leading to the Group receiving £13.9m, 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 £16.3m, comprising the £12.4m '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 £100m) and 0.309% (over €30m), were broken, resulting in a cash outflow of £2.6m. New interest rate hedge agreements were put in place to June 2022, swapping LIBOR on £100m at an effective rate of 0.8145% and EURIBOR on €30m at an effective rate of 0.1635%.

Borrowings at 31 October 2017

As at 31 October 2017, £166m of the £250m UK revolver and €43m (£37.8m) of the €70m Euro revolver were drawn. Including the US Private Placement debt of €125m (£109.9m) and £50.5m, the Group's borrowings totalled £364.2m (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.

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	2016
	£'m	£'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 £11.2m in the year, principally due to the £8.7m improvement in underlying EBITDA. Working capital, exceptional items and other resulted in a £0.7m inflow, compared to a £1.8m 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 £50.3m (FY2016: £42.4m). The free cash flow benefitted from the increase in operating cash flow, which was partly offset by a £0.9m increase in interest payments as a result of the timing of cash flows, a £1.5m increase in leasehold rental payments reflecting an equivalent increase in the rent charge and a £0.9m increase in tax due to the timing of payments.

Investing activities experienced a net outflow of £12.8m (FY2016: £69.4m), which included £21.7m (FY2016: £28.3m) of capital expenditure on our investment property portfolio, of which £12.4m 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. £8.1m (FY2016: £nil) was generated from the sales of Deptford and our old Birmingham Central store. The prior year included £22.3m 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 £41.8m for the acquisition of Space Maker.

Financing activities generated a net cash inflow of £22.9m (FY2016: £17.0m). Dividend payments totalled £25.6m (FY2016: £21.3m). The net drawdown of borrowings of £38.9m (FY2016: £38.6m) included £56.0m 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 £60.4m net increase in cash during the year), less the £12.4m 'make-whole' payment on cancellation of US Private Placement loan notes. In addition, financing activities includes a net inflow of £11.3m (FY2016: £nil), comprising a receipt of £13.9m on breaking the Sterling/Dollar cross currency swap relating to the cancelled loan notes less a cash outflow of £2.6m on restructuring of our interest rate hedge arrangements.

Andy Jones
8 January 2018

Consolidated income statement
for the year ended 31 October 2017

	Notes	Group 2017 £'m	Group 2016 £'m
Revenue	2	**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	3	**(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	8	**39.2**	41.7
Operating profit	2	**109.6**	109.3
Finance income	4	**6.1**	21.0
Finance expense	4	**(36.8)**	(35.4)
Profit before income tax		**78.9**	94.9
Income tax charge	5	**(0.6)**	(7.5)
Profit for the year		**78.3**	87.4
Earnings per share for profit attributable to the equity holders			
- basic (pence)	7	**37.4**	42.0
- diluted (pence)	7	**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.

Consolidated statement of comprehensive income
for the year ended 31 October 2017

	Group 2017 £'m	Group 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	2016 £'m
Assets			
Non-current assets			
Investment properties	8	**999.2**	943.3
Interests in leasehold properties	8	**56.2**	58.9
Investment properties under construction	8	**7.8**	10.9
Property, plant and equipment		**2.0**	2.0
Derivative financial instruments	12	**0.9**	20.9
Deferred income tax assets		**0.1**	0.2
Other receivables		**1.1**	2.1
		1,067.3	1,038.3
Current assets			
Inventories		**0.2**	0.2
Trade and other receivables		**23.5**	23.0
Cash and cash equivalents	10,16	**65.6**	5.4
		89.3	28.6
Total assets		**1,156.6**	1,066.9
Current liabilities			
Trade and other payables		**(42.1)**	(41.2)
Current income tax liabilities		**(4.5)**	(3.2)
Obligations under finance leases	13	**(9.0)**	(9.4)
		(55.6)	(53.8)
Non-current liabilities			
Financial liabilities			
- bank borrowings	11	**(363.6)**	(315.7)
- derivative financial instruments	12	**(0.2)**	(3.4)
Deferred income tax liabilities		**(52.3)**	(57.1)
Obligations under finance leases	13	**(47.2)**	(49.5)
		(463.3)	(425.7)
Total liabilities		**(518.9)**	(479.5)
Net assets		**637.7**	587.4
Equity			
Ordinary shares	14	**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

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 6)	-	-	-	(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 6)	-	-	-	(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**

Consolidated cash flow statement

for the year ended 31 October 2017

		Group	
	Notes	**2017 £'m**	2016 £'m
Cash flows from operating activities			
Cash generated from operations	15	**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	6	**(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	10,16	**65.6**	5.4

Notes to the financial statements

for the year ended 31 October 2017

1. Basis of preparation

The Board approved this preliminary announcement on 8 January 2018.

The financial information included in this preliminary announcement does not constitute the Group's statutory accounts for the years ended 31 October 2016 or 31 October 2017. Statutory accounts for the year ended 31 October 2016 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 31 October 2017 will be delivered to the Registrar of Companies following the Company's annual general meeting.

The auditor has reported on the 2017 and 2016 accounts; their report was unqualified, did not include any references to any matters by way of emphasis and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

These financial statements for the year ended 31 October 2017 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at their fair value: investment property, derivative financial instruments and financial interest in property assets. The accounting policies used are consistent with those contained in the Group's last annual report and accounts for the year ended 31 October 2016. All amounts are presented in Sterling and are rounded to the nearest £0.1m, unless otherwise stated.

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

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 preliminary results on a going concern basis.

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.

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.

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.
- 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 7.
- 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 7.
- EPRA basic net assets per share is an industry standard measure recommended the by European Public Real Estate Association ("EPRA"). The basis of calculation, including a reconciliation to reported net assets, is set out in note 9.

Forward-looking statements

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

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

2. 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.

3. 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 20.

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.

4. 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.

5. Income tax charge

Analysis of tax charge in the year:

	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)**	-
	(3.4)	3.8
Tax charge	**0.6**	7.5

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 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.

6. 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.

7. 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

Adjusted earnings per share

Explanations related to the adjusted earnings measures adopted by the Group are set out in note 1 under the heading Non-GAAP financial information. 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

1 Adjusted cash tax earnings and Adjusted Diluted EPRA EPS are defined in note 1 under Non-GAAP financial information.

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

8. 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	Total investment properties £'m

			£'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**

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 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.

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.

9. 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

10. 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.

11. 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 12.

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.

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

12. 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).

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).

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

13. 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

14. 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

15. 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	8	**(39.2)**	(41.7)
Negative goodwill on acquisition of subsidiary		-	(5.6)
Depreciation		**0.5**	0.4
Net finance expense	4	**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

16. 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.

17. 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.

18. 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 20.

19. Related party transactions
The Group's shares are widely held.

During the year £nil (FY2016: £nil) transactions were carried out with related parties.

20. 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**

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