



Safestore Holdings plc

Annual report and
financial statements 2019



A solid financial performance and significant strategic progress

"I am pleased to report another strong performance for the year, with solid trading and significant strategic progress. The Group's outright acquisition of OhMyBox and the investment in M3 through our joint venture with Carlyle represent excellent platforms for entry into the attractive Barcelona and Netherlands self storage markets. In addition to the acquisitions and integration of Fort Box and our Heathrow store, we have also opened new stores in Peterborough and Birmingham Merry Hill in the UK and Pontoise in Paris.

Further to our successful openings this year, we plan to open new stores in London Carshalton, Gateshead, Sheffield and Paris Magenta (subject to planning) during the 2019/2020 financial year, adding 175,000 sq ft of further capacity to our estate.

We have extended our financing facilities with the issuance of a further £125 million of seven and ten year US Private Placement Notes, strengthening our balance sheet and providing us with further flexibility to target selected development and acquisition opportunities as they arise.

Over the last six years we have grown the occupancy of a same-store portfolio from 63% to 78%. As ever, our top priority remains the significant low cost organic growth opportunity represented by the 1.5 million square feet of currently unlet space in our existing fully invested estate. The Company is in a very strong position and we are encouraged by early trading in the new 2019/20 financial year. Our leading market positions in the UK and Paris combined with our resilient business model enable us to look forward to the future with confidence."

Frederic Vecchioli

Safestore's Chief Executive Officer

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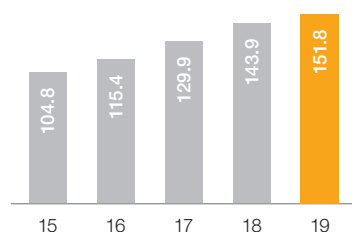
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Highlights

Revenue (£'m)

£151.8m

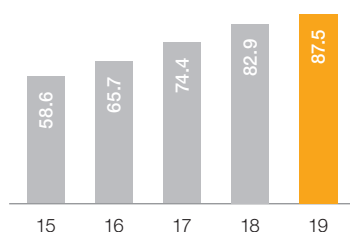
+5.5%



Underlying EBITDA² (£'m)

£87.5m

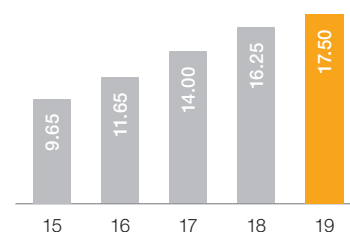
+5.5%



Dividend (pence per share)

17.50p

+7.7%



Solid financial performance

- Group revenue for the year up 5.5% (up 5.6% in CER¹)
- Like-for-like⁸ Group revenue for the year in CER¹ up 4.8%:
 - UK up 4.7%
 - Paris up 5.6%
- Underlying EBITDA² up 5.4% in CER¹ which, combined with a reduced gain on investment properties of £84.2 million (FY2018: £122.1 million), resulted in statutory operating profit⁹ of £163.7 million (FY2018: £197.6 million)
- Adjusted Diluted EPRA Earnings per Share⁶ up 6.3% at 28.5 pence (FY2018: 26.8 pence). Diluted Earnings per Share was 62.6 pence (FY2018: 84.2 pence) largely due to the lower property valuation gain in FY2019
- 7.6% increase in the final dividend to 12.0 pence (FY2018: 11.15 pence) giving a total for the year of 17.5 pence (FY2018: 16.25 pence)
- Acquisition of Fort Box Self Storage (two London stores) on 5 November 2019 for £14.3 million¹⁰
- On 30 December 2019 the Group entered the Spanish self storage market with the acquisition of OMB Self Storage SL trading as OhMyBox (4 stores in Barcelona) for €17.25 million
- Acquisition of 34,000 sq ft freehold Heathrow store for £6.6 million¹⁰ including acquisition costs
- Freehold site acquired in Sheffield with 47,000 sq ft store to open in H1 2020
- New long leasehold site secured at Gateshead (Newcastle)
- Sites in Peterborough, Birmingham Merry Hill and Pontoise opened in the period
- Four new stores in the pipeline with 175,000 sq ft of new space scheduled to open in London Carshalton, Gateshead, Sheffield and Paris Magenta opening 2020
- Further development sites acquired in London Bermondsey and London Morden

Operational focus

- Continued balanced approach to revenue management drives returns:
 - Like-for-like⁸ closing occupancy of 78.5% up 3.4ppts on 2018 (FY2018: 75.1%)
 - Like-for-like⁸ average occupancy for the year up 3.5%
 - Like-for-like⁸ average storage rate⁵ for the year up 1.0% in CER¹
 - Total average storage rate⁵ up 0.8% in CER¹ reflecting dilutive impact of new store openings
- New stores trading well and in line with business plans

Strategic progress

- Established joint venture¹⁴ with Carlyle, which acquired M3 Self Storage (“M3”) in the Netherlands (six stores in Amsterdam and Haarlem)

Strong and flexible balance sheet

- £125 million of new US Private Placement Notes issued to fund medium term growth
- Effective average interest rate of 2.3% and average tenor increased to 6.3 years
- 11.1% increase in property valuation (including investment properties under construction) in CER¹ driven by the Heathrow acquisition, reduced exit cap rates and revised stabilised occupancy assumptions
- Group loan-to-value ratio (“LTV”¹¹) at 31 October 2019 at 31% (31 October 2018: 30%) and interest cover ratio (“ICR”¹²) at 8.9x (31 October 2018: 8.6x)

Succession

- David Hearn joins the Board as Chairman replacing Alan Lewis who has retired after more than ten years with the Group

Financial highlights

Key measures

	Year ended 31 October 2019	Year ended 31 October 2018	Change	Change – CER ¹
Underlying and operating metrics – total				
Revenue	£151.8m	£143.9m	5.5%	5.6%
Underlying EBITDA ²	£87.5m	£82.9m	5.5%	5.4%
Closing Occupancy (let sq ft- million) ³	4.98	4.69	6.2%	n/a
Closing Occupancy (% of MLA) ⁴	77.0%	73.6%	+3.4ppt	n/a
Average Storage Rate ⁵	£26.09	£25.90	0.7%	0.8%
Adjusted Diluted EPRA Earnings per Share ⁶	28.5p	26.8p	6.3%	n/a
Free Cash Flow ⁷	£61.2m	£55.4m	10.5%	n/a
EPRA Basic NAV per Share ¹³	£4.52	£4.02	12.4%	n/a
Underlying and operating metrics – like-for-like⁸				
Revenue	£149.2m	£142.3m	4.8%	4.8%
Underlying EBITDA ²	£87.1m	£82.2m	6.0%	6.0%
Closing Occupancy (let sq ft- million) ³	4.86	4.65	4.5%	n/a
Closing Occupancy (% of MLA) ⁴	78.5%	75.1%	+3.4ppt	n/a
Average Occupancy (let sq ft- million) ³	4.70	4.54	3.5%	n/a
Average Storage Rate ⁵	£26.04	£25.78	1.0%	1.0%
Statutory metrics				
Operating profit ⁹	£163.7m	£197.6m	(17.2%)	n/a
Profit before tax ⁹	£147.3m	£185.3m	(20.5%)	n/a
Diluted Earnings per Share	62.6p	84.2p	(25.7%)	n/a
Dividend per Share	17.5p	16.25p	7.7%	n/a
Cash inflow from operating activities	£66.6m	£60.6m	9.9%	n/a

Notes

We prepare our financial statements using IFRS. However we also use a number of adjusted measures in assessing and managing the performance of the business. These include like-for-like figures, to aid in the comparability of the underlying business as they exclude the impact on results of purchased, sold, opened or closed stores. These metrics have been disclosed because management review and monitor performance of the business on this basis. We have also included a number of measures defined by EPRA, which are designed to enhance transparency and comparability across the European Real Estate sector, see notes 6 and 13 below and "Non-GAAP financial information" in the notes to the financial statements.

- 1 CER is Constant Exchange Rates (Euro denominated results for the current period have been retranslated at the exchange rate effective for the comparative period, in order to present the reported results on a more comparable basis).
- 2 Underlying EBITDA is defined as Operating Profit before exceptional items, share-based payments, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties, contingent rent and depreciation. Underlying EBITDA therefore excludes all leasehold rent charges. Underlying profit before tax is defined as Underlying EBITDA less leasehold rent, depreciation charged on property, plant and equipment and net finance charges relating to bank loans and cash.
- 3 Occupancy excludes offices but includes bulk tenancy. As at 31 October 2019, closing occupancy includes 14,000 sq ft of bulk tenancy (31 October 2018: 26,000 sq ft).
- 4 MLA is Maximum Lettable Area. At 31 October 2019, Group MLA was 6.47 million sq ft (FY2018: 6.37 million sq ft).
- 5 Average Storage Rate is calculated as the revenue generated from self storage revenues divided by the average square footage occupied during the period in question.
- 6 Adjusted Diluted EPRA EPS is based on the European Public Real Estate Association's definition of Earnings and is defined as profit or loss for the period after tax but excluding corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties and the associated tax impacts. The Company then makes further adjustments for the impact of exceptional items, IFRS 2 share-based payment charges, exceptional tax items, and deferred tax charges. This adjusted earnings is divided by the diluted number of shares. The IFRS 2 cost is excluded as it is written back to distributable reserves and is a non-cash item (with the exception of the associated National Insurance element). Therefore neither the Company's ability to distribute nor pay dividends 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.
- 7 Free cash flow is defined as cash flow before investing and financing activities but after leasehold rent payments.
- 8 Like-for-like adjustments have been made to remove the impact of Heathrow, the 2019 openings of Peterborough, Birmingham Merry Hill and Pontoise, the 2018 openings of Mitcham, Paddington Marble Arch and Poissy and 2018 closures of Leeds Central, Merton and Paddington.
- 9 Operating profit decreased by £33.9 million to £163.7 million (FY2018: £197.6 million) principally as a result of a decrease in the gain on investment properties of £37.9 million to £84.2 million (FY2018: £122.1 million), offset by an increase of £4.6 million or 5.5% in Underlying EBITDA as a result of stronger trading performance. Profit before tax additionally included a decrease in the fair value of derivatives of £2.1 million (FY2018: net gain £0.5 million).
- 10 The consideration paid for the Heathrow store on 29 July 2019 was £6.4 million plus costs of £0.2 million and for Fort Box Self Storage on 5 November 2019 was £13.6 million plus costs of approximately £0.7 million, both net of cash acquired and both are subject to customary working capital adjustment.
- 11 LTV ratio is Loan-to-Value ratio, which is defined as gross debt (excluding finance leases) as a proportion of the valuation of investment properties and investment properties under construction (excluding finance leases).
- 12 ICR is interest cover ratio, and is calculated as the ratio of Underlying EBITDA after leasehold rent to underlying finance charges.
- 13 EPRA basic NAV per share is an industry standard measure recommended by EPRA. The basis of calculation is set out in the "Earnings per share" note to the financial statements.
- 14 The joint venture with Carlyle, which represents a 20% investment, has been accounted for as an associate using the equity method of accounting, as described in the "Investment in associates" note to the financial statements.

Our purpose is simple – to add stakeholder value

David Hearn
Chairman



I am delighted to join the Board of Safestore and am pleased to announce, on behalf of the Board of the Group, a solid set of results for the year ended 31 October 2019.

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

Over the past year the Group has made further strong strategic progress. The twelve new stores opened over the last four years are all performing at least in line with their business plans. Fort Box Self Storage and our Heathrow store, acquired in November 2019 and July 2019 respectively, are being integrated into the business and we have a pipeline of four new sites, adding 175,000 sq ft of further capacity, opening over the next twelve months.

Management's priority remains on the existing store portfolio and filling the 1.5 million sq ft of available capacity, building on the operational improvements made over the previous six years.

Our new joint venture¹⁴ with Carlyle and our OhMyBox acquisition in Barcelona provide us with exciting platforms for entering into new attractive geographies. M3 in the Netherlands, acquired by the joint venture¹⁴ with Carlyle, is performing well and we expect that Safestore's highly scalable platform will allow us to take advantage of further opportunities in due course. Barcelona and Spain are attractive markets for self storage and the Group's outright acquisition of OhMyBox on 30 December 2019 is expected to be immediately accretive to earnings.

During the year, our Remuneration Committee has been focusing on the new Remuneration Policy to be put to our Annual General Meeting in March 2020. Details are contained in the Annual Report and I believe the new policy reflects the input and comments from our shareholders.

In addition, corporate and social responsibility ("CSR") remains important to Safestore's business processes and operations. Our CSR agenda developed significantly in the year and is covered in the "Sustainability" section of our Annual Report.

Financial results

Revenue for the year was £151.8 million, 5.5% ahead of last year (FY2018: £143.9 million), or 5.6% ahead on a constant currency basis. Like-for-like⁸ revenue was up 4.8% in constant currency. This result was driven by a strong performance in the UK which grew like-for-like⁸ revenue by 4.7%, combined with another good performance by Une Pièce en Plus, our Parisian business, which grew like-for-like⁸ revenue by 5.6%.

Operating profit decreased by £33.9 million from £197.6 million in 2018 to £163.7 million in 2019, reflecting a lower investment property gain in 2019, offset by an increase in Underlying EBITDA².

Underlying EBITDA² increased by 5.4% to £87.5 million (FY2018: £82.9 million) on a constant currency basis. Underlying EBITDA² after rental costs increased by 6.3% to £76.2 million (FY2018: £71.7 million).

Adjusted Diluted EPRA Earnings per Share⁶ grew by 6.3% to 28.5 pence (FY2018: 26.8 pence). Adjusted Diluted EPRA Earnings per Share⁶ has grown by 17.8 pence or 166% over the last six years. Statutory diluted Earnings per Share reduced to 62.6 pence (FY2018: 84.2 pence), the increase in Adjusted Diluted EPRA Earnings per Share⁶ being offset by a reduced gain on valuation of investment properties.

Capital structure

The Group's balance sheet remains robust with a Group LTV¹¹ ratio of 31% (FY2018: 30%) and an ICR¹² of 8.9x (FY2018: 8.6x). 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. During the period the Group extended its borrowing facilities with the issuance of £125 million of new Euro and Sterling denominated seven and ten year US Private Placement Notes providing further capacity for medium term growth as well as extending our maturity profile further.

Dividend

Reflecting the Group's strong trading performance, the Board is pleased to recommend a 7.6% increase in the final dividend to 12.0 pence per share (FY2018: 11.15 pence per share) resulting in an increase

of 7.7% in the total dividend to 17.5 pence per share for the year (FY2018: 16.25 pence per share). The total dividend for the year is covered 1.63 times by Adjusted EPRA diluted earnings (1.65 times in 2018). The Group's dividend has increased by 204% in the last six years, during which period the Group has returned to shareholders a total of 76.5 pence per share. Shareholders will be asked to approve the dividend at the Company's Annual General Meeting on 18 March 2020 and, if approved, the final dividend will be payable on 9 April 2020 to Shareholders on the register at close of business on 6 March 2020.

The Board remains confident in the prospects for the Group and will continue its progressive dividend policy in 2020 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 Share⁶.

Over the last six years, the management and store teams have delivered a Total Shareholder Return of 463.9%, ranking at number one in the property sector and number seven in the FTSE 250, significantly ahead of any other listed self storage operators. Since flotation in 2007, Safestore has also delivered the highest Total Shareholder Return of any UK listed self storage operator.

People

Since joining the Board, I have been impressed by the passion, enthusiasm and knowledge of the store and head office teams. This set of results would not have been possible without the contributions of every member of our excellent, well trained and highly motivated staff.

I would like to take this opportunity to thank all my colleagues throughout the Group for their hard work and dedication this year.

I would also like to take the opportunity to thank my predecessor, Alan Lewis, for his enormous contribution to the recent success of the Group and for his commitment and service over ten years. I look forward to building on Alan's legacy and to working with the management team and Board.

David Hearn
Chairman
6 January 2020

Chief Executive's statement

I am pleased to report another strong performance for the year, with solid trading and significant strategic progress

Frederic Vecchioli
Chief Executive Officer



Summary

In 2019, Safestore delivered 6.3% growth in Adjusted Diluted EPRA Earnings per Share largely driven by organic growth. Total Group revenue increased by 5.5% (5.6% CER¹) with a strong performance across the UK (+5.2%) and continued strength in Paris (+6.9%). On a like-for-like⁵ basis in CER¹, Group revenue increased by 4.8% with the UK up 4.7% and Paris up 5.6%. The Group's like-for-like⁵ closing occupancy increased by 3.4 percentage points ("ppts") to 78.5% with the Average Storage Rate³ up 1.0% at CER¹.

Our operational performance across the UK has again been solid this year. Strong enquiry generation and conversion, driven by our digital marketing platform and our ongoing commitment to investing in and supporting our people, has resulted in like-for-like⁵ closing occupancy in the UK growing by 3.5ppts to 77.1%. Growth in occupancy across the UK has been healthy with the UK regions and London and the South East both performing strongly.

In the UK, we completed the acquisition of Fort Box (two London stores in St John's Wood and Chelsea) in November 2019 and our

Heathrow store in July 2019 for £14.3 million⁶ and £6.6 million⁶ respectively. In addition, two new stores in Peterborough and Birmingham Merry Hill were opened on time and on budget in October 2019.

In Paris, our performance has also been strong with like-for-like⁵ revenue growing by 5.6%. Average occupancy growth was 5.5% whilst average rate declined by 0.6%, impacted, as expected, by the dilutive effect of our recent suburban openings at Emerainville and Combs-la-Ville. Like-for-like⁵ closing occupancy ended the year at 84.4% (FY2018: 81.2%). This is the twenty-first consecutive year of revenue growth in Paris with average growth over the last six years of circa 5%. We opened a new store in Pontoise in August 2019 which is trading in line with its business plan.

In August 2019, the Group invested a 20% stake in a joint venture⁷ with Carlyle (accounted for as an associate⁷), which acquired M3 in the Netherlands. M3 has six stores in Amsterdam and Haarlem and the Group will earn management fees and a 20% share of the profits of the joint venture⁷ and will be immediately accretive to earnings.

On 30 December 2019, the Group acquired OhMyBox for €17.25 million, an implied first year net operating income yield of circa 5.2%. OhMyBox has four leasehold stores in Barcelona (with the right to purchase the freehold on one of the stores) and we expect it to be immediately accretive to earnings.

Group Underlying EBITDA² of £87.5 million increased by 5.4% at CER¹ on the prior year. The Group's EBITDA² performance, combined with modest increases in rent, finance costs and taxation, resulted in a 6.3% increase in Adjusted Diluted EPRA EPS⁴ in the period to 28.5 pence (FY2018: 26.8 pence). Statutory operating profit decreased by £33.9 million to £163.7 million (FY2018: £197.6 million) principally as a result of a decrease in the gain on investment properties of £37.9 million to £84.2 million (FY2018: £122.1 million), offset by an increase of £4.6 million or 5.5% in Underlying EBITDA² as a result of stronger trading performance.

Our property portfolio valuation, including investment properties under construction, increased in the year by 11.1% on a constant currency basis, driven by the acquisition of our Heathrow store and revisions to exit cap rates and stabilised occupancy assumptions.

Notes

- 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 is defined as Operating Profit before exceptional items, share-based payments, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties, contingent rent and depreciation. Underlying EBITDA therefore excludes all leasehold rent charges. Underlying profit before tax is defined as Underlying EBITDA less leasehold rent, depreciation charged on property, plant and equipment and net finance charges relating to bank loans and cash.
- 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.
- 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.
- Like-for-like adjustments have been made to remove the impact of Heathrow, the 2019 openings of Peterborough, Birmingham Merry Hill and Pontoise, the 2018 openings of Mitcham, Paddington Marble Arch and Poissy and 2018 closures of Leeds Central, Merton and Paddington.
- The consideration paid for the Heathrow store on 29 July 2019 was £6.4 million plus costs of £0.2 million and for Fort Box Self Storage on 5 November 2019 was £13.6 million plus costs of approximately £0.7 million, both net of cash acquired and both are subject to customary working capital adjustment.
- The joint venture with Carlyle, which represents a 20% investment, has been accounted for as an associate using the equity method of accounting, as described in the "Investment in associates" note to the financial statements.

After exchange rate movements, the portfolio valuation increased by 10.2% to £1,345.7 million with the UK portfolio up £91.7 million to a total UK value of £1,012.8 million and the French portfolio increasing by €48.9 million to €386.1 million.

Reflecting the Group's strong trading performance, the Board is pleased to recommend a 7.6% increase in the final dividend to 12.0 pence per share (FY2018: 11.15 pence) resulting in a full year dividend up 7.7% to 17.5 pence per share (FY2018: 16.25 pence).

Outlook

In the last four financial years, Safestore has strengthened its market-leading positions in the UK and Paris with the acquisitions of Space Maker, Alligator, Fort Box and our store at Heathrow, as well as opening twelve new stores and establishing a short term pipeline of a further four new stores. The Group has 1.5 million sq ft of fully invested outlet 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. In addition, our entry into the Netherlands market, via the joint venture⁷ with Carlyle, and our OhMyBox acquisition in Barcelona, provide us with platforms for expansion into attractive new geographies.

The strong performance of the final quarter of 2018/19 has continued into the new financial year with like-for-like⁵ Group revenue (CER)¹ up 5.7% for the first two months, and we look forward with confidence to the 2019/20 financial year.

Our strategy

The Group's proven strategy has evolved over the year with the creation of our joint venture⁷ with Carlyle and our acquisition of OhMyBox in Barcelona, but otherwise remains largely unchanged. We believe that the Group has a well located asset base, management expertise, infrastructure, scale and balance sheet strength to exploit the current healthy self storage 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 in our existing markets and, if appropriate, in attractive new geographies either through our joint venture⁷ with Carlyle or in our own right.

Optimisation of existing portfolio

With the opening of twelve new stores since August 2016, and the acquisitions of Space Maker in July 2016, Alligator in November 2017, our Heathrow store and Fort Box in 2019, we have established and strengthened our market-leading portfolio in the UK and Paris and have a high quality, fully invested estate in both geographies. Of our 150 stores as at 31 October 2019, 96 are in London and the South East of England or in Paris with 54 in the other major UK cities. We now operate 45 stores within the M25 which represents a higher number of stores than any other competitor.

Our MLA⁴ has increased to 6.47 million sq ft at 31 October 2019. At the current occupancy level of 77.0% we have 1.5 million sq ft of unoccupied space, of which 1.2 million sq ft is in our UK stores and 0.3 million sq ft in Paris. In total this unlet space is the equivalent of circa 35 empty stores located across the estate and provides the Company with significant opportunity to grow further. 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. Over the last six years, the like-for-like⁵ occupancy has increased from 63.1% to 78.5% i.e. an average of 2.6% per year. As of 31 October 2019, the like-for-like⁵ closing occupancy was up 3.4ppts year-on-year.

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

- enquiry generation through an effective and efficient marketing operation;
- strong conversion of enquiries into new lets; and
- disciplined central revenue management and cost control.

Digital marketing expertise

Awareness of self storage is increasing each year but still remains relatively low with 52% (2018: 54%) of the UK population either knowing very little or nothing about self storage (source: 2019 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. Typically, customers requiring storage start their journey by conducting online research using generic keywords in their locality (e.g. "storage in Borehamwood", "self storage near me") which means that geographic coverage and search engine prominence remain key competitive advantages.

We believe there is a clear benefit of scale in the generation of customer enquiries. The Group has continued to invest in 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 24% enquiry growth for the Group over the last five years. Our increasing in-house

expertise and significant annual budget has enabled us to deliver strong results.

Online enquiries now represent 83% of our enquiries in the UK (FY2018: 83%) and 75% in France (FY2018: 74%). 54% of our online enquiries in the UK now originate from a mobile device (excluding tablets), compared to 50% last year, highlighting the need for continual investment in our responsive web platform for a "mobile-first" world. In addition, changing customer expectations has prompted us to test and deploy a new service channel, LiveChat, during the year. We continue to invest in activities that promote a strong search engine presence to grow enquiry volume whilst managing efficiency in terms of overall cost per enquiry.

During 2019, the Group further developed and successfully executed its ability to integrate newly developed and acquired stores into its marketing platform. The Group acquired three stores in London during the calendar year – Heathrow (acquired July 2019) and Chelsea and St John's Wood (acquired November 2019). All three stores were successfully integrated onto Safestore systems within weeks of completion and rebranding will be complete by early 2020. New build stores at Peterborough and Merry Hill in the UK and Pontoise in Paris have made strong starts in terms of enquiry generation as we refine our approach to new openings. Safestore was also appointed to provide management services to the joint venture⁷ created to acquire M3 Self Storage in the Netherlands. These services will include the implementation of the full Safestore marketing platform (including use of the brand). This transition is underway and progressing on schedule.

In 2019, Safestore once again achieved a Feefo customer service rating of 95% based on the customers who rated their experience as "Excellent" or "Good". Having achieved this service level online, in the store and on the phone, Safestore was again recognised with a "Gold Trusted Merchant" award – given to businesses achieving over 95% – for the sixth year running.

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

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

Our 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.

Chief Executive's statement *continued*

Optimisation of existing portfolio *continued*

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

Safestore has been an Investors in People ("IIP") organisation since 2003 and our aim is to be an employer of choice in our sector as we passionately believe that our continued success is dependent on our highly motivated and well-trained colleagues. In April 2018, Safestore was awarded the Gold accreditation under the IIP programme, a significant improvement from the Bronze accreditation awarded in 2015. This puts Safestore as one of the top employers of 14,000 IIP accredited companies. In addition, Safestore was subsequently shortlisted as a finalist for the IIP Gold Employer of the Year in the 250+ employees category, putting us in the top ten of all companies that have achieved Gold accreditation. IIP is the international standard for people management, defining what it takes to lead, support and manage people effectively to achieve sustainable results. Underpinning the Standard is the Investors in People framework, reflecting the latest workplace trends, essential skills and effective structures required to outperform in any industry. Investors in People enables organisations to benchmark against the best in the business on an international scale. We are proud to have our colleagues recognised to such a high standard not only in our industry but across 14,000 organisations in 75 countries.

We are committed to growing and rewarding our people and tailor our development, reward and recognition programmes to this end. Our IIP recognised coaching programme, launched in 2018, was upgraded in 2019 to reflect the increase in the calibre and performance of our teams and was well received by our colleagues on its launch in January of 2019. Our internal sales training framework also received its 2019 enhancements to reflect the elevated performance of 2018 and target our high expectations of 2019. The programme was rolled out in May 2019 in preparation for the third and fourth quarters' selling seasons.

The training and development of our store and customer facing colleagues is an essential part of our daily routines. In 2019, we delivered a further 30,000 hours of training through face-to-face sessions and via our internally developed online learning tool and we continue to build on this commitment. 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 colleagues are up to date in relation to their technical knowledge and continue to operate a safe environment for both our colleagues and customers. These tools, systems and resources have allowed us to effectively communicate changes quickly and manage compliance robustly.

All 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 and increase their speed to competency. They receive individual performance targets within four weeks of joining the business and are placed on the "pay-for-skills" programme which allows accelerated basic pay increases dependent on success in demonstrating specific and defined skills. The key target of our programme remains that close to 100% of our store manager appointments are from within the business via our Store Manager Development programme, and we are pleased with our progress to date.

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 at the end of October 2018. We are proud to announce that our third intake of programme delegates have the opportunity to gain a nationally recognised qualification from ILM (Institute of Leadership and Management) at Level 3 and a further ten new colleagues recently started the 2020 programme.

Our Store Manager Development programme demonstrates the effectiveness of our learning tools. In a spirit of constant improvement our content and delivery process is dynamically enhanced through our 360 degree feedback process utilising the learnings from not only the candidates but also from our training store managers and senior business leaders. This allows our people to be trained with the knowledge and skills to sell effectively in today's market place. 2019 also saw the inaugural launch of our Senior Manager Development programme ("LEAD") which focuses on developing our high performing middle managers aimed at preparing them for more senior roles within the business. This programme is built on the foundations of our Store Manager Development programme and includes level 5 accreditation from the Institute of Leadership and Management upon successful completion.

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 employee 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' performance in order to assess team members' performance and development needs on a quarterly basis.

February 2019 saw the launch of our "Make The Difference Forum" when 15 of our colleagues were voted to be the "people champions" and attend our people's forum.

This new initiative allows our champions to be the representative voice for each of the twelve Regions and Head Office in order to influence change and drive improvement for "Our Business, Our Customers and Our Colleagues".

People Champions will:

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

Our values and behaviours framework concentrates our culture on our customers. Customers continue to be at the heart of everything we do. Whether it be in store, online or in their communities. Our Gold standard Feefo customer service score along with our "Excellent" Trustpilot rating, 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 can be adjusted on a real-time basis when needed, the store sales teams have the ability, in selected stores, to offer a Lowest Price Guarantee in the event that a local competitor is offering a lower price.

Average rates are predominantly influenced by:

- the store location and catchment area;
- the volume of enquiries generated online;
- the store team skills at converting these enquiries into new lets at the expected price; and
- the 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. Enhancements to cost control are continually considered and the cost base is challenged on an ongoing basis.

Strong and flexible capital structure

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

On 29 October 2019, Safestore extended its borrowing facilities with the issuance of new Sterling and Euro denominated US Private Placement ("USPP") notes with the following coupons and tenors:

- €70 million seven year 2026 notes at a coupon of 1.26%.
- £35 million seven year 2026 notes at a coupon of 2.59%.
- £30 million ten year 2029 notes at a coupon of 2.69%.

The USPP notes were issued to a group of institutional investors. The proceeds have been utilised to pay down the revolving credit facility under our bank arrangements, thereby providing further capacity for medium term growth.

The existing USPP notes and banking arrangements remain unchanged and consist of:

- A £250 million revolving credit facility of which £97 million is drawn. The facility matures in June 2023.
- A €70 million revolving credit facility of which €39 million is drawn. The facility matures in June 2023.
- €50.9 million of 2024 USPP at a coupon of 1.59%.
- €74.1 million of 2027 USPP at a coupon of 2.00%.
- £50.5 million of 2029 USPP at a coupon of 2.92%.

Including the US Private Placement debt of €195 million (£168.2 million) and £115.5 million, the Group's borrowings totalled £414.3 million before adjustment for unamortised finance costs (FY2018: £370.9 million), the increase in debt of £43.4 million reflecting funding for the acquisition of Salus Services Limited and our store development programme, as well as ensuring cash was available for the Fort Box Self Storage acquisition which completed on 5 November 2019.

The average cost of debt of the Group remains broadly unchanged at circa 2.3% and the average tenor of our facilities has increased from 5.1 years immediately before the new refinancing to 6.3 years as at 31 October 2019. The Group's LTV¹¹ ratio under the new financing arrangements is 31% as at 31 October 2019.

This LTV¹¹ and ICR¹² of 8.9x for the rolling twelve month period ended 31 October 2019 provide us with significant headroom compared to our banking covenants. We have £179.7 million of available bank facilities at 31 October 2019.

During the year we terminated £80 million of our interest rate swaps at a cost of £0.6 million. In addition a £55 million forward starting swap was put in place for the period from June 2022 to June 2023, ensuring that our interest rate swaps are co-terminous with our bank facilities. Currently, 88% of our drawn debt facilities are either fixed rate or hedged until June 2023.

At 31 October 2019, based on the current level of borrowings and interest swap rates, the Group's weighted average cost of debt is 2.30%. The weighted average maturity of the Group's drawn debt is 6.3 years at the current period end.

Taking into account the improvements we have made in the performance of the business and the reduction in underlying finance charges of circa £10 million over the last six years, the Group is capable of generating free cash after dividends sufficient to fund the building of two to three new stores per annum depending on location and availability of land.

The Group evaluates development and acquisition opportunities in a careful and disciplined manner against rigorous investment criteria. Our investment policy requires certain Board-approved hurdle rates to be considered achievable prior to progressing an investment opportunity. In addition, the Group aims to maintain a Group LTV¹¹ ratio of between 30% and 40% which the Board considers to be appropriate for the Group.

Portfolio management

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

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

Since 2016, the Group has opened twelve new stores; Chiswick, Wandsworth, Mitcham, Paddington Marble Arch (all in London), Birmingham Central, Birmingham Merry Hill, Altrincham and Peterborough in the UK, and Emerainville, Combs-la-Ville, Poissy and Pontoise in Paris. We have also completed the extensions and refurbishments of our Acton and Longpont (Paris) stores adding a net 29,000 sq ft of fully invested space to the estate. All of these stores are performing in line with or ahead of their business plans.

New stores

In January 2019, we completed the acquisition of a freehold former retail building in Peterborough. The site is one mile east of the city centre. The existing building has been converted into a 42,000 sq ft self storage facility and opened at the beginning of October 2019.

In October 2017, we completed the freehold acquisition of a 1.34 acre industrial site at Merry Hill in Birmingham. The site is about ten miles west of the centre of Birmingham, in a very prominent location close to Merry Hill regional shopping centre. The new purpose-built 55,000 sq ft store opened ahead of schedule in October 2019.

In the second half of 2018, we obtained planning for and completed the acquisition of a site in Carshalton in South London. Construction is underway and we anticipate opening this 40,000 sq ft store in the first calendar quarter of 2020.

In August 2019, we acquired a long leasehold 1.6 acre site with an existing building in Gateshead, North East England. The lease has 130 years remaining. Planning permission has now been granted and we plan to convert the building into a 38,000 sq ft store and anticipate opening the store in summer 2020.

In September 2019, we acquired a freehold 1.5 acre site with an existing warehouse in Sheffield. The site is located in an accessible and prominent position on the northern side of the inner ring road (A61) which is close to the city centre in a densely populated catchment area. The site has planning consent for self storage (the upgrade and refurbishment of the external areas are subject to planning permission). The Group intends to convert the existing building into a 47,000 sq ft store which should open in the second quarter of 2020.

The Group has also acquired two additional sites in the UK in London at Morden and Bermondsey. Morden is a freehold 0.9 acre site in an established industrial location. Planning permission for a 64,000 sq ft self storage facility has been submitted and we expect a decision in 2020. Bermondsey is a 0.5 acre freehold site with income from existing tenants and is adjacent to our existing leasehold store which has 34,000 sq ft of MLA and 78% occupancy at 31 October 2019. Our medium term aim, subject to planning permission, is to extend our existing Bermondsey operations with the addition of a new self storage facility to complement our existing store.

In Paris, where regulatory barriers are likely to continue to restrict meaningful 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 our 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.

Chief Executive's statement *continued*

Portfolio management *continued*

New stores *continued*

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 June 2018, we exchanged contracts on a freehold 4.2 acre site in Pontoise, North West of Paris and completed the acquisition of the site in December 2018. The existing building was converted into a 65,000 sq ft store opened ahead of schedule in August 2019.

In April 2018, we agreed a lease on a site at Magenta in central Paris. Subject to planning, we aim to open a 50,000 sq ft store here in the 2019/20 financial year.

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.

Lease extensions and assignments

As part of our ongoing asset management programme, we have now extended the leases on 21 stores or 60% of our leased store portfolio in the UK since 2012 and our average lease length remaining now stands at 13.1 years as compared to 12.5 years at FY2018.

In the year we extended the leases on our Edinburgh Gyle, Portsmouth Fratton and Edinburgh Fort Kinnaird stores.

At Edinburgh Gyle we extended the lease by ten years and secured a six-month rent-free period. The lease now has 17 years remaining and expires in 2036.

At Portsmouth Fratton, we extended the lease to 2042 and agreed a twelve-month rent-free period as part of the negotiations.

At Edinburgh Fort Kinnaird, we exercised an existing option to extend the lease by ten years to 2030.

As announced in our 2018 Results, we closed our Merton store in July 2018 and consolidated the majority of customers into our new Mitcham site. The lease on the Merton store was assigned to a third party during the year.

Existing store extensions and refurbishments

In the UK we have been redeveloping a small number of our older stores. Currently, our Leeds Central store is closed as part of this programme and most of the store's customers have been relocated, mainly to our other two Leeds stores. We are also considering options for our Birmingham Sheldon store, as anticipated on acquisition of the Alligator portfolio.

The refurbishment of our Newcastle store is now complete. The store remained open during the course of the works.

During the period, we also received planning permission to extend both our Bedford and Barking stores.

Bedford has an existing MLA of 35,300 sq ft and occupancy peaked at 94% in 2018. We have now started construction of the additional storage building on land already in our ownership adjacent to the existing store. This will provide additional MLA of 26,000 sq ft which we expect to open in early 2020.

Barking currently has an MLA of 47,900 sq ft and its occupancy also peaked at 94% in 2018. The extension, which should be completed early 2020, will add another 5,000 sq ft of MLA. Both stores will remain open during the construction.

We continue to look at opportunities to add additional MLA to existing stores as we seek opportunities to enhance our return on invested capital.

Acquisitions

Fort Box

On 5 November 2019, Safestore acquired 100% of the shares of companies owning Fort Box Self Storage, which comprises two stores in London, for £14.3 million⁶ including costs.

The stores, in the affluent areas of St John's Wood and Chelsea, have a total of 35,000 sq ft of MLA and are 79% and 69% occupied respectively at acquisition.

St John's Wood is a long leasehold store (999 years remaining) and Chelsea is a leasehold store with 20 years remaining on the lease.

The acquisition will be immediately earnings accretive with the first-year initial yield anticipated at 4.4% rising to circa 9% at stabilised occupancy levels.

The Group will rebrand the stores and has taken over operation of the sites with immediate effect.

Heathrow

In July 2019, Safestore acquired Salus Services Ltd, the owner of a 34,000 sq ft MLA freehold store from Rockpool Investments for £6.6 million⁶ in cash (including costs), funded from the Group's existing resources. The store was previously operated by Ready Steady Store and is located on the Parkway Trading Estate near Heathrow Airport to the west of London.

The store, which opened in 2015, is currently trading at an occupancy of 75%. The Group anticipates that the first year initial yield will be circa 5.5%.

The Group will rebrand the store and has taken over operation of the site with immediate effect.

Joint venture⁷ with Carlyle and Investment in M3

In August 2019 Safestore invested in a 20% stake in a joint venture⁷ with Carlyle to invest in carefully selected self storage opportunities in Europe. Safestore has developed a highly scalable platform in self storage, built on site identification, disciplined capital allocation and leading marketing and operational expertise.

This platform is proven to work across geographies and Safestore sees an opportunity to leverage the platform in regions outside of its existing footprint in the UK and Paris.

Safestore's initial investment in the joint venture⁷ was a €3.2 million equity investment plus a €2.0 million loan. Safestore will also earn a fee for providing management services to the joint venture⁷. The Group expects to earn an initial return on investment of 8% before transaction related costs for the first full year reflecting its share of expected joint venture⁷ profits and fees for management services.

M3, which had assets with an unaudited proforma book value of €21.5 million at the date of completion, has six prime locations in Amsterdam and Haarlem. The three stores in Haarlem are all freehold whilst two of the Amsterdam stores are subject to perpetual Ground Leases. The third Amsterdam store is a leasehold store with nine years remaining on the lease. The construction of the sixth store has now been finalised and completion of the acquisition of M3 took place on 31 August 2019. The business has 25,700 sq m (277,000 sq ft) of MLA and an occupancy of 68%.

The Dutch self storage market is the fourth largest in Europe with 303 stores and 9.6 million sq ft of MLA. This represents 0.56 sq ft per head of population which compares to 0.68 sq ft per head in the UK, 0.19 sq ft per head in France and 9.4 sq ft per head in the USA.

The Group's investment in the joint venture⁷ was immediately accretive to Group Earnings per Share from completion and will support the Group's future dividend capacity.

OhMyBox

On 30 December 2019 the Group completed the acquisition of OMB Self Storage SL ("OMB"), trading as OhMyBox, for total consideration of €17.25 million on a debt-free and cash free basis, funded from the Group's existing debt facilities.

OMB operates four very well located leasehold properties in the centre of Barcelona with an average unexpired lease term of 16 years and one option to purchase the freehold for €4.2 million.

The company was 30% owned by the current management, who will remain with the business, and 70% by a Spanish family office. The portfolio consists of four locations (Valencia, Calabria, Glorias and Marina) with an MLA totalling 104,000 sq ft. The occupancy of the business, at the end of the 2018 financial year, was 68% with the Marina store having been open for only eighteen months.

Barcelona and Spain are attractive markets for self storage. Spain has lower penetration of self storage operators than the majority of European countries and less than half of the penetration of the UK and Barcelona is one of the most densely populated cities in Europe. Only 14% of facilities in the Spanish market are operated by large operators, which presents opportunities for consolidation and growth.

Pro forma first year EBITDA after rent is currently anticipated to be €0.9 million on turnover of €2.5 million. At the consideration price, the OMB portfolio has an implied first year net operating income yield of circa 5.2% and we expect it to be immediately accretive to earnings.

Whilst our investments in the Netherlands and Spain represent interesting long term growth opportunities, the investment in the two businesses currently represents less than 1.5% of Group assets.

Portfolio summary

The self storage market has been growing consistently in the last 20 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 central 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 69% of our French stores are located and which has one of the highest population densities in the western world.

85% of the Paris region population live in central parts of the city versus the rest of the urban area, which compares with 60% in the London region. There are currently 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 the case for Paris and its first belt in particular, which inhibits new development possibilities.

Our combined operations in London and Paris, with 73 stores, contributing £87.8 million of revenue and £60.3 million of Store EBITDA, offer a unique exposure to the two most attractive European self storage markets.

We have a strong position in both the UK and Paris markets operating 122 stores in the UK, 68 of which are in London and the South East, and 28 stores in Paris.

In the UK, 63% of our revenue is generated by our stores in London and the South East. On average, our stores in London and the South East are smaller than in the rest of the UK but the rental rates achieved are materially higher enabling these stores to typically achieve similar or better margins than the larger stores. In London we operate 45 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"). 58% 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 2019, London, the South East and Paris represent 64% of our stores, 72% of our revenues, as well as 58% of our available 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.

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 2019) confirmed that self storage capacity stands at 0.68 square feet per head of population in the UK and 0.19 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 compares with 9.4 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, it would require the addition of around another 17,000 stores as compared to circa 1,200 currently. In the Paris region, it would require around 1,800 new facilities versus circa 95 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 were limited to an average of 19 stores per annum between 2011 and 2016 (including container storage openings).

The volume of new store openings increased in 2017 and 2018. In 2018, the SSA reported 70 stores as having been opened across the industry in 2017. However, our own analysis of these openings shows that many were container-based operators and only circa 30 of the sites represent self storage sites that are comparable with Safestore's own portfolio. In the 2019 SSA Survey, it is estimated that circa 40 traditional self storage stores were opened in 2018 (excluding container storage) with less than half competing directly with Safestore.

Owned store portfolio by region

	London and South East	Rest of UK	UK Total	Paris	Group Total
Number of stores	68	54	122	28	150
Let square feet (m sq ft)	2.10	1.86	3.96	1.02	4.98
Maximum lettable area (m sq ft)	2.67	2.49	5.16	1.31	6.47
Average let square feet per store (k sq ft)	31	34	32	36	33
Average store capacity (k sq ft)	39	46	42	47	43
Closing occupancy %	78.9%	74.7%	76.9%	77.4%	77.0%
Average rate (£ per sq ft)	28.84	18.46	23.93	34.36	26.09
Revenue (£'m)	72.0	42.7	114.7	37.1	151.8
Average revenue per store (£'m)	1.06	0.79	0.94	1.33	1.01

Note

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

Chief Executive's statement *continued*

Market *continued*

The 40 comparable sites represent around 3.4% of the traditional self storage industry in the UK. These figures represent gross openings and do not take into account storage facilities closing or being converted for alternative uses.

The SSA 2019 Survey also reported that operators remain relatively cautious in terms of new store openings and site acquisitions and have revised their estimates down from last year. For 2019, operators are estimating the completion of around 40 developments (last year estimate for 2019 was 47 stores) and around 37 in 2020 (last year estimate was 42 stores). Traditionally, operators have opened or acquired far fewer stores than originally estimated. Based on these estimates, and adjusting for historical inaccuracy, we estimate that around 25-30 stores per annum will be developed over the coming years.

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

The supply in the UK market, according to the SSA survey, remains relatively fragmented despite a number of acquisitions in the sector in the last three years. Safestore is the leader by number of stores with 122 wholly owned sites followed by Big Yellow with 75 wholly owned stores, Access with 57 stores, Lok'n Store with 31 stores, Shurgard with 31 stores and Storage King with 26 stores. In aggregate, the top ten leading operators account for 27% of the UK store portfolio. The remaining circa 1,160 self storage outlets (including 381 container-based operations) are independently owned in small chains or single units. In total there are 765 storage businesses operating in the UK.

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

Consumer awareness of self storage is increasing but remains relatively low, providing an opportunity for future industry growth. The SSA survey indicated that 52% (54% in 2018) of consumers either knew nothing about the service offered by self storage operators or had not heard of self storage at all. Over the last six years this statistic has only fallen 12 percentage points from 64%. Therefore, the opportunity to grow awareness,

combined with limited new industry supply makes for an attractive industry backdrop.

Self storage is a brand-blind product. 57% of respondents were unable to name a self storage business in their local area (2018: 61%). 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 72% of those surveyed (67% in 2018) confirmed that an internet search would be their chosen means of finding a self storage unit to contact, whilst knowledge of a physical location of a store as reason for enquiry was only circa 26% of respondents (circa 25% in 2018).

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

Safestore's domestic customers' need for storage is often driven by life events such as births, marriages, bereavements, divorces or by the housing market including house moves and developments and moves between rental properties. Safestore has estimated that UK owner-occupied housing transactions drive around 10-15% of the Group's new lets.

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

Business and personal customers	UK	Paris
Personal customers		
Numbers (% of total)	75%	84%
Square feet occupied (% of total)	55%	68%
Average length of stay (months)	19.8	26.3
Business customers		
Numbers (% of total)	25%	16%
Square feet occupied (% of total)	45%	32%
Average length of stay (months)	30.1	33.3

Safestore's customer base is resilient and diverse and consists of around 68,000 domestic, business and National Accounts customers across London, Paris and the UK regions.

Business model

The Group operates in a market with relatively low consumer awareness. It is anticipated that this will increase over time as the industry matures. To date, despite the financial crisis in 2007/08 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. With 75% of customers travelling for less than 20 minutes to their storage facility (2019 SSA Survey) Safestore's national store footprint represents a competitive advantage.

The Group's capital-efficient portfolio of 150 wholly owned stores in the UK and Paris consists of a mix of freehold and leasehold stores. In order to grow the business and secure the best locations for our facilities we have maintained a flexible approach to leasehold and freehold developments.

Currently, around a third of our stores in the UK are leaseholds with an average remaining lease length at 31 October 2019 of 13.1 years (FY2018: 12.5 years). Although our property valuation for leaseholds is conservatively based on future cash flows until the next contractual lease renewal date, Safestore has a demonstrable track record of successfully re-gearing leases several years before renewal whilst at the same time achieving concessions from landlords.

In England, we benefit from the Landlord and Tenant Act that protects our rights for renewal except in case of redevelopment. The vast majority of our leasehold stores have building characteristics or locations in retail parks that make current usage either the optimal and best use of the property or the only one authorised by planning. We observe that our Landlords,

who are property investors, value the quality of Safestore as a tenant and typically prefer to extend the length of the leases that they have in their portfolio, enabling Safestore to maintain favourable terms.

In Paris, where 41% of stores are leaseholds, our leases typically benefit from the well-enshrined Commercial Lease statute that provides that tenants own the commercial property of the premises and that they are entitled to renew their lease at a rent that is indexed to the 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 but at a significantly higher exit cap rate.

The Group believes there is an opportunity to leverage its highly scalable marketing and operational expertise in a limited number of new geographies outside the UK and Paris. During 2019, a joint venture⁷ was established with Carlyle, which acquired the M3 Self Storage business in the Netherlands which has six stores in Amsterdam and Haarlem. The Group earns a management fee and a share of the profits of the joint venture⁷. It is anticipated that the joint venture⁷ will investigate further opportunities in due course.

Our experience is that being flexible in its approach has enabled Safestore to operate from properties and in markets that would have been otherwise unavailable and to generate strong 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. However, the internet is now by far the dominant channel, accounting for 84% (2018: 83%) of our enquiries in the UK and 75% (2018: 75%) in France. Telephone enquiries comprise 11% of the total (16% in France) and 'walk-ins' amount to only 6% (9% in France). This dynamic is a clear benefit to the leading national operators that possess the budget and the management skills necessary to generate a commanding presence in the major search engines. Safestore has developed a leading digital marketing platform that has generated 24% enquiry growth over the last five 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. A similar website was launched in our Paris business at the end of 2016.

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 14% of all enquiries, in particular when the store colleagues are busy handling calls or outside of normal store opening hours.

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

Customer service standards are high and customer satisfaction feedback is consistently very positive. Over the last twelve months, we have achieved over 95% 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 45% of our total space let and have an average length of stay of 30 months. Within our business customer category, our National Accounts business represents around 507k sq ft of occupied space (around 13% of the UK's occupancy). Approximately two-thirds of the space occupied by National Accounts customers is outside London, demonstrating the importance and quality of our well invested national estate.

The business now has in excess of 68,000 business and domestic customers with an average length of stay of 31 months and 22 months respectively.

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

Since the completion of the rebalancing of our capital structure in early 2014, the subsequent

amendment and extension of our banking facilities in summer 2015, the refinancing of all facilities in May 2017 and the issuance of a further £125 million of US Private Placement Notes in 2019, 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 2019 we had 1.2 million sq ft of unoccupied space in the UK and 0.3 million sq ft in France, equivalent to circa 35 full new stores. Our main focus is on filling the spare capacity in our stores at optimally yield-managed rates. The operational leverage of our business model will ensure that the bulk of the incremental revenue converts to profit given the relatively fixed nature of our cost base.

Chief Executive's statement *continued*

Trading performance

UK

The UK's revenue performance was solid with the business growing total revenue by 5.2% and like-for-like⁵ revenue by 4.7%. Performance was strong in Regional UK with like-for-like⁵ revenue up 6.4% whilst London and the South East performed solidly with like-for-like⁵ revenue up 3.7%.

Over the year, the business added occupancy of 173,000 sq ft on a like-for-like⁵ basis excluding Alligator (2018: 132,000 sq ft excluding Alligator). As a result, like-for-like⁵ closing occupancy,

at 77.1%, increased by 3.5 percentage points compared to the prior year.

Like-for-like⁵ average rate in the UK improved by 1.4% over the course of the year.

Total revenue grew by 5.2% for the full year. This includes the newly acquired Heathrow store, management revenue from our Dutch joint venture⁷ business and the annualisation of 2018 new store openings in Mitcham and Paddington Marble Arch offset by 2018 closures in Deptford, Merton, Leeds and Paddington. New stores, in the initial period

after opening, are dilutive to occupancy and rate. However, all new stores are trading in line or ahead of our business plans.

We remain focused on our cost base. During the year, our UK cost base, on a like-for-like⁵ basis, increased by 4.0% or £1.9 million. Our total reported UK cost base grew by £2.1 million or 5.3% reflecting the acquisition of our Heathrow store and the cost bases relating to newly opened stores.

As a result, Underlying EBITDA² for the UK business was £64.1 million (FY2018: £61.1 million), an increase of £3.0 million or 4.9%.

Trading in November and December 2019, the first two months of the new financial year, demonstrated good momentum with like-for-like⁵ revenue up 5.9%.

Paris

On a like-for-like⁵ basis, the business grew revenue by 5.6% for the full year. This was driven by average occupancy growth of 5.5% for the year.

Like-for-like⁵ occupancy grew by 37,000 sq ft for the year (2018: 54,000 sq ft) resulting in closing occupancy of 84.4%, up 3.2 percentage points compared to the prior year.

Like-for-like⁵ average rate in Paris was down 0.6% for the year but, excluding the mix effect of our lower priced suburban Emerainville and Combs la Ville stores, which opened in September 2016 and June 2017 respectively, the average rate from the like-for-like⁵ stores was up 1.0%.

The impact of the new stores opened in August 2018 at Poissy (80,000 sq ft of MLA) and in August 2019 in Pontoise (65,000 sq ft of MLA) was to dilute rate and occupancy in the initial period after trading commenced. These stores, however, are trading ahead of our business plan.

Over the year, the average Sterling-Euro exchange rate was similar to 2018. As a result, there was minimal foreign exchange impact on the translation of Paris revenues.

The cost base in Paris remained well controlled during the year with like-for-like⁵ costs growing by just 0.7% or €0.1 million. The total cost base grew by 5.4% or €0.8 million reflecting the new store openings which typically make a loss in the first full year of operations. As a result, like-for-like⁵ Underlying EBITDA² in Paris grew by €2.1 million and Underlying EBITDA² also grew by €1.9 million to €26.5 million (FY2018: €24.6 million).

Trading has been positive in first quarter of the new financial year with like-for-like⁵ revenue (CER¹) up 5.0% for the two months to December 2019.

Frederic Vecchioli
Chief Executive Officer
 6 January 2020

UK – solid like-for-like growth

	2019	2018	Change
UK operating performance – total			
Revenue (£'m)	114.7	109.0	5.2%
Underlying EBITDA (£'m) ¹	64.1	61.1	4.9%
Underlying EBITDA (after leasehold rent) (£'m)	57.4	54.4	5.5%
Closing occupancy (let sq ft – million) ²	3.96	3.74	5.9%
Maximum lettable area (MLA) ³	5.15	5.12	0.8%
Closing occupancy (% of MLA)	76.9%	72.9%	+4.0ppts
Average storage rate (£) ⁴	23.93	23.66	1.1%
UK operating performance – like-for-like⁵			
Revenue (£'m)	112.5	107.4	4.7%
Underlying EBITDA (£'m) ¹	63.5	60.3	5.3%
Closing occupancy (let sq ft – million) ²	3.88	3.70	4.9%
Closing occupancy (% of MLA)	77.1%	73.6%	+3.5ppts
Average occupancy (let sq ft – million) ²	3.74	3.63	3.0%
Average storage rate (£) ⁴	23.81	23.49	1.4%

Paris – a strong year representing the twenty-first consecutive year of revenue growth

	2019	2018	Change
Paris operating performance – total			
Revenue (€'m)	42.1	39.4	6.9%
Underlying EBITDA (€'m) ¹	26.5	24.6	7.7%
Underlying EBITDA (after leasehold rent) (€'m)	21.3	19.5	9.2%
Closing occupancy (let sq ft – million) ²	1.02	0.95	7.4%
Maximum lettable area (MLA) ³	1.31	1.25	4.8%
Closing occupancy (% of MLA)	77.4%	76.5%	+0.9ppts
Average storage rate (€) ⁴	38.93	39.44	(1.3%)
Revenue (£'m)	37.1	34.9	6.3%
Paris operating performance – like-for-like⁵			
Revenue (€'m)	41.6	39.4	5.6%
Underlying EBITDA (€'m) ¹	26.7	24.6	8.5%
Closing occupancy (let sq ft – million) ²	0.98	0.95	3.2%
Closing occupancy (% of MLA)	84.4%	81.2%	+3.2ppts
Average occupancy (let sq ft – million) ²	0.96	0.91	5.5%
Average storage rate (€) ⁴	39.23	39.47	(0.6%)

Notes

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

2 Occupancy excludes offices but includes bulk tenancy. As at 31 October 2019, closing occupancy includes 14,000 sq ft of bulk tenancy (31 October 2018: 26,000 sq ft).

3 MLA is Maximum Lettable Area. At 31 October 2019, Group MLA was 6.47 million sq ft (FY2018: 6.37 million sq ft).

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

5 Like-for-like adjustments have been made to remove the impact of Heathrow, the 2019 openings of Peterborough, Birmingham Merry Hill and Pontoise, the 2018 openings of Mitcham, Paddington Marble Arch and Poissy and 2018 closures of Leeds Central, Merton and Paddington.

Principal risks

Risks are considered at every business level and are assessed, discussed and taken into account when deciding upon future strategy, approving transactions and monitoring performance.

Risks and risk management

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

Risk management process

The Board is responsible for determining the nature of the risks the Group faces, and for ensuring that appropriate mitigating actions are in place to manage them in a manner that enables the Group to achieve its strategic objectives.

Effective risk management requires awareness and engagement at all levels of our organisation. It is for this reason that the risk management process is incorporated into the day-to-day management of our business, as well as being reflected in the Group's core processes and controls. The Board has defined the Group's risk appetite and oversees the risk management strategy and the effectiveness of the Group's internal control framework. Risks are considered

at every business level and are assessed, discussed and taken into account when deciding upon future strategy, approving transactions and monitoring performance.

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

The risk management process commences with rigorous risk identification sessions incorporating contributions from functional

managers and Executive Team members.

The output is reviewed and discussed by the Risk Committee, supported by members of senior management from across the business. The Board, supported by the Risk Committee, identifies and prioritises the top business risks, with a focus on the identification of key strategic, financial and operational risks. The potential impact and likelihood of the risks occurring are determined, key risk mitigations are identified and the current level of risk is assessed against the Board's risk appetite. These top business risks form the basis for the principal risks and uncertainties detailed in the section below.

Principal risks and uncertainties

The principal risks and uncertainties described are considered to have the most significant effect on Safestore's strategic objectives.

Principal risks *continued*

Risks and risk management *continued*

Principal risks and uncertainties *continued*

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

Risk	Current mitigation activities	Developments since 2018
Strategy		
The Group develops business plans based on a wide range of variables. Incorrect assumptions about the economic environment, the self storage market, or changes in the needs of customers, or the activities of customers may adversely affect the returns achieved by the Group, potentially resulting in loss of shareholder value or loss of the Group's status as the UK's largest self storage provider.	— The strategy development process draws on internal and external analysis of the self storage market, emerging customer trends and a range of other factors. — Continuing focus on yield-management with regular review of demand levels and pricing at each individual store. — Continuing focus on building the Safestore brand, acquisitions and development projects. — The portfolio is geographically diversified with performance monitoring covering the personal and business customers by segments. — Robust cost management.	The Group's strategy is regularly reviewed through the annual planning and budgeting process, and regular reforecasts are prepared during the year. The Group established a joint venture with Carlyle, which acquired M3 Self Storage in the Netherlands. M3 has six stores in Amsterdam and Haarlem and the Group will earn management fees and a 20% share of the profits of the joint venture. The acquisition of a store at Heathrow was completed in July, and three new stores have been opened, all successfully integrated into the Group's store portfolio. Further development stores are in the pipeline, due to open in FY 2020. However, no business strategy is without risk, and the level of this risk is considered to have remained broadly similar to last year.
Finance risk		
Lack of funding resulting in inability to meet business plans, satisfy liabilities or a breach of covenants.	— Funding requirements for business plans and the timing for commitments are reviewed regularly as part of the monthly management accounts. — The Group manages liquidity in accordance with Board-approved policies designed to ensure that the Group has adequate funds for its ongoing needs. — The Board regularly monitors financial covenant ratios and headroom. — All of the Group's banking facilities now run to 30 June 2023. The US Private Placement Notes mature in five, seven, eight and ten years.	In October 2019, the Group issued a further £125 million of Sterling and Euro loan notes, maturing in seven and ten years. The Group's loan-to-value ratio ("LTV") has broadly remained constant during the year, increasing 1 percentage point from 30% to 31%, with increased debt due to development and acquisition activity being partially offset by the valuation increase in the store portfolio. Following the issue of new loan notes in October 2019, this risk is considered to have slightly reduced from last year.
Treasury risk		
Adverse currency or interest rate movements could see the cost of debt rise, or impact the Sterling value of income flows or investments.	— Guidelines are set for our exposure to fixed and floating interest rates and use of interest rate swaps to manage this risk. — Foreign currency denominated assets are financed by borrowings in the same currency where appropriate.	Euro denominated borrowings continue to provide an effective, natural hedge against the Euro denominated net assets of our French business. This risk remains low. Mitigation of future rate increases is provided by our interest rate swaps and fixed interest borrowings, so the risk of adverse interest rate fluctuations remains broadly unchanged since the prior year.
Property investment and development		
Acquisition and development of properties that fail to meet performance expectations, overexposure to developments within a short timeframe or the inability to find and open new stores may have an adverse impact on the portfolio valuation, resulting in loss of shareholder value. Corporate transactions may be at risk of competition referral or post transaction legal or banking formalities.	— Thorough due diligence is conducted and detailed analysis is undertaken prior to Board approval for property investment and development. — Execution of targeted acquisitions and disposals. — The Group's overall exposure to developments is monitored and controlled, with projects phased to avoid over-commitment. — The performance of individual properties is benchmarked against target returns and post-investment reviews are undertaken.	Projects are not pursued when they fail to meet our rigorous investment criteria, and post-investment reviews indicate that sound and appropriate investment decisions have been made. The capital requirements of development projects undertaken during the year have been carefully forecasted and monitored, and we continue to maintain significant capacity within our financing arrangements. We continue to pursue investment and development opportunities, and consider our recent track record to have been successful. Therefore, the Board considers that there has been no significant change to this risk since last year.

Risk	Current mitigation activities	Developments since 2018
Valuation risk		
Value of our properties declining as a result of external market or internal management factors could result in a breach of borrowing covenants. In the absence of relevant transactional evidence, valuations can be inherently subjective leading to a degree of uncertainty.	— Independent valuations are conducted regularly by experienced, independent, professionally qualified valuers. — A diversified portfolio which is let to a large number of customers helps to mitigate any negative impact arising from changing conditions in the financial and property markets. — Headroom of LTV banking covenants is maintained and reviewed. — Current gearing levels provide sizeable headroom on our portfolio valuation and mitigate the likelihood of covenants being endangered.	The valuation of the Group's portfolio has continued to grow during the year, reflecting both valuation gains arising from the increasing profitability of our portfolio and additions to our portfolio through corporate acquisitions and the opening of new development stores. The level of this risk is viewed as broadly similar to last year.
Occupancy risk		
A potential loss of income and increased vacancy due to falling demand, oversupply or customer default, which could also adversely impact the portfolio valuation.	— Personal and business customers cover a wide range of segments, sectors and geographic territories with limited exposure to any single customer. — Dedicated support for enquiry capture. — Weekly monitoring of occupancy levels and close management of stores. — Management of pricing to stimulate demand, when appropriate. — Monitoring of reasons for customers vacating and exit interviews conducted. — Independent feedback facility for customer experience. — The like-for-like occupancy rate across the portfolio has continued to grow due to flexibility offered on deals by in-house marketing and the customer support centre.	We have continued to grow like-for-like occupancy during the year, and the newly opened stores are performing well. Growth in our store portfolio diversifies the potential impact of underperformance of an individual store, however the level of this risk is considered similar to last year.
Real estate investment trust ("REIT") risk		
Failure to comply with the REIT legislation could expose the Group to potential tax penalties or loss of its REIT status.	— Internal monitoring procedures are in place to ensure that the appropriate rules and legislation are complied with and this is formally reported to the Board.	The Group has remained compliant with all REIT legislation throughout the year. There has been no significant change to this risk since last year.
Catastrophic event		
Major events mean that the Group is unable to carry out its business for a sustained period; health and safety issues put customers, staff or property at risk; or the Group suffers a cyber-attack, hacking or malicious infiltration of websites. These may result in reputational damage, injury or property damage, or customer compensation, causing a loss of market share and income.	— Business continuity plans are in place and tested. — Back-up systems at offsite locations and remote working capabilities. — Reviews and assessments are undertaken periodically for enhancements to supplement the existing compliant aspects of buildings and processes. — Monitoring and review by the Health and Safety Committee. — Robust operational procedures, including health and safety policies, and a specific focus on fire prevention and safety procedures. — Fire risk assessments in stores. — Periodic security review of all systems supported by external monitoring and penetration testing. — Limited retention of customer data. — Online colleague training modules.	Continuing focus from the Risk Committee, with particular attention to specific issues. The threat from cyber-attacks continues to grow. The risk management and mitigation actions have been developed accordingly.

Principal risks *continued*

Risks and risk management *continued*

Principal risks and uncertainties *continued*

Risk	Current mitigation activities	Developments since 2018
Regulatory compliance risk		
The regulatory landscape for UK listed companies is constantly developing and becoming more demanding, with new reporting and compliance requirements arising frequently. Non compliance with these regulations can lead to penalties, fines or reputational damage. Changes in tax regimes could affect tax costs. The Group is also subject to the risk of compulsory purchases of property, which could result in a loss of income and impact the portfolio valuation.	— Monitoring and review at the Risk Committee. — Project-specific steering committees to address the implementation of new regulatory requirements. — Liaison with relevant authorities and trade associations. — Where a store is at risk of compulsory purchase, contingency plans are developed. — Legal and professional advice. — Online colleague training modules.	An upgraded framework of tax controls has been implemented during the year, designed to manage key tax risks in line with the Group's obligations. All regulatory compliance risks have been monitored during the year. The level of risk is considered similar to last year.
Marketing risk		
Our marketing strategy is critical to the success of the business. This includes maintaining web leadership and our relationship with Google. A lack of effective strategy would result in loss of income and market share and adversely impact the portfolio valuation.	— Constant measuring and monitoring of our web presence and ensuring compliance with rules and regulations. — Market-leading website. — Use of online techniques to drive brand visibility. — Our pricing strategy monitors and adapts to evolving customer behaviour.	We continue to build functional expertise at Group level in performance marketing, organic and local searches and analytics. The Group marketing forum continues to review performance, market developments and our ongoing improvement plan. We have implemented a new value and quality focused performance marketing strategy. The level of risk is considered to be slightly reduced from last year.
Consequences of the UK's decision to leave the EU ("Brexit")		
The terms of the UK's departure remain unclear, which has generated uncertainty in the economy and also with regard to legislation changes both before and after Brexit. Potential changes to UK legislation or regulations may include changes to the right of EU citizens to work in the UK, changes to direct or indirect tax legislation or other legislation changes such as health and safety.	— Economic uncertainty is not a new risk for the Group, but Brexit increases the likelihood of previously recognised risks, and is addressed under the finance risk, treasury risk and valuation risk categories above. — Self storage is a localised industry, with a broad and diversified customer base, so demand is unlikely to be significantly impacted by Brexit related changes. — The Group's workforce in the UK includes a low proportion of employees whose right to work in the UK may be impacted by potential Brexit-related legislation changes.	The terms of Brexit are still to be approved by the UK Parliament, and the risk of a "no deal" Brexit remains. Whilst the Group has only limited exposure to the direct risks arising from Brexit, the heightened risk of a "no deal" Brexit increases economic uncertainty, so the level of this risk is considered to have slightly increased since last year.

Viability statement

The Directors have assessed the viability of the Group over a three-year period to October 2022, and have confirmed that they have a reasonable expectation that the Group will be able to continue to operate and meet its liabilities as they fall due over this period. This assessment has been performed taking account of the Group's current position and prospects, the Group's strategy, the Board's risk appetite and the potential impact of the principal risks, which are described on pages 13 to 16 of the strategic report.

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

Non-financial information statement

We aim to comply with the non-financial reporting requirements contained in Sections 414CA and 414CB of the Companies Act 2006. The below table, and information it refers to, is intended to help stakeholders understand our position on key non-financial matters.

Reporting requirement	Some of our relevant policies	Where to read more about our policies
Environmental matters		The Company's sustainability strategy has, as one of its four pillars, to mitigate the environmental effects of its activities to reduce its carbon footprint, improve recycling, reduce reliance on packaging, minimise waste and improve efficiencies on finite natural resources in all parts of the Company's operations. How the Company seeks to implement its sustainability strategy is set out in Our Environment on pages 39 to 47 of the sustainability report. The Company's approach to environmental matters is overseen by the Company's sustainability group.
Employees	Code of conduct (page 35) Equality, diversity and inclusion policy (pages 34 and 35) Bullying and harassment policy (page 35) Disciplinary and grievance policies (pages 33 and 34) Health and safety policy manual (page 32 and 41)	The pivotal role of our colleagues is reported within the Our People section of the sustainability report on pages 31 to 35 and within the Chief Executive's statement on pages 5 and 6. Further commentary for individual policies is set out on the pages as detailed in the previous column. These policies are made available to all colleagues within the Company's Colleague Handbook, an internal document available to all colleagues on the Company's intranet. The Company's approach to pay fairness throughout the Group is set out on pages 65 to 67 of the Directors' remuneration report.
Human rights	Code of conduct (page 35) Equality, diversity and inclusion policy (pages 34 and 35) Data privacy policies (page 32) Anti-slavery statement (page 31) Whistleblowing ("Speak Out") policy (pages 35 and 53) IT policy and data privacy policies (page 32)	Our commitment to human rights is reported within our sustainability report on page 31. Further commentary for individual policies is set out on the pages as detailed in the previous column. These policies are monitored as part of our risk management processes, overseen by the Audit Committee.
Social matters		The Company's approach to social matters is set out in Our Community on pages 36 to 38 of the sustainability report. The Company's approach to social matters is set out in the Company's Colleague Handbook and Operations Manual, which are internal documents available to all colleagues on the Company's intranet. The Company's approach to social matters is overseen by the Company's sustainability group.
Anti-corruption and anti-bribery	Anti-corruption and bribery statement and policy (pages 35 and 53) Gifts, tips and hospitality policy (page 35 and 53)	Further commentary for individual policies is set out on the pages detailed in the previous column. These policies are monitored as part of our risk management processes, overseen by the Audit Committee.
Description of principal risks and impact on business activity	Risk overview (pages 13 to 16 of the strategic report)	The Company's approach to risk management and internal control is set out in the governance report on pages 52 and 53.
Description of the business model		The Company's market and business model are reported on pages 10 and 11 in the Chief Executive's Statement within the strategic report.
Non-financial key performance indicators		KPIs are summarised in the Chief Executive's statement and reported in the financial highlights section on page 2 and within the trading performance section of the strategic report on page 12.

Certain Group policies and internal standards and guidelines are not published externally, but are available to all colleagues on the Company's intranet.

Financial review

EPS¹ has grown by 166% over the last six years

Andy Jones
Chief Financial Officer



Underlying income statement

The table below sets out the Group's underlying results of operations for the year ended 31 October 2019 and the year ended 31 October 2018. To calculate underlying performance metrics, adjustments are made for the impact of exceptional items, share-based payments, corporate transaction costs, change in fair value of derivatives, gain or loss on investment properties and the associated

tax impacts as well as exceptional tax items and deferred tax 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.

	2019 £'m	2018 £'m	Movement %
Revenue	151.8	143.9	5.5%
Underlying costs	(64.3)	(61.0)	5.4%
Underlying EBITDA	87.5	82.9	5.5%
Leasehold rent	(11.3)	(11.2)	0.9%
Underlying EBITDA after leasehold rent	76.2	71.7	6.3%
Depreciation	(0.7)	(0.6)	16.7%
Finance charges	(8.6)	(8.4)	2.4%
Underlying profit before tax	66.9	62.7	6.7%
Current tax	(5.1)	(4.7)	8.5%
Adjusted EPRA earnings	61.8	58.0	6.6%
Share-based payments charge	(5.6)	(5.3)	5.7%
EPRA basic earnings	56.2	52.7	6.6%
Average shares in issue (m)	210.2	209.9	
Diluted shares (for ADE EPS) (m)	216.8	216.7	
Adjusted diluted EPRA EPS¹ (p)	28.5	26.8	6.3%

Notes

¹ Adjusted Diluted EPRA EPS is defined in note 2 to the financial statements.

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

	2019 £'m	2018 £'m
Profit before tax	147.3	185.3
Adjusted for:		
– gain on investment properties	(84.2)	(122.1)
– fair value re-measurement of interest in leasehold properties	(5.4)	(5.2)
– change in fair value of derivatives	2.1	(0.5)
– net exchange loss	0.3	—
– unwinding of discount on Capital Goods Scheme	—	(0.1)
– share-based payments	5.6	5.3
– exceptional items	0.6	—
– exceptional finance costs	0.6	—
Underlying profit before tax	66.9	62.7

Underlying EBITDA increased by 5.5% to £87.5 million (FY2018: £82.9 million), reflecting a 5.5% increase in revenue and a 5.4% increase to the underlying cost base. This performance reflects the contribution of the seven new stores opened and acquired since November 2017, offset by the prior year closures of Merton, Leeds and Paddington.

Leasehold rent increased by 0.9% from £11.2 million to £11.3 million, principally due to our new leasehold store at Paddington Marble Arch.

Underlying finance charges increased by 2.4% from £8.4 million to £8.6 million. This reflects increased charges from draw-downs in the year to fund the Group's acquisition and development activity.

As a result, we achieved a 6.7% increase in underlying profit before tax to £66.9 million (FY2018: £62.7 million). The leading factor in the reduction in profit before tax in the year is the £37.9 million lower investment property gain, due chiefly to the fact that the movements in stabilised occupancy and freehold exit yield assumptions, although positive in both periods, were greater in 2018 than 2019.

Given the Group's REIT status in the UK, tax is normally only payable in France. The underlying tax charge for the year was £5.1 million (FY2018: £4.7 million), calculated by applying the French statutory income tax rate of 33.33% to the taxable profits earned by our Paris business, which results in an effective underlying tax rate of 28%. The Group's share-based payment charge increased £0.3 million to £5.6 million (FY2018: £5.3 million), representing the impact of additional grants in the year.

Management considers that the most representative Earnings per Share ("EPS") measure is Adjusted Diluted EPRA EPS which has increased by 6.3% to 28.5 pence (FY2018: 26.8 pence).

Reconciliation of Underlying EBITDA

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

	2019 £'m	2018 £'m
Operating profit	163.7	197.6
Adjusted for:		
– gain on investment properties	(84.2)	(122.1)
– depreciation	0.7	0.6
– contingent rent	1.1	1.5
– share-based payments	5.6	5.3
Exceptional items:		
– costs incurred relating to corporate transactions and exceptional employee costs	0.6	—
Underlying EBITDA	87.5	82.9

The main reconciling items between operating profit and Underlying EBITDA are the gain on investment properties as well as adjustments for depreciation, contingent rent and share-based payment charges. The gain on investment properties was £84.2 million, as compared to £122.1 million in 2018 due largely to the fact that the movements in stabilised occupancy and freehold exit yield assumptions, although positive in both periods, were greater in 2018 than 2019. The Group's approach to the valuation of its investment property portfolio at 31 October 2019 is discussed below.

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.

	2019			2018		
	UK £'m	Paris €'m	Total (CER) £'m	UK £'m	Paris €'m	Total (CER) £'m
Revenue	114.7	42.1	151.9	109.0	39.4	143.9
Underlying cost of sales	(41.7)	(11.8)	(52.1)	(39.6)	(11.3)	(49.6)
Store EBITDA	73.0	30.3	99.8	69.4	28.1	94.3
Store EBITDA margin	63.6%	72.0%	65.7%	63.7%	71.3%	65.5%
LFL store EBITDA margin	64.2%	73.3%	66.4%	64.1%	71.3%	65.9%
Underlying administrative expenses	(8.9)	(3.8)	(12.4)	(8.3)	(3.5)	(11.4)
Underlying EBITDA	64.1	26.5	87.4	61.1	24.6	82.9
EBITDA margin	55.9%	62.9%	57.5%	56.1%	62.4%	57.6%
LFL EBITDA margin	56.4%	64.2%	58.4%	56.1%	62.4%	57.8%
Leasehold rent	(6.7)	(5.2)	(11.3)	(6.7)	(5.1)	(11.2)
Underlying EBITDA after leasehold rent	57.4	21.3	76.1	54.4	19.5	71.7
EBITDA after leasehold rent margin	50.0%	50.6%	50.1%	49.9%	49.5%	49.8%
	UK £'m	Paris £'m	Total £'m	UK £'m	Paris £'m	Total £'m
Underlying EBITDA after leasehold rent (CER)	57.4	18.7	76.1	54.4	17.3	71.7
Adjustment to actual exchange rate	—	0.1	0.1	—	—	—
Reported Underlying EBITDA after leasehold rent	57.4	18.8	76.2	54.4	17.3	71.7

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 £3.0 million, or 4.9%, to £64.1 million (FY2018: £61.1 million), underpinned by a 5.2% or £5.7 million increase in revenue, which was driven by occupancy and rate improvements in the established portfolio as well as the impact of the new developing stores opened in Mitcham, Paddington Marble Arch, Birmingham Merry Hill and Peterborough offset by the closures of Leeds Central, Merton and Paddington. Underlying UK EBITDA after leasehold rent increased by 5.5% to £57.4 million (FY2018: £54.4 million).

In Paris, Underlying EBITDA increased by €1.9 million, or 7.7%, to €26.5 million (FY2018: €24.6 million), driven by a €2.7 million increase in revenue. Underlying EBITDA after leasehold rent in Paris increased by 9.2% to €21.3 million (FY2018: €19.5 million).

Recently opened or immature stores have a dilutive effect on the Group's reported performance. On a like-for-like basis, adjusting for the dilutive impact of immature stores, Store EBITDA margin in the UK was 64.2% (FY2018: 64.1%) and in France it was 73.3% (FY2018: 71.3%).

The combined results of the UK and Paris delivered a 6.1% increase in Underlying EBITDA after leasehold rent at constant exchange rates at Group level. Adjusting for a favourable exchange impact of £0.1 million, the Group's reported Underlying EBITDA after leasehold rent increased by 6.3% or £4.5 million to £76.2 million (FY2018: £71.7 million).

Financial review *continued*

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 2019 and 2018.

		2019	% of total	2018	% of total	% change
UK	£'m	114.7	76%	109	76%	5.2%
Paris						
Local currency	€'m	42.1		39.4		6.9%
Average exchange rate	€:£	1.133		1.131		(0.2%)
Paris in Sterling	£'m	37.1	24%	34.9	24%	6.3%
Total revenue	£'m	151.8	100%	143.9	100%	5.5%

The Group's revenue increased by 5.5% or £7.9 million in the year. The Group's occupied space was 289,000 sq ft higher at 31 October 2019 (4.98 million sq ft) than at 31 October 2018 (4.69 million sq ft), and the Average Storage Rate per square foot for the Group, affected in the year by the dilutive impact of our lower priced new stores, was, at £26.09, 0.7% higher than in 2018 (£25.90).

Adjusting the Group's revenue to a like-for-like basis (to reflect the opening of four new stores in the UK and two in Paris, and the closures of three stores in the UK since November 2017), revenue has increased by 4.8%. There was minimal exchange rate movement in the year so Group like-for-like revenue at constant exchange rates has also increased by 4.8%.

In the UK, revenue grew by £5.7 million or 5.2%, and on a like-for-like basis it increased by 4.7%. Occupancy was 220,000 sq ft higher at 31 October 2019 than at 31 October 2018, at 3.96 million sq ft (FY2018: 3.74 million sq ft) largely reflecting occupancy increases in the established portfolio. The Average Storage Rate for the year grew 1.1%, from £23.66 in 2018 to £23.93 in 2019. On a like-for like basis, the average storage rate in the UK increased by 1.4% to £23.81 (FY2018: £23.49).

In Paris, revenue increased by 5.6% to €41.6 million on a like-for-like basis (FY2018: €39.4 million). However, the 0.2% weakening of the Euro during the financial year had an unfavourable currency impact of approximately £0.1 million on translation, which contributed to a 6.3% increase when reported in Sterling. Closing occupancy grew to 1.02 million sq ft (FY2018: 0.95 million sq ft), and the average storage rate fell by 1.3% to €38.93 for the year (FY2018: €39.44). Adjusting for the impact of immature stores, on a like-for-like basis the average storage rate in France fell 0.6% to €39.23 (FY2018: €39.47) and removing the dilutive mix effect of our lower priced suburban Emerainville and Combs-La-Ville stores, average storage rate would have improved by 1.0% in the year.

Analysis of cost base

Cost of sales

The table below details the key movements in cost of sales between 2018 and 2019.

	2019 £'m	2018 £'m
Reported cost of sales	(53.8)	(51.7)
Adjusted for:		
– Depreciation	0.7	0.6
– Contingent rent	1.1	1.5
Underlying cost of sales	(52.0)	(49.6)
Underlying cost of sales for FY 2018		(49.6)
– Closed and new store cost of sales		1.1
Underlying cost of sales for FY 2018 (Like-for-like)		(48.5)
– Volume related cost of sales		(0.5)
– Facilities and rates		(0.7)
– Other cost of sales and enquiry generation		(0.4)
Underlying cost of sales for FY 2019 (Like-for-like; CER)		(50.1)
– Closed and new store cost of sales		(2.0)
Underlying cost of sales for FY 2019 (CER)		(52.1)
– Foreign exchange		0.1
Underlying cost of sales for FY 2019		(52.0)

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

Underlying cost of sales increased by £2.4 million in the year, from £49.6 million in 2018 to £52.0 million in 2019. Adjusting for a £0.1 million favourable currency impact, in constant currency underlying cost of sales grew by £2.5 million, which is largely attributable to a £0.9 million increase in costs of sales arising from our recent acquisition, four new stores in the UK and two in Paris, offset by three store closures in the UK. On a like-for-like basis, at constant exchange rates, cost of sales increased by £1.6 million or 3.3%, with £0.7 million from business rates and facilities costs including store maintenance and £0.5 million of volume related costs. The investment in our marketing during the year represented 5.2% of revenue (FY2018: 5.4%).

Administrative expenses

The table below reconciles reported administrative expenses to underlying administrative expenses and details the key movements in underlying administrative expenses between 2018 and 2019.

	2019 £'m	2018 £'m
Reported administrative expenses	(18.5)	(16.7)
Adjusted for:		
– Share-based payments	5.6	5.3
– Exceptional items	0.6	—
Underlying administrative expenses	(12.3)	(11.4)
Underlying administrative expenses for FY 2018		(11.4)
– Closed and new store administrative expenses		(0.2)
Underlying administrative expenses for FY 2018 (Like-for-like)		(11.6)
– Employee remuneration		(0.4)
Underlying administrative expenses for FY 2019 (Like-for-like; CER)		(12.0)
– Closed and new store administrative expenses		(0.4)
Underlying administrative expenses for FY 2019 (CER)		(12.4)
– Foreign exchange		0.1
Underlying administrative expenses for FY 2019		(12.3)

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

Underlying administrative expenses increased by £0.9 million or 7.9% in the year, from £11.4 million in 2018 to £12.3 million in 2019 mainly through a £0.4 million increase in employee remuneration. When adjusting for the £0.2 million net increase in new and closed store costs and the favourable £0.1 million currency impact, like-for-like administrative expenses in constant currency grew by 3.4% to £12.0 million.

Total underlying costs (cost of sales plus administrative expenses) on a like-for-like basis in constant currency have grown by £2.0 million, or 3.3%, to £62.1 million (FY2018: £60.1 million), principally as a result of the increase in cost of sales explained above.

Exceptional items

A net exceptional cost of £0.6 million was incurred in the year, chiefly relating to fees associated with the Group's acquisitions in the year and exceptional legal and employment related costs. In the prior year, a net exceptional cost of zero was incurred. In France, compensation of £0.5 million was received from a landlord in respect of water damage and was offset by £0.5 million of legal and employment related costs in the UK.

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 fair value re-measurement for the interests in leaseholds and other items as detailed below.

	2019 £'m	2018 £'m
Revaluation of investment properties	91.2	124.8
Revaluation of investment properties under construction	(1.6)	2.5
Fair value re-measurement of interest in leasehold properties	(5.4)	(5.2)
Gain on investment properties	84.2	122.1

In the current financial year, including investment properties under construction, the UK business contributed £53.6 million to the positive valuation movement and the Paris business contributed £36.0 million. The gain on investment properties principally reflects the continuing progress in the performance of both businesses, which has driven further positive changes in the cash flow metrics that are used to assess the value of the store portfolio.

Operating profit

Operating profit decreased by £33.9 million from £197.6 million in 2018 to £163.7 million in 2019, comprising a £4.6 million increase in Underlying EBITDA, a £37.9 million lower investment property gain, due chiefly to the fact that the movements in stabilised occupancy and freehold exit yield assumptions, although positive in both periods, were greater in 2018 than 2019, and non-repeating exceptional transactional costs of £0.6 million recognised in the year.

Financial review *continued*

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 £4.1 million in 2019, to £16.4 million from £12.3 million in 2018, principally due to an unfavourable net fair value movement on derivatives in the year of £2.1 million compared to a net gain of £0.5 million in 2018. The net exceptional finance cost of £0.6 million in the year related to the termination of a portion of our interest rate swaps following the refinancing in October 2019.

	2019 £'m	2018 £'m
Net bank interest payable	(8.5)	(8.3)
Amortisation of debt issuance costs on bank loans	(0.2)	(0.1)
Interest on obligations under finance leases	(4.8)	(4.5)
Fair value movement on derivatives	(2.1)	0.5
Net exchange losses	(0.3)	—
Interest income including unwinding of discount on Capital Goods Scheme receivable	0.1	0.1
Exceptional finance expenses	(0.6)	—
Net finance costs	(16.4)	(12.3)

Underlying finance charge

The underlying finance charge (net bank interest payable reflecting term loan, swap and USPP interest costs) increased by £0.2 million to £8.5 million, principally reflecting the Group's additional borrowings in the year drawn to fund the Group's acquisition and development activity. The underlying finance charge represents the finance expense before exceptional items and changes in fair value of derivatives, amortisation of debt issuance costs and interests on obligations under finance leases and is disclosed because management review and monitor performance of the business on this basis.

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	£97.0	£55.0	57%	1.25%	0.82%	0.71%	2.02%
UK Revolver – non-utilisation	£153.0	—	—	—	0.50%	—	—	0.50%
Euro Revolver	€70.0	£33.6	£25.9	77%	1.25%	0.16%	(0.42%)	1.28%
Euro Revolver – non-utilisation	€31.0	—	—	—	0.50%	—	—	0.50%
US Private Placement 2024	€50.9	£43.9	£43.9	100%	1.59%	—	—	1.59%
US Private Placement 2027	€74.1	£63.9	£63.9	100%	2.00%	—	—	2.00%
US Private Placement 2029	£50.5	£50.5	£50.5	100%	2.92%	—	—	2.92%
US Private Placement 2026	€70.0	£60.4	£60.4	100%	1.26%	—	—	1.26%
US Private Placement 2026	£35.0	£35.0	£35.0	100%	2.59%	—	—	2.59%
US Private Placement 2029	£30.0	£30.0	£30.0	100%	2.69%	—	—	2.69%
Unamortised finance costs	—	(£1.3)	—	—	—	—	—	—
Total	£594.0	£413.0	£364.6	88%				2.30%

As at 31 October 2019, £97 million of the £250 million UK revolver and €39 million (£33.6 million) of the €70 million Euro revolver were drawn. The drawn amounts attract a bank margin of 1.25%, and the Group pays a non-utilisation fee of 0.50% on the undrawn balances of £153 million and €31 million.

During the year we terminated £80 million of our interest rate swaps at a cost of £0.6 million. In addition a £55 million forward-starting swap was put in place for the period from June 2022 to June 2023, ensuring that our interest rate swaps are co-terminus with our bank facilities. Following the termination of the portion of our interest rate swaps and the addition of the new forward-starting swaps in the year, the Group has interest rate hedge agreements in place to June 2023, swapping LIBOR on £55 million at a weighted average effective rate of 0.82% and EURIBOR on €30 million at an effective rate of 0.17%.

The 2024, 2026 and 2027 US Private Placement Notes are denominated in Euros and attract fixed interest rates of 1.59% (on €50.9 million), 1.26% (on €70 million) and 2.00% (on €74.1 million) respectively. The Euro denominated borrowings provide a natural hedge against the Group's investment in the Paris business.

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

88% 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 2.30% at 31 October 2019, compared to 2.28% at the previous year end.

Non-underlying finance charge

Interest on finance leases was £4.8 million (FY2018: £4.5 million) and reflects part of the leasehold rent. The balance of the leasehold payment is charged through the gain or loss on investment properties line and contingent rent in the income statement. Overall, the leasehold rent charge increased from £11.2 million in 2018 to £11.3 million in 2019, principally reflecting our new leasehold store at Paddington Marble Arch.

Net finance costs includes a £0.3 million exchange loss (FY2018: £nil) arising primarily on retranslation of the Group's US Dollar denominated borrowings.

A net loss of £2.1 million was recognised on fair valuation of derivatives (FY2018: net gain of £0.5 million). The loss in the year principally comprised a loss of £1.8 million arising on the Sterling interest rate swaps.

Since our refinancing in May 2017, the Group is no longer exposed to exchange movements on US Dollar denominated borrowings. The Group undertakes net investment hedge accounting for its Euro denominated loan notes.

Tax

The tax charge for the year is analysed below:

	2019 £'m	2018 £'m
Underlying current tax	(5.1)	(4.7)
Current tax charge	(5.1)	(4.7)
Tax on investment properties movement	(10.4)	(7.6)
Tax on revaluation of interest rate swaps	0.1	(0.1)
Impact of tax rate change in France	—	4.0
Adjustment in respect of prior years	—	0.2
Other	0.2	0.1
Deferred tax charge	(10.1)	(3.4)
Net tax charge	(15.2)	(8.1)

The net income tax charge for the year is £15.2 million (FY2018: £8.1 million) which relates solely to the Paris business. In the UK, the Group is a REIT and benefits from a zero rate of tax on its qualifying earnings. The underlying current tax charge relating to Paris amounted to £5.1 million (FY2018: £4.7 million), calculated by applying the French statutory income tax rate of 33.33% to its taxable profits, which results in an effective underlying tax rate of 28%.

The deferred tax charge relating to Paris was £10.1 million (FY2018: £3.4 million charge). In France, the 2018 Finance Bill, which was adopted in December 2017, introduced a reduction in the standard rate of corporate income tax from 33.33% to 25.0%, applicable progressively from 2017 to 2022, extending reductions previously adopted following the 2017 Finance Bill. These reductions are applicable to all companies. As a result of this change, a non-recurring deferred tax credit of £4.0 million was recognised in the prior year.

All deferred tax movements are non-underlying. The deferred tax impact of the revaluation gain on investment properties was a charge of £10.4 million (FY2018: £7.6 million charge).

Financial review *continued*

Earnings per share

As a result of the movements explained above, profit after tax for 2019 was £132.1 million as compared with £177.2 million in 2018. Basic EPS was 62.8 pence (FY2018: 84.4 pence) and diluted EPS was 62.6 pence (FY2018: 84.2 pence).

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

Management introduced Adjusted Diluted EPRA EPS as a new measure of EPS following the implementation of the Group's new LTIP scheme in 2017. 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.

The Group has exposure to the movement in the Euro/Sterling exchange rate. Based on the FY2019 results, for every 10 cents variance to the average exchange rate of 1.1329, there would be an impact of £0.9 million to Adjusted EPRA earnings.

Adjusted Diluted EPRA EPS for the year was 28.5 pence (FY2018: 26.8 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:

	2019			2018		
	Earnings £'m	Shares million	Pence per share	Earnings £'m	Shares million	Pence per share
Basic earnings	132.1	210.2	62.8	177.2	209.9	84.4
Adjustments:						
Gain on investment properties	(84.2)	—	(40.1)	(122.1)	—	(58.2)
Exceptional items	0.6	—	0.3	—	—	—
Exceptional finance costs	0.6	—	0.3	—	—	—
Unwinding of discount on CGS receivable	—	—	—	(0.1)	—	—
Net exchange loss	0.3	—	0.1	—	—	—
Change in fair value of derivatives	2.1	—	1.0	(0.5)	—	(0.2)
Tax on adjustments	9.4	—	4.5	2.4	—	1.1
Adjusted	60.9	210.2	28.9	56.9	209.9	27.1
EPRA adjusted:						
Depreciation of leasehold properties	(5.4)	—	(2.6)	(5.2)	—	(2.5)
Tax on leasehold depreciation adjustment	0.7	—	0.3	1.0	—	0.5
EPRA basic EPS	56.2	210.2	26.6	52.7	209.9	25.1
Share-based payments charge	5.6	—	2.7	5.3	—	2.5
Dilutive shares	—	6.6	(0.8)	—	6.8	(0.8)
Adjusted Diluted EPRA EPS	61.8	216.8	28.5	58.0	216.7	26.8

Dividends

The Directors are recommending a final dividend of 12.00 pence (FY2018: 11.15 pence) which Shareholders will be asked to approve at the Company's Annual General Meeting on 18 March 2020. If approved by Shareholders, the final dividend will be payable on 9 April 2020 to Shareholders on the register at close of business on 6 March 2020.

Reflective of the Group's improved performance, the Group's full year dividend of 17.50 pence is 7.7% up on the prior year dividend of 16.25 pence. The Property Income Dividend ("PID") element of the full year dividend is 17.50 pence (FY2018: 13.7 pence).

Property valuation and net asset value ("NAV")

Cushman & Wakefield Debenham Tie Leung Limited LLP ("C&W") has valued the Group's property portfolio. As at 31 October 2019, the total value of the Group's property portfolio was £1,331.8 million (excluding investment properties under construction of £13.9 million). This represents an increase of £115.6 million compared with the £1,216.2 million valuation as at 31 October 2018. A reconciliation of the movement is set out below:

	UK £'m	Paris £'m	Total £'m	Paris €'m
Value at 1 November 2018	916.4	299.8	1,216.2	337.2
Currency translation movement	—	(10.1)	(10.1)	—
Additions	11.8	1.9	13.7	2.1
On acquisition of subsidiary	6.4	—	6.4	—
Disposals	—	—	—	—
Reclassifications	9.1	5.3	14.4	6.0
Revaluation	55.2	36.0	91.2	40.8
Value at 31 October 2019	998.9	332.9	1,331.8	386.1

The exchange rate at 31 October 2019 was €1.16:£1 compared with €1.12:£1 at 31 October 2018. This movement in the foreign exchange rate has resulted in a £10.1 million unfavourable 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 including investment properties under construction has increased by £91.7 million compared with 31 October 2018, including a £53.6 million valuation gain, £6.4 million from the acquisition of Salus Services Limited and capital additions (including reclassifications from investment properties under construction) of £31.7 million.

Our pipeline of expansion stores in the UK, comprising sites at Carshalton, Gateshead, Sheffield and Morden, is valued at £13.9 million.

In Paris, the value of the property portfolio increased by €48.9 million, of which €40.8 million was valuation gain and capital additions (including reclassifications from investment properties under construction) were €2.1 million. However, the net increase when translated into Sterling amounted to £33.1 million, reflecting the foreign exchange impact described above.

The Group's freehold exit yield for the valuation at 31 October 2019 reduced to 6.57%, from 6.74% at 31 October 2018, and the weighted average annual discount rate for the whole portfolio has reduced from 10.17% at 31 October 2018 to 9.82% at 31 October 2019.

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.

The adjusted EPRA NAV per share, as defined in note 15 of the financial statements, was 452 pence at 31 October 2019, up 12.5% since 31 October 2018, and reported NAV per share was 421 pence (FY2018: 376 pence), reflecting a £97.3 million increase in reported net assets during the year.

Gearing and capital structure

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

Net debt (including finance leases and cash) stood at £443.3 million at 31 October 2019, an increase of £27.8 million from the 2018 position of £415.5 million, reflecting funding for the acquisition of Salus Services Limited and our store development programme. Total capital (net debt plus equity) increased from £1,204.1 million at 31 October 2018 to £1,329.2 million at 31 October 2019. The net impact is that the gearing ratio has decreased from 35% to 33% in the year.

Management also measures gearing with reference to its loan-to-value ("LTV") ratio defined as gross debt (excluding finance leases) as a proportion of the valuation of investment properties and investment properties under construction (excluding finance leases). At 31 October 2019 the Group LTV ratio was 31% as compared to 30% at 31 October 2018. 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.

Financial review *continued*

Gearing and capital structure *continued*

Borrowings at 31 October 2019

As at 31 October 2019, £97 million of the £250 million UK revolver and €39 million (£33.6 million) of the €70 million Euro revolver were drawn. Including the US Private Placement debt of €195 million (£168.2 million) and £115.5 million, the Group's borrowings totalled £414.3 million (before adjustment for unamortised finance costs).

As at 31 October 2019, the weighted average remaining term for the Group's available borrowing facilities is 5.5 years (FY2018: 5.8 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 2019 is 8.9x (FY2018: 8.6x).

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 2019, 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 2019 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 2019 and 2018. 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.

	2019 £'m	2018 £'m
Underlying EBITDA	87.5	82.9
Working capital/exceptionals/other	(0.9)	(1.2)
Adjusted operating cash inflow	86.6	81.7
Interest payments	(8.8)	(8.7)
Leasehold rent payments	(11.3)	(11.2)
Tax payments	(5.3)	(6.4)
Free cash flow (before investing and financing activities)	61.2	55.4
Acquisition of subsidiary, net of cash acquired	(6.4)	(55.9)
Loan to associates	(1.7)	—
Investment in associates	(2.8)	—
Capital expenditure – investment properties	(38.7)	(27.7)
Capital expenditure – property, plant and equipment	(0.9)	(0.8)
Capital Goods Scheme receipt	0.6	1.1
Proceeds from disposal – investment properties	—	—
Adjusted net cash flow after investing activities	11.3	(27.9)
Issue of share capital	0.1	0.1
Dividends paid	(35.0)	(31.3)
Net drawdown of borrowings	47.9	5.0
Debt issuance costs	(0.5)	(1.1)
Net hedge breakage receipt	(0.6)	—
Net increase/(decrease) in cash	23.2	(55.2)

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

	2019 £'m	2018 £'m
Free cash flow (before investing and financing activities)	61.2	55.4
Add back: Finance lease principal payments	5.4	5.2
Net cash inflow from operating activities	66.6	60.6
	2019 £'m	2018 £'m
From table above:		
Adjusted net cash flow after investing activities	11.3	(27.9)
Add back finance lease principal payments	5.4	5.2
Net cash outflow after investing activities	16.7	(22.7)
From consolidated cash flow:		
Net cash inflow from operating activities	66.6	60.6
Net cash outflow from investing activities	(49.9)	(83.3)
Net cash outflow after investing activities	16.7	(22.7)

Adjusted operating cash flow increased by £4.9 million in the year, principally due to the £4.6 million improvement in Underlying EBITDA. Working capital, exceptional items and other movements resulted in a net £0.9 million outflow (FY2018: £1.2 million outflow) principally relating to exceptional acquisition costs.

Free cash flow (before investing and financing activities) grew by 10.5% to £61.2 million (FY2018: £55.4 million). The free cash flow benefited from the increase in adjusted operating cash flow, as well as a £1.1 million decrease in tax.

Investing activities experienced a net outflow of £49.9 million (FY2018: £83.3 million outflow), which included £6.4 million relating to the acquisition of Salus Services Limited and in the prior year including the £55.9 million acquisition of Alligator, £38.7 million (FY2018: £27.7 million) of capital expenditure on our investment property portfolio, of which £27.5 million was in respect of our new stores at Pontoise, Peterborough and Merry Hill in Birmingham and our four new pipeline sites at Carshalton, Gateshead, Sheffield.

Adjusted financing activities generated a net cash inflow of £11.9 million (FY2018: £27.3 million outflow). Dividend payments totalled £35.0 million (FY2018: £31.3 million). The net drawdown of borrowings was £47.9 million (FY2018: £5.0 million), which included the acquisition of Salus Services Limited and development of our pipeline stores. In addition, financing activities included a net outflow of £0.6 million (FY2018: £nil) on breaking a portion of our interest rate swaps as a result of the refinancing in October 2019.

The Strategic Report, including pages 4 to 47, was approved by a duly authorised Committee of the Board of Directors on 6 January 2020 and signed on its behalf by

Andy Jones

Chief Financial Officer

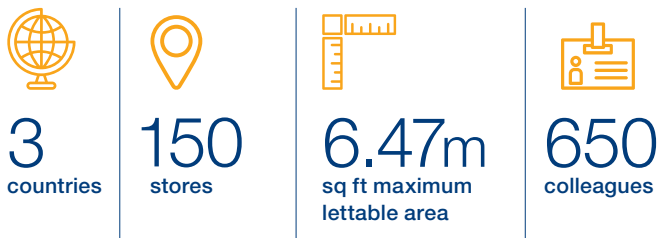
6 January 2020

Sustainability

Safe Sustainable Storage

Our business

We acquire, develop and operate real estate assets in European markets to enable a wide range of customers to store their goods in safe and secure locations. We also provide customers with a range of ancillary services including insurance, office space and a range of packaging materials.



Safestore provides management services to, and holds a 20% equity stake in, a joint venture formed to acquire M3 Self Storage in August 2019.



Our aim

To be the no. 1 choice for self storage in each of the markets we operate.

Our purpose

To add stakeholder value by developing profitable and sustainable spaces that allows individuals, businesses and local communities to thrive.

Our people

Provide a great place to work

Our customers

Deliver a great customer experience and help customers live and grow sustainably

Our community

Benefit local communities

Our environment

Protect the planet from our activities – reduce waste and carbon emissions

Our values

Our values, created by our store teams, are the foundation of everything we do.

We love customers – we deliver much more than storage, we provide solutions that exceed our customers’ expectations and we expect our people to show appreciation of our customers and their business.

We lead the way – we want people who talk with pride about Safestore, set themselves high standards and demonstrate passion for what they do.

We have great people – everyone has a key role to play within Safestore and we need people who show respect for everyone, no matter their position. Our people drive their own performance and are keen to learn from others.

We dare to be different – we want people that adapt to change and are willing to try new things. Part of daring to be different involves actively seeking feedback in order to develop new and existing skills.

We get it – we want people to be clear on our vision and goals and, in turn, know what part they play in achieving them. “We get it” is also about communicating in a clear, open and honest way to enable sound decision making.

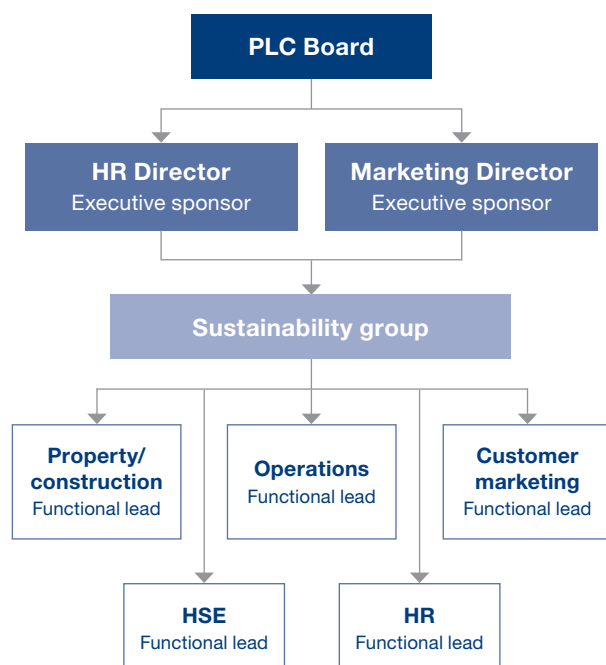
Our sustainability strategy

Our material sustainability issues, as identified by internal and external stakeholder engagement (with colleagues, investors, customers, and local authorities) fall within four areas, which we call the “pillars” of our sustainability strategy: Our People, Our Customers, Our Community and Our Environment. Although these pillars do not fundamentally change, this year we have taken the decision to conduct a review of sustainability issues as they relate to our business to ensure we are focusing clearly on material areas and are aligned not only to our corporate goals but also the principles of the UN Global Compact. We have introduced new targets and key performance indicators (“KPIs”) to better capture and report our performance across the business, which are also aligned with the UN Sustainable Development Goals (“SDGs”) where

appropriate. In addition, following feedback from investors we have taken the decision to commence reporting in accordance with EPRA’s (European Public Real Estate Association) latest recommendations: Best Practice Recommendations on Sustainability Reporting, sBPR, third version September 2017. These recommendations are also aligned with the latest Global Reporting Initiative (“GRI”) standards. We intend to report sustainability indicators for the subset of the 28 EPRA sBPR performance measures that are relevant to our business. Once finalised, these indicators and supplemental information can be downloaded from the relevant section of our website: www.safestore.co.uk/corporate/investors/report-and-presentations

Sustainability governance

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



Alignment to the UN Sustainable Development Goals

In September 2015, the United Nations Member States adopted 17 Sustainable Development Goals to provide a blueprint for peace and prosperity to be achieved by 2030. The SDGs or Global Goals are an urgent call to action for stakeholders in all countries to unite and address the environmental, economic and social imbalances that affect the world's population and society.

These goals can only be achieved with the support of governments, businesses and individuals and, as the role businesses must play becomes clearer, the goals have developed into an increasingly important tool for assessing the impact of companies on society more comprehensively.

Our various stakeholders increasingly expect to see how we are contributing to the SDGs, specifically current/future colleagues, our customers and particularly investors.

We have taken the opportunity to align our material sustainability issues ourselves with a global movement where governments, businesses and individuals contribute to the ambition of achieving prosperity for everyone, whilst protecting our planet for future generations. Therefore, Safestore has now joined a growing number of global organisations who are committed to supporting the SDGs.

Earlier this year we engaged an external agency to help us develop a sustainability strategy to enable the advancement of the SDGs as part of a globally recognised plan to end poverty, fight inequality and combat climate change.

We reviewed the significance of each goal to our business, the importance of each goal to our stakeholders and assessed our ability to contribute to each goal. Following this materiality exercise, we have chosen to focus the bulk of our efforts in the priority areas where we can have a meaningful impact. These are:

- Goal 8: Decent work and economic growth
- Goal 12: Responsible consumption and production
- Goal 13: Climate action

We will also seek to progress towards specific aspects of the other SDGs where relevant to our business.

SUSTAINABLE DEVELOPMENT GOALS



Sustainability *continued*

Sustainability targets and KPIs

Below sets out the targets we have set ourselves in each of the four “pillar” areas. Starting this year we will measure progress against these targets.

Sustainability strategy “pillar”	Sustainable business goals	Corporate business goals	UN Sustainable Development Goals	Performance measures (KPIs)	Targets	
					2020	2022
 Our people	The fairest places to work	A great place to work	5. Gender equality	Percentage of females applying for roles at Safestore	35%	40%
				Mean gender pay gap	16%	14%
	A safe working environment		8. Decent work and economic growth	Engagement score	Maintain score of over 80%	
				Number of reportable injuries (RIDDOR)	0%	0%
				Investors in People	Maintain IIP Gold Accreditation	
 Our customers	Deliver a great customer experience	Storage provider of choice	8. Decent work and economic growth	Customer satisfaction score	>90%	>90%
	Help customers live and grow sustainably					
 Our community	Benefit to local communities	Help local economies thrive	11. Sustainable cities and communities	Pro bono value of space occupied by local community groups	Opportunity led	
 Our environment	Improve use of natural resources	Achieve optimal operational efficiency	12. Responsible consumption and production	Eradicate single use plastic from the packaging of our merchandise in the UK	100%	100%
	Reducing our waste			% construction waste diverted from landfill in the UK	97.5%	98%
				% operations waste to landfill in the UK	2.1%	1.75%
	Reducing our emissions		7. Affordable and clean energy	% of renewables in owned store electricity in the UK	100%	100%
			13. Climate action	Scope 1, 2, 3 emissions	4,427	3,917
				Intensity (per m²)	0.47	0.42
				Emissions vs 2013 baseline (tonnes)	(43)%	(50)%
				Emissions vs 2013 baseline (intensity)	(53)%	(58)%

Our people



Target

Engagement score

Performance 2018/19

82%

We are extremely proud of achieving the Investors in People ("IIP") Gold accreditation for 2018, which means we are one of the top employers of 14,000 organisations surveyed, across 75 countries. We were also a top ten finalist for the Gold Employer of the year 250+ award category.

What sets us apart is our culture of being friendly, supportive and showing a genuine interest in our colleagues and their development. Safestore is a place where colleagues love to work. We recognise the importance of workplace wellbeing, which is why promoting and supporting wellbeing at Safestore is at the heart of our long term people agenda.

We believe that there is a fundamental connection between happy, healthy and engaged colleagues and sustainable business performance. That is why, this year, we are setting out a clear wellbeing strategy, clarifying our goals for now and the future.



Positive environment

Colleague feedback

This year, we launched our "Make the Difference" people forum; a formal workforce advisory panel enabling us to consider wider stakeholder views and engage with our colleagues to understand their feedback.

The "Make the Difference" people forum also supports the Investors in People ("IIP") framework, driving standards in key areas including "Empowering and involving people" and "Recognising and rewarding high performance".

Our network of 15 "People Champions" from across the business volunteer to collect and understand the feedback of their peers. Our People Champions meet bi-annually to collate this feedback, which is presented to our senior leaders who go on to review at Board level. We drive change and continuous improvement in responding to the feedback we receive, making Safestore a great place to work for our colleagues.

Safestore responds to the feedback and communicates the outputs regularly through our internal communications channels and our network of People Champions.

Human rights

- Safestore is committed to respecting human rights and labour rights based on our values and the principles of the UN global compact.
- Our commitment to preventing modern slavery in our supply chain is outlined in our statement on slavery and human trafficking, which is available on our website.
- In 2018, we increased our modern slavery awareness by developing a specific e-learning module, which includes practical guidance on identifying the signs of modern slavery and human trafficking. We have made this training module compulsory for all new starters to complete within the first ten days of joining us and all existing colleagues have completed refresher training.
- In 2018, we updated our supplier contractual processes to include specific prohibitions against the use of forced, compulsory or trafficked labour, or anyone held in slavery or servitude, whether adults or children. We expect our suppliers to hold their own suppliers to the same high standards.

Sustainability *continued*

Positive environment *continued*

General Data Protection Regulation (“GDPR”)

- Observing data privacy laws is something we take extremely seriously. GDPR came into force on 25 May 2018, designed to modernise laws that protect our personal information.
- To ensure Safestore is compliant, we have worked hard on introducing robust new policies, including our IT policy and data privacy policies, conducting data impact assessments, carrying out data audits and introducing regular and systematic monitoring. We also want to ensure everyone at Safestore understands the new regulations so have provided comprehensive online GDPR training to all colleagues, a website for reference materials and tools, and updated our induction programme to make GDPR training compulsory for all new starters.

Employment security and responsible workforce restructuring

- We value our colleagues as individuals and understand that people may have other commitments outside of work. We therefore welcome and consider all requests for flexible and at-home working to encourage a healthy work/life balance.
- Safestore recognises that security of employment is important to colleagues and therefore every effort is made to avoid termination of employment due to redundancy and to provide continuity of employment, wherever practicable.
- Where it becomes necessary to reduce team numbers, whether for economic or other reasons, including where jobs become redundant as a result of restructuring or reorganisation, it is Safestore’s policy to try to minimise the effect on those concerned. Careful consideration is given to all alternative employment possibilities and outplacement support is offered to all those affected by redundancy.
- We are pleased that there have been no large-scale redundancies or significant job cuts this year.
- In order to ensure that our colleagues have financial stability and security, we strive to use permanent contracts wherever possible and practicable. We do not use zero-hours contracts anywhere within the organisation. The percentage of our colleagues on permanent contracts on 1 April 2019 was 99.6%.

Health and safety

At Safestore the wellbeing of our colleagues is of paramount concern. We are committed to continuing to manage risk and to anticipate new health and safety challenges in order to ensure a healthy and safe environment for our people, customers, suppliers and contractors. Safestore continuously strives to meet and, wherever possible, exceed best practice through:

- Regular and robust health and safety checks across our portfolio.
- Regular independent audits of sites, performed by our external health and safety consultants on a rolling programme, to ensure that procedures are followed and that appropriate standards are maintained.
- Ensuring all colleagues understand their responsibility for health and safety at Safestore. If a site is highlighted as falling below our health and safety standards, colleagues on site are urgently targeted to make the required improvements.
- Comprehensive compulsory health and safety training programmes, accessible to all relevant colleagues.
- Regular Health and Safety Committee meetings take place to review issues, processes, policy and actions. The Health and Safety Committee minutes are shared with both our Risk and Audit Committees.
- Accident reports to identify, prevent and mitigate against potential risks managed using our online incident reporting systems. All reports are reviewed by the Health and Safety Committee to consider what preventative measures can be implemented.

There were no fatal injuries, notices or prosecutions during year ended 31 October 2019 in any part of Safestore operations.

Group health and safety statistics

Customer, contractor and visitor health and safety

Summary:

- 26 minor injuries were recorded over the past year, none of which were reportable under RIDDOR.
- 2 minor injuries recorded to contractors and 24 to customers. No injuries recorded to visitors.
- Injuries were recorded as 14 minor cuts, 10 bumps and bruises and 2 strains mainly relating to customers handling their goods.

Year ended 31 October	2017	2018	2019
Number of stores	134	146	150
Customer, contractor and visitor movements	132,468	137,882	143,651
Number of minor injuries	36	46	26
Number of reportable injuries (RIDDOR)*	0	0	0
RIDDOR per 100,000 CCV movements	0.0	0.0	0.0

Colleague health and safety

Summary:

- 24 minor injuries were recorded over the past year, all cuts and bruises.
- No injuries were reportable under RIDDOR.

Year ended 31 October	2017	2018	2019
Average number of colleagues	600	650	650
Number of minor injuries	13	5	24
Number of reportable injuries (RIDDOR)*	1	1	0
AIIR** per 100,000 colleagues	205	202	0

* RIDDOR = Reporting of Injuries, Diseases and Dangerous Occurrences

** Annual injury incident rate = the number of reportable injuries ÷ average number of colleagues (x100,000)



Great lifestyle choices

This year, we have focused on offering simple, practical wellbeing initiatives, to make it easier for our colleagues to lead healthier and happier lives.

- We have further promoted our Employee Assistance Programme (“EAP”) which provides our colleagues with expert guidance and support on everyday matters, whenever they need it.
- We continue to work closely with our occupational health provider who helps with appropriate support, guidance and recommendations for our colleagues regarding health concerns, including mental health. We are increasingly using the service to provide private counselling for colleagues in crisis, who require immediate support.
- We offer colleagues the opportunity to join our private healthcare scheme, enabling them to have access to private treatment whenever they need to use it.
- We have invested in further mediation training and all of our HR Advisers are now CIWM accredited mediators. This is enabling us to change the way we manage conflict in the workplace, encouraging open and honest communication through facilitated discussions and mediation sessions. Our new conflict resolution policy is being phased in and will replace our grievance policy entirely in 2020.
- This year we launched our ‘My Wellbeing’ internal website, to provide our colleagues with access to a broad range of wellbeing messages, self-help tools, offers and promotions to enable them to make informed choices around healthy eating, exercise, mental health and financial wellbeing.
- In addition to our ‘My Wellbeing’ webpage, we have also communicated a number of wellbeing incentives, events and offers, using our internal platform Yapster. We believe good wellbeing communications will promote and embed a positive and supportive working environment.



The training and development of our store and customer-facing colleagues is an essential part of our daily routines. In 2019, we delivered a further 30,000 hours of training through face-to-face sessions and via our internally developed online learning tool; this equates to over 46 hours per colleague.

All 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 and increase their speed to competency. They receive individual performance targets within four weeks of joining the business and are placed on the “pay-for-skills” programme 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 Manager appointments are from within the business via our Store Manager Development programme, remains and we are pleased with our progress to date.



Our Store Manager Development programme demonstrates the effectiveness of our learning tools. In a spirit of constant improvement our content and delivery process is dynamically enhanced through our 360 degree feedback process utilising the learnings from not only the candidates but also from our training store managers and senior business leaders. This allows our people to be trained with the knowledge and skills to sell effectively in today's market place. It also offers the opportunity to gain a nationally recognised qualification from either the Institute of Leadership and Management (“ILM”) or the Chartered Management Institute (“CMI”) utilising the Apprenticeship Levy.

We are also utilising the Levy to support the development of Head Office colleagues. Currently we have individuals working towards their professional qualification.

Personal growth and education

Learning and development

In line with Safestore's wellbeing strategy, we have continued to focus on personal growth and education of our colleagues throughout 2019.

Our enthusiastic, well-trained and customer-centric sales team remains a key differentiator and a strength of our business.

We are committed to growing and rewarding our people and tailor our development, reward and recognition programmes to this end. Our IIP recognised coaching programme, launched in 2018, had a 2019 upgrade to reflect the increase in the calibre and performance of our teams and was well received by our colleagues in January 2019. The QUEST sales framework “masterclass” also received its 2019 build to reflect the elevated performance of 2018 and target our high expectations of 2019. The programme was rolled out in May in preparation for the 3rd and 4th quarter season.



“What sets us apart is our culture of being friendly, supportive and showing a genuine interest in our colleagues and their development.”



Sustainability *continued*

Personal growth and education *continued*

Financial wellbeing

Our workplace pension is provided by Scottish Widows, one of the UK's leading workplace pension providers. We are pleased to offer eligible colleagues the opportunity to make their pension contributions through a salary sacrifice arrangement, recognised as the most tax-efficient way of making pension contributions.

This year, we announced that we will run the Sharesave scheme annually, meaning all colleagues have an opportunity to join a new scheme each year (up to a total contribution amount of £500 per month). This will enable more of our colleagues to share in our success.

In August, we opened entry into our 2019 Sharesave scheme, attracting 93 brand new members. In addition, 53 colleagues who are members of existing schemes also enrolled onto the new 2019 scheme. This means almost half of our colleagues now share in our success by being a member of at least one of our Sharesave schemes.



Active leaders and engaged teams

Leadership

Role model leadership and high levels of trust are key strengths at Safestore, recognised as part of our Gold IIP Accreditation in 2018. In our 2019 pulse survey, we are delighted to have maintained those high standards, proven by a leadership engagement score of over 80%.

Our focus on our people agenda has supported a shift in recent years to a structure and culture that rewards and recognises great leadership, and provides the skills, tools and time to dedicate to our teams.

This has been achieved through maintaining good colleague-manager ratios; for example, no Regional Manager has more than eleven stores and each Store Manager has a team of just three to four people. This allows managers to get to know their colleagues personally, understand their motivations and, alongside the coaching culture, this is enabling us to maximise our productivity through motivated and engaged teams.

Our colleagues see the Company's leadership as authentic and living the values and behaviours every day.

Values and behaviours

Our values, created by our people, form a core part of each element of the employee life cycle. We test prospective colleagues' affinity to our values, and continue to assess against them bi-annually. Our culture has been built on the values; these are core to the way our business is run and our decisions are made.

We are empowered to do the right thing, not necessarily the easiest. This enables us to feel comfortable challenging behaviours that are not in line with our values.

Equality, diversity and inclusion

We are delighted to have launched a brand new equality, diversity and inclusion policy. We are committed to providing an inclusive workplace, encouraging and welcoming diversity with a zero tolerance of harassment and discrimination. Our behaviours should always meet and aim to exceed the demands of the Equality Act 2010. We want to continue to enjoy working in a culture free from discrimination and harassment, enabling all colleagues to achieve their full potential. We strongly believe diverse teams perform better. This year we have continued to:

- be committed to equality of opportunity in all our employment practices, policies and procedures. No colleague or potential colleague will receive less favourable treatment due to any of the following protected characteristics: age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage or civil partnership, pregnancy or maternity;
- give full and fair consideration to all applications for employment by disabled persons, which are assessed in accordance with their particular skills and abilities. The Group does all that is practicable to meet its responsibilities towards the training and employment of disabled people, and to ensure that training, career development and promotion opportunities are available to all colleagues;
- be an equal opportunities employer maintaining a workforce reflective of the uniqueness of the communities within which we operate;
- nurture the talents of our people and the benefit they bring to our varying business functions through a clearly defined and transparent performance framework;
- take all reasonable steps to employ, train and promote colleagues on the basis of their experience, abilities and qualifications;
- maintain an active succession planning strategy that considers the ability of internal colleagues before recruiting externally and ensuring that the criteria for selecting colleagues for training opportunities is non-discriminatory. These are based upon the individual's merits, abilities and needs, business needs, and the availability of appropriate training and development opportunities. All colleagues participate in the appraisal process and there is positive encouragement to discuss development and training needs and opportunities. Safestore made 17 internal promotions this year; and
- encourage our colleagues to achieve and maintain satisfactory standards of conduct, ensuring all are treated fairly and consistently, through an inclusive disciplinary policy and procedure.

**“You won’t find lots
of Values posters here. They are
in our heads and our hearts.”**

We are committed to providing a working environment free from harassment and bullying and ensuring all colleagues are treated, and treat others, with dignity and respect. Our bullying and harassment policy sets out our clear expectations in this area.

In addition, we have:

- Launched a new e-learning workshop, Equality and Diversity, delivered to every colleague at Safestore, covering the following key areas:
 - equality and diversity;
 - types of discrimination;
 - harassment and bullying; and
 - equality legislation.
- Launched a new development programme for our operational leaders. The “Leading through Inclusion and Diversity” programme supports our leaders to recognise and celebrate diversity and to lead our diverse teams to success.
- Introduced gender-balanced shortlisting for senior roles.

Our Code of Conduct provides guidance and support to conduct our business ethically and to comply with the law, which is vital to our success. The Code of Conduct applies to all individuals working for Safestore Group irrespective of their status, level or grade. During the year we have updated our policies on anti-corruption and bribery, gifts, tips and hospitality which support and uphold our zero tolerance position on bribery. This year the Group has also reviewed its whistleblowing (“Speak Out”) policy for the reporting of inappropriate conduct, including contact details for the Group’s external auditor. These updated policies were shared with all colleagues through our internal communication channels.

Gender equality

The ratio of male to female colleagues at 31 October 2019 is outlined in the table below. Further analysis of our gender pay gap can also be found in the 2018 gender pay gap report on our website. The report also sets out a range of actions we are taking to help close the gap.

Group gender split at 31 October 2019

	Male	Female
Board Directors	5	2
Senior Managers (excluding Directors)	7	1
All colleagues	444	184

Our customers

Target	Performance 2018/19
Maintain 90%+ satisfaction scores in each market	UK: 95% Feefo/ 94% Trustpilot France: 93% Trustpilot

Sustainable growth of our business relies not only on our bottom line, but also on fulfilling our promise to our customers. We focus on factors like customer satisfaction and repeat business.

We continue with our focus on improving our service by gauging customer satisfaction using our website, third party tools and social media. This information helps us to develop offers and services as well as resolving issues at store level. We are aware how customer feedback and testimonials play a part in the buying process and therefore our customer feedback, whether it is good or bad, informs us if we need to do things better and has proven invaluable to us over the years.

Listening to our customers

We conducted a survey of our UK business customers in the first half of the financial year. Our objective was to gain some quantitative and qualitative data on a number of areas to both better understand the benefit self storage provides businesses and to ensure we understand our customers better and their relationship with us.

We appointed the research team at Savills to compile a survey which involved all of our UK stores and we received an excellent result with nearly 800 business customers responding to the survey. The survey, which was anonymous, provided us with important information about the type and size of business using Safestore, why they use self storage and the number of people who visit the store and how often.

We also gave all those completing the survey the opportunity to provide us with feedback about their experience of using self storage and we gained some excellent insights into business customer attitudes.

The survey demonstrates that Safestore provides important space for business customers, predominantly micro and small-to-medium sized enterprises. The flexibility of the space and the terms offered enables businesses to test out new ideas, to succeed or fail, and to expand or contract. This function is crucial for a dynamic economy and thriving local communities. The results of the survey show that the space is important to a significant majority of businesses, many of which would be adversely affected were it not available.

We continue to seek customer feedback through Feefo, the online review platform which guarantees 100% genuine feedback. Feefo polls real Safestore customers about their experiences meaning that feedback is a true representation of consumer opinion. All of our stores across the country receive feedback which means customers can view the ratings for each individual store.

“The survey demonstrates that Safestore provide important space for business customers, predominantly micro and small-medium sized enterprises.”

Sustainability continued

Our customers continued

Listening to our customers continued

In 2019, Safestore achieved a customer service rating of 95% based on UK customers who rated their experience as “Excellent” or “Good”. Having achieved this service level online, in store and on the phone, Safestore was again recognised with a “Gold Trusted Merchant” award – given to businesses achieving over 95% – for the sixth year running.

This award is based purely on the interactions with verified and genuine customers and as such the accreditation is a true reflection of our commitment to providing outstanding service.

In addition to using Feefo, Safestore now invites customers to leave a review of their service on a number of review platforms, including Google and Trustpilot. This way, wherever customers look for trust and reputational signals about Safestore, they will see an impartial view of our excellent customer satisfaction.

The service we provide is professional, efficient and helpful to make the self storage process as easy and straightforward as possible. We aim to exceed our customers’ expectations from initial enquiry through to move in. Each customer receives tailored information relating to their purchase and has a dedicated person to guide them through their buying journey and beyond.

Trustpilot is a popular, well recognised and authoritative third party review platform and this year we are delighted that Safestore has achieved a Trustpilot TrustScore of 4.7 out of 5 in the UK. We are committed to delivering an excellent customer experience and our independent customer feedback shows a high level of customer satisfaction at 94% from 1,296 reviews.

Une Pièce en Plus also continues to use Trustpilot to obtain independent customer reviews. In 2019, 460 reviews have been collected with 93% of customers rating their service experience as “Excellent” or “Great” resulting in a TrustScore of 4.6 out of 5.

We are proud to be recognised for delivering exceptional customer service and we see this as a great achievement and a testament to the hard work of our colleagues in store.

As part of our ongoing commitment to serve our customers better and offer the best customer experience online, within the last year we successfully piloted and integrated LiveChat as part of our digital offering. The option of having on-screen conversations to provide instant support and quick answers for website visitors has proved popular with those who prefer this method to a phone or even email conversation.

LiveChat customers appreciate the immediacy and lack of stress and it has become an additional and efficient sales tool for Safestore. Customer satisfaction via this channel is high as customers appreciate the individualised attention and interaction from the customer service agent.



Our community

Target	Performance 2018/19
Provision of free/discounted space and additional support to high impact local community groups	14,039 sq ft worth £434,771

The nature of our business means that we do have an impact on those around us and, for this reason, we endeavour to be considerate and respectful of local residents, their homes and environments as well as local businesses and charities. We strive to ensure that we develop and maintain partnerships with local charities as we seek to be an integral and trusted part of our communities across the UK.

By taking this approach we can ensure that Safestore colleagues are able to participate with and influence how we develop our sustainability strategy for the future, whilst delivering maximum stakeholder value.

As a Group, Safestore endeavours to work closely with charities within the local communities in which our stores operate. We do this through a range of collaborative partnerships with a variety of different charities.

Our partnerships with local and national charities mean we can support causes that are important to our colleagues, customers and communities. This enables us to address issues such as rising homelessness, enhance social mobility and create opportunities for people living in the communities where we’re based.

Safestore is committed to being a responsible business in how we contribute to our local communities.

With 122 stores across the UK we continually:

- provide fundraising support to existing and new local charity partners;
- offer free or discounted storage space for charities within our local communities through our “charity room in every store” scheme;
- actively seek out practical and creative solutions by working with and supporting a number of charitable causes; and
- leverage social media and our blog platform to promote our charity partners and raise awareness of their cause.

During the year, the space occupied by local charities in 184 units across 101 stores was 14,039 sq ft and worth £434,771 (FY2018: £312,275). Our aim is to have at least one charity room in every store.

We regularly monitor the free and discounted space occupied by charities ensuring that the partnerships are running smoothly. In addition, our colleagues maintain ongoing relationships with the charities and we continually review the scheme to ensure that it continues to be beneficial for all involved.



Hands On London



Safestore has been supporting Hands On London's "Wrap Up London" campaign for the past seven years.

The charity, which promotes community-based volunteering, organises the annual campaign encouraging Londoners to donate any unwanted coats ahead of the winter season. The "Wrap Up London" campaign has collected 137,980 coats since it launched.

In November 2018, we provided storage space at four London stores to facilitate the sorting, storage and distribution of 27,627 coats to over 100 charities, homeless shelters, refugees, vulnerable women and children's centres.

The rapidly growing annual campaign also added additional collection locations as part of a plan to expand nationwide. "Wrap Up London" worked with Human Appeal to run the coat drive in Manchester for a third year and a second year in the cities of Birmingham and Glasgow.

Safestore's involvement included:

- providing storage space across four stores in London, six stores in Greater Manchester and one each in Birmingham and Glasgow;
- provision of 3,936 sq ft of storage space enabling 1,299 "Wrap Up" campaign volunteers to spend over 4,375 hours sorting and packing up coats for distribution;
- the stores acting as a drop-off point beyond the campaign week and received numerous donations from other businesses and the general public;
- several members of our Head Office and colleagues in store joined in with volunteers to help at London tube station collection points including Kings Cross, Waterloo and Liverpool Street; and
- using our internal and external communications platforms to raise awareness of the "Wrap Up London" cause and inspiring our colleagues to get involved.

Jon Meech, CEO, Hands on London, said:

"2018 is the eighth year that Hands On London has joined in partnership with Safestore in support of the annual Wrap Up campaign which aims to deliver warm coats to those most in need across the country. This year, we collected nearly 36,000 across London, Birmingham, Manchester and Glasgow and with Safestore's help we've been able to reach more vulnerable people than ever."

"The large provision of storage space across the UK has meant that our teams were able to store, sort and pack up the donations which can then be easily distributed to change the lives of thousands. It just goes to show that by working together we can achieve more and make a massive difference to others."

Bloody Good Period



As part of our continued efforts to support charities with free and discounted storage space, Safestore is pleased to be able to assist Bloody Good Period, a UK charity that works to end a lack of access to menstrual supplies due to financial constraints by giving these products to those who can't afford them, and providing long term education to those less likely to access it.

The charity was the first project in the period poverty movement to focus on the needs of refugee and asylum seeking women, whilst also disrupting the industry and the way people talk about menstruation.

We have provided the organisation with free and discounted storage for nearly three years providing them with the space needed to help their team of steady volunteers sort and pack items ready for distribution.

We've seen them grow from strength to strength as contributions from the general public pour in regularly each week at the storage centre who accept donations on the charity's behalf. In addition, having flexible storage space enables the charity to expand easily as it grows removing the logistical pressures and allowing them to focus on what really matters.

Gabby Edlin, CEO and Founder, Bloody Good Period, said:

"On behalf of Bloody Good Period, I'd like to thank Safestore for their provision of free and discounted storage space as it has been invaluable in helping us achieve our goal of ending period poverty. The staff at Alexandra Palace go out of their way to help us out and are always kind and friendly! As a charity, we have experienced massive growth, and the flexibility and ease of being able to increase our space over time has meant that we're able to receive, sort and pack thousands of donations each week."

Sustainability *continued*

Our community *continued*

Local charity support

Making a difference to the communities in which we operate through partnerships with charities and not-for-profit organisations is an integral part of our sustainability strategy. We provide financial support to local and national charities and encourage our colleagues to get involved in fundraising and volunteering.

We believe it is important for our colleagues to recognise how our activities can have an impact on those around us, and projects like these can inspire and encourage them to get involved and provide some hands-on help where it matters.

Our property team joined UC Build (our construction management partner) to work with Sutton Nature Conservation Volunteers and the biodiversity team on a project to improve disabled user access to the Sutton Ecology Centre. The team used their skills to make some improvements to the paths approaching the pond's bridge as well as carrying out some habitat management tasks. Without their help, areas of the gardens would not have been accessible to all of the groups who would benefit from them.

As part of our continuing work in the Carshalton area, the construction management team held site visits and talks with the local building college. The students were shown around the site and given a talk on the brickwork by our contractor Titan Brickwork.

David Penniston, Property Director, Safestore, said:

"We are delighted to have been able to contribute to the local community and support Sutton Ecology Centre and Carshalton College. We look forward to the opening of our new store in Carshalton early in 2020 and playing an active role in the local community for many years to come."

Andy Robinson, Construction Manager, Safestore, said:

"With every new store development, we will continue to consider how best we can support local initiatives in the community."



We also support our colleagues who work as a team and with others to bring communities together, whilst supporting causes and charities local to them. We continue to support the raising of valuable funds for national charity initiatives such as Christmas Jumper Day, Red Nose Day and Macmillan Coffee Morning raising over £500.

In addition to our fundraising and voluntary activities, we continue to support individuals and local charities with free and discounted storage space through our "charity room in every store" scheme which also enables us to assist others in response to disasters. For example, we were able to offer one month of free storage to those affected by the Whaley Bridge dam collapse in Derbyshire so they could securely store their belongings during a difficult time.

Our policy of offering free and discounted storage space has enabled a diverse range of local charities to focus on their core activities without the added cost of storing donations and archives.

One such example is the charity British Limbless Ex-Service Men's Association ("Blesma" – The Limbless Veterans). They provide emotional, financial and practical support for serving and former military personnel who have lost their limbs or use of their limbs, eyes or eyesight – they aim to enable those they help to live fulfilling, independent and active lives.

We are delighted to be able to help this worthy cause with discounted equipment storage for the charity's specially adapted ski equipment and ski bikes when they are not in use for the winter sport season. In addition, as part of its digital offering, Safestore donated £500 worth of online banner advertising enabling 192k impressions to potentially increase web traffic and ultimately donations to the charity.



Jess March, Activities Manager, Blesma, said:

"We're very thankful to Safestore for their support with safe and secure storage space. As a charity, we try to save costs wherever we can to ensure the money we raise is used to directly help us serve ex-Service men and women who have lost limbs, or lost the use of limbs or eyes, to rebuild their lives. Safestore's charity rate means we can now expand our resources and, in turn, help out more veterans for the duration of their lives."

Our environment

Target	Performance 2018/19
Remove single use plastic from merchandise range	✓ Complete
Reduce freshwater usage by 5% in UK stores	✓ Complete, above target – 8.2% reduction
UK owned stores to be switched to renewable electricity by 2020	✓ Complete – ahead of schedule
Reduce store waste to landfill by 50% by 2025 vs 16/17 level	On track – 22.9% reduction YoY, landfill down to 2.3% of total waste (2.9% in 2017)
Reduce carbon emission by 50% of 2012/13 baseline by 2022 (2018 store portfolio)	On track – total emissions 39% below baseline despite portfolio growth, intensity 50% below

Our responsibilities

Safestore takes sustainability very seriously and supports actions which are taken to reduce the impact of man-made greenhouse gases that are affecting our environment. Many of the decisions we have taken over the last twelve months align with the aims of the UN Sustainable Development Goals: from promise to practice. This section relates to Climate Action and Responsible Consumption and Production, two of the three priority goals to which we believe Safestore can make a meaningful contribution.

Safestore aims to minimise the impact of our business operations on the environment, both directly and through our sourcing activities.

In the context of climate change, we strive to respond to all aspects that have an impact on our products and services. We have produced a comprehensive strategy to minimise our overall impact on the environment.

Sustainable construction

At Safestore, we care about the impact of our construction activities on the environment and seek to minimise noise and nuisance by following best practice.

Our construction team follows sustainable construction principles and, whenever practical, we use materials that have a recycled content or are selected from sustainable sources.

The amount of waste and energy usage is monitored on each of our sites to identify potential efficiencies for introduction on future building projects.

Our stores are designed to provide a safe, secure home for our customers' possessions and we build them with all our key stakeholders in mind: our customers, our investors and the environment.

Standards in construction

BREEAM

Building Research Establishment Environmental Assessment Methodology ("BREEAM").

BREEAM certification is a local planning requirement for some of our new stores, especially those in areas of high-density urban environments. The methodology assesses impacts and opportunities for enhancing the design and construction environmental aspects.

The certification includes a review of new store energy, sustainable building materials, water efficiency, waste recycling and ecology. The review also includes social aspects of the building life including its resource management, health, wellbeing, modes of transport and pollution reduction.

Our latest new store development in Carshalton has an "Excellent" pre-construction BREEAM rating which places it highest in the areas of land use and ecology, transport, waste, pollution and energy efficiency.

Regardless of whether a site is BREEAM certified we are committed to a minimum standard on all our new store developments of pre-construction BREEAM "Very Good".

Considerate Constructors Scheme ("CCS")

The Considerate Constructors Scheme is a non-profit-making independent organisation founded in 1997 by the construction industry to improve standards. Construction sites, companies and suppliers voluntarily register with the scheme and agree to abide by the Code of Considerate Practice, designed to encourage best practice beyond statutory requirements.

The scheme is concerned about any area of construction activity that may have a direct or indirect impact on the image of the industry as a whole. The main areas of concern fall into three categories: the general public, the workforce and the environment.

At Safestore, all of our new store developments are registered with the Considerate Constructors Scheme with a target score of 36 points for both the shell construction and fitting out of the facility. Our current crop of new store developments have exceeded our target and recently achieved scores of 38, 40 and 42.

2018/2019 highlights

		
LED lighting has been installed in 100% of our stores.	Our renewable energy supply for electricity has increased to 100% in UK owned stores.	We have reduced waste diverted to landfill by 22.9%.
		
Our electricity usage has decreased by 11.7% as a Group.	Emissions per sq ft have been reduced by 16.3%.	Our water usage has been reduced by 10.6% as a Group.

Sustainability *continued*

Carshalton Wrythe Lane case study

Lavender – gas holder – self storage

In early 2020, Safestore will open its 46th store within London at Wrythe Lane Carshalton. Our construction team are not afraid of a challenge and this site was certainly going to be that, just to get it ready for the new development.

There has been a gas holder on the Wrythe Lane site since approximately 1860, prior to which the area was farmland, predominantly for the cultivation of lavender.

By 1875 there were three single lift, vertically guided, telescopic gas holders (or gasometers as they were originally known) on the site, but by 1894 the site was no longer operational, presumably due to the decline in the use of gas for lighting, thanks to the recent invention of, somewhat safer, electricity.

By the 1930s however, following a government sponsored campaign, with the assistance of Mrs Beeton (an English journalist, editor and writer), gas use was on the increase again; this time for cooking. In 1933 the original three gas holders were demolished, to be replaced by a single, much larger, more efficient gas holder.

Both designs of gas holder relied upon water to make the seal, which stopped the gas escaping and kept it under suitable pressure for the supply pipes to function. It was recorded at the time of the first demolition that the below ground tanks from the old gasometers remained filled with water and were found to be teeming with pond life including newts and a 10-inch Golden Carp.

The new water sealed spiral guided telescopic gas holder was constructed by Henry Hemmings Ltd, to a developed design first patented in 1887 by Gadd & Mason of Manchester. It was 42 million in diameter, and comprised three lifts, rising to contain a capacity of 4 million cubic metres of gas. Approximately 880 tonnes of steel were used in the construction, and the water seal consisted of 3.5 million gallons of water.

Safestore took ownership of the site in November 2018 and received planning consent for a new 15,000 sq ft store around the same time.

The gas holder had lain dormant for many years, and the demolition contractor estimated the remaining water in the holder to be around 10,000 cubic metres. At a discharge rate of 97 cubic metres per day, it took around six weeks for the liquid to be drained prior to commencement of the dismantling of the steel structure.

The demolition method statement explains that the first task, once the gas holder was confirmed as empty, was to make an access hole in the side, to allow tracked excavators fitted with demolition shears to enter.

The crown plate (roof lid) was cut and lowered in sections into the gas holder, followed by sections of wall being cut into strips, which were then bent inwards before being broken down into smaller parts.

This process was repeated for all three tiers of the gas holder, with ancillary structural and mechanical items being dealt with in sequence. The dismantling of the gas holder took a full ten weeks to complete, after which the original ground slab was broken out and crushed for use on site to backfill any created voids and stockpiled for use in the construction project.

All steel material recovered from site was sent for recycling, and much of the other material, such as timber or brick, was either recycled or sent for energy recovery.

From farmland used for the cultivation of lavender to a gas holder and now a self storage facility. The next chapter in the life of Wrythe Lane has well and truly begun.



The last gas holder, just prior to demolition



During the final stages of demolition

Our environment *continued*

Safestore standards

At Safestore, we have been developing and constructing new stores for the last 17 years and have always found that what makes long term commercial sense is largely aligned to sound sustainable practices.

We have a long-standing commitment to a range of inbuilt features and believe that these contribute to making us an attractive, safe and long term sustainable investment for our investor community and a pleasant environment to work and store for our customers and colleagues.

The configuration of an individual store may change from time to time or from location to location; however, all our stores are built to similar standards and we are committed to implementing the right solution for the environment we build in.

Safestore commitments from 2019/20 onwards are:

Best practice – internal/external expectation	Safestore commitment	Applicability
BREEAM	Equivalent to “Very Good”	Across all new build stores
BREEAM	Very Good/Excellent	Where part of local planning
SUDS	Included	Across all new build stores
Solar PV	Roof-mounted PV	Where part of local planning
CCS	Score 36 or higher	All new stores
Ecology	Protect existing and improve biodiversity	Across all new build stores
Energy	Efficient LED lighting with built in motion sensors	Across all existing and new stores
Security	Operate safe and secure facility	Across all existing and new stores
EPC	Rated C or higher	All new stores

Construction resources and waste

Construction material: recycled content

At Safestore, we follow sustainable construction principles and, whenever practical, materials are recycled or selected from sustainable sources; typically, the construction of one of our stores may include the following:

Building material	% of build cost	% recycled content
Steel (main frame)	4 – 5%	Minimum 56%
Concrete	3 – 4%	29% – 37%
Cladding (walls and roof)	7 – 9%	3% but Kingspan target improvement using recycled bottles by 2030
Particle board (mezzanine floors)	2%	85%
Brick and block walls	3 – 5%	9% – 55%
Glazing	2%	Glass 25%, aluminium frames 60%
Hardcore (piling mat)	1%	100%

Waste and recycling

Construction projects are always going to generate waste. At Safestore, we carefully monitor our new store construction waste and ensure that on every site all waste is separated into specific skips and recycled where possible.

We are currently diverting 97% of all of our construction waste away from landfill, an improvement of 2% from 2016. Our aspiration is to increase this to 99% by 2025.

From 2019/20, we will also be looking to reduce the use of single non-recyclable plastics coming on to our construction sites in the form of material packaging. Working with our partners and suppliers, we aim to cut usage by 50% next year, rising to 75% in 2020/21 and a total ban in 2021/22.

Health and safety

Our health and safety record is excellent. All of our new store schemes are registered with the Considerate Constructors Scheme and we are constantly challenging our teams to exceed minimum standards. Safestore has a robust health and safety policy and we are very proud of our record in achieving very low incident levels compared with our peer group. For the year, the number of reportable incidents on our construction sites was zero.

Consultation process

Our stores are designed to provide a safe, secure home for our customers' possessions and we build them with all our key stakeholders in mind: our customers, our investors and the environment. As part of the town planning process, we consult widely amongst the community and those most likely to be affected by the development.

Our suppliers

2019 saw a change in our requirements from potential partners and suppliers in relation to our ongoing tender process. All suppliers that have been renewed in the last twelve months are required to be aligned with our modern slavery, anti-bribery and GDPR policies.

Our merchandise

Packaging beyond today

Safestore is proud to state that from November 2019 our sourced merchandise packaging will no longer contain single use or non-biodegradable plastics purchased from our suppliers. We have allowed an extended time for existing stock in stores to be sold.

The benefits of our merchandise range are:

- Our void fill is potato starch and cellulose fibres and is 100% biodegradable. It is compostable (EN13432) and independently proven to offer better all-round protection than polystyrene loose fill.
- Our boxes are made from 100% recycled card and are 100% recyclable. We continue to uphold our “box for life promise” to our customers ensuring our boxes are recycled in a responsible way.
- Our cord has been changed from a Nylon-based product to a sisal rope. Sisal rope is a hard natural fibre, sunlight resistant and biodegradable.
- Our bubble wrap is biodegradable and 100% recyclable. It is treated with raw materials which do not contain heavy metals.
- We have removed single use plastic outer packaging from our moving blankets, bubble wrap and padlocks.

These changes will save 1.5 tonnes of plastic per annum being sent to landfill or general waste. This contributes to substantially reducing our waste generation through prevention.

We continue to work closely with our suppliers to help minimise our carbon footprint by reducing delivery mileage with products delivered from local depots.

Our merchandise supplier collects our empty pallets from stores whilst carrying out deliveries therefore reducing the amount of visits needed. The pallets will then be re-used to palletise and deliver other goods, or recycled.

Sustainability continued

Our environment continued

Our uniforms

First impressions

We ensure that our colleagues' uniforms are made by suppliers with ethical and environmental principles. Our supplier processes are based on the ethical trade initiative and on the International Register of Certificated Auditors ("IRCA") who audit and inspect their factories. They have continued to improve compliance and train their employees on environmental issues which we fully endorse.

The principles based on the Ethical Trade Initiative are:

- employment is freely chosen;
- freedom of association and the right to collective bargaining are respected;
- working conditions are safe and hygienic;
- child labour shall not be used;
- living wages are paid;
- working hours are not excessive;
- no discrimination is practised;
- regular employment is provided; and
- no harsh or inhumane treatment is allowed.

Electricity

What powers us?

Last year saw us make a significant impact on our environmental footprint with the implementation of our energy sourcing programme. From October 2018 we changed to 100% renewable energy sources in 114 of our UK owned stores which equates to a 5,218 tonnes CO₂ reduction to our overall carbon footprint. We are delighted to say that we have committed to renewable energy for the next four years. This adds to the significant change we have already made and continued reduction of our carbon footprint.



Alltwalis Wind Farm – South Wales



Andershaw Wind Farm – South Lanarkshire, Scotland

The electricity for our UK owned portfolio is supplied by two wind farms: Alltwalis, which is located in South Wales and consists of ten turbines with the capacity to generate 23 MW; and Andershaw, which is located in South Lanarkshire in Scotland and consists of eleven turbines with the capacity to generate 36.3 MW.

The successful installation of the LEDs in all our UK stores has resulted in a reduction of 458 tonnes in CO₂ in the last year. Safestore are proud to show year-on-year reductions proving our commitment to our set goals.

Safestore continues to monitor technology and any viable solutions for the future.

Energy Savings Opportunity Scheme ("ESOS") Phase 2

ESOS is a mandatory energy assessment scheme for organisations in the UK which is carried out by an independent company.

The facility assessments have already been completed and we have achieved 100% regulatory compliance and a notable 81% in Management Commitment. We will be incorporating the outputs and recommendations of the assessment into our energy reduction initiative planning for 2019/20 and beyond.

Lighting our stores

Safestore has for the past 18 months been implementing our LED lighting project in all UK stores. All of our communal and staff areas are 100% completed in all UK stores and this has resulted in over 27,000 lights being changed from fluorescent lights to light emitting diodes ("LEDs"). This has had a significant positive impact on our CO₂ emissions reducing them by 458 tonnes last year alone. The CO₂ emissions calculation will be further enhanced due to the annualisation of the stores completed during 2019.

We decided to engage with a leading global manufacturer to deliver a Safestore branded luminaire which now provides occupancy-only based lighting, lighting only the aisles where movement is detected. This bespoke light gives our customers the added lighting they require, how and when they need it. The lighting that has been installed has a high lumen output focusing all of the light in the required area. As an example of this a typical 15 Watt fluorescent lamp has a lumen output of 810 lumen, whereas our new Safestore branded light has an output of 1600 lumens.

Together with the initial CO₂ saving indicated above, the additional benefits of our LED project include having the lighting under a seven-year warranty period which removes often unnecessary maintenance journeys to our stores. Additional benefits in the summer months result in reduced heat gains from reception lighting – this will have the ongoing benefit of reduced demand on air conditioning. Finally, LED installation has removed the need for the collection and disposal of spent fluorescent tubes via a WEEE compliant waste collection, further reducing the environmental impact of lighting our facilities.

Like-for-Like usage

	Last year	This year	% change
Electricity (MWh)	17,090.3	15,048.8	(11.9)

Gas

What fuels us?

Gas is only used in 38% of our UK stores and we continue look at opportunities to reduce our consumption and remove gas wherever possible. All new build facilities do not have gas and are electrically heated in the limited areas of store where heating is required.

Like-for-Like usage

	Last year	This year	% change
Gas (MWh)	4,127.7	3,912.0	(5.2)

Water

What hydrates us?

As a company we consume very low volumes of water but strive to further minimise our consumption wherever possible through the installation of efficient water fixtures and fittings.

We trialled a water efficiency programme at our Head Office as a larger user of water. We monitored the usage over twelve months and have seen a 62% reduction in usage. A specialist water use contractor has been engaged to offer expert advice on key changes we can implement to reduce water wastage.

Like-for-Like usage

	Last year	This year	% change
Water (cubic metres)	60,839	54,596	(10.3)

Safestore has partnered with "Refill" which is an award-winning campaign designed to help reduce plastic pollution by making it easy for the general public to refill reusable water bottles instead of buying new plastic ones. "Refill" uses an App to show all the relevant locations throughout the UK where this service is available for free. We are proud to display their badge in 113 of our facilities across the UK to support the tremendous work they are doing.



Point of sale ("POS")

Safestore has started an overhaul of its POS and it has already stopped supplying stores with plastic posters. The new posters in all of our facilities are a correx alternative which are polypropylene and 100% recyclable. These are weather resistant and long lasting and therefore will reduce the amount of times they are replaced. This will see a reduction in our waste stream from POS.



Waste

Reduce, Reuse, Recycle

Safestore has embarked on a journey to help its customers and colleagues understand that small changes we can make will reduce our plastic and landfill waste. We launched our "Plastic Free July" campaign which included educating colleagues on how long items can take to decompose and what alternatives there are at an affordable price.

We asked them how they might reduce their plastic use in their daily life, from their commute to work, their break time habits and during their working day. We also had a competition in which we encouraged our colleagues to show what changes they had made and the positive impact they are making.

Our waste efficiency plan is now in full effect and we have surveyed 60% of our facilities. Actions from the surveys included increasing recycling capacity and decreasing the amount of general waste collections.

Safestore continues its stance on reducing waste by producing a 22.9% reduction in landfill, the lowest it has been in four years.

The "Every Can Counts" initiative relating to the recycling of aluminium and tin cans continues to operate within the Company this year ensuring that any suitable waste cans are recycled.

Our actions in 2018

Last year's targets	This year's comments
Ensure the safe handling and disposal of waste products.	This has been a part of our efficiency plan.
Continue to deploy cardboard recycling facilities across our stores which is supported by our efficiency roll-out for waste.	Over the last twelve months, Safestore has decreased its total waste by 52 tonnes. This has been achieved by introducing more recycling availability on site and reducing the amount of general waste being generated. We believe that educating our colleagues and customers will not only improve lowering waste but also reduce the impact on the environment long term.
Reduce our energy usage through a range of initiatives.	With the successful replacement of fluorescent tubes to LED fittings in our stores we have reduced our electricity usage by 2,041.5 MWh which equates to 458 tonnes of CO ₂ on a like-for-like basis.
Where possible we will look to use renewable energy sources.	Safestore has committed to a four-year renewable electricity contract for owned stores.
We will work with our suppliers to reduce our carbon footprint within our supply chains.	We have made significant changes with our suppliers and partners over the last twelve months to reduce the amounts of Safestore-specific deliveries and used companies that are already delivering in that area.
We will use eco-friendly solutions when building new stores and, as a minimum, build to the BREEAM "Very Good" standard or equivalent.	We have achieved the target we set last year, by reducing all single use plastics from the packaging of our merchandise.
This year we are going to revisit the packaging of our products to remove any plastic packaging which is not bio-degradable. This change will look to be implemented by the end of financial year 2019.	We have achieved the target set last year, by removing all single use plastics from the packaging of our merchandise.
Reduce our freshwater usage by 5% collectively for our UK stores.	We have achieved our target of reducing our water usage in our UK stores by 8.2% on a like-for-like basis.
We will work with suppliers and partners so deliveries can be made from local depots, thus reducing the cost of CO ₂ emissions on transport.	This has been achieved by reducing our suppliers and also specially choosing companies which have delivery routes in our store locations.

Sustainability *continued*

Our environment *continued*

Our focus for 2019 – 2020

- Reviewing products we use with a view to switching to greener alternatives e.g. cleaning materials and stationery.
- To further reduce water consumption in our business centres (towards target 30% reduction by 2025).
- To decrease the amount of waste going to landfill by 10% (towards target 50% reduction vs 2016 baseline by 2025).
- Implement a range of initiatives to further reduce electricity consumption, particularly in larger sites such as Battersea and Liverpool.
- Remove (where appropriate) gas boilers in the estate or replace with newer, more efficient models.

Mandatory greenhouse gas (“GHG”) emissions reporting

This report was undertaken in accordance with the mandatory Greenhouse Gas (“GHG”) emissions reporting requirements outlined in the Companies Act for listed companies, which requires Safestore Holdings Plc (“Safestore”) to report on its Greenhouse Gas (“GHG”) emissions each financial year. This report contains our GHG disclosure for the 2018/19 financial year.

We have 122 stores in the UK and 28 stores in France. During the 2018/19 reporting period we purchased a new UK store at Heathrow; we also opened our Peterborough and Merry Hill stores, closed our Paddington Green and Leeds Central UK stores, and acquired one new French store in Pontoise. This report contains the following environmental data for all our stores which were operational at the beginning of the financial year: GHG emissions, electricity consumption, electricity transmission and distribution, gas consumption, water consumption, waste generation and business travel.

Methodology

Scope of analysis and data collection

Over 2018/19 we have collected primary data for all of our stores, including: building size (sq ft), electricity consumption (MWh), electricity transmission and distribution (MWh losses), gas consumption (MWh), water consumption (m³), waste generation (tonnes by waste disposal method) and business travel (mileage). We do not have any refrigerant leakage to report for any of our stores in the UK or France. All primary data used within this report is from 1 September 2018 to 31 August 2019, covering the same reporting period as last year. Where electricity, gas or water consumption data is not available or incomplete, we have estimated consumption based on the pro-rated average consumption per sq ft of lettable area of the stores where we have reliable data.

KPI selection and calculation

For the purposes of this report stationary energy use (electricity and gas consumption), water consumption, waste generation and business travel have been selected as the most appropriate key performance indicators (“KPIs”) for the Group. To ensure consistency in our reporting, particularly where there are differences between the UK and France, we are reporting all GHG emissions in units of CO₂e. We have used the 2019 GHG conversion factors published annually by Defra and BEIS with the exception of the French CO₂e conversion factors which are no longer published by Defra and BEIS. This is outlined in further detail at the end of this report.

GHG emissions scope

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

- **Scope 1 Emissions:** includes direct emissions from sources which Safestore owns or controls. This includes direct emissions from fuel combustion and industrial processes.
- **Scope 2 Emissions:** covers indirect emissions relating solely to the generation of purchased electricity that is consumed by the owned or controlled equipment or operations of Safestore.
- **Scope 3 Emissions:** covers other indirect emissions including third party-provided business travel.

GHG Emissions – Scopes included in this report

- **Scope 1 Emissions:** we are reporting our gas consumption and business mileage.
- **Scope 2 Emissions:** we are reporting our electricity consumption.
- **Scope 3 Emissions:** we are reporting our electricity transmission and distribution, waste generation and water consumption.

Group environmental performance

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

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

The table overleaf displays our total Group performance for electricity consumption, gas consumption, water consumption, waste generation (recycling, landfill, energy from waste) and business travel against the previous year.

Emissions source	Units	2015/16 (Sept – Aug)	2016/17 (Sept – Aug)	2017/18 (Sept – Aug)	2018/19 (Sept – Aug)
Natural gas	MWh	1,887	2,349	4,358	4,136
Electricity	MWh	19,165	22,005	17,416	15,372
Purchased water	m ³	37,005	45,129	61,655	55,113
Recycling	tonnes	757	787	1,211	586
Landfill	tonnes	56	49	57	44
Energy from waste	tonnes	419	721	730	1,320
Business travel	miles	612,588	602,240	628,822	396,088

Group environmental performance – analysis

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

Gas performance

We are continually seeking opportunities to reduce energy consumption to the lowest practicable levels appropriate with the operational needs of the business and to satisfy the needs of our customers. We are phasing out the use of gas in our stores wherever possible, but some of our stores still consume low volumes of gas for heating in reception and office locations. At the design and construction stage we seek opportunities to design efficient low consuming working environments and are ensuring that all new stores are built and rely just on electricity.

Gas performance Year ended 31 August		2015/16	2016/17	2017/18*	2018/19**	% change
Gas use	MWh	1,887.9	2,349.3	4,358.3	4,136.2	(5.1)
Scope 1 Emissions	tCO ₂ e	347	434	801.8	760.4	(5.2)

Total gas consumption across all of our stores was 4,136.2 MWh, which is a 5.1% reduction compared with the previous financial year. This reduction can be attributed to our ongoing programme of replacing gas heating with electric heating within our existing stores.

* 2018 data has been recalculated to include acquired stores and to undertake estimations for three stores where consumption data was not available or incomplete.

** 2019 consumption data has been estimated for four stores where consumption data was not available or incomplete.

Electricity performance

We are continuing to identify opportunities to reduce electricity consumption across our stores. To support this, we have installed smart metres across 92% of our UK stores to enable us to better accurately monitor our electricity consumption and identify further opportunities to improve energy efficiency.

Recognising that our electricity consumption is predominantly derived from our lighting requirements we have completed a portfolio wide LED lighting upgrade programme, across all of our UK stores.

Electricity performance Year ended 31 August		2015/16	2016/17	2017/18*	2018/19**	% change
Electricity use	MWh	19,165.2	22,005.2	17,416.0	15,372.7	(11.7)
Scope 2 Emissions	tCO ₂ e	6,707.7	6,563.3	4,376.7	3,527.0	(19.4)
Scope 3 Emissions	tCO ₂ e	604.0	613.6	371.4	299.1	(19.5)

Total electricity consumption across all of our stores was 15,372.7 MWh which is a 11.7% year-on-year reduction in consumption. This saving demonstrates the significant positive impact the LED upgrade and PIR installation has had on reducing our consumption after a full year in operation. In addition, this demonstrates that we have been able to decrease our overall electricity use whilst maintaining our supply to customers.

* 2018 data has been recalculated to include acquired stores and to undertake estimations for three stores where consumption data was not available or incomplete.

** 2019 consumption data has been estimated for two stores where consumption data was not available or incomplete.

Water performance

Our stores consume very low volumes of water and we strive to further minimise our consumption of water wherever possible through the installation of efficient water fixtures and fittings.

Water performance Year ended 31 August		2015/16	2016/17	2017/18*	2018/19**	% change
Water use	m ³	37,005	45,129	61,655	55,113	(10.6)
Scope 3 Emissions	tCO ₂ e	38.9	47.5	64.9	58.0	(10.6)

Between September 2018 and August 2019, the total water consumption across all of our stores was 55,113 m³, which is a decrease of 10.6% compared to the previous financial year. To this effect we have completed trials of water efficiency measures at our Head Office, which have yielded an overall reduction of 62% in water consumption during the financial year. These measures included installing flow restrictors on taps, flush counters for urinals and the use of water saving devices in our toilets.

We have also completed a Water Survey at our Liverpool and Battersea Business Centres, to identify further opportunities to install water saving devices at these sites and are currently investigating opportunities to roll out further water saving measures across our stores.

* 2018 data has been recalculated to include acquired stores and to undertake estimations for 31 stores where consumption data was not available or incomplete.

** 2019 consumption data has been estimated for 33 stores where consumption data was not available or incomplete.

Sustainability *continued*

Mandatory greenhouse gas (“GHG”) emissions reporting *continued*

Waste performance

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

Waste performance Year ended 31 August		2015/16	2016/17	2017/18	2018/19	% change
Waste – Recycling	Tonnes	756.7	787.1	1,211.2	585.6	(51.7)
Waste – EfW	Tonnes	419.2	721.6	730.0	1,320.5	80.9
Waste – Landfill	Tonnes	56.0	49.2	57.3	44.2	(22.9)
Scope 3 Emissions	tCO ₂ e	35.8	37.8	47.2	45.1	(4.5)

In the last twelve months to August 2019, a total of 1,950.3 tonnes of waste has been generated which is a decrease of 2.4% compared with the previous year. The amount of waste going to landfill has decreased by 22.9%, with most now being diverted to Energy from Waste (“EfW”). The amount of waste sent to EfW has subsequently increased by 80.9% compared to the previous financial year; a result of changing supplier contracts for a number of our stores.

We are currently implementing a Waste Efficiency Programme across our portfolio to ensure that we have the correct facilities on site to enable our stores to minimise landfill waste and ensure that waste will be recycled where possible. During 2018/19 this involved the removal of the compactor at our Battersea Business Centre and replacement with a greater volume of recycling facilities. As part of our Waste Efficiency Programme, we are undertaking site audits to identify actions we can take to further improve our site waste segregation facilities.

Business travel performance

We report on our business travel, which includes vehicles owned by Safestore and business mileage. We shall continue to promote public transport and car sharing where possible.

Business travel performance Year ended 31 August		2015/16	2016/17	2017/18	2018/19	% change
Business travel	Miles	612,588	602,240	628,822	396,088	(37.0)
Scope 1 Emissions	tCO ₂ e	176.1	168.5	175.6	108.8	(38.1)

Business vehicles travelled 396,088 miles in the twelve months to 31 August 2018, resulting in a 37.0% decrease compared with the previous year. The emissions from our business travel have decreased by 38.1% as we have switched a number of our vehicles from diesel to petrol.

Group GHG performance (mandatory GHG reporting)

We have used the Defra and Greenhouse Gas Protocol methodology for compiling this GHG data and, for UK energy consumption and emissions, included the following material GHGs: CO₂, N₂O and CH₄. In accordance with the Defra reporting guidelines and data conversion factors for Greenhouse Gas emissions, the equivalent reports on Safestore's French properties used the CO₂e factors provided by the Association of Issuing Bodies (“AIB”) and the International Energy Agency (“IEA”).

Our GHG emissions for 2018/19 covered 98.5% of floor space (data is not currently available for Heathrow, Merry Hill, Peterborough and Pontoise stores) and all of the UK vehicle fleet, both directly controlled and owner-driven vehicles (Company mileage only). Please note that the recycling tonnage for the French sites has been estimated for 2018/19. The average year-on-year change in recycling tonnage has been determined for the last four consecutive years for which there is accurate data available. The recycling tonnage for 2017/18 has been uplifted by this average (+5.3%) to calculate the estimated tonnage for 2018/19.

We used the following GHG emission conversion factors:

UK government GHG emission conversion factors for company reporting

Standard set from 30/06/2018 to 30/06/2019

Scope	Emissions' source	Unit	Conversion factors
1	Natural gas (gross CV)	kWh	0.18385
1	Business travel	Miles	0.27927
2	UK electricity grid supply	kWh	0.25560
2	France electricity grid supply*	kWh	0.04700
3	UK electricity transmission and distribution	kWh losses	0.02170
3	France electricity transmission and distribution	kWh losses	0.00382
3	Water supply	m ³	0.3440
3	Water treatment	m ³	0.7080
3	Commercial waste – Recycling	Tonnes	21.3538
3	Commercial waste – Energy from Waste	Tonnes	21.3538
3	Commercial waste – Landfill	Tonnes	99.7592

* The data for France has been produced using the Association of Issuing Bodies (“AIB”), European Residual Mixes 2018 and Production Mix conversion factor. (Note: Defra no longer provides overseas electricity generation conversion factors. The conversion factors are obtained directly from the “IEA”).

In accordance with the mandatory Greenhouse Gas (“GHG”) emissions reporting requirements outlined in the Companies Act for listed companies we have reported our GHG disclosure for 2018/19.

Mandatory GHG emissions reporting data

GHG emissions	Units	2015/16	2016/17	2017/18	2018/19	% change
Scope 1	tonnes CO ₂ e (UK and France)	524	602	977	869	(11.0)
Scope 2	tonnes CO ₂ e (UK and France)	6,708	6,563	4,376	3,527	(19.4)
Scope 3	tonnes CO ₂ e (UK and France)	679	699	483	402	(16.8)
Total GHG CO₂e	total tonnes CO₂e (UK and France)	7,911	7,864	5,836	4,798	(17.8)
GHG CO ₂ e intensity	tonnes CO ₂ e/floor space (thousand sq ft)	0.9	0.9	0.6	0.5	(16.7)
GHG CO ₂ e intensity	tonnes CO ₂ e/floor space (thousand sq m)	—	9.8	6.6	5.5	(16.7)

Group GHG performance (mandatory GHG reporting) analysis

Total GHG emissions for Scope 1, Scope 2 and Scope 3 for the twelve-month period to 31 August 2019 have decreased by 17.8% (or 1,038 tonnes CO₂e) to 4,798 tonnes CO₂e. Of the total GHG emissions Scope 1 accounts for 18.1%, Scope 2 accounts for 73.5% and Scope 3 accounts for 8.4%.

The reductions we have achieved in reducing electricity and gas consumption across our sites have translated into significant reductions in our GHG emissions. Our reduction activities completed during 2018/19 include the completion of LED lighting installation, along with additional smart metering. Our overall floor space has decreased marginally from 9,524,237 sq ft (2017/18) to 9,355,923 sq ft (2018/19), which has also attributed to the reduction in some of our emissions.

The reduction in our GHG emissions, particularly Scope 2 Emissions (purchased electricity) is also partially attributed to rebasing of the GHG conversion factors. The rebasing of GHG conversion factors has seen the GHG emissions conversion factor for electricity reduced by 9.7%. This reflects changes to the UK's energy mix during 2018/19 which saw a further reduction in the use of coal-powered electricity generation and increases in the generation of gas and renewables.

Our GHG emissions CO₂e intensity has decreased from 0.6 tonnes CO₂e per 1000 sq ft in 2017/18 to 0.5 tonnes CO₂e per 1000 sq ft in 2018/19, which is a decrease of 16.7%.

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

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

Dear shareholder

I am delighted to present the Company's corporate governance report for the financial year ended 31 October 2019.

Alan Lewis formally retired from the Board on 1 January 2020, following five years as Non-Executive Chairman and more than ten years as a member of the Company's Board. The Board would like to thank Alan for his extensive contribution, guidance and stewardship of Safestore over the past decade. Alan has played an important role in overseeing Safestore's outstanding growth journey and has led the Board in consistently challenging processes, plans and actions in order to promote continuous and sustained improvement across the business.

The Board recognises the importance of, and is committed to maintaining, high standards of corporate governance. The Financial Reporting Council ("FRC") published an updated UK Corporate Governance Code in July 2018, which will apply to the Company from 1 November 2019. The Board has reviewed the requirements of the new code and is confident that it will be able to report next year that the Company is compliant with this code. Throughout the year ended 31 October 2019 and to the date of this report, the Company has been in compliance with the provisions set out in the 2016 UK Corporate Governance Code (the "Code") published in April 2016. The Code is available on the website of the FRC at www.frc.org.uk.

Stakeholder engagement

The Group has delivered a solid final performance for 2019 and has made further strong strategic progress, as explained on pages 1 to 27. Of course, this set of results would not have been possible without having the best people. Safestore has a well-communicated strategy, which is understood by our stakeholders and is particularly well understood by our colleagues. Colleague engagement and commitment to the Company's strategy continues to be fundamental to our success. Our commitment to our people and colleague engagement at Safestore is described more fully on pages 31 to 35. This year we launched our "Make the Difference" people forum, a formal workforce advisory panel that has enabled a formal two-way communication channel between our colleagues and the Board. The Board has also refined its purpose to more accurately reflect our business model and, in turn, this has informed how we articulate our sustainability strategy and stakeholder engagement, which has been explained fully within pages 28 to 47.

Our new Directors' remuneration policy

The Remuneration Committee undertook a remuneration review during 2019 and the resulting guiding principles by which the Committee designed the new Directors' remuneration policy (the "Policy") were established. These principles are set out on page 59. The Policy should encompass all elements of the revised UK Corporate Governance Code published in July 2018 and the respective investor body implementation guidance. The Policy also aligns with the Company's wider pay policy and practice and with the Company's strategy. The Policy is set out on pages 77 to 84.

Subject to shareholder approval, the Company is also intending to introduce a conventional LTIP which features market competitive levels of award, vesting based on the achievement of corporate metrics which support the business strategy and a two year holding period. A summary of the principal terms of the new LTIP can be found on pages 12 to 13 of the notice of the meeting for the AGM.

The Board trusts that our new Policy and LTIP will assure our shareholders that we have listened and acted upon their views while remaining true to our underlying remuneration principles. The Board will be recommending to shareholders, our new Policy and LTIP, together with our Annual Report on Remuneration at our 2020 AGM.

2020 Annual General Meeting

I look forward to meeting shareholders at our next AGM which will be held on Wednesday 18 March 2020 at 12.00 noon at Brittan House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT.

David Hearn

Non-Executive Chairman

6 January 2020

Board of Directors

As at 6 January 2020



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David Hearn

Non-Executive Chairman

Commenced role

1 January 2020 (appointed to the Board on 1 December 2019 and as Chairman of the Nomination Committee on 1 January 2020)

External appointments

David is currently chairman of The a2 Milk Company and a director of Lovat Partners, Committed Capital and the architectural firm Robin Partington & Partners.

Relevant previous experience

David brings a wealth of international board and senior executive experience in public companies, having previously been CEO of leading consumer goods businesses Goodman Fielder in Australasia, United Biscuits in Europe and Asia, Cordiant Plc in the US and the UK and also international private equity and advisory firm Committed Capital.



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Ian Krieger

Senior Independent Director

Commenced role

As Chair of the Audit Committee in April 2014 and as Senior Independent Director in March 2015 (appointed to the Board in October 2013)

External appointments

Ian Krieger is a non-executive director and chairman of the audit committee of Capital & Regional plc and of Primary Health Properties plc. He is also chairman of Anthony Nolan (blood cancer charity).

Relevant previous experience

Ian joined the Board in October 2013 as a Non-Executive Director and was appointed Chairman of the Audit Committee in April 2014 and Senior Independent Director in March 2015. Previously Ian was a senior partner and vice-chairman at Deloitte until his retirement in 2012.



Frederic Vecchioli
Chief Executive Officer

Commenced role

September 2013 (appointed to the Board in March 2011)

External appointments

None

Relevant previous experience

Frederic Vecchioli founded our French business in 1998 and has overseen its growth to 28 stores in Paris operating under the "Une Pièce en Plus" brand. He joined the Group as President and Head of French Operations following the Mentmore acquisition in 2004. Frederic became Chief Executive Officer of the Group in September 2013.



Andy Jones
Chief Financial Officer

Commenced role

May 2013

External appointments

None.

Relevant previous experience

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



Joanne Kenrick
Non-Executive Director

Commenced role

October 2014

External appointments

Joanne Kenrick is currently a non-executive director of Coventry Building Society, Welsh Water, and as an independent non-executive director for Pay.uk, chairs the Current Account Switching Service ("CASS") and chairs the PayM Board (the UK's mobile payment infrastructure). Joanne is also chair of trustees of the charity Make Some Noise.

Relevant previous experience

Previously Joanne was chief executive officer of Start, a Prince of Wales charity. She was marketing proposition director at B&Q and marketing director at Camelot Group plc. Until September 2015 Joanne was a non-executive director of Principality Building Society, where she was also a member of the audit and conduct risk committees. Joanne has a law degree and started her career at Mars Confectionery and PepsiCo.



Claire Balmforth
Non-Executive Director

Commenced role

August 2016

External appointments

Claire Balmforth is also a member of the British Heart Foundation retail committee and remuneration committee.

Relevant previous experience

Previously Claire was group HR director of the Priory Group and, at Carpetright plc, she served as group human resources director from 2006 and as operations director UK from 2011. She also served as its people and customer director. She began her career in Selfridges, and has worked in many retail businesses including Tesco and Boots and has experience in the B2B sector with RAC plc.



Bill Oliver
Non-Executive Director

Commenced role

November 2016

External appointments

Bill Oliver is non-executive deputy chairman of Churchill Retirement plc, a privately owned company.

Relevant previous experience

Bill is a chartered accountant with over 30 years' experience with residential and commercial development companies such as Alfred McAlpine, Barratt and the Rutland Group. He joined St Modwen Properties PLC in 2000 as finance director and was subsequently appointed managing director in 2003 and chief executive in 2004, and he retired from this role in November 2016.

Committee membership

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

Corporate governance

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

Leadership

The role of the Board

The Board is collectively responsible for the Company's long term success as defined by its purpose to add stakeholder value by developing profitable and sustainable spaces that allow individuals, businesses and local communities to thrive. The Group's proven strategy to deliver its purpose remains unchanged. Our strategy is underpinned by our values, as defined on page 28, by our behaviours and our governance structure which shape our culture and remain central to the way we conduct our business. The Non-Executive Directors have a particular responsibility for challenging the Group's strategy and monitoring the performance of Executive Directors against strategic and operational objectives.

The Board is supported by an Audit, Remuneration and Nomination Committee. Each Board Committee has defined terms of reference, which can be found online within the Governance section of the Company's website: www.safestore.com. The activities of each Board Committee are set out in separate sections of this report. The Audit Committee is, in turn, supported by the Risk Committee.

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

Implementation of agreed plans, budgets and projects in pursuit of the Group's strategy and the actual operation of the Group's system of internal control and risk management are delegated to the Executive Directors, who are supported by an Executive Committee. This includes implementing Group strategy to optimise the trading performance of the existing store portfolio, to monitor financial performance and our capital structure, to identify selective portfolio and expansion opportunities and to develop our colleagues.

The Board and its independence

At the date of this report, the Board consists of seven Directors, the Chairman, two Executive Directors and four independent Non-Executive Directors, with Ian Krieger appointed as the Senior Independent Director. The biographical details of each of the Directors, along with the dates they commenced their role, are set out on pages 48 and 49.

Both on an individual and collective basis, the Directors have the skills, understanding, experience and expertise necessary to ensure the effective leadership of the Group. In accordance with provision B.1.2 of the Code at least half of the Board, excluding the Chairman, are independent. The Board monitors the independence of its Non-Executive Directors. The Board is aware of the other commitments of its Directors and is satisfied that these neither conflict with their duties, nor impact their time commitment as Non-Executive Directors of the Company. Each Non-Executive Director continues to bring independent judgement to the Board's decision-making process. Frederic Vecchioli was appointed as a director of CERF Storage JV BV, a company incorporated in the Netherlands and an associated company of the Group; apart from this appointment the Executive Directors do not hold any executive or non-executive directorships in other companies.

Key roles and responsibilities

The roles of Chairman and Chief Executive Officer are separate and clearly defined, with the division of responsibilities set out in writing and agreed by the Board. The Chairman is responsible for the management of the Board and for aspects of external relations, while the Chief Executive Officer has overall responsibility for the management of the Group's businesses and implementation of the strategy approved by the Board. The statement of the division of responsibilities between the Chairman and the Chief Executive Officer is available on the Governance section of the Company's website: www.safestore.com.

Effectiveness

Activities of the Board

The Board normally schedules at least eight meetings throughout the year, including an extended strategy review. Additional Board meetings are held as and when required. The Board also has an established Standing Committee and a Disclosure Committee, which are sub-committees of the Board and meet as required. The Standing Committee has delegated authority to approve routine matters such as matters relating to the operation of the Company's share scheme arrangements and any other matters, which may be expressly delegated to it by the Board from time to time. The Disclosure Committee has delegated responsibility for overseeing the disclosure of information by the Company to meet its obligations under the Market Abuse Regulations.

The Board has a formal schedule of matters specifically reserved for its decision, which includes (amongst other things) various strategic, financial, operational and governance responsibilities. A summary of the key activities of the Board during the year, in accordance with the formal schedule of reserved matters, can be found on pages 51.

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

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

Attendance at Board meetings

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

Director who served during the year ended 31 October 2019	Board
Alan Lewis	9/9
Frederic Vecchioli	9/9
Andy Jones	9/9
Ian Krieger	9/9
Joanne Kenrick	9/9
Claire Balmforth	9/9
Bill Oliver	9/9

In addition to the Board meetings above, the Standing Committee has met on eleven occasions and was granted express delegation by the Board and approved year-end and interim results announcements, final agreements relating to the formation of the joint venture arrangement

with Carlyle and the refinancing arrangements completed in October 2019. The Standing Committee also approved routine administrative matters which related to the administration of the Company's share scheme and intercompany funding arrangements.

A summary of the key activities of the Board during the year

Responsibilities	Activities
Strategy	The development and implementation of the Company's strategy has included: — General updates from the CEO and CFO; — Specific strategy review discussions at a two-day strategy away day held in our Paris office, which included visits to the Poissy and Clichy stores; — The Netherlands; and — Presentations from members of the management team on strategy implementation in their operations; — Considering selective portfolio management and expansion opportunities and has approved corporate acquisitions, property acquisitions and the Group's investment in a joint venture arrangement with Carlyle which led to the acquisition of M3 Self Storage in the Netherlands.
Performance and operational matters	— Approved the 2020 budget. — Reviewed performance 2019 against budget and forecast for the UK and French operations. — Reviewed and approved the Group's investment appraisal policy. — Received regular operational updates from members of the management team, relating to property, colleagues, marketing, IT, retail services, company secretarial and legal matters.
Finance and capital	— Reviewed the Group's capital structure. — Reviewed and approved the issue of £125 million (equivalent) of new US Private Placement Notes, denominated in a mix of Sterling and Euros issued in October 2019. — Reviewed and approved the Company's investment appraisal policy and post-investment reviews. — Monitored the Company's going concern and long term viability statements.
People, culture and values	— Received regular updates on colleagues and HR matters, including updates from the "Make the Difference" employee forum. — Reviewed and approved the Group's key policies including the Company's Modern Slavery Act Statement, anti-corruption and bribery (statement and policy), whistleblowing ("Speak Out") policy, Health and Safety Policy statement and the Equality, Diversity and Inclusion Policy. — Considered and reviewed the gender pay gap report for 2018. — Reviewed and approved the Company's sustainability strategy.
Governance and risk	— Reviewed reports on governance and legal issues, including developments in the 2018 UK Corporate Governance Code, GDPR, Modern Slavery Act disclosure requirements and executive remuneration. — Reviewed the Company's principal risks. — Considered the Company's risk appetite in relation to its strategy. — Reviewed the outcome of the Board and its Committee's effectiveness review. — Discussed the implications following the UK's decision to leave the European Union. — Reviewed the Directors' Conflict of Interests Register.
Shareholder engagement	— Discussed feedback from investors' and analysts' meetings following the release of our annual and half year announcements and trading updates and meetings with existing and potential shareholders. — Received regular updates from brokers and PR advisers on the market perception of Safestore.
Other	— Approved the Annual Report and Financial Statements and the recommendation for the final dividend for shareholder consideration. — Approved the 2019 interim results and declared interim dividend. — Received and reviewed monthly shareholder analysis reports.

Board effectiveness review 2019

The Board recognises that it continually needs to monitor and improve its performance. This is achieved through annual Board effectiveness reviews, full induction of new Board members and ongoing Board development activities.

Each year the Board conducts an effectiveness review and every three years the review is carried out externally. This year the Board instructed Board Evaluation Limited to conduct an external review of the effectiveness of the Board and its Committees.

Directors were invited to complete a detailed online questionnaire, prepared by Board Evaluation Limited. The questionnaire covered a number of key areas including strategy, succession planning, Board size, composition and balance of skills, risk management and the relationship between the Board and management. Board Evaluation Limited collated the individual responses and attended a Safestore Board meeting to present its findings.

Corporate governance *continued*

Effectiveness *continued*

Board effectiveness review 2019 *continued*

The anonymity of respondents was ensured in order to promote an open and frank exchange of views. The key findings arising from the review were reviewed by the Board and recommendations were made to:

- refresh the role and responsibilities of the Nomination Committee and to include a more detailed review of the Group's succession planning;
- keep under review the training and development needs of the Board; and
- make time available within the Board calendar for Board training on matters of interest to the Board and relevant to the Company.

Following the presentation provided by Board Evaluation Limited, the Directors concluded that the Board and its Committees operate effectively.

The content for any subsequent effectiveness reviews will be designed to build upon insights gained in the previous exercise to ensure that the recommendations agreed in the review have been implemented and that year-on-year progress is measured.

The Chairman reviewed the performance of the Chief Executive Officer and the Non-Executive Directors. The Chief Executive Officer reviewed the performance of the Chief Financial Officer and the Chairman's own performance was assessed by the Senior Independent Director.

Board development

The Chairman is responsible for ensuring that all Non-Executive Directors receive ongoing training and development. Our Non-Executive Directors are conscious of the need to keep themselves properly briefed and informed about current issues. Specific and tailored updates are provided at Board meetings and to members of the Audit Committee and have included presentations from the Company's advisers.

There is a procedure to enable Directors to take independent legal and/or financial advice at the Company's expense, managed by the Company Secretary. No such independent advice was sought in 2019.

As there were no new appointments during the financial year, the Company has not had to deliver an induction programme. However, since December 2019, the Company has delivered an induction programme for the new Chairman, which has been led by the Chief Executive Officer with support from the Company Secretary. The induction programme has been prepared to ensure that it provides a comprehensive introduction to the Group as a whole.

Board appointments

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

During the year the Nomination Committee engaged in an extensive and rigorous search for a new Chair. The process for identifying and overseeing the appointment of the new Chair has been explained in the Nomination Committee report on page 54.

Appointment terms and elections of Directors

All Directors have service agreements or letters of appointment and the details of their terms are set out in the Directors' remuneration report on page 84. The service agreements of the Executive Directors and letters of appointment of the Non-Executive Directors are available for inspection at the Company's registered office during normal business hours, including the 15 minutes immediately prior to the Annual General Meeting. The letters of appointment for Non-Executive Directors are in line with the provisions of the Code relating to expected time commitment.

At each Annual General Meeting of the Company, all Directors will stand for re-election in accordance with the Code.

Directors' conflicts of interest

The Company's Articles of Association give the Directors the power to consider and, if appropriate, authorise conflict situations where a Director's declared interest may conflict or does conflict with the interests of the Company.

Procedures are in place at every meeting for individual Directors to report and record any potential or actual conflicts which arise. The register of reported conflicts is reviewed by the Board at least annually. The Board has complied with these procedures during the year.

Diversity

During the year the Company adopted a new equality, diversity and inclusion policy, which replaced the Company's equal opportunities and dignity at work policy. The equality, diversity and inclusion policy includes the Company's policy on diversity and the Board's diversity policy. Details of the Company's equality, diversity and inclusion policy are detailed on page 34.

The Board understands the importance of having a diverse membership on its Board and across the Group. The gender balance for the Group is set on page 35. The Board recognises that a diverse Board, with an appropriate balance through a diverse mix of experience, background, skills and deep knowledge and insight is a key driver of an effective Board. The Chairman leads the Safestore board diversity agenda and with the aim of continuously improving diversity generally, including the gender balance, which ultimately leads to better board debate and decisions. The Board's diversity policy seeks to ensure that diversity in its broadest sense, including gender diversity continues to remain a significant feature of the Board and aspires to 33% female directors over the short to medium term.

The Board, as at the date of this Annual Report and Financial Statements, comprises 29% women (FY2018: 29%). The Board must continue to provide strong leadership at Safestore and therefore continues to appoint only the most appropriate candidates to the Board.

Accountability

Risk management and internal control

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

The Board retains overall responsibility for setting Safestore's risk appetite and establishing, monitoring and maintaining the Group's risk management and internal control systems. These systems are designed to enable the Board to be confident that such risks are mitigated or controlled as far as possible, although no system can eliminate risk entirely.

The Board has established a number of ongoing processes to identify, evaluate and manage the strategic, financial, operating and compliance risks faced by the Group and for determining the appropriate course of action to manage and mitigate those risks. The Board delegates the monitoring of these internal control and risk management processes to the Audit Committee. These measures have been in place throughout the year and up to the date of this report.

The Risk Committee supports the Group's risk management strategy and undertakes regular reviews of the formal risk assessment, and reports regularly to the Audit Committee of the Board. The Risk Committee is chaired by the Chief Financial Officer and comprises representatives from the operations, finance, secretariat, human resources and property functions. Risk management remains an ongoing programme within the Group and is formally considered at operational meetings as well as at meetings of the Board.

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

- there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Company;
- the systems have been in place for the year under review and up to the date of approval of the Annual Report and Financial Statements;

- they are regularly reviewed by the Board; and
- the systems accord with the FRC guidance on risk management, internal control and related financial and business reporting.

The Group currently employs a risk manager in the UK supported by two store auditors responsible for reviewing operational and financial control at store level. The Group also employs a Quality and Process Manager in France who is responsible for arranging a combination of external safety audits and internal audits for measuring and developing quality, process and safety. The UK risk manager reports to the Chief Executive Officer and the Chief Financial Officer; the French risk manager reports to the President of the French business. Further details are provided in the Audit Committee report set out on pages 56 to 58.

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

Budgetary process

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

Investment appraisal (including acquisitions)

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

Company ethics and whistleblowing

The Company is committed to the highest standards of integrity and honesty and expects all colleagues to maintain the same standards in everything they do at work. The Company recognises that effective and honest communication is essential to maintain its business values and to ensure that any instances of malpractice are detected and dealt with.

The Company has a number of policies available online for its colleagues. These include a code of conduct, an anti-bribery and corruption policy, receipt of gifts and corporate hospitality policy and a whistleblowing ("Speak Out") policy. The anti-bribery and corruption policy has been amended during 2019 to re-enforce our existing zero tolerance approach to tax evasion and the Group's commitment to uphold all laws relevant to countering, bribery, tax evasion and corruption as it seeks to comply with the Bribery Act 2010 and the Criminal Finances Act 2017.

The whistleblowing policy has procedures for disclosing malpractice and, together with the code of conduct, is intended to act as a deterrent to fraud or other corruption or serious malpractice. It is also intended to protect the Group's business and reputation.

No whistleblowing issues were reported during the year.

The Board considers the payment of taxes as a responsibility that brings positive socio-economic impacts through its presence and employment creation in the countries it operates. A Group tax policy has been in place since 2016, which is approved by the Board and reviewed annually by the Audit Committee. It is the Group's policy to pay the right amount of tax wherever it does business, based on a fair and sound application of local tax laws to the economic substance of its business transactions. Safestore does not use artificial tax avoidance schemes or tax havens to reduce the Group's tax liabilities.



Investor relations and shareholder engagement

We are committed to proactive and constructive engagement with shareholders and consider shareholders' views as part of the Board's decision-making process. The Group places a great deal of importance on communication with its shareholders and maintains a dialogue with them through an investor relations programme. This includes formal presentations of the full year and half year results and meetings with institutional investors and analysts as required.

To ensure all Board members share a good understanding of the views of major shareholders, the Board receives regular updates on the views of our shareholders and receives summaries of institutional investor comments following meetings on the full year and half year results.

In the event that shareholders have any concerns, which the normal channels of communication through the Chief Executive Officer or Chief Financial Officer have failed to resolve or for which contact is inappropriate, our Chairman or Senior Independent Director are available to address such concerns. Both make themselves available when requested for meetings with shareholders on issues relating to the Company's governance and strategy.

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

Nomination Committee report

Members

Member	No. of meetings during the year ended 31 October 2019
Alan Lewis	4/4
Ian Krieger	4/4
Joanne Kenrick	4/4

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

On 1 January 2020, Alan Lewis resigned as Chairman of the Committee and David Hearn was appointed in his place. All members of the Committee are Non-Executive Directors of the Company.

Key objectives

To ensure the Board and executive leadership comprises individuals with the necessary skills, knowledge and experience and to ensure that it is effective in discharging its responsibilities.

Responsibilities

The Board has approved terms of reference for the Nomination Committee which are available on the Governance pages of the Group's website, www.safestore.com, within "Governance Documents". These provide the framework for the Committee's work in the year and can be summarised as:

- assessing the composition of the Board and making recommendations on appointments to the Board and senior executive succession planning; and
- overseeing the performance evaluation of the Board, its Committees and individual Directors.

How the Committee operates

The Nomination Committee met as necessary and each meeting had full attendance.

Activities of the Committee during the year

Chair succession

On 8 January 2019, Alan Lewis announced his intention to retire following five years as Non-Executive Chairman and more than 10 years as a member of the Company's Board. During the year the Committee has focused its attention on an extensive and rigorous search for a new Chair. This process has been led by Ian Krieger, as Senior Independent Director.

The Nomination Committee prepared a job specification and agreed a candidate brief for the executive search consultancy firms. The Committee discussed its recommended list of executive search consultancy firms, bearing in mind the Board's diversity policy objective of only engaging search firms which had signed up to the voluntary code of conduct on gender diversity and best practice. Following a tender process the Committee agreed to appoint Russell Reynolds Associates to facilitate and advise on the search. Russell Reynolds Associates has no other connection with the Group and is accredited under The Enhanced Code of Conduct for executive search firms which specifically acknowledges those firms with a strong track record in and promotion of gender diversity in FTSE 350 companies.

Russell Reynolds Associates considered a diverse range of candidates with a breadth of experience and conducted an extensive search of the market to develop a long list of candidates. The Nomination Committee reviewed the long list of potential candidates from which a shortlist was drawn up for further review and discussion by the Committee. Each member of the Board then met and interviewed the shortlisted candidates and reviewed their respective skills and experience and their fit with the Board's candidate profile. The members of the Committee then made a recommendation to the Board. The Board approved the appointment of David Hearn as a Non-Executive Director and as Chairman with effect from 1 December 2019 and 1 January 2020 respectively.

Clearly, a significant amount of the Committee's time in 2019 was spent on Chair succession, other activities of the Nomination Committee included:

Responsibilities	Activities
Board and Committee composition	— Assessed the diversity, skill set and composition of the existing Board and its Committees, informed by the output of the Board and Committee evaluation process. — Overseen Chair succession. — Considered the performance of the Chief Executive Officer and the Chief Financial Officer.
Succession planning	— Discussed succession planning both in respect of Board members and senior management within the Group.
Board development	— Reviewed programme for Non-Executive Director development.
Governance	— Reviewed the Group's culture, values and behaviours. — Reviewed the Group's contingency planning arrangements. — Discussed the remit and role of the Committee and reviewed its terms of reference.

Succession planning

It is a key responsibility of the Committee to advise the Board on succession planning. The Committee ensures that future changes in the Board's membership are anticipated and properly managed and that, in the event of unforeseen changes, management and oversight of the Group's business and long term strategy will not be disrupted. The Committee also addresses continuity in, and development of, the Executive Team below Board level.

Diversity

The Board's diversity policy recognises the benefit and value of diversity across the Group. We are committed to the creation of an inclusive culture where our colleagues reflect the diverse communities we serve and where each person is given the opportunity to contribute and use their talents and abilities, experiences and skills to participate in developing sustainable commercial opportunities. The Board recognises that a diverse Board with an appropriate balance through a diverse mix of experience, backgrounds, skills and deep knowledge and insight, is a key driver of an effective board. The Chairman leads the Safestore board diversity agenda with the aim of continuously improving diversity generally, including the gender balance, which ultimately leads to better board debate and decision. The Board's diversity policy seeks to ensure that diversity in its broadest sense, including gender diversity continues to remain a significant feature of the Board and the Board aspires to achieve a 33% of female directors over the short to medium term.

Board performance evaluation

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

Directors standing for re-election

All Directors will stand for re-election at the 2020 AGM.

Following the annual Board performance reviews of individual Directors, the Chairman considers:

- that each Director subject to re-election continues to operate as an effective member of the Board; and
- that each Director subject to re-election has the skills, knowledge and experience that enables them to discharge their duties properly and contribute to the effective operation of the Board.

The Board, on the advice of the Committee, therefore recommends the re-election of each Director standing for re-election. Full biographical details of each Director are available on pages 48 and 49.

I will be available at the Annual General Meeting to answer any questions on the work of the Nomination Committee.

David Hearn

Chair of the Nomination Committee

6 January 2020

Audit Committee report

Members

Member	No. of meetings during the year ended 31 October 2019
Ian Krieger (Chair)	4/4
Joanne Kenrick	4/4
Bill Oliver	4/4

Key objectives

The provision of effective governance over the appropriateness of the Company's financial reporting, the performance of both the store assurance arrangements and the external auditor and oversight over the Company's system of internal control.

Responsibilities

The Board has approved terms of reference for the Audit Committee, which are available on the Governance pages of the Group's website, www.safestore.com, within "Governance Documents". These provide the framework for the Committee's work in the year and can be summarised as providing oversight of the:

- appropriateness of the Company's external financial reporting;
- relationship with, and performance of, the external auditor;
- Group's store assurance arrangements and the risk management framework; and
- Group's internal control framework.

Membership

The Audit Committee members have been selected to provide the wide range of financial and commercial expertise necessary to fulfil the Committee's duties and responsibilities. Given my experience, I am designated as the financial expert on the Committee for the purposes of the Code. In order to ensure that the Committee continues to have experience and knowledge relevant to the sector in which the Company operates, all of the Non-Executive Directors receive regular updates on business, regulatory, financial reporting and accounting matters. An externally facilitated evaluation of the Committee's performance was undertaken in 2019. There were no changes in the membership of the Committee during the year, all of whom are Non-Executive Directors of the Company.

How the Committee operates

The Audit Committee met four times during the year and each meeting had full attendance. In addition to the Committee members, the following individuals attended by invitation:

- the Chief Financial Officer and the Group Financial Controller;
- the Chairman and the Chief Executive Officer;
- other senior managers, as appropriate, including those responsible for IT security, GDPR compliance and risk management; and
- the audit partner, directors and senior managers from Deloitte.

At least once a year, during an Audit Committee meeting, the Committee meets separately with Deloitte without any other member of management being present.

Main activities of the Committee during the year

A summary of the Audit Committee's main activities during the year included the following items:

Responsibilities	The Audit Committee has reviewed:
Financial reporting	— whether the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy; — the appropriateness of adopting the going concern basis of accounting and whether the Group can meet its liabilities as they fall due over a three-year period (the viability assessment); — the significant issues and material judgements which were made in preparing the 2019 Interim Report and the Annual Report and financial statements; — the integrity of the financial statements and announcements relating to the financial performance and governance of the Group at year-end and half year; — the principal judgemental accounting matters affecting the Group based on reports from both the Group's management and the external auditor; and — reviewed and agreed the Company's response to the FRC's request for information in relation to the Company's Annual Report and financial statements for the year ended 31 October 2018.
External auditor	— reviewed and approved the audit plan with the external auditor, that it was appropriate for the Group, including in respect of scope and materiality and aligned to the key risks of the business; — considered external audit effectiveness, independence and re-appointment; and — approved auditor remuneration.
Internal audit arrangements	— challenged the effectiveness of the Group's store audit arrangements; and — considered an annual assessment of the effectiveness and independence of the store assurance team and whether there was a need for the Company to establish an internal audit function.
Governance and risk	— monitored the adequacy and the effectiveness of the Group's ongoing risk management systems and processes, through risk and assurance plans and reports, including: — store assurance audit reports; — internal financial control assessments; — fraud and loss prevention reports; and — operational risk updates, including health and safety, with a deep-dive on fire safety arrangements, customer goods insurance and customer complaints. — reviewed the Company's anti-corruption and bribery (statement and policy) and whistleblowing ("Speak Out") policy and procedures; — monitored the effectiveness of the Company's information security and business continuity arrangements; and — reviewed the Company's REIT compliance and tax strategy.

Financial reporting and significant financial judgements

The Committee assessed whether suitable accounting policies had been adopted and whether management had made appropriate estimates and judgements. The Committee reviewed accounting papers prepared by management which provided details on the main financial reporting judgements.

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

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

Property valuations

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

Financial statements

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

Management confirmed to the Committee that it was not aware of any material misstatements and the auditor confirmed that it had found no material misstatements during the course of its work. The Committee is satisfied that the judgements made by management are reasonable and that appropriate disclosures have been included in the accounts. After reviewing the reports from management and following its discussions with the valuers and auditor, the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates, both in respect of the amounts reported and the disclosures. The Committee is also satisfied that the processes used for determining the value of the assets and liabilities have been appropriately reviewed and challenged and are sufficiently robust.

Fair, balanced and understandable assessment

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

The Committee was provided with, and commented on, a draft copy of the Annual Report and Financial Statements. In carrying out the above processes, key considerations included ensuring that there was consistency between the accounts and the narrative provided in the front half of the Annual Report. The Committee is satisfied that alternative performance measures, not defined under IFRS or "non-GAAP" measures, are consistent with how management measures and judges the Group's financial performance.

Risk management and internal control

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

Safestore's internal controls, along with its design and operating effectiveness, are subject to ongoing monitoring by the Audit Committee through reports received from management, along with those from the external auditor. Further details of risk management and internal control are set out on pages 52 and 53.

Internal audit

The Audit Committee had oversight responsibilities for the store assurance team, which is responsible for reviewing operational and financial controls at store level. The Group does not have a separate internal audit function and the Board, at least annually, reviews the requirement for establishing one. During the period the Audit Committee reviewed an analysis of how the key risks in the business are mitigated by existing controls as well as the store assurance team and concluded that an internal audit function is not required. In addition, the Audit Committee will from time to time consider the requirement to commission externally facilitated reviews of the control environment, to supplement the work of the store assurance team, until the Audit Committee determines that it is appropriate for the Group to establish a separate internal audit function.

Financial Reporting Council's ("FRC") review of the Company's Annual Report and Financial Statements for the year ended 31 October 2018

The Company received a request for information from the FRC in relation to its Annual Report and Financial Statements for the year ended 31 October 2018. The Audit Committee reviewed and agreed its response to the FRC request and there was an agreement to improve disclosures in some areas in the financial statements. The FRC's review provides no assurance that our Annual Report and accounts for the year ended 31 October 2018 are correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements.

External audit

The remit of the Audit Committee included:

- advising the Board on the appointment, re-appointment, and removal of the external auditor and on its remuneration both for audit and non-audit work;
- approving the nature and scope of the external audit with the external auditor;
- discussing the findings of the external audit with the external auditor and assessing the effectiveness of the audit; and
- reviewing and monitoring the independence and objectivity of the external auditor, including the level of fees paid.

Audit effectiveness

One of the key responsibilities of the Audit Committee was to assess the effectiveness of the external audit process. Since September 2014, Deloitte LLP has served as the Company's external auditor.

During the year, the Audit Committee reviewed the reports it received from the external auditor, including audit plans and the results of the audit work performed. The Audit Committee challenged, where necessary, the risks identified and the results of the work performed, and sought feedback from management on the effectiveness of the audit process.

Audit Committee report *continued*

External audit *continued*

Audit effectiveness *continued*

The Audit Committee reviewed the effectiveness, independence, objectivity and expertise of the external auditor and following this review recommended to the Board that Deloitte be proposed for re-appointment as external auditor for 2020.

It is standard practice for the external auditor to meet privately with the Audit Committee, without any member of management or the Executive Directors being present, at least once a year.

External auditor independence and non-audit services

The Audit Committee's terms of reference set out that it is responsible for the formal policy on the award of non-audit work to the auditor. The Committee has formalised procedures for the approval of non-audit services which stipulate the services for which the auditor will not be used. The policy also stipulates projects where the auditor may be used subject to certain conditions and pre-approval requirements. In order to preserve auditor objectivity and independence, the external auditor is not asked to provide consulting or advisory services unless this is in the best interests of the Company. A report of all audit and non-audit fees payable to the external auditor is provided to the Committee twice a year, including both actual fees for the year to date and a forecast for the full year, analysed by project and into pre-defined categories. In the current financial year, Deloitte LLP provided services of £46,000. It was determined that the nature of the work would not impact auditor objectivity and independence given the safeguards in place.

It is the Committee's policy to ensure that there is audit partner rotation every five years to safeguard the external auditor's independence and objectivity. Deloitte was appointed as external auditor to conduct the audit for the 2014 financial year. The first lead audit partner retired following the 2017 audit and Darren Longley was appointed as the new lead audit partner with effect from 1 May 2018.

The auditor is asked on an annual basis to articulate the steps that it has taken to ensure objectivity and independence, including where the auditor provides non-audit services. As part of the 2019 audit, Deloitte confirmed that it was independent within the meaning of applicable regulatory and professional requirements. Taking this into account, and having considered the steps taken by Deloitte to preserve its independence, the Committee concluded that Deloitte's independence had not been compromised notwithstanding the level of non-audit fees incurred during the year.

Audit tendering

This has been Deloitte's sixth year as the Company's external auditor following the formal tender process conducted in 2014. There are no contractual obligations that restrict the choice of external auditor. The Committee confirms that Safestore has complied with the Statutory Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Responsibilities) Order 2014 with regard to the requirement for formal tendering every ten years and partner rotation every five years. As noted above, Darren Longley was appointed as the new lead audit partner with effect from 1 May 2018.

Resolutions to re-appoint Deloitte as auditor and to authorise the Directors to agree its remuneration will be put to shareholders at the Annual General Meeting that will take place on Wednesday 18 March 2020.

I will be available at the Annual General Meeting to answer any questions on the work of the Audit Committee.

Ian Krieger

Chair of the Audit Committee

6 January 2020



Directors' remuneration report

for the year ended 31 October 2019



Part A: annual statement

Dear shareholder

Following last year's AGM, both I and the other members of the Remuneration Committee were encouraged that the vote in favour of our remuneration report increased significantly. I was particularly pleased to see that the changes we made in relation to the operation of our Directors' Remuneration Policy ("Policy") in line with suggestions made by our shareholders and their representative bodies were overall well received.

However, the Committee recognises that some shareholders continued to vote against our remuneration report and my re-election as Remuneration Committee Chair as a result of the 2017 LTIP. As such, the Committee is proposing a new Remuneration Policy and new long term incentive that builds on the changes made last year and which is within normal market parameters in terms of both quantum and structure.

Proposed policy

The Committee undertook a remuneration review during 2019 and the resulting guiding principles by which the Committee designed the new Policy were established. We set out these principles and how this translated into the proposed policy below:

- The need to "re-think" our approach to executive remuneration to ensure greater support from our shareholder base while continuing to retain and motivate a management team who continue to deliver exceptional returns to shareholders: *Subject to shareholder approval at our 2020 AGM, the Committee is intending to introduce a conventional LTIP, which features market competitive levels of award, vesting based on the achievement of corporate metrics which support the business strategy and a two year holding period.*
- Executives and senior management should continue to participate in competitive short and long term incentives which support the business strategy: *Short and long term incentives are heavily weighted to growing sustainable earnings by optimising the trading performance of our property portfolio and taking advantage of selective portfolio management and expansion opportunities.*
- The Policy should encompass all elements of the revised Corporate Governance Code ("New Code"), published in July 2018 and the respective investor body implementation guidance: *This has been achieved throughout the Policy, for example we are proposing a post cessation shareholding requirement in line with best practice.*
- The Policy should align with wider company pay policy and practice: *The review has resulted in new Executive Directors receiving the pension contribution earned by the majority of the workforce. No change in existing Executive Director benefits was deemed necessary.*

It should be noted that the new Policy will not impact outstanding incentives granted under the previous policy.

We set out a summary of the proposals in the at a glance section of this report and full details of the Policy e.g. proposals on discretion and malus and clawback can be found on pages 77 to 84.

Response to remuneration reporting provisions in the New Code

We are early adopting the New Code's remuneration related provisions through the proposed Policy and for our 2019 remuneration reporting. We have made several improvements to our reporting which include:

- An improved section setting out more information in relation to the wider workforce building on our pay fairness section from 2018, which includes early adoption of the CEO pay ratio and other pay relativity reference points such as external benchmarking (page 65).
- Setting out how the proposed remuneration policy aligns with Company strategy (page 67).
- Describing how the Committee has addressed the factors of clarity, simplicity, risk, predictability, proportionality and alignment to culture when determining the proposed remuneration policy (page 66 to 67).
- Disclosure of how much of individual Directors' long term incentive awards is attributable to share price appreciation (page 71).
- Disclosure of maximum remuneration receivable assuming a 50% share price appreciation in the application of the remuneration policy charts (page 81).

In addition, the Remuneration Committee reviewed and amended its terms of reference such that they are aligned with the remuneration related provisions of the New Code.

Other 2019 activities

Clearly, a significant amount of the Committee's time in 2019 was spent on designing the proposed Policy and overseeing the detailed implementation of our response to the New Code from a remuneration perspective, but we also did the following:

- reviewed the gender pay gap analysis results and signed off actions;
- determined Executive Director base salary levels from 1 May 2019;
- agreed annual bonus targets for 2019 and measured performance against them;
- discussed and approved Executive Director and senior manager remuneration outcomes for 2019;
- approved a further 152,000 awards under the 2017 LTIP to a small number of colleagues; and
- discussed and agreed approach to the early adoption of the new regulations for increased remuneration reporting disclosure.

The Committee made several of these decisions taking account of the feedback from the Company's newly established workforce panel in relation to the wider workforce (see later for further information regarding the panel).

Planned activities for 2020

- Our normal oversight of the annual remuneration cycle including agreeing the annual bonus targets for 2020 and measuring performance against them;
- Consideration of further reporting in relation to the wider workforce pay policies and practices and feedback from the workforce panel; and
- Consideration of the Committee's response to Investment Association's guidance on establishing a credible plan to align Executive Director pension contributions with those available to the workforce by the end of 2022, albeit that both Executive Director salary and pension contributions are currently set significantly below FTSE 250 market levels.

Directors' remuneration report *continued*

for the year ended 31 October 2019

Part A: annual statement *continued*

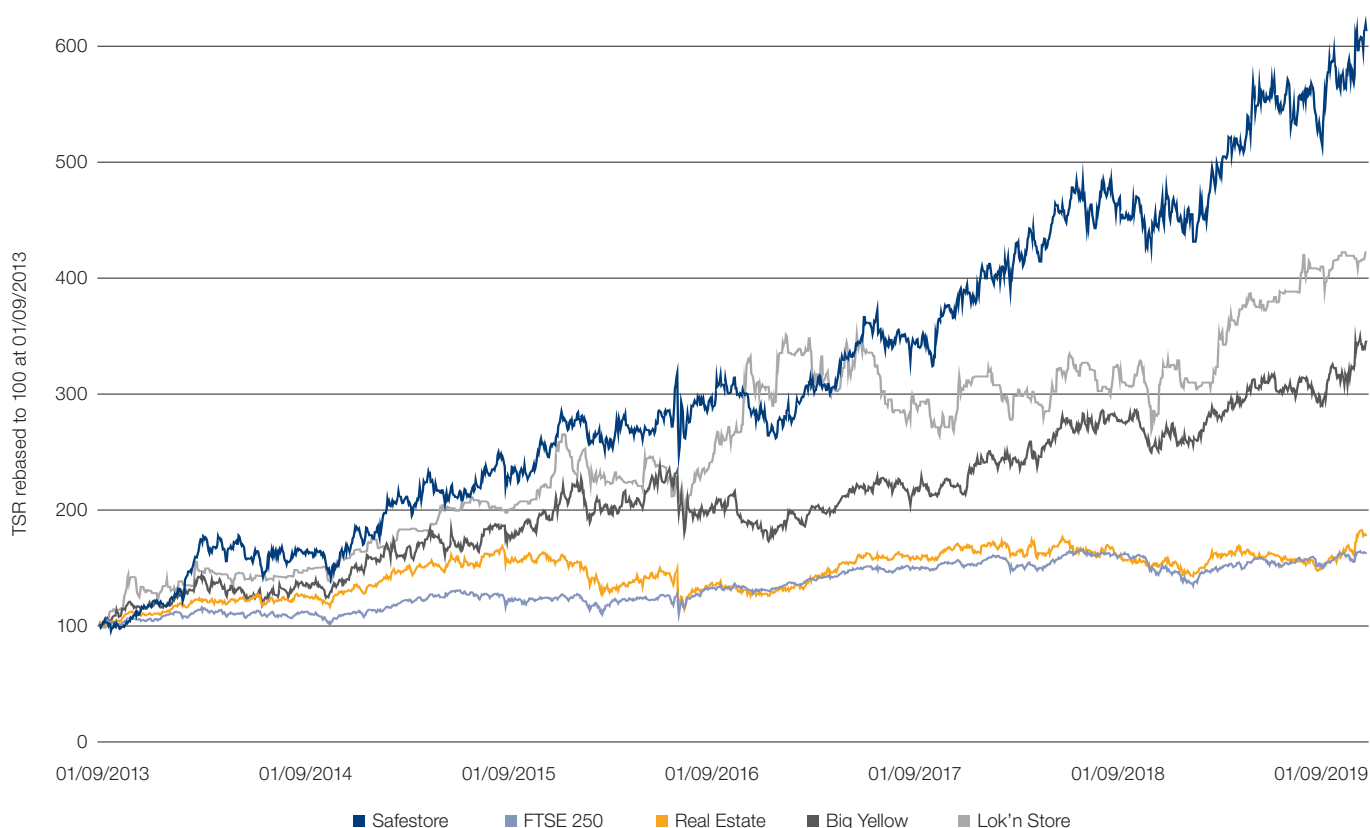
Remuneration in respect of 2019

How we have performed in 2019

You will have read earlier in this Annual Report that the Company delivered strong results for 2019. Highlights include:

- Group revenue up 5.5% for 2019;
- Underlying EBITDA up 5.5% for 2019;
- Adjusted Diluted EPRA Earnings per Share up 6.3% for 2019;
- significant value delivered through successful roll out of our “Make the Difference” engagement programme;
- significant enhancement of our financing capacity through the issuance of an additional £125 million of Private Placement Notes; and
- successful establishment of the Company’s joint venture arrangement.

The results for 2019 are a continuation of the strong performance of the business since 2013, when the current team took over the management of Safestore. From September 2013 to the current date, £100 invested in Safestore would be worth over £610 taking account of share price growth and reinvested dividends and represents significant outperformance of key competitors and industry benchmarks as shown below.



Base salary increases

In line with policy, Executive Directors' salaries were increased by 2% on 1 May 2019, which was below the 3.1% average increase applied to the wider workforce.

Annual bonus outcome

Targets for the 2019 annual bonus set by the Committee were based on EBITDA (67%) and strategic/operational (33%). In determining the payouts under the annual bonus plan for the Executive Directors, the Committee has been mindful not only of the formulaic outcome against the targets set, but also of the overall performance of the business and assessed whether the financial gateway to the strategic/operational measures was attained and whether any discretion should be used to adjust the formulaic bonus outcome. On the basis of the increased year-on-year corporate performance and the overall shareholder experience, we are comfortable that the bonus outcome set out on pages 72 to 74 is reasonable. As a result, the Committee determined that no overriding discretion should be applied:

- The Adjusted EBITDA outcome of £87.8 million (Adjusted EBITDA is arrived at by translating Underlying EBITDA at budgeted exchange rates) delivered well against the EBITDA targets and resulted in 88.5% of the maximum for this element paying out.
- On the basis that the financial gateway was met i.e. the EBITDA threshold target was attained, the Committee assessed that 96% of maximum for the strategic/operational measures would pay out (full details of this assessment are set out on page 72).
- In total, the overall bonus payout was 136.5% of salary for both Executives, versus a maximum opportunity of 150% of base salary. In line with policy, 100% of salary will be paid in cash and 36.5% of salary will be deferred into shares.

In line with the 2018 remuneration report, we have provided detailed disclosure on the setting and achievement of the strategic and operational objectives for 2019 and the factors considered by the Committee when determining whether the formulaic bonus outcomes were commensurate with underlying company performance.

PSP outcome

- As estimated in last year's report, the 2016 PSP awards vested in full during the year based on a performance cycle that was substantially completed in 2018.
- The 2016 award was the final award to be granted under the PSP and as a result, there were no long term incentive awards that completed their performance period during 2019. This will also be the case for 2020.

Remuneration in respect of 2020

- Executive Directors' salaries will be reviewed in 2020.
- On the basis that the proposed Policy is approved by shareholders, the annual bonus and new LTIP will operate as described with the first awards made in 2020.

Sharing our success

The strong performance of the Company since 2013 could not have been possible without developing all our people, which includes significant formal training, fully supported and incentivised to perform to the best of their ability. We recognise that it is also critical for our colleagues to feel valued as well as to be paid fairly.

Our focus in relation to colleague engagement over recent years has centred on the Investors in People ("IIP") survey in which Safestore has retained an accreditation since 2002. As I mentioned last year, we have progressed through the IIP award levels, whereby, we achieved the "Gold" award for 2018, which means that we are ranked as one of the top employers out of 14,000 organisations, across 75 countries worldwide.

I am delighted to announce that our approach to colleague engagement was further enhanced in 2019, through the implementation of our formal workforce advisory panel. Through a nomination process, 14 colleagues from across the business have become representatives on the panel (People Champions) and engaged directly with the CEO across a wide range of subjects including remuneration. Appropriate feedback from these sessions was presented to the Remuneration Committee, which the Committee considered when setting the proposed Policy for 2020 onwards.

We published our second gender pay gap report in March 2019. We were encouraged to see that our median gender pay gap of 8.8% remains significantly below the UK average of 17.9%, whilst our mean gender pay gap is within 1pp of the UK average. Our mean bonus gap reduced by 2.6pp. Our gender pay gap report can be found on our corporate website at www.safestore.com, where we detail the initiatives that are ongoing to reduce these gaps further.

We have also published our CEO pay ratio for the first time, one year in advance of being required to doing so. The Committee acknowledges that the ratio will be volatile, particularly in the early years, reflecting the vesting timeline of the 2017 LTIP and the nature of executive incentives, which form a larger proportion of our CEO's package when compared to other colleagues.

I am also pleased that we have continued to invest in our reward offering for the wider workforce through enhanced benefits, increased bonus payouts at all roles and targeted above market salary increases for selected roles up to 13%.

Unfortunately, the CEO pay ratio does not reflect that nearly 60 of our most talented people participated in the 2017 LTIP with a similar number likely to receive awards under the proposed 2020 LTIP. Widespread share ownership also aligns with our remuneration principles by rewarding our colleagues for the successful execution of strategy over a multi-year horizon. We are delighted that 48% of our colleagues were enrolled in our Sharesave plan, which we are now offering annually and that the 2014 five-year scheme vested on 1 September 2019 providing a significant gain to participants above the £1.64 option price.

Summary

I am confident that the new policy will be fit for purpose for the next three years and is fundamental to helping us achieve continued strong business performance. The new policy is therefore recommended to shareholders at the Annual General Meeting to be held on 18 March 2020.

I would welcome any feedback or comments on this report or our remuneration principles and policy in general and look forward to answering any questions at the AGM when we will be asking shareholders to approve our new policy and the Annual Report on Remuneration. I can be contacted via our Company Secretary at cosec@safestore.co.uk.

Approved by the Board on 6 January 2020 and signed on its behalf by:

Claire Balmforth

Chair of the Remuneration Committee

6 January 2020

Directors' remuneration report *continued*

for the year ended 31 October 2019

Part B: Our remuneration at a glance

Ahead of the Annual Report on Remuneration, we have summarised below the key elements of our proposed remuneration policy and how we intend to implement it in 2020 in line with the changes set out in the Remuneration Committee Chairman's annual statement on pages 59 and 61. We also summarise the key remuneration outcomes for 2019 under our existing remuneration policy.

Summary of our proposed Directors' remuneration policy and implementation of remuneration policy for 2020

Element	Key features of proposed policy	Implementation for 2020	
Executive Directors		Frederic Vecchioli	Andy Jones
Base salary	Reflects an individual's responsibilities, experience and role. It is anticipated that salary increases will generally be in line with the general colleague population. In certain circumstances, the Committee has discretion to make appropriate adjustments to salary levels. Such circumstances could include where an Executive Director is paid significantly below the market rate or there is a change in the role or responsibility.	Base salary of £416,160. A 2% increase was awarded in May 2019. The next salary review will take place in 2020.	Base salary of £296,514. A 2% increase was awarded in May 2019. The next salary review will take place in 2020.
Benefits and pension	Maximum contribution to personal pension scheme or cash in lieu is equal to 10% of salary. New hires will receive the pension contribution received by the majority of the workforce. (the average employer contribution rate is currently 4.2% of salary). Market-competitive benefits package provided.	10% of salary as Company pension contribution less employer's national insurance where paid a cash supplement. Benefits in line with policy.	
Annual bonus	Maximum award equal to 150% of salary per annum. Any bonus in excess of 100% of salary will be held in shares on a net of tax basis, via an agreement with the Executive, until the end of two years following the financial year in which the bonus is earned with malus applying for this period and clawback for three years thereafter. No change to performance measures (2/3rds financial and 1/3rd strategic/operational) with financial underpin ensuring that no payout for strategic/operational element if financial performance is below threshold. Payout for target performance has been reduced to 50% of maximum (from 60%) and to ensure an appropriately balanced payout curve, threshold performance has also been reduced to 20% of maximum (from 30%). Dividend equivalents are payable on deferred shares. The Committee will continue to have overriding discretion to change formulaic outcomes (both downwards and upwards) if it is out of line with underlying performance of the Company.	No change to maximum opportunity of 150% of salary. Deferral, performance measures, their weighting and the payout curve will be as described in the column to the left. Specific targets and their achievement, where not deemed commercially sensitive will be disclosed in the 2020 Annual Report on Remuneration.	
LTIP	Annual award of nil-cost options of up to 200% of salary. Vesting period of three years followed by a holding period of two years, via an agreement with the Executive, (during which any vested and exercised awards cannot be sold except for tax purposes on exercise). 2/3rds of award subject to Adjusted Diluted EPRA EPS growth, 1/3rd subject to relative TSR balanced equally against the FTSE 250 and the FTSE 350 REITs. 8% p.a. cash on cash return underpin. 25% vesting for threshold performance increasing on a straight line to 100% for maximum performance. Dividend equivalents are payable on vested shares. The Committee will have overriding discretion to change formulaic outcomes (both downwards and upwards) if it is out of line with underlying performance of the Company.	200% of salary award to be granted subject to policy approval. Performance measures, their weighting and the associated vesting schedule will be as described in the column to the left. Threshold performance (25% vesting) for the relative TSR elements will equate to median performance amongst each peer group with maximum performance (100% vesting) equal to upper quartile. The EPS targets for the 2020 award will be appropriately stretching and disclosed to shareholders on grant. They will be set post AGM and will take into account the outturn of the 2017 LTIP Award, the current business plan and economic uncertainty in the UK.	

Executive Directors		Frederic Vecchioli	Andy Jones
Shareholding guidelines	350% of salary. Executive Directors are expected to meet the guideline by 27 September 2022 (the vesting date of the 2017 LTIP) or five years after joining if later. Deferred and vested but unexercised awards on a net of tax basis and beneficially owned shares would count towards the shareholding guidelines. These guidelines will continue to apply for two years post cessation of employment. For the avoidance of doubt shares beneficially owned at the date of adoption of the Policy and the 2017 LTIP Award will be exempt from this post cessation of employment guideline but all future share-based awards granted under the Policy approved by shareholders at the 2020 AGM would be captured.	350% of salary.	350% of salary.
Non-Executive Directors			
Fees	Non-Executive Directors may receive a base fee and additional fees for chairing a committee or being the Senior Independent Director.	The incoming Chairman's fee will be £180,000 per annum to reflect the current market rate for such a role (the outgoing Chairman's fee was £136,000 per annum). Non-Executive base fee: £43,350. Committee Chair fee: £10,200. Non-Executive Director fees were increased by 2% during 2019. The next fee review will take place in 2020.	

Executive Directors are eligible to receive payment under any award made prior to the approval and implementation of the Remuneration Policy set out in this report including under the existing 2017 LTIP. For the avoidance of doubt, it is noted that the Company will honour any commitments entered into that have been disclosed previously to Shareholders.

The Committee is satisfied that the Remuneration Policy is in the best interests of Shareholders and does not promote excessive risk-taking. Our full remuneration policy is set out on pages 77 to 84.

Business performance and incentive outcomes in 2019

		2019 performance	2019 incentive outcome
Underlying EBITDA growth in 2019	Annual bonus	5.5%	●
Adjusted Diluted EPRA Earnings per Share growth in 2019	LTIP	6.3%	N/A – 2017 LTIP remains in in-flight
Three-year TSR growth	LTIP	113%	N/A – 2017 LTIP remains in in-flight
Optimisation of performance of existing portfolio	Annual bonus	Significant value delivered through successful roll out of our "Make the Difference" engagement programme and material uplift in enquiry generation and conversion rates based on new training programme and innovation.	●
Strong and flexible capital structure	Annual bonus	Significant enhancement of our financing capacity through the issuance of £125 million of additional Private Placement Notes. This provides the Company with an improved ability to take advantage of opportunities to deliver incremental earnings growth over the longer term.	●
Take advantage of selective portfolio management and expansion opportunities	Annual bonus	Successful establishment of the Company's joint venture arrangement.	●

Key: ● Threshold or below ● Threshold to Target ● Target to Maximum

This resulted in the following incentive outcomes:

- 2019 annual bonus payout for the Executive Directors was 136.5% of maximum. The annual bonus is balanced 67% adjusted EBITDA and 33% strategic/operational measures and 88.5% of maximum was achieved in relation to the EBITDA measure and 96% of maximum for the strategic/operational element.
- The Committee tested whether the annual bonus payout was commensurate with the Company's underlying performance and shareholder value created in 2019 in addition to whether the financial gateway to the strategic/operational bonus element was met. It determined that the EBITDA threshold financial gateway was met and that the formulaic outcomes were representative of overall performance and as a result did not apply any overriding discretion.

Directors' remuneration report *continued*

for the year ended 31 October 2019

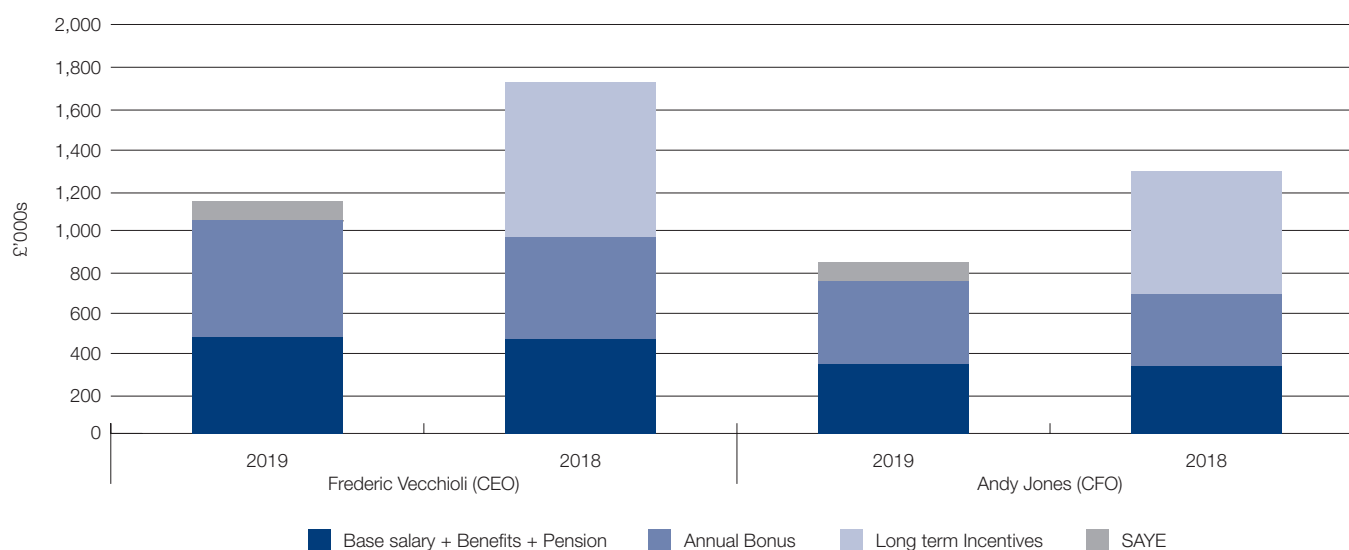
Part B: Our remuneration at a glance *continued*

Business performance and incentive outcomes in 2019 *continued*

- The factors considered by the Committee in making this judgement are set out on pages 66 and 67 in the Annual Report on Remuneration. In line with the approved Directors' remuneration policy, any bonus payment above 100% of salary will be deferred into shares for two years.
- No PSP or LTIP awards completed its performance period during the 2019 financial year.
- The Committee is comfortable that the current Policy operated as intended and that the overall 2019 remuneration paid to Executive Directors' set out below was appropriate.

Summary of Executive Directors' remuneration in 2019

The charts below show the 2019 actual remuneration achieved, as disclosed in the single total figure of remuneration on page 71 (and 2018 for comparison purposes).



Remuneration in the wider context

Context to our Executive Director remuneration in light of wider workforce considerations:

- Wider workforce predominantly has access to competitive bonus arrangements, can participate in all-colleague share plans and/or recognition schemes and are eligible to be auto-enrolled into the Safestore Group Personal Pension Plan.
- Level of salary adjustment for the Executive Directors' remains below the average increase for colleagues across the Group.
- Ratio of CEO pay to pay of workforce of 55:1.
- Safestore UK mean gender pay gap of 18.1% and median gender pay gap of 8.8%.

Part C: Annual report on remuneration

The 2019 Annual Report on Remuneration contains the details of how the Company's policy for Directors was implemented during the financial year ended 31 October 2019. An advisory resolution to approve this report and the Remuneration Committee Chairman's annual statement will be put to shareholders at the AGM on 18 March 2020.

We set out below an improved section with more information in relation to the wider workforce building on our pay fairness section from 2018.

Pay fairness

To attract and retain the highest calibre individuals, we must aspire to become the employer of choice within our sector, maintaining a competitive reward package that balances fairness to the colleague as well as responsible use of shareholders' funds.

The colleague value proposition

We review our pay principles policy, which sets out a framework for making decisions on colleagues' pay, annually. The aim is to:

- support the recruitment and retention of high-quality colleagues;
- enable us to recognise and reward colleagues appropriately for their contribution;
- help to ensure that decisions on pay are managed in a fair, just and transparent way; and
- create a direct alignment between our Company culture and our reward strategy.

As part of our commitment to fairness, we have set out further information on our colleague offering. The various factors, which make up our colleague value proposition is set out below:

Pay and benefits

- We pay all our colleagues above the over-25 National Living Wage rate, regardless of their age. The average annual salary for our store sales colleagues is £21,425, over £4,000 above the current National Living Wage for a 40-hour contract.
- We provided a significant number of above-market salary increases (up to 13%) in 2019.
- All our sales colleagues are eligible for our performance-based monthly bonus scheme and can earn up to 50% of their monthly salary. Our Head Office colleagues are eligible to receive a discretionary annual bonus, which is calculated against business targets and objectives.
- For 2019, bonus payouts were increased for all roles commensurate with Company performance.
- Colleagues can join our Sharesave scheme for a fixed three or five-year term. Membership across all the current offerings is at 48% with 29% of our colleagues participating in the 2019 scheme. From 2019 onwards, Sharesave will be offered on an annual basis.
- The 2014 five-year SAYE scheme vested on 1 September 2019 providing a significant gain to participants above the £1.64 exercise price.
- Under the 2020 LTIP, an increased number of circa 60 key colleagues will be invited to participate allowing them to share in the success of the Company. The performance conditions for below Board-level colleagues in the LTIP will be the same as those for the Executive Directors.
- All eligible colleagues are auto-enrolled into the Safestore Group Personal Pension Plan provided through Scottish Widows with a minimum employer contribution rate of 4% of salary.
- Additional benefits include private healthcare cover, life insurance from day one of employment, paid holiday allocation, payroll giving opportunities and a cycle to work scheme.
- In response to feedback from our workforce advisory panel, we have improved our maternity benefits to offer new mothers twelve weeks' full pay. This benefit also extends to include those who are adopting. For new fathers we offer two weeks' full pay, as well as sending new parents a beautiful gift when their child is born.

Working environment

- Our leadership teams have created an environment where our managers and leaders provided the skills, tools, and crucially, time, to dedicate to their teams. This has been achieved through maintaining good colleague-manager ratios; for example, no regional manager has more than eleven stores.
- This year we launched our 'Make the Difference' people forum; a formal workforce advisory panel enabling us to consider wider stakeholder views and engage with our colleagues to understand their feedback.
- We have a comprehensive Colleague Assistance Programme where our teams are able to find guidance on coping strategies. They can speak to a professional who is ready to support and guide them through any concerns they have. And for those who need it, they can access up to five counselling sessions.
- We support a healthy work-life balance through offering a Company sick pay scheme and encouraging all team members to take their rest breaks. We welcome and consider all requests for flexible working and at-home working.
- We are committed to respecting human rights and labour rights based on our own values and the principles of the United Nations Global Compact (a voluntary initiative). Our commitment to preventing modern slavery in our supply chain is outlined in our statement on slavery and human trafficking.
- We are committed to continuing to manage risk and to anticipate new health and safety challenges in order to ensure a healthy and safe workplace for all.

Directors' remuneration report *continued*

for the year ended 31 October 2019

Part C: Annual report on remuneration *continued*

Pay fairness *continued*

The colleague value proposition *continued*

Development opportunities

- In 2019, we invested over 30,000 hours into developing our people. From online learning modules to face-to-face sales training, every one of our team members can take part in structured learning.
- We offer health and safety training including first aid, forklift and fire safety.
- Our Store Manager Development Programme offers the opportunity to gain a nationally recognised qualification from either the Institute of Leadership and Management (ILM) or the Chartered Management Institute (CMI) utilising the Apprenticeship Levy.
- We are also utilising the Apprenticeship Levy to support the development of Head Office colleagues and we have three individuals starting professional qualifications next year.

Recognition

- We recognise great performance and behaviours through our annual appraisal process.
 - Our values, created by our store teams, are at the heart of everything the organisation does. The values are accompanied by a set of behaviours and everyone is assessed against the values and behaviours every six months.
- Our annual pay review/bonus schemes are based on individual performance ratings.
- We also reward our sales consultants for completion of training modules through a pay for skills approach.

Informing the Committee on the wider workforce

To build the Remuneration Committee's understanding of reward arrangements applicable to the wider workforce, the Committee is provided with data on the remuneration structure for management level tiers below the Executive Directors and pay outcomes for these roles. The Committee has been provided with feedback from the formal workforce advisory panel, which provides further context for the Committee in making decisions on future pay outcomes in line with the proposed Policy. The Committee used this information to ensure consistency and fairness of approach throughout the Company in relation to remuneration.

Alignment with Directors' remuneration policy

In designing the remuneration policy for Directors, the pay and conditions of other colleagues are taken into account and the overarching company pay principles were thoroughly considered. The Committee agreed the following design principles in formulating the new policy:

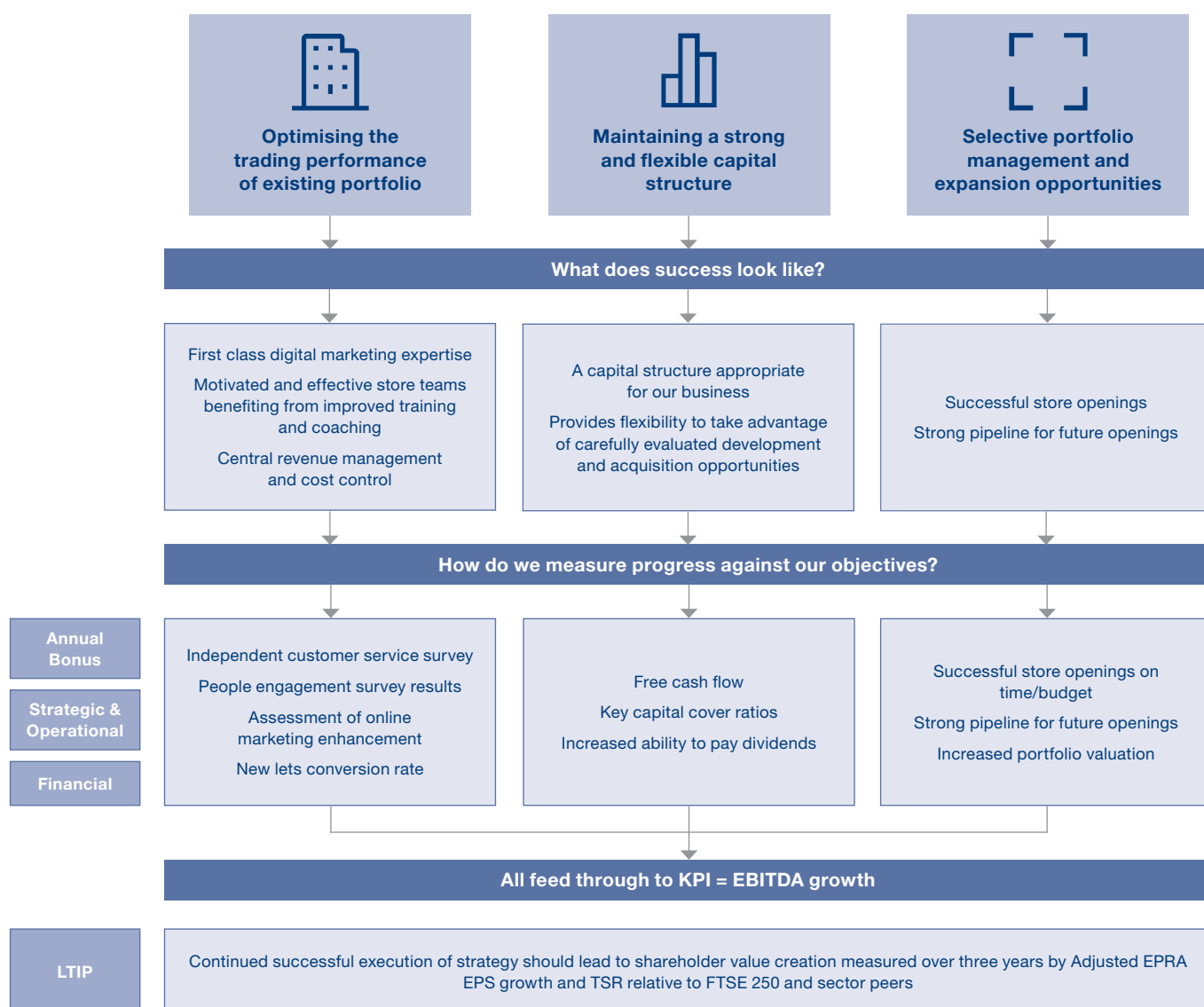
- The need to "re-engage" our major shareholders from remuneration and governance perspectives through the introduction of a remuneration policy and incentive structure, which is aligned to market practice.
- Executives and senior management should continue to participate in competitive short and long term incentives, which support the business strategy.
- The Policy should encompass all elements of the New Code and the respective investor body implementation guidance.
- The Policy should align with wider company pay policy and practice.

These guiding principles allowed the Committee to design a Policy that addressed the following factors in the New Code:

Factor	How this was addressed in the proposed remuneration policy
Clarity <i>Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.</i>	In line with our commitment to full transparency and engagement with our shareholders. The Company engages directly with the broader colleague population on their remuneration through a variety of methods including town hall events lead by the CEO.
Simplicity <i>Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.</i>	Taking on-board shareholder feedback, we have reverted to a traditional LTIP construct, which is well understood by shareholders and participants alike.
Risk <i>Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.</i>	Identified risks have been mitigated as follows: — deferring bonus in shares and a two-year holding period on the proposed LTIP helps ensure that the performance earning awards was sustainable and thereby discouraging short term behaviours; — aligning any reward to the agreed strategy of the Company; — reducing the awards or cancelling them if the behaviours giving rise to the awards are inappropriate through malus and clawback; and — reducing annual bonus or future LTIP awards or cancelling them, if it appears that the criteria on which the award was based do not reflect the underlying performance of the Company.

Factor	How this was addressed in the proposed remuneration policy
Predictability <i>The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.</i>	The Committee undertook external benchmarking of the new Policy (see page 69 which determined that the new packages will pay out below median of the FTSE 250 companies on a reasonable range of performance outcomes. The Remuneration Policy sets out the potential remuneration available in several performance scenarios. The Committee is comfortable that the discretions available to it set out in the Policy are sufficient.
Proportionality <i>The link between individual awards, the delivery of strategy and the long term performance of the company should be clear. Outcomes should not reward poor performance.</i>	One of the key strengths of the proposed approach of the Company to remuneration is the direct link between the returns strategy and the value received by Executives. Please see the schematic below that sets out in detail the link between Company strategy and the performance measures in the incentive arrangements.
Alignment to culture <i>Incentive schemes should drive behaviours consistent with Company purpose, values and strategy.</i>	The new LTIP rewards long term sustainable performance. This focus on long term sustainable value is a key tenet of the Company's strategy and its purpose and values are set out in our sustainability report on page 28.

In addition, the design principles provided the Committee with the ability to design incentive arrangements that were closely aligned with Company strategy as set out in the schematic below:



Directors' remuneration report *continued*

for the year ended 31 October 2019

Part C: Annual report on remuneration *continued*

Pay relativities

Internal – CEO pay ratio

Our CEO to colleague pay ratios for 2019 are set out in the table below:

Financial year	Method used	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2019	Option B (gender pay gap data)	60:1	55:1	37:1
		Total pay and benefits: £19,067	Total pay and benefits: £20,669	Total pay and benefits: £31,278
		Salary: £17,197	Salary: £18,175	Salary: £25,029

For 2019, the Company has chosen to use Option B as the method for calculating the CEO Pay Ratio. Option B uses the most recent hourly-rate gender pay gap data, as at 5 April 2019, for all UK employees to identify three UK employees as the best equivalents of the 25th, 50th (median) and 75th percentile employees. It was chosen by Safestore as it enabled the Company to utilise actual remuneration data throughout the calculation and removed any requirement for estimation of data.

Once the employee at each quartile had been selected, the salary and total pay and benefits shown in the table above were calculated in line with the CEO's single figure of remuneration disclosure and included the following elements of pay:

- Annual basic salary
- Private medical insurance value
- Car/car allowance
- Employer pension contribution
- Bonus earned
- Overtime and extra pay
- Sharesave

To ensure that Option B provides a sufficiently accurate representation of the UK workforce, we have performed sensitivity analysis around the three quartiles. Our approach has been to consider the total pay and benefits for a small number of employees centred around each quartile to eliminate any anomalies. In addition, we have crosschecked that the 50th percentile (median) is consistent with our Sales Consultant pay scales on the basis that as at 31 October 2019 they represented 53% of Safestore's workforce.

No estimates or adjustments were made for the purposes of the 2019 CEO Pay Ratio calculation.

In future years, we will provide context to the ratios and set out a table showing changes over time and narrative explaining them. The Committee continues to be committed to ensuring that CEO pay is commensurate with performance. We are expecting there to be significant volatility in this ratio over time and we believe that this will be caused by the following:

- Our CEO pay is made up of a higher proportion of incentive pay than that of our colleagues, in line with the expectations of our shareholders. This introduces more variability in his pay each year, which affects the ratio that will be particularly acute in the year the 2017 LTIP performance period ends.
- Long term incentives are provided in shares, and therefore an increase in share price magnifies the impact of a long term incentive award vesting in a year.
- We recognise that the ratio is driven by the different structure of the pay of our CEO versus that of our colleagues, as well as the make-up of our workforce. This ratio varies between businesses even in the same sector. What is important from our perspective is that this ratio is influenced only by the differences in structure, and not by divergence in fixed pay between the CEO and wider workforce.

Internal – Gender pay gap reporting and diversity

Safestore is committed to the principle of equal opportunities and equal treatment for all colleagues, regardless of sex, race, religion or belief, age, marriage or civil partnership, pregnancy/maternity, sexual orientation, gender reassignment or disability. We have a clear policy of paying colleagues equally for the same or equivalent work, regardless of their sex (or any other characteristic set out above).

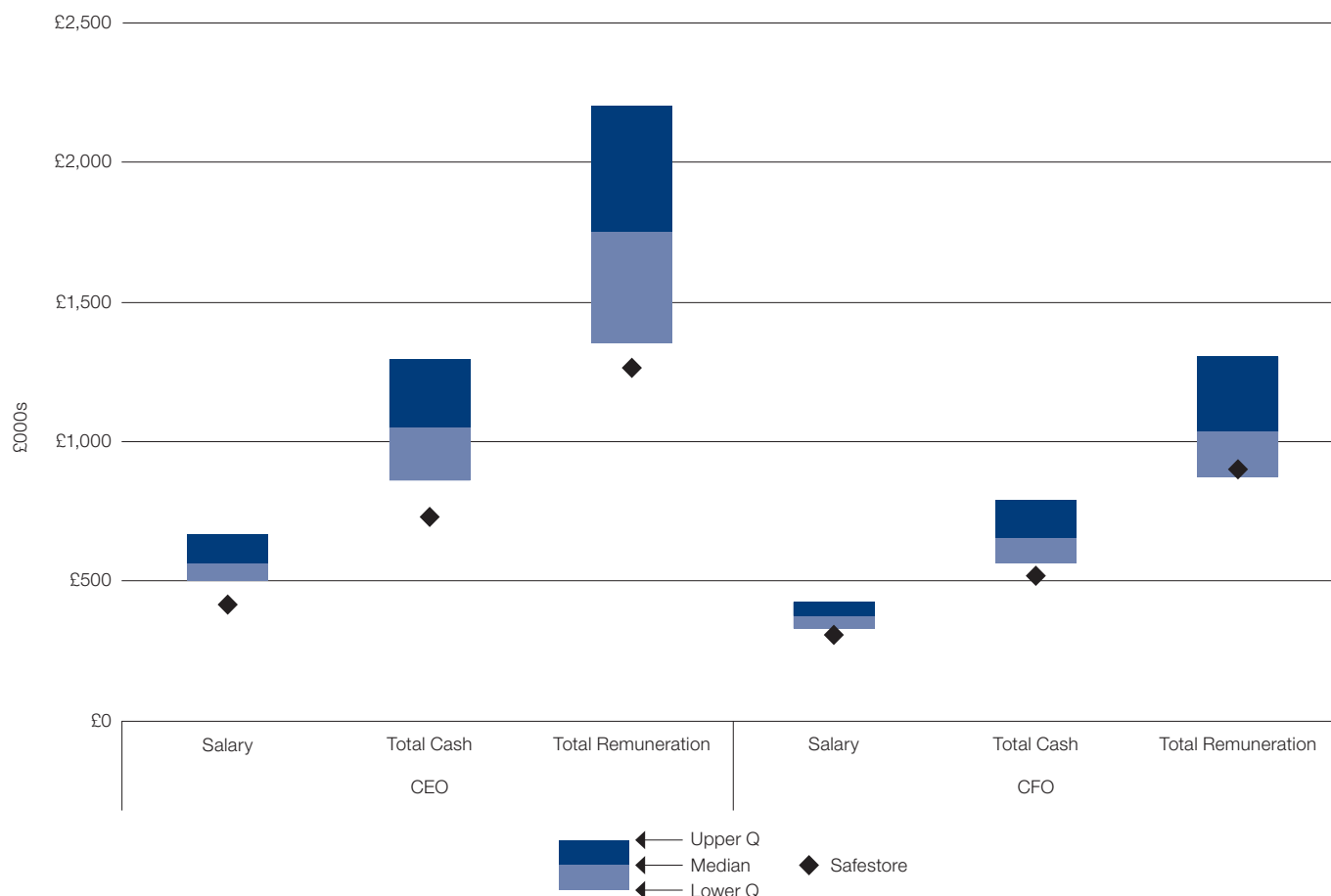
Safestore is therefore confident that our gender pay gap does not stem from paying men and women differently for the same or equivalent work. Rather, our gender pay gap is the result of the roles in which men and women work within the organisation and the salaries that these roles attract. We have a higher proportion of men in senior roles.

This year, the number of women in the lower quartile has increased, whilst the number of women in the upper mid and upper quartiles have reduced, resulting in slightly higher mean and median gender pay gaps compared to 2017. Our mean gender pay gap remains comparable with the UK average and our median gender pay gap remains significantly lower than the UK average.

Our continued work on building our employment brand "Our People Make the Difference" and preliminary work developing our careers website to make it more appealing to women, has resulted in an increase in women applying to work at Safestore. We intend to implement our new careers website next year and expect to further increase the number of applications from women.

External – Executive Director benchmarking

The following chart shows the relative position of salary, total cash (salary plus on-target annual bonus) and total remuneration (total cash plus expected value of LTIP plus pension) for our Executive Directors compared to the FTSE 250 based on the proposed policy.



The chart demonstrates the total remuneration levels are at a relatively conservative level when compared to companies of a similar size and scale in the FTSE 250. The analysis excludes the impact of the 2017 LTIP awards that vest during the proposed Policy period.

Remuneration justification

The Committee is comfortable that the internal and external pay relativity reference points set out above provide justification that the proposed Policy is entirely appropriate, whilst noting the potential volatility of the CEO pay ratio in future years.

Communication with colleagues

As set out in the Committee Chairman's statement, in 2019 the Company established a formal workforce advisory panel to facilitate engagement with colleagues. Through a nomination process, 14 colleagues from across the business have become representatives on the panel (People Champions) and engaged directly with the CEO across a wide range of subjects including remuneration. Appropriate feedback from these sessions was presented to the Remuneration Committee, which the Committee considered when setting the proposed Policy for 2020 onwards. In addition, the CEO also ran a town hall session where colleagues had the opportunity to raise questions that included remuneration.

Communication with shareholders

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

	Votes for	%	Votes against	%	Votes withheld
2017 GM vote on remuneration policy	77,550,007	50.83	75,030,203	49.17	17,087,197
2019 AGM vote on Annual Report on Remuneration	114,577,548	70.37	48,234,542	29.63	3,787,187

Following last year's AGM, the Committee was encouraged that the vote in favour of our remuneration report increased significantly following changes we made based on an extensive shareholder consultation exercise. In line with corporate governance best practice, the Committee issued a response to the AGM voting outcomes, which can be found on our website at www.safestore.com. We also released an additional public statement as required by the Investment Association, which is available on our website, and is attached to our 2018 remuneration report entry into the Investment Association's public register.

As set out in this report, we have reviewed our Directors' Remuneration Policy. In formulating our proposed Policy, the Committee ensured that all decisions are consistent with what we heard during last year's engagement and guidelines that were subsequently released by our shareholders and their representative bodies.

Furthermore, the Board was unanimous in support of Claire Balmforth continuing as Chair of the Remuneration Committee.

Directors' remuneration report *continued*

for the year ended 31 October 2019

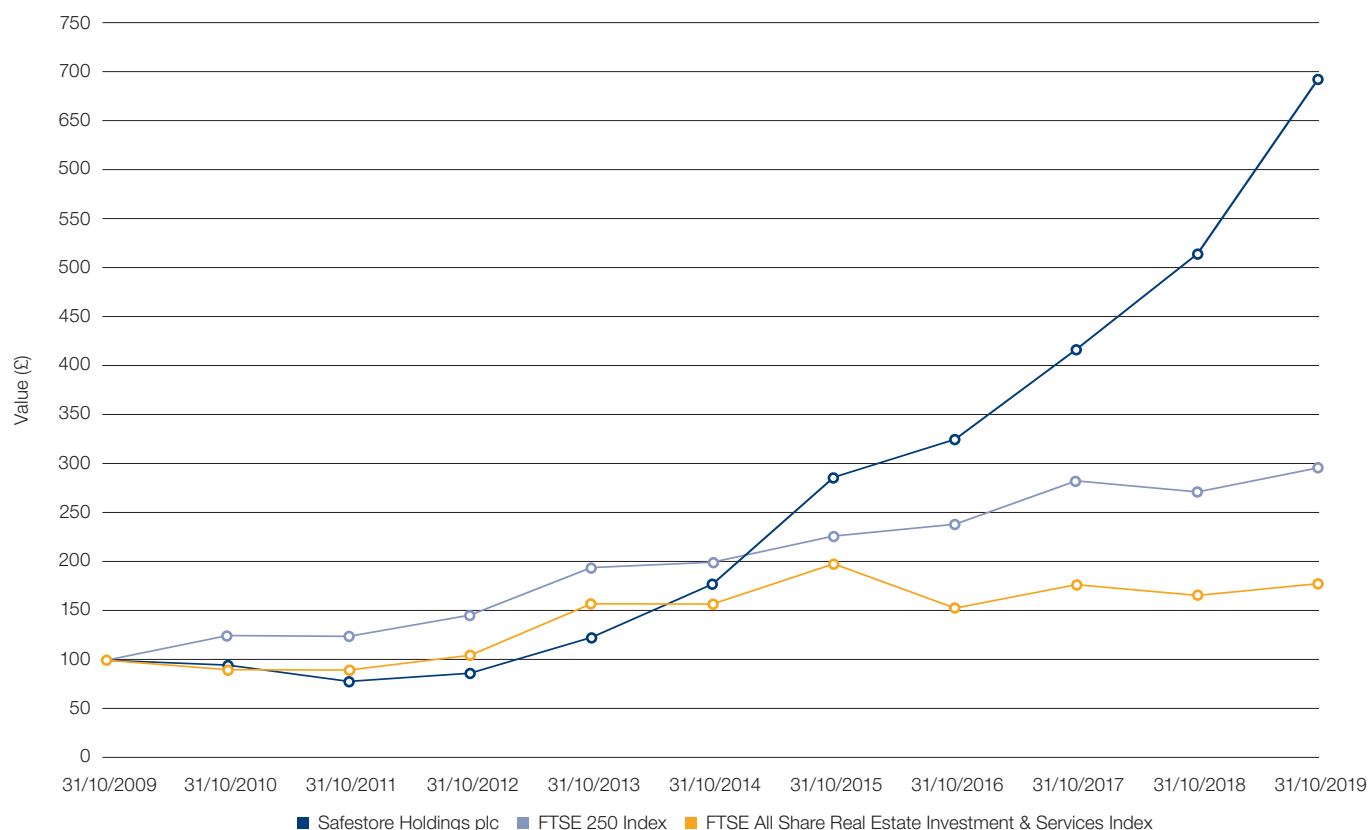
Part C: Annual report on remuneration *continued*

Chief Executive Officer and colleague pay

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

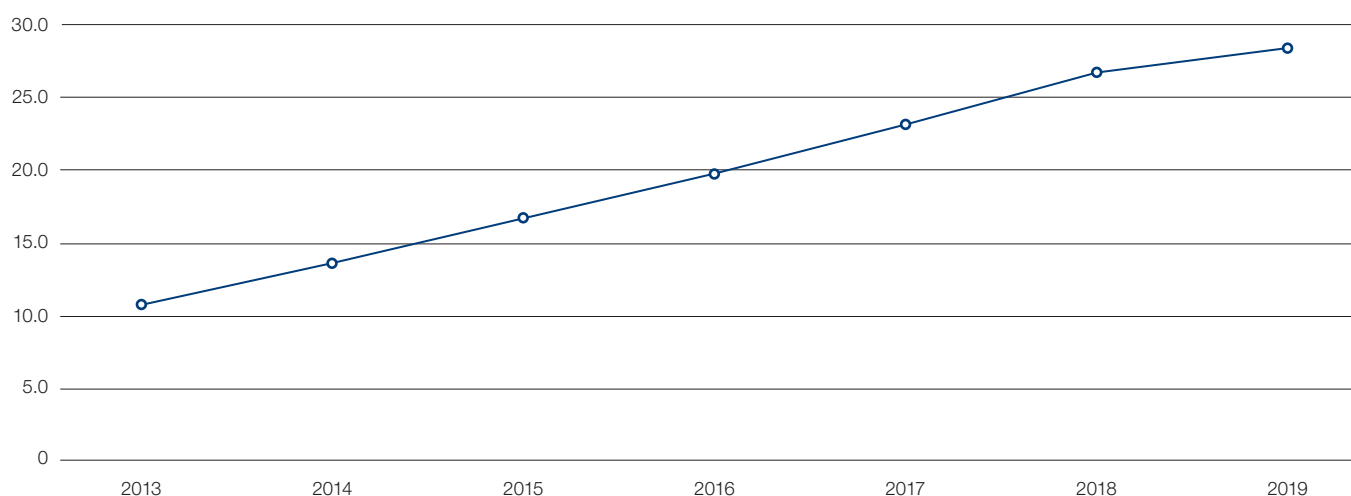
The graph below shows the value of £100 invested in Safestore Holdings plc over the past ten years compared with the value of £100 invested in the FTSE 250 and the FTSE All Share Real Estate Investment & Services Index. These comparators have been chosen on the basis that they are the markets within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

Total shareholder return



The significant shareholders returns have been driven by the sustained growth in the Company's Earnings per Share since 2013, when the current team took over the management of Safestore, as set out in the chart below:

Adjusted Diluted EPRA (ADE) EPS (pence)



The charts show the sustained EPS growth and TSR outperformance delivered by Safestore, which is reflected in the strong vesting of the PSP awards over several years.

	Oct 2010	Oct 2011	Oct 2011	Oct 2012	Oct 2013	Oct 2013	Oct 2014	Oct 2015	Oct 2016	Oct 2017	Oct 2018	Oct 2019
Role	S Williams CEO £'000	S Williams ¹ CEO £'000	P D Gowers ² CEO £'000	P D Gowers CEO £'000	P D Gowers CEO £'000	F Vecchioli ³ CEO £'000	F Vecchioli CEO £'000	F Vecchioli CEO £'000	F Vecchioli CEO £'000	F Vecchioli CEO £'000	F Vecchioli CEO £'000	F Vecchioli CEO £'000
Single figure of total remuneration	607	597	425	390	910	359	973	1,224	1,481	1,728	1,719	1,134
Annual bonus payout (% of max)	75%	—	59%	—	70%	70%	76%	100%	100%	82%	81%	91%
LTIP vesting (% of max)	—	—	—	—	—	—	96%	100%	100%	100%	100%	n/a

Notes

- 1 Stepped down as Chief Executive Officer on 28 February 2011 and left the Company on 30 April 2011.
 2 Appointed as Chief Executive Officer on 1 March 2011, stepped down as Chief Executive Officer on 4 September 2013 and left the Company on 31 October 2013.
 3 Appointed as Chief Executive Officer on 4 September 2013.

Percentage change in the Chief Executive Officer's remuneration

The table below shows the percentage change in remuneration of the Director undertaking the role of Chief Executive Officer and the Company's colleagues (this includes UK colleagues only).

% change from 2018 to 2019	Base salary	Benefits	Annual bonus
Chief Executive Officer	2%	0%	15%
Colleague pay	3.1%	0%	21%

Relative importance of spend on pay

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

Significant distributions	2019	2018	% change
Colleague costs (£'m)	28.7	27.8	3%
Distributions to shareholders (£'m)	35.0	31.3	12%

Note

The above figures are taken from notes 10 and 27 to the financial statements.

Executive Director remuneration for the year ended 31 October 2019

Single figure remuneration table (audited)

The remuneration of Executive Directors showing the breakdown between components with comparative figures for the prior financial year is shown below.

		Base salary £'000	Taxable benefits £'000	Annual bonus £'000	Long term incentives £'000	Pension £'000	Other £'000	Total fixed remuneration £'000s	Total variable remuneration £'000s	Total £'000
Frederic Vecchioli (Chief Executive Officer)	2019	412	24	568	—	36	94	472	662	1,134
	2018	404	23	494	762	36	—	463	1,256	1,719
Andy Jones (Chief Financial Officer)	2019	294	19	405	—	26	94	339	499	838
	2018	288	18	352	598	25	—	331	950	1,281

Notes

- 1 Taxable benefits comprise a car allowance, private medical and dental insurance.
 2 The 2018 and 2019 annual bonus figures include the portion subject to deferral.
 3 The Executive Directors were provided pension payments in the form of a cash allowance, after a deduction for employer's National Insurance cost.
 4 Frederic Vecchioli and Andy Jones received 8,286 and 6,503 shares respectively as dividend equivalents in 2018 on the vesting of the 2016 PSP awards granted on 14 March 2016. This is in addition to 118,657 and 93,135 PSP awards vesting during 2018 for Frederic Vecchioli and Andy Jones respectively.
 5 In the 2018 Directors' remuneration report, we used the average share price for three months to 31 October 2018 of 533.7 pence to value 2018 long term incentives. In this year's report, this value has been restated using the share price on date of vesting of 14 March 2019 of 600 pence and included the dividend equivalents set out above.
 6 In respect of the 2019 long term incentive value for Frederic Vecchioli of £761,658, £300,202 was as a result of share price appreciation from the date of grant. In respect of the 2019 long term incentive value for Andy Jones of £597,828, £235,632 was as a result of share price appreciation from the date of grant.
 7 The other column refers to vesting of 2014 (5YR) Sharesave. The value has been calculated as the gain at the vesting date in excess of the 164 pence exercise price.

Directors' remuneration report *continued*

for the year ended 31 October 2019

Part C: Annual report on remuneration *continued*

Annual bonus outcomes for the financial year ended 31 October 2019 (audited)

For 2019, the Executive Directors had a maximum annual bonus opportunity of 150% of salary. For each Executive Director, the 2019 annual bonus determination measures were weighted 67% for adjusted EBITDA and 33% for strategic/operational. The achievement of the strategic/operational measures was assessed by the Remuneration Committee as the financial gateway of outperforming the threshold adjusted EBITDA target was met. The table below provides information on the targets for each measure, actual performance and resulting bonus payment for each Executive Director:

Measure	Weighting	Performance required			Actual performance		CEO		CFO	
		Threshold (30% payout)	On target (60% payout)	Maximum (100% payout)	Actual	% of element payable	Achievement as % salary	Bonus value £'000	Achievement as % salary	Bonus value £'000
Adjusted EBITDA before non-recurring items ¹	67%	£83.6m	£86.2m	£88.8m	£87.8m	88.5%	88.5%	368	88.5%	263
Strategic/operational measures	33%	Objectives based on strategic/operational			See below	96%	48%	200	48%	142
Total bonus achieved in 2019							136.5%	568	136.5%	405

Notes

¹ Adjusted EBITDA before non-recurring items is equivalent to the reported EBITDA in the financial statements with French results translated at the budget rate of 1.1215

2019 annual bonus outcomes: strategic objectives

The Group's proven strategy remains unchanged. 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 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. Therefore, the Executive Directors' strategic/operational objectives reflect the Company's priorities in these areas for 2019.

In line with our commitment to fully transparent disclosure of remuneration outcomes, the Executive Directors' strategic/operational objectives and their achievement are fully disclosed in detail below. The maximum opportunity under this element of the annual bonus is 50% of salary.

Objective	Achievement	Outcome	Committee assessment
Optimisation of performance of existing portfolio (20% of salary)			
Optimise performance through: — Enhancing people performance through engagement and improved capabilities in order to increase conversion of enquiries into new lets. — Improving online visibility and web "funnel" performance to increase enquiry generation in line with budgeted expectations.	Significant value delivered through successful roll out of our "Make the Difference" engagement programme and material uplift in enquiry generation and conversion rates based on new training programme and innovation. Highlights included: — Delivered over 30,000 hours of training, coaching and development. This is equivalent to 46 hours per store colleague. — Demonstrable improvements in areas highlighted by feedback from the "Make the Difference" forum including enhanced maternity, paternity and adoption benefits and moving to an annual sharesave offering. — Leadership engagement score of 82% demonstrated that management's engagement programme was well received by the vast majority of colleagues. — Improved capability of colleagues saw an increase in conversion rates as New Lets increased by 6.6% in 2019, above the 3.9% growth in enquiries. — Optimised our website to improve the Company's average rank positions in relevant Google searches for priority terms and locations. — Successful integration of the new phone system with our CRM and reporting.	✓✓✓	The Committee assessed that the achievements of the year and the roll out of the new programmes was "very strong" and warranted above target payout for this element. (18 out of 20% of salary)

Objective	Achievement	Outcome	Committee assessment
Strong and flexible capital structure (12% of salary)			
Ensure the financial flexibility exists to deliver selected development and acquisition opportunities whilst maintaining conservative leverage and a progressive dividend policy.	Significant enhancement of our financing capabilities through additional Private Placement Notes of £125 million. This provides the Company with an improved ability to take advantage of opportunities to deliver incremental earnings growth over the longer term. Highlights included: - Group's free cash flow (before investing and financing activities) increased from £57 million to £61.2 million for the year ended 31 October 2019. - Group leverage was maintained at the Group's strategic targeted level of an LTV ratio between 30-40% (31% for 2019). - The full year dividend for the year ended 31 October 2019 increased at a higher rate than earnings (7.7% vs 6.3%), demonstrating a continued progressive dividend policy.	✓✓✓	The Committee noted that the private placement notes were a significant milestone in the Company's strategic progress. In addition, the free cash flow target has been exceeded and that Group LTV was at the bottom of the targeted range as at 31 October 2019 which enabled the Company to pay an above target dividend of 17.5p. (12 out of 12% of salary)
Take advantage of selective portfolio management and expansion opportunities (12% of salary)			
- Grow store portfolio through development or acquisition by at least two stores per year within the board approved ROI guidelines. - Improve property valuations of the stores in the refurbishment and extension programme by more than the capital investment.	Successful establishment of the Company's joint venture arrangement, as per our new Dutch operations. Highlights included: - Birmingham Merry Hill and Peterborough stores opened in the UK and Pontoise store opened in Paris. - Built pipeline of at least two stores opening in 2020 (Sheffield and Gateshead). - Development pipeline build outs delivered on or below budget and on time.	✓✓✓	Overall, the Committee determined that targets were significantly exceeded given the establishment of the JV agreement and recognised that revenue generated from both refurbished and acquired businesses was above target. (12 out of 12% of salary)
Sustainability (6% of salary)			
- Improve the Group's sustainability activities in order to deliver real value to all our stakeholders by: - YOY carbon footprint reduction - Customer satisfaction initiatives - Supporting local community-based activities	Substantial uplift in our commitment to responsible and sustainable business practices. Highlights included: - Sustainability strategy further developed and now clearly aligns with three of the United Nations Sustainable Development Goals. - Electricity consumption reduced by 12% from 2018. - Removal of single use plastics across our merchandise range. - Maintained positive ratings on all relevant customer service platforms. 97.5% diversion of construction waste from landfill. - Increased proportion of female applicants from 32% to 35% in line with gender diversity targets set out in our action plan.	✓✓✓	Given the significant efforts across the Company with regard to sustainability activities, the Committee determined that this warranted full payout. (6 out of 6% of salary)
Overall strategic objective performance		48% of salary (out of 50% of salary)	

✓✓✓ Indicates that the objective was exceeded, ✓✓ Indicates that it was met, ✓ Indicates that it was partially achieved and ✗ shows that the objective was not achieved.

The Committee assessed that 48% of base salary (or 96% of maximum) of the strategic/operational objectives had been achieved for 2019. Therefore, the formulaic outcome for 2019 Executive Director overall bonus was 136.5% of base salary (91% of maximum). The Committee considered not only the achievement against the pre-determined objectives set out above, but also the wider Company performance to ensure that any achievement was representative of overall performance. The Remuneration Committee took account of the following:

- Adjusted EBITDA increased to £87.8 million and significantly exceeded the EBITDA threshold performance financial gateway to allow payment of the strategic/operational objectives.
- The full year 2019 dividend payment increased £3.7 million from 2018.
- Total shareholder return increased by nearly 35% over 2019 equating to £390 million of value created for shareholders.

Directors' remuneration report *continued*

for the year ended 31 October 2019

Part C: Annual report on remuneration *continued*

2019 annual bonus outcomes: strategic objectives *continued*

Based on the increased year-on-year corporate performance and the overall shareholder experience, the Committee is comfortable that an increased bonus payout from 2018 (when they were 121% of salary) is reasonable. As a result, the Committee did not apply any overriding discretion. The 2019 bonuses for Executive Directors will be 136.5% of salary and paid 100% of salary in cash, with the remainder of 36.5% of salary deferred into shares until 1 November 2021 (using a share price of £6.819 to determine the number of shares awarded based on the average of the closing share price over the 30 day period prior to the year-end). The deferred shares are subject to a continued service condition.

PSP awards included in single figure for the year ended 31 October 2019 (audited)

None, as no long term incentive awards completed their performance period during the 2019 financial year.

PSP awards included in single figure for the year ended 31 October 2018 (audited)

Awards were granted on 14 March 2016 and vested on 14 March 2019. These awards were granted subject to the achievement of certain EPS-PBT growth and relative TSR targets. The table below summarises the awards for which the performance period was substantially completed as at 31 October 2018.

Director	Date of grant	Date of vesting	Number of nil-cost options granted	Performance measures	Performance targets	Performance outcome	Number of awards vesting in the year/dividend equivalent awarded	Number of awards lapsed in the year	Share price used in single figure table	Value of awards shown in the single figure table for 2018 ¹
F Vecchioli	14/03/2016	14/03/2019	118,657	PBT-EPS growth (67% weighting)	Threshold (25% vesting): 3%+RPI p.a. Maximum (100% vesting): 8%+RPI p.a.	PBT-EPS growth of 16% p.a. (100% vesting)	126,943	Nil	600 pence	£761,658
A Jones	14/03/2016	14/03/2019	93,135	Relative TSR vs FTSE Small Cap (33% weighting)	Threshold (25% vesting): equal to median Maximum (100% vesting): upper quartile and above	Above upper quartile (100% vesting)	99,638	Nil	600 pence	£597,828

Notes

¹ In the 2018 Directors' remuneration report, we used the average share price for three months to 31 October 2018 of 533.7 pence to value long term incentives for 2018. In this year's report, this value has been restated using the share price on date of vesting of 14 March 2019 of 600 pence.

The Committee is comfortable that the current Policy operated as intended and that the overall 2019 remuneration paid to Executive Directors' set out above was appropriate.

LTIP awards granted in the year ended 31 October 2019 (audited)

In line with current Policy, no long term incentive awards were granted to Executive Directors in the year ending 31 October 2019. The Committee intends to grant LTIP awards under the new Policy after the 2020 AGM.

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

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

Implementation of the remuneration policy for the year ending 31 October 2019

Please see pages 62 to 64 of this report in the at a glance section for details.

Non-Executive Directors

Single figure remuneration table (audited)

The remuneration of Non-Executive Directors showing the breakdown between components, with comparative figures for the prior year, is shown below.

Director		Fees £'000	Other £'000	Total £'000
A S Lewis	2019	136	—	136
	2018	135	—	135
I S Krieger	2019	53	—	53
	2018	53	—	53
J L Kenrick	2019	43	—	43
	2018	43	—	43
C Balmforth	2019	53	—	53
	2018	53	—	53
B Oliver	2019	43	—	43
	2018	43	—	43

Fees to be provided in 2020 to the Non-Executive Directors

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

Fee component	2020
Chairman fee (from 1 January 2020)	£180,000
Non-Executive Director base fee	£43,350
Committee Chair fee (Audit and Remuneration Committees)	£10,200

Notes:

1. The outgoing Chairman's fee was £136,000 per annum.

Any increases in the annual fee rates for the Non-Executive Directors will be made in 2020.

Statement of Directors' shareholding and share interests

Shareholding and other interests at 31 October 2019 (audited)

Directors' share interests are set out below. As per the remuneration policy, in order that the Executive Directors' interests are aligned with those of shareholders, Executive Directors are encouraged to build up and maintain a personal shareholding equal to 350% of salary under the proposed Policy. The shareholding definition includes beneficially owned shares, deferred shares at their net of tax value and vested but unexercised awards at their net of tax value. The Executive Directors have five years from the grant of the 2017 LTIP award (29 September 2022) to achieve this guideline. At 31 October 2019, both Executive Directors met the shareholding guideline. The shareholding guidelines for Executive Directors will continue to apply for two years post cessation of employment. For the avoidance of doubt shares beneficially owned at the date of adoption of the proposed Policy and the 2017 LTIP Award will be exempt from this guideline but all future share-based awards granted under the Policy approved by shareholders at the 2020 AGM would be captured. As shown in the table below, both Executive Directors meet the guidelines under both the existing and proposed policies.

Director	Number of beneficially owned shares ¹	% of salary held ²	Total interests subject to conditions (LTIP/PSP awards)	Total interests subject to continued service conditions only (deferred bonus shares)	Outstanding SAYE awards	Total interests at 31 October 2019
F Vecchioli	1,916,227	3,264	2,000,000	36,446	3,529	3,956,202
A Jones	419,511	1,032	1,340,000	25,967	3,529	1,789,007
A S Lewis	400,000	N/A	N/A	N/A	N/A	400,000
I S Krieger	30,000	N/A	N/A	N/A	N/A	30,000
B Oliver	10,000	N/A	N/A	N/A	N/A	10,000
J L Kenrick	N/A	N/A	N/A	N/A	N/A	—
C Balmforth	N/A	N/A	N/A	N/A	N/A	—

Notes

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

2 Based on the 31 October 2019 share price of 700.5 pence per share.

Directors' remuneration report *continued*

for the year ended 31 October 2019

Part C: Annual report on remuneration *continued*

Statement of Directors' shareholding and share interests *continued*

Shareholding and other interests at 31 October 2019 (audited) *continued*

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

	Type of award	Vested/exercised during the year (including dividend equivalents)	Share price on date of exercise	Gain on exercise (£'000)
F Vecchioli	2016 PSP (nil-cost option)	126,943	620.05	787
A Jones	2016 PSP (nil-cost option)	99,638	620.05	618

The options exercised during the year as noted above include the dividend equivalents.

Between 31 October 2019 and 24 January 2020 (being the latest practicable date prior to the publication of this report), no share options were exercised and there were no changes to the beneficial interests shown above.

Outstanding awards at 31 October 2019

The following LTIP awards remain outstanding at 31 October 2019:

Director	Awards granted	Maximum award	Awards vested	Awards lapsed	Maximum outstanding awards ¹ at 31 October 2019	Market price at date of vesting (p)	Normal vesting date
F Vecchioli	29/09/2017 LTIP	2,000,000	—	—	2,000,000	—	29/09/2022
A Jones	29/09/2017 LTIP	1,340,000	—	—	1,340,000	—	29/09/2022

¹ These exclude dividend equivalents. Dividends equivalents are included in the 2017 LTIP plan limit of 2 million shares per participant such that if the total of the original LTIP awards which vest and any dividend equivalent shares payable exceeds 2 million shares then a proportion of the dividend equivalent would need to be paid in cash.

The 2017 LTIP awards are subject to performance measures and a continued service condition over a five-year period. The performance measures and targets for the 2017 LTIP awards are set out on pages 60 and 61 of the 2018 Annual Report.

Consideration of shareholder views

Please see page 69 for details.

Consideration of conditions elsewhere in the Group

Please see page 69 for details.

Considerations by the Committee of matters relating to Directors' remuneration for 2019

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

Members of the Committee during 2019	Independent	Number of meetings held during tenure during the year	Number of meetings attended
C Balmforth (Chairman)	Yes	7	7
I S Krieger	Yes	7	7
J L Kenrick	Yes	7	7
B Oliver	Yes	7	7

During the year, there were seven Committee meetings. A large portion of the Committee's time during the year was spent in relation to the development of the proposed Directors' remuneration policy. Other matters covered at each meeting included reviewing the gender pay gap analysis results and signing off the actions to address the issues identified, reviewing the terms of reference of the Committee, salary and fee decisions for 2019, the determination of the 2018 annual bonus and 2016 PSP outturns and implementing our approach to the relevant changes set out in the New Code.

David Hearn was appointed as a member of the Remuneration Committee on 1 December 2019.

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

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

The Committee received external advice in 2019 from PricewaterhouseCoopers ("PwC") in connection with remuneration matters including the provision of general guidance on market and best practice. PwC was appointed by the Committee after a competitive tender process in August 2016. PwC is considered by the Committee to be objective and independent. PwC is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee reviewed the nature of all the services provided during the year by PwC, which included corporate tax and restructuring advice and was satisfied that no conflict of interest exists or existed in the provision of these services.

The total fees paid to PwC in respect of services to the Committee during the year were £98,950. Fees were determined based on the scope and nature of the projects undertaken for the Committee.

Part D: Directors' Remuneration Policy

The Directors' Remuneration Policy will be put to a binding vote at the AGM held on 18 March 2020 and will take effect from the date of the meeting. In designing the remuneration policy for Directors, the pay and conditions of other colleagues are considered, and the overarching company pay principles thoroughly considered. The Committee agreed the following design principles in formulating the new policy:

- The need to "re-engage" our major shareholders from remuneration and governance perspectives through the introduction of a remuneration policy and incentive structure, which is aligned to market practice.
- Executives and senior management should continue to participate in competitive short and long term incentives, which support the business strategy.
- The Policy should encompass all elements of the revised 2018 UK Corporate Governance Code and the respective investor body implementation guidance.
- The Policy should align with wider company pay policy and practice.

The Committee is satisfied that the Directors' Remuneration Policy set out below is in the best interests of Shareholders and does not promote excessive risk-taking. In line with the 2018 UK Corporate Governance Code, the Committee has discretion to adjust the formulaic annual bonus and future LTIP award vesting outcomes to ensure alignment of pay with performance, i.e. to ensure the final outcome is a fair and true reflection of underlying business performance. Any adjustments will be disclosed in the relevant Annual Report on Remuneration.

Executive Directors' remuneration policy

Element and strategic link	Changes to policy and rationale
Basic salary	
To provide competitive fixed remuneration that will attract and retain appropriate talent. Reflects an individual's responsibilities, experience and role. Operation Normally reviewed annually. Salaries are paid monthly. When determining the salary of an Executive, the Committee takes into consideration: — the individual Director's experience and responsibilities; — the performance of the individual Director; — the performance of the Group; and — pay and conditions throughout the Group. Levels of base salary are reviewed periodically against companies of a comparable size in both the Real Estate sector and the FTSE 250. Maximum There is no prescribed maximum annual basic salary increase. When reviewing Executive salaries, consideration will always be given to the approach to employee pay across the Group and the general performance of the Group. Therefore, salary increases for Executives will not normally exceed the general employee increase. However, larger increases or above median salaries may be necessary, for example (but without limitation); where there has been a material increase in the scope and/or scale of the Executive's responsibility in the role; where an Executive is extremely experienced and has a long track record of proven performance and current pay levels are significantly below the market. In such circumstances, salary increases may need to be higher than the general workforce. Where such changes do occur, they will be fully disclosed and explained. Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the general rises for colleagues until the target positioning is achieved. Current salary levels are set out in the Annual Report on Remuneration. Performance targets and recovery provisions A broad assessment of individual and business performance is used as part of the salary review. No recovery provisions apply.	No substantive change. Inclusion of market standard provisions in relation to recruitment or promotions.

Directors' remuneration report *continued*

for the year ended 31 October 2019

Part D: Directors' Remuneration Policy *continued*

Executive Directors' remuneration policy *continued*

Element and strategic link		Changes to policy and rationale
Benefits		
To provide competitive benefits and to attract and retain high calibre colleagues.	Operation Reviewed periodically to ensure benefits remain market competitive. Currently includes car allowance and life, private medical and dental insurance. Other benefits may be provided where appropriate. Directors' indemnities and directors and officers insurance during and following employment. Other benefits may be provided where appropriate. Maximum Benefit values vary year on year depending on premiums and the maximum potential value is the cost of the provision of these benefits. Performance targets and recovery provisions No performance or recovery provisions applicable.	No change.
Pension		
To provide a competitive Company contribution that enables effective retirement planning.	Operation Pensions are provided by way of a contribution to a defined contribution arrangement and/or cash salary supplement. Where a cash supplement is paid this is reduced by the associated Employer's National Insurance Contribution. Maximum For existing Executive Directors, the maximum contribution is up to 10% of salary. New Executive Directors will receive the pension contribution received by the majority of the workforce (the average employer contribution rate is currently 4.2% of salary). Performance targets and recovery provisions No performance or recovery provisions applicable.	In line with the provisions of the New Code, new Executive Directors' will join at the same contribution level as received by the majority of the workforce.
Annual bonus		
Incentivises the achievement of a combination of financial and non-financial performance targets in line with corporate strategy over the one-year operating cycle.	Operation Award made annually based on the achievement of a combination of financial and non-financial performance measures. Annual bonus of up to 100% of salary paid in cash. Any bonus in excess of 100% of salary will be held in shares on a net of tax basis, via an agreement with the Executive, until the end of two years following the financial year in which the bonus is earned. Dividend equivalents are payable on deferred shares. Maximum Maximum bonus opportunity is 150% of salary. Threshold performance will result in a bonus of 20% of maximum. Target performance will result in a bonus of 50% of maximum. Performance targets and recovery provisions Performance measures and targets will be set by the Committee annually. 2/3 of the maximum opportunity or 100% of salary will be subject to EBITDA targets. 1/3 of the maximum opportunity or 50% of salary will be subject to strategic/operational measures. There will be no pay-out under strategic/operational measures if threshold EBITDA performance is not met. The Committee retains overriding discretion to change formulaic outcome (both downwards and upwards) if it is out of line with underlying performance of the Company. In addition, the Committee has the discretion to adjust targets or performance conditions for any exceptional events that may occur during the year. For cash bonus, malus applies in the year the bonus is earned and clawback for three years thereafter. For deferred shares, malus applies until the end of two years following the financial year in which the bonus is earned and clawback for three years thereafter.	No structural change as remains in line with investor guidelines. The reduction in payout at target is in line with commitments provided by the Committee to review this considering last year's ISS guidance. The reduction in threshold payout ensures that the payout curve remains appropriately balanced.

Element and strategic link	Changes to policy and rationale
Long Term Incentive Plan	
Incentivises Executive Directors to execute the long term business plan and deliver long term sustainable value for shareholders.	Operation Annual awards of nil-cost options. Vesting period of three years followed by holding period of two years, via an agreement with the Executive (during which any vested and exercised awards cannot be sold except for tax purposes on exercise). 25% vesting for threshold performance increasing on a straight line to 100% for maximum performance. Dividend equivalents are payable on vested shares. Malus (up to vesting date) and clawback during the holding period operate. Maximum Maximum annual award of 200% of salary. Performance targets and recovery provisions Awards vest based on performance against stretching targets, measured over a three-year performance period. The performance measures and weightings are as follows: — Adjusted Diluted EPRA EPS growth (2/3 weighting); — relative TSR versus FTSE 250 (1/6 weighting); and — relative TSR versus FTSE Real Estate Index (1/6 weighting). In addition, no award will vest unless a minimum level of cash on cash return ("CoCR") of 8% p.a. has been achieved. The Committee will have overriding discretion to change formulaic outcomes of future LTIP awards (both downwards and upwards) if it is out of line with underlying performance of the Company.
	Return to traditional structure in line with feedback from shareholders. No change to performance measures. The discretionary aspect is aligned to the New Code.
All-colleague Sharesave scheme	
Encourages long term shareholding in the Company by all colleagues.	Operation Under the terms of the Sharesave scheme all colleagues can apply for three or five-year options to acquire the Company's shares priced at a discount of up to 20%. Maximum £500 per month or HMRC limits as applicable from time to time. Performance targets and recovery provisions No performance or recovery provisions applicable.
	No change.
Shareholding guidelines	
To ensure that Executive Directors' interests are aligned with those of shareholders over a longer time horizon.	Operation Executive Directors are required to build up their shareholding. Executive Directors are expected to meet the guidelines by 27 September 2022 (the vesting date of the 2017 LTIP) or five years after joining if later. Beneficially owned shares and deferred/vested but unexercised awards valued on a net of tax basis will count towards the guidelines. These guidelines will continue to apply for two years post cessation of employment. For the avoidance of doubt, shares beneficially owned at the date of adoption of the policy and the 2017 LTIP Award will be exempt from this post cessation of employment guideline but all future share-based awards granted under the policy approved by shareholders at the 2020 AGM would be captured. Maximum 350% of salary for Executive Directors to be built up by 27 September 2022 (the vesting date of the 2017 LTIP) or five years after joining if later. Performance targets and recovery provisions No performance or recovery provisions applicable.
	The shareholding guidelines are equal to the total annual incentive opportunity.

Directors' remuneration report *continued*

for the year ended 31 October 2019

Part D: Directors' Remuneration Policy *continued*

Executive Directors' remuneration policy *continued*

Discretion within the Directors' remuneration policy

The Committee has discretion in several areas of policy as set out in this report. In particular, the Committee will have overriding discretion to change formulaic outcomes (both downwards and upwards) if it is out of line with underlying performance of the Company. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders.

Legacy awards

The Company will honour any remuneration-related commitments to current and former Executive Directors and Non-Executive Directors (including the exercise of any discretions available in relation to such commitments) where the terms were agreed and/or commitments made in accordance with any previous remuneration policy of the Company. Such payments or awards will be set out in the Annual Report on Remuneration in the relevant year. For the avoidance of doubt, it is noted that Executive Directors are eligible to receive payment under any award made prior to the approval and implementation of this new Remuneration Policy set out in this report including under the existing 2017 LTIP, which will vest in 2022.

Full details of the 2017 LTIP awards can be found on page 54 of the 2018 Annual Report and Accounts.

Performance measures and targets

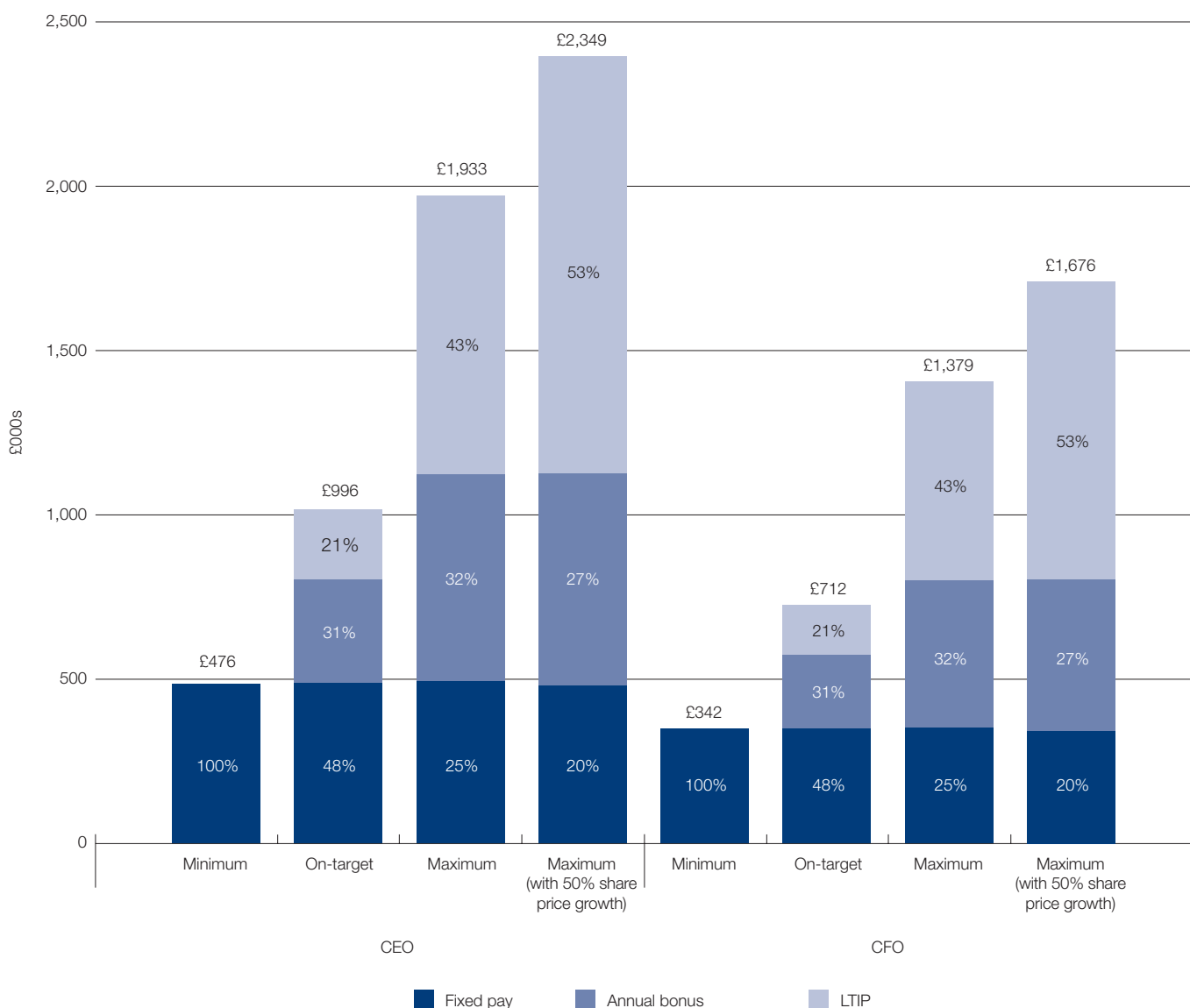
The table below sets out the rationale for performance measures chosen in respect of the annual bonus and LTIP.

Performance measures	Rationale	How targets are set
Annual bonus		
- EBITDA growth (2/3); and - strategic/operational measures (1/3);	The combined use of financial, strategic and operational measures provides a holistic assessment of corporate performance and allows for the Company to focus annually on targets that work towards the delivery of the financial measures under the LTIP.	The performance targets are determined annually by the appropriate line manager and calibrated by the Committee considering the Company's business plan, market conditions and internal and external forecasts.
LTIP		
- Adjusted Diluted EPRA EPS growth (2/3 weighting); - relative TSR vs FTSE 250 (1/6 weighting); and - relative TSR vs FTSE Real Estate Index (1/6 weighting).	EPS is considered to be the most appropriate measure for aligning the interests of the Executive Directors with those of shareholders and is also an established measure of Safestore's long term sustainable profitability. Relative TSR performance measured against two peer groups (FTSE 250 and FTSE Real Estate Index) provides a balanced approach, recognising returns to shareholders against the broader market, whilst also ensuring performance is competitive against other real estate companies.	Targets will be calibrated to reflect the Committee's assessment of an appropriate performance range, The EPS targets for the 2020 award will be appropriately stretching. They will be set post AGM and disclosed to shareholders on grant and will take into account the indicative outturn of the 2017 LTIP Award, the current business plan and the economic environment at the time. In relation to the relative TSR component of the LTIP, 50% of vesting will be determined against the performance of the FTSE 250 companies and 50% against the FTSE 350 Real Estate companies. Threshold performance (25% vesting) will equate to median performance amongst each peer group with maximum performance (100% vesting) equal to upper quartile. There will be an additional performance underpin based on a cash on cash return.

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

Pay-for-performance: scenario analysis

The following charts provide an estimate of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of pay under four different performance scenarios: "Minimum", "On-target", "Maximum" and Maximum with LTIP share price growth of 50% over three years. Potential reward opportunities are based on the proposed remuneration policy as set out above.



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

Element	Minimum	On-Target	Maximum	Maximum with LTIP share price growth of 50% over three years
Fixed elements	Base salary at 1 November 2019. Pension of 10% of salary to be paid in cash, after deducting employer's National Insurance costs. Estimated benefits (car allowance, private medical insurance and life assurance).			
Annual bonus	Nil	50% of maximum	100% of maximum	100% of maximum
LTIP	Nil	25% vesting	100% vesting	100% vesting with 50% share price growth

Note

- Dividend equivalents have not been added to the deferred share bonus and LTIP share awards.
- No Sharesave awards included.

Directors' remuneration report *continued*

for the year ended 31 October 2019

Part D: Directors' Remuneration Policy *continued*

Approach to recruitment and promotions

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

- Salary levels will take into account the individual's experience, market data for the relevant role, internal relativities and their current base salary. Where an individual is recruited at below market norms, they may be realigned over time, subject to performance in the role.
- Benefits and pension will be in accordance with the remuneration policy i.e. the pension contribution will be set at the same level as the majority of the workforce.
- Annual bonus will operate in line with the remuneration policy with the maximum opportunity set at 150% of salary.
- LTIP will operate in line with the remuneration policy with the maximum opportunity set at 200% of salary.

The maximum variable remuneration will be the total of the annual bonus opportunity and grant of nil-cost options under the LTIP.

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

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

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

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

Service contracts for Executive Directors

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

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

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

Fees for external non-executive directorships

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

Payment for loss of office

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

Regarding salary, benefits and pension, there will be no compensation for normal resignation or in the event of termination by the Company due to gross misconduct. In other circumstances, Executive Directors will be entitled to receive notice pay or payment in lieu of notice. A summary of the main contractual terms in relation to annual bonus and 2020 LTIP are set out below:

Scenario	Timing or calculation of vesting/payment	Committee's discretion
Annual bonus		
Good leaver – A “good leaver” is defined as a participant ceases to be in employment by reason of death, ill health, injury, disability, redundancy, retirement, the Company employing the participant ceases to be a member of the Group, the participant's employing business being sold out of the Group or at the Committee's discretion.	Performance year of cessation Bonus will normally be pro-rated for service provided in year and the achievement of performance targets measured at the end of the year. Bonus delivered in cash at the end of the performance year and shares deferred (if above 100% of salary) in line with Policy. Deferred shares The deferral period on deferred shares will continue to apply until the normal end date and be subject to malus/clawback.	The Remuneration Committee has the following elements of discretion: – to determine whether an executive is a good leaver in line with the provision on the left-hand side; – to determine that a bonus may be paid at the date of cessation; and – to determine that any deferred shares deferral period cease to apply.
Bad leaver – Anyone who is not a good leaver will be a “bad leaver”.	Performance year of cessation There will be no bonus for the year in which they leave. Deferred shares The deferral period on deferred shares will continue to apply until the normal end date and be subject to malus/clawback.	
Change of control	Performance year of cessation The bonus will be determined by the Committee at its discretion by reference to the time elapsed from the start of the performance year to the change of control date and the performance levels achieved as at that date. Deferred shares The deferral period applying to any deferred bonus shares will cease immediately prior to a change of control.	The Committee has the discretion to determine, in exceptional circumstances, whether to pro-rate for time served as a colleague during the year of cessation.
LTIP		
Good leaver – A “good leaver” is defined as a participant ceases to be in employment by reason of death, ill health, injury, disability, redundancy, retirement, the Company employing the participant ceases to be a member of the Group, the participant's employing business being sold out of the Group or at the Committee's discretion.	Unvested awards will vest on the normal vesting date subject to (i) the extent any applicable performance targets have been satisfied at the end of the normal performance period and (ii) prorating to reflect the period between grant and cessation of employment as a proportion of the vesting period that has elapsed.	The Remuneration Committee has the following elements of discretion: – to determine whether an executive is a good leaver in line with the provision on the left-hand side; – to determine that the end of the performance period is the date of cessation; and – to determine whether to pro-rate the number of awards for the time elapsed since grant.
Bad leaver – Anyone who is not a good leaver will be a “bad leaver”.	Bad leavers will forfeit all unvested awards.	
Change of control	The Committee will determine the level of vesting taking into account: (i) the extent that any applicable performance targets have been satisfied at that time; (ii) the bid consideration received; and (iii) the portion of the vesting period that has then elapsed. In the event of an internal corporate reorganisation, the Committee may decide to replace unvested awards with equivalent new awards over shares in the acquiring company.	The Committee has the discretion to determine, in exceptional circumstances, whether to pro-rate the award for time served as a colleague.

Malus and clawback policies

Incentive	Policy
Annual bonus – cash	Malus applies in the year the bonus is earned and clawback for three years thereafter.
Annual bonus – deferred shares	Malus applies until the end of two years following the financial year in which the bonus is earned and clawback for three years thereafter.
LTIP	Malus applies up to vesting and clawback during the two-year holding period.

Directors' remuneration report *continued*

for the year ended 31 October 2019

Part D: Directors' Remuneration Policy *continued*

Malus and clawback policies *continued*

The circumstances in which malus and clawback could apply are as follows:

- discovery of a material misstatement resulting in an adjustment in the audited consolidated accounts of the Company or the audited accounts of any Group Member; and/or
- the assessment of any performance condition or target in respect of a payment was based on error, or inaccurate or misleading information; and/or
- the discovery that any information used to determine the payment was based on error, or inaccurate or misleading information; and/or
- action or conduct of a participant which, in the reasonable opinion of the Committee, amounts to colleague misbehaviour, fraud or gross misconduct; and/or
- actions that result in a failure of risk management and/or corporate failure; and/or
- events or behaviour of a participant have led to the censure of a Group Member by a regulatory authority or have had a significant detrimental impact on the reputation of any Group Member provided that the Committee is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to them.

Non-Executive Directors and letters of appointment

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

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

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

Letters of appointment

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

The Non-Executive Directors do not have service contracts but are appointed under letters of appointment. David Hearn was appointed for an initial three year term and is subject to election at the 2020 AGM and annual re-election thereafter at the Company's AGM. The remaining Non-Executive Directors were appointed for an initial three-year term and their appointment continues subject to annual re-election at the Company's AGM up to a maximum term of nine years.

The table below sets out the dates that each Non-Executive Director was first appointed and the notice period by which their appointment may be terminated early by either party.

Director	Date of appointment	Notice period by Company and Director
Alan Lewis	30 June 2009	Three months
David Hearn	1 December 2019	Three months
Ian Krieger	3 October 2013	Three months
Joanne Kenrick	8 October 2014	Three months
Claire Balmforth	1 August 2016	Three months
Bill Oliver	1 November 2016	Three months

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

Summary

Finally, throughout this report we have provided a detailed account of the changes to our remuneration policy we have made. As a Committee we feel that we have listened to shareholder concerns where possible and taken action to address them. The Committee looks forward to your support of our remuneration policy and Annual Report on Remuneration at the upcoming 2020 AGM.

Directors' report

Safestore Holdings plc is a public limited liability company incorporated under the laws of England and Wales with the registered number 04726380. It has a premium listing on the London Stock Exchange Main Market for listed securities (LON:SAFE) and is a constituent member of the FTSE 250 Index. The Company is a real estate investment trust ("REIT"). It is expected that the Company, which has no branches, will continue to operate as the holding company of the Group. The address of the registered office is Brittanica House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT.

The principal activity of the Group is to provide storage solutions and related goods and services to commercial and domestic customers. The principal activity of the Company is that of a holding company.

The Directors present their report and the audited consolidated financial statements for the year ended 31 October 2019. References to Safestore, "the Group", "the Company", "we" or "our" are to Safestore Holdings plc, and its subsidiary companies where appropriate.

Disclosures incorporated by reference

The following disclosures required to be included in the Directors' report have been incorporated by way of reference to other sections of this report and should be read in conjunction with this report:

- corporate governance report on pages 48 to 89;
- strategy and relevant future developments – refer to pages 1 to 12 of the strategic report;
- financial risk management, policies and objectives of the Group, along with any details of exposure to any liability and cash flow risk, are set out on pages 13 to 16 and in note 21 to the financial statements;
- details of the Group's going concern assessment and viability statement on pages 101; and
- employee matters and carbon emission disclosures are set out in the sustainability report on pages 31 to 35 and pages 44 to 47 respectively.

Results for the year and dividends

The results for the year ended 31 October 2019 are set out in the consolidated statement of comprehensive income on page 97 and a review of the Group's results are explained further on pages 1 to 27.

An interim dividend of 5.50 pence (FY2018: 5.10 pence) was paid on 16 August 2019 and this included a property income dividend ("PID") of 5.50 pence (FY2018: 2.55 pence). The Directors recommend a final dividend in respect of the year ended 31 October 2019 of 12.00 pence per ordinary share (FY2018: 11.15 pence). The PID element of the final dividend will be 12.00 pence (FY2018: 11.15 pence). If authorised at the 2020 AGM, the dividend will be paid on 9 April 2020 to members on the register on 6 March 2020.

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

Going concern and viability statement

After making enquiries, the Directors of Safestore are confident that, on the basis of current financial projections and facilities available and after considering sensitivities, the Group has sufficient resources for its operational needs and to enable the Group to remain in compliance with the financial covenants in its bank facilities for the foreseeable future, a period of not less than twelve months. The Directors have assessed Safestore's viability over a three-year period to October 2022.

This is based on three years of the strategic plan, which gives greater certainty over the forecasting assumptions used. The viability statement is set out on page 16.

Financial instruments

The financial risk management objectives and policies of the Group, along with any details of exposure to any liability and cash flow risk, are set out on pages 13 to 16 and in note 21 to the financial statements.

Disclosures required under Listing Rule 9.8.4R

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

Information required under LR 9.8.4R	Page
(1) Amount of interest capitalised and tax relief	n/a
(2) Publication of unaudited financial information	n/a
(4) Details of long term incentive schemes	124 and 125
(5) Waiver of emoluments by a Director	n/a
(6) Waiver of future emoluments by a Director	n/a
(7) Non-pre-emptive issues of equity for cash	124
(8) Item (7) in relation to major subsidiary undertakings	n/a
(9) Parent company participation in a placing by a listed subsidiary	n/a
(10) Contracts of significance	87
(11) Provision of services by a controlling shareholder	n/a
(12) Shareholder waiver of dividends	n/a
(13) Shareholder waiver of future dividends	n/a
(14) Agreements with controlling shareholders	n/a

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

Management report

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

Post-balance sheet events

Since 31 October 2019, the Group has completed two further acquisitions. On 5 November 2019, the Group completed the acquisition of Fort Box Self Storage, the acquisition of two London stores for £14.3 million. On 30 December 2019, the Group completed the acquisition of OhMyBox SL, a company incorporated in Spain, which operates four self storage properties in central Barcelona for €17.25 million. Further details relating to these acquisitions are explained on pages 8 and 9.

Directors

The Directors of the Company who served throughout the year and to the date of this report were as follows:

Claire Balmforth	Non-Executive Director
David Hearn	Non-Executive Chairman (appointed as a Non-Executive Director on 1 December 2019 and as Chairman on 1 January 2020)
Andrew Jones	Chief Financial Officer
Joanne Kenrick	Non-Executive Director
Ian Krieger	Senior Independent Director
Alan Lewis	Non-Executive Chairman (resigned on 1 January 2020)
Bill Oliver	Non-Executive Director
Frederic Vecchioli	Chief Executive Officer

Directors' report *continued*

Directors *continued*

Biographical details of the Directors are set out on pages 48 and 49, and their interests in the ordinary share capital of the Company and details of options granted to Executive Directors under the Group's share schemes, are set out in the Directors' remuneration report on page 75.

Appointment and removal of Directors

The Company's rules governing the appointment and removal of Directors are contained in its Articles of Association. Changes to the Articles of Association are only permitted in accordance with legislation and must be approved by a special resolution of shareholders. The Company's Articles of Association provide that a Director may be appointed by an ordinary resolution of the shareholders or by the existing Directors, either to fill a vacancy or as an additional Director. Further information on the Company's internal procedures for the appointment of Directors is given in the corporate governance section on pages 50 to 53.

A Director may be removed by the Company in certain circumstances set out in the Articles of Association or by a special resolution of the Company's shareholders.

Vacation of office

The office of a Director shall be vacated if (amongst other circumstances) a Director: (i) resigns; (ii) has been appointed for a fixed term and the term expires; (iii) ceases to be a Director by virtue of the Companies Acts, is removed from office pursuant to the Articles of Association or becomes prohibited by law from being a Director; (iv) becomes bankrupt; (v) has been suffering from mental or physical ill health and may remain so for more than three months; (vi) by reason of that person's mental health, a court order makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have; (vii) both a Director and his or her alternate Director (if any) are absent, without the permission of the Board from meetings of the Board for six consecutive months and the Board resolves that his or her office is vacated; or (viii) is removed from office by notice addressed to the director at their last-known address and signed by all co-Directors.

Directors' powers

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

Annual re-election of Directors

The Company's Articles of Association require that one-third of Directors retire by rotation each year and that each Director must retire at intervals of not more than three years. In accordance with the Code, all Directors will retire at the Annual General Meeting ("AGM") to be held on Wednesday 18 March 2020 and will offer themselves for re-election.

Directors' indemnities

The Directors have (and during the year ended 31 October 2019 had) the benefit of the qualifying third party indemnity provision contained in the Company's Articles of Association, which provides a limited indemnity in respect of liabilities incurred as a Director or other officer of the Company.

Directors' interests in contracts and conflicts of interest

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

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

Share capital

At 31 October 2019, the Company's issued share capital comprised 210,420,424 ordinary shares of 1 pence each. The rights and obligations attached to the Company's ordinary shares are set out in its Articles of Association and note 24 of the Company's financial statements. Details of movements in the share capital during the year are provided in note 24 of the financial statements. The issued share capital has been increased by 409,207 ordinary shares during the year by fully paid issues as follows:

		Number of ordinary shares of 1 pence
1 April 2019	On vesting of shares under the Performance Share Plan	365,607
3 September 2019	On exercise of options under the Sharesave scheme	43,600

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

Own shares – Employee Benefit Trust

The Employee Benefit Trust retains 38,456 ordinary shares (FY2018: 2,316 ordinary shares) with a nominal value of £385 (FY2018: £23) in satisfaction of awards under the Group's Long Term Incentive Plan. This represents less than 0.02% (FY2018: 0.01%) of the total issued share capital of the Company.

Purchase of own shares

The Company was granted authority at the 2019 AGM to make market purchases of its own ordinary shares. This authority will expire at the conclusion of the 2020 AGM and a resolution will be proposed to seek further authority. No ordinary shares were purchased under this authority during the year or in the period from 1 November 2019 to 24 January 2020.

Restrictions on transfers of shares and/or voting rights

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights and apart from the matters described below, there are no restrictions on the transfer of the Company's ordinary shares and/or voting rights:

- Certain restrictions on transfers of shares may from time to time be imposed by laws and regulations (such as the Market Abuse Regulation). The Company's Securities Dealing Code provides that all Directors and employees are required to seek the Company's approval to deal in its shares.
- Some share-based employee incentive plans include restrictions on the transfer of shares, while the shares are subject to the plan concerned.
- The Directors' remuneration policy provides that annual bonus awards in excess of 100% of salary be deferred into shares ("Deferred Bonus Award"); the recipient of a Deferred Bonus Award holds no voting rights in relation to such shares.
- The transferor of a share is deemed to remain the holder until the transferee's name is entered in the register of shareholders. The Board can refuse to register any transfer of any share which is not a fully paid share. The Company does not currently have any partly paid shares.

- Unless the Directors determine otherwise, members are not entitled to vote personally or by proxy at a shareholders' meeting, or to exercise any other member's right in relation to shareholders' meetings, in respect of any share for which any call or other sum payable to the Company remains unpaid.
- Unless the Directors determine otherwise, no transfer of shares shall be registered and members are not entitled to vote personally or by proxy at a shareholders' meeting, or to exercise any other member's right in relation to shareholders' meetings if the member fails to provide the Company with the required information concerning interests in those shares within the prescribed period after being served with a notice under Section 793 of the Companies Act 2006.
- The Directors' remuneration policy provides that Executive Directors are encouraged to build up their shareholding over a five-year period. Executive Directors would be expected to retain any shares vesting (post-tax) under in-flight awards until they have acquired the necessary shares to meet their shareholding requirements.

Details of deadlines in respect of voting for the 2020 AGM are contained in the notice of meeting that has been circulated to shareholders and which can be viewed on the Company's website at www.safestore.com.

Substantial shareholdings

The table below sets out the names of those persons who, insofar as the Company is aware, as at 8 November 2019 (being the nearest date of the Company's internal analysis to 31 October 2019), are interested directly or indirectly in 3% or more of the issued share capital of the Company.

Name of shareholder	Number of ordinary shares as at 31.10.19	Percentage of issued share capital
Aberdeen Standard Investments*	12,922,857	6.14%
BlackRock Investment Management (London)	8,714,096	4.14%
Norges Bank Investment Management		
Legal & General Investment Management	7,309,949	3.47%
Vanguard Group		
BlackRock Investment Management (San Francisco)	6,441,579	3.06%

* Aggregate of Standard Life Aberdeen plc affiliated investment management entities with delegated voting rights on behalf of multiple managed portfolios.

Information provided to the Company pursuant to Rule 5 of the Disclosure Guidance and Transparency Rules ("DTR") is published on a Regulatory Information Service and on the Company's website.

During the current financial year and as at 31 October 2019, the Company has received the following notification in accordance with DTR 5 disclosing changes to voting interests in its issued share capital:

Name of shareholder	At 31 October 2019			
	Date of notification	Number of ordinary shares	Percentage of issued share capital	Nature of holding (direct/indirect)
Kempen Capital Management N.V.	28 March 2019	6,232,388	2.97%	Indirect

No further notifications have been received since 31 October 2019 and 24 January 2020, being the latest practicable date prior to the publication of this report.

All interests disclosed to the Company in accordance with the Disclosure Guidance and Transparency Rules (DTR 5) that have occurred since 24 January 2020 can be found on the Company's website at www.safestore.com.

Significant agreements and change of control

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

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

Employment and environmental matters

Information in respect of the Group's environmental and employment policies, including the policies regarding the employment of disabled persons and greenhouse gas reporting, is summarised in the sustainability section on pages 28 to 47.

Amendment of the Articles of Association

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

Political donations

The Company made no political donations and incurred no political expenditure during the year (FY18: £nil). It remains the Company's policy not to make political donations or to incur political expenditure; however, the application of the relevant provisions of the Companies Act is potentially very broad in nature and, as with last year, the Board is seeking shareholder authority to ensure that the Company does not inadvertently breach these provisions as a result of the breadth of its business activities. It is not the policy of the Company or its subsidiaries to make political donations.

Directors' report *continued*

Disclosure of information to auditor

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

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

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

Independent auditor

Deloitte LLP has indicated its willingness to continue in office and the Audit Committee has recommended resolutions at the 2020 AGM to re-appoint Deloitte LLP as the Company's auditor and to authorise the Audit Committee to agree the auditor's remuneration.

Annual General Meeting ("AGM")

The AGM will be held at the Company's registered office at Brittanica House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT, on Wednesday 18 March 2020 at 12.00 noon.

The 2020 AGM will include, as special business, resolutions dealing with authority to issue shares, disapplication of pre-emption rights, authority to purchase the Company's own shares, and authority to call a general meeting on not less than 14 days' notice. The Notice of AGM sets out details of the business to be considered at the AGM and contains explanatory notes on such business. This has been dispatched to shareholders and can be found on the Company's website at www.safestore.com.

Shareholders are encouraged to use their vote at this year's AGM either by attending the meeting in person or by casting their votes online by using our electronic proxy appointment service offered by the Company's Registrars, Link Asset Services, at www.signalshares.com. Completing the electronic proxy appointment will not prevent shareholders from attending and voting at the meeting.

This report was approved by the Board for release on 6 January 2020 and signed on its behalf by:

Helen Bramall

Company Secretary

6 January 2020

Statement of Directors' responsibilities

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

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

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

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

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

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

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

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

Directors' responsibility statement

We confirm that, to the best of our knowledge:

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

This responsibility statement was approved by the Board of Directors on 6 January 2020 and is signed on its behalf by:

Frederic Vecchioli
Chief Executive Officer

Andy Jones
Chief Financial Officer

Independent auditor's report

to the members of Safestore Holdings plc

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Safestore Holdings plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 October 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the Group related notes 1 to 33 and parent related notes 1 to 11.

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

Basis for opinion

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

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

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

Summary of our audit approach

Key audit matter	The key audit matter that we identified in the current year was the valuation of investment properties, which is consistent with the key audit matter identified in the prior year.
Materiality	The materiality that we used for the group financial statements was £15.9 million which was determined as 2% of forecast net assets. For testing items affecting profit before tax we have applied a lower threshold amounting to £4.4 million which was determined as 5% of profit before income tax adjusted to exclude the gain on revaluation of investment properties and movements in the fair value of derivatives.
Scoping	As in the prior year, we determined that there were two components within the Group: the United Kingdom and France operations. Our component audit work was executed at levels of materiality applicable to each individual component which were lower than Group materiality, ranging from £6.1 million to £9.5 million for materiality and £1.7 million to £2.6 million for lower threshold materiality as described above.
Significant changes in our approach	There have been no significant changes in the approach in the current year.

Report on the audit of the financial statements *continued*

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

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

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 13 to 16 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 13 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 16 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

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

Key audit matters

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

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

Independent auditor's report *continued*

to the members of Safestore Holdings plc

Report on the audit of the financial statements *continued*

Valuation of investment properties

Key audit matter description



Investment properties are held at a fair value of £1,409.2 million at 31 October 2019 (2018: £1,277.0 million). This is the most quantitatively material balance in the financial statements.

Property valuation, which is performed by an independent valuer, is by its nature subjective with significant judgements applied, particularly in the self storage market where there is market uncertainty due to the lower volume of transactions in comparison with other property markets.

The key judgements about individual properties are stabilised occupancy, capitalisation rate, discount rate and net rent growth. These judgements drive a cash flow model that is used as the basis of the valuation of each individual property. Additionally, there are specific key judgements pertaining to 'immature' stores which were defined as stores open for five years or less; UK assets under leasehold with an unexpired lease term of 10 years or less; and French assets under leasehold.

Specifically we have assessed a potential fraud risk related to investment properties associated with the judgemental assumptions used by the valuer that could be subject to undue influence by management, namely the stabilised occupancy, exit capitalisation rate, discount rate and net rent growth.

For further details of the Group's valuation method and assumptions, refer to note 2 and 13 of the financial statements. The valuation of property is also discussed in the audit committee report on page 57.

How the scope of our audit responded to the key audit matter



We met with the third party valuer and assessed the appropriateness of the valuer's scope and whether the valuer had sufficient expertise and resource.

We obtained the source information provided by management to the valuer (e.g. historical revenue, occupancy, average rental rates and lettable area on a store by store basis) and tested the integrity of a sample of such information.

We identified individual properties through analysis against the following criteria:

- 'immature' stores, defined as stores open for five years or less;
- UK leasehold stores with a term of 10 years or less;
- French leasehold stores; and
- properties which display characteristics of audit interest through analysis of key assumptions, namely stabilised occupancy, capitalisation rate, discount rate and net rent growth and total valuation movement.

We investigated the properties identified and challenged the key judgements with management and the valuer by assessing the appropriateness and comparison with the market and our expectation.

We provided the valuations to Deloitte internal real estate specialists, who are members of the Royal Institution of Chartered Surveyors. Our specialists performed an independent assessment of the assumptions that underpin the valuations, based on their knowledge of the self storage industry and wider real estate market.

We confirmed with the valuer and with our internal real estate specialists whether the Group's valuation methodology remains appropriate and assessed whether indicative rents and yields achieved in recent comparable transactions were consistent with the assumptions used in the Group's valuations.

Key observations



We found the assumptions adopted by the valuers in the valuation were reasonable and the methodology applied was appropriate in all material aspects.

Report on the audit of the financial statements *continued*

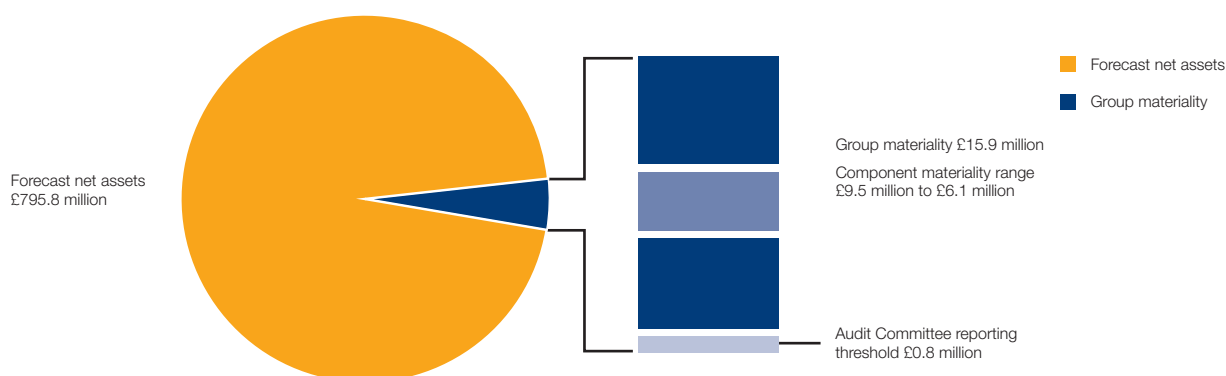
Our application of materiality

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

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

	Group financial statements	Parent company financial statements
Materiality	£15.9 million (2018: £14.1 million)	£2.6 million (2018: £2.9 million)
Basis for determining materiality	2% (2018: 2%) of forecast net assets. We considered the final net assets figure and concluded there is no need to revise materiality.	Parent company materiality represents 1.7% (2018: 1.7%) of net assets, capped at the UK lower component threshold.
Rationale for the benchmark applied	We consider net assets to be a critical financial performance measure for the Group on the basis that it is a key metric used by management, investors, analysts and lenders.	We consider net assets to be a critical financial performance measure for the company on the basis that it is a key metric used by management, investors, analysts and lenders.

In addition to net assets, we also consider profit before income tax, adjusted to exclude the gain on revaluation of investment properties and movements in the fair value of derivatives, to be a critical financial performance measure for the Group, which aligns closely with EPRA earnings. We applied a lower threshold of £4.4 million (2018: £3.9 million) for testing of balances impacting that measure, which has been determined as 5% (2018: 5%) of profit before income tax adjusted to exclude the gain on revaluation of investment properties and movements in the fair value of derivatives.



We agreed with the audit committee that we would report to the committee all audit differences in excess of £0.8 million (2018: £0.7 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

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

As in the prior year, we determined that there were two components within the Group: the United Kingdom and France operations. In addition to performing the Group audit procedures, which included the testing of the consolidation process, the Group audit team also performed the audit of the United Kingdom component given all United Kingdom entities operate from the same office with the same financial system. We instructed component auditors to perform the audit of the France component, supervised their work through regular communication and participation in planning and closing meetings with management. We reviewed the outputs of the work performed by them during their audit and challenged their conclusions. Our component audit work was executed at levels of materiality applicable to each individual component which were lower than Group materiality, ranging from £6.1 million to £9.5 million (2018: £2.9 million to £10.6 million). In addition, for the lower threshold described above, our component thresholds ranged from £2.6 million to £1.7 million (2018: £1.5 million to £2.1 million).

Independent auditor's report *continued*

to the members of Safestore Holdings plc

Report on the audit of the financial statements *continued*

Other information

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

We have nothing to report in respect of these matters.

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

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

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

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out overleaf.

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

Report on the audit of the financial statements *continued*

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management and the audit committee, including obtaining and reviewing supporting documentation, concerning the group's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team, including significant component audit teams and involving relevant internal specialists, including tax and valuations regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the significant judgements and assumptions which are used for the valuation of investment properties; and
- obtaining an understanding of the legal and regulatory frameworks that the group operates in, focusing on those laws and regulations that had a direct effect on the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, REIT legislation, London Stock Exchange Listing Rules, and tax legislations.

Audit response to risks identified

As a result of performing the above, we identified valuation of investment properties as a key audit matter. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Independent auditor's report *continued*

to the members of Safestore Holdings plc

Report on other legal and regulatory requirements *continued*

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Directors' remuneration

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

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the directors on 12 October 2014 to audit the financial statements for the year ended 31 October 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 6 years, covering the years ended 31 October 2014 to 31 October 2019.

Consistency of the audit report with the additional report to the audit committee

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

Use of our report

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

Darren Longley FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, UK

6 January 2020

Consolidated income statement

for the year ended 31 October 2019

	Notes	Group	
		2019 £'m	2018 £'m
Revenue	3, 4	151.8	143.9
Cost of sales		(53.8)	(51.7)
Gross profit		98.0	92.2
Administrative expenses		(18.5)	(16.7)
Underlying EBITDA		87.5	82.9
Exceptional items	5	(0.6)	—
Share-based payments		(5.6)	(5.3)
Depreciation and contingent rent		(1.8)	(2.1)
Operating profit before gains on investment properties		79.5	75.5
Gain on investment properties	13	84.2	122.1
Operating profit	4, 6	163.7	197.6
Finance income	8	0.1	0.7
Finance expense	8	(16.5)	(13.0)
Profit before income tax		147.3	185.3
Income tax charge	9	(15.2)	(8.1)
Profit for the year		132.1	177.2
Earnings per Share for profit attributable to the equity holders			
– basic (pence)	11	62.8	84.4
– diluted (pence)	11	62.6	84.2

The financial results for both years relate to continuing operations.

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

The notes on pages 101 to 127 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 October 2019

	Group	
	2019 £'m	2018 £'m
Profit for the year	132.1	177.2
Other comprehensive (expense)/income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	(7.0)	2.0
Net investment hedge	3.3	(1.2)
Other comprehensive (expense)/income, net of tax	(3.7)	0.8
Total comprehensive income for the year	128.4	178.0

Consolidated balance sheet

as at 31 October 2019

	Notes	Group	
		2019 £'m	2018 £'m
Assets			
Non-current assets			
Investment in associates	12	2.8	—
Investment properties	13	1,331.8	1,216.2
Interests in leasehold properties	13	63.5	56.1
Investment properties under construction	13	13.9	4.7
Property, plant and equipment	14	2.4	2.2
Derivative financial instruments	21	—	1.4
Deferred income tax assets	23	0.3	0.2
Other receivables	17	0.2	0.5
		1,414.9	1,281.3
Current assets			
Inventories	16	0.3	0.2
Trade and other receivables	17	22.6	22.5
Cash and cash equivalents	18	33.2	10.5
		56.1	33.2
Total assets		1,471.0	1,314.5
Current liabilities			
Trade and other payables	19	(40.6)	(40.3)
Current income tax liabilities		(2.7)	(3.0)
Obligations under finance leases	22	(9.7)	(8.9)
		(53.0)	(52.2)
Non-current liabilities			
Financial liabilities			
– bank borrowings	20	(413.0)	(369.9)
– derivative financial instruments	21	(0.6)	(0.2)
Deferred income tax liabilities	23	(64.7)	(56.4)
Obligations under finance leases	22	(53.8)	(47.2)
		(532.1)	(473.7)
Total liabilities		(585.1)	(525.9)
Net assets		885.9	788.6
Equity			
Ordinary shares	24	2.1	2.1
Share premium		60.6	60.5
Translation reserve		9.8	13.5
Retained earnings		813.4	712.5
Total equity		885.9	788.6

These financial statements were authorised for issue by the Board of Directors on 6 January 2020 and signed on its behalf by:

A Jones

Chief Financial Officer

F Vecchioli

Chief Executive Officer

Company registration number: 4726380

Consolidated statement of changes in shareholders' equity

for the year ended 31 October 2019

	Group				
	Share capital £'m	Share premium £'m	Translation reserve £'m	Retained earnings £'m	Total £'m
Balance at 1 November 2017	2.1	60.4	12.7	562.5	637.7
Comprehensive income					
Profit for the year	—	—	—	177.2	177.2
Other comprehensive income/(expense)					
Currency translation differences	—	—	2.0	—	2.0
Net investment hedge	—	—	(1.2)	—	(1.2)
Total other comprehensive income	—	—	0.8	—	0.8
Total comprehensive income	—	—	0.8	177.2	178.0
Transactions with owners					
Dividends (note 10)	—	—	—	(31.3)	(31.3)
Increase in share capital	—	0.1	—	—	0.1
Employee share options	—	—	—	4.1	4.1
Transactions with owners	—	0.1	—	(27.2)	(27.1)
Balance at 1 November 2018	2.1	60.5	13.5	712.5	788.6
Comprehensive income					
Profit for the year	—	—	—	132.1	132.1
Other comprehensive (expense)/income					
Currency translation differences	—	—	(7.0)	—	(7.0)
Net investment hedge	—	—	3.3	—	3.3
Total other comprehensive expense	—	—	(3.7)	—	(3.7)
Total comprehensive (expense)/income	—	—	(3.7)	132.1	128.4
Transactions with owners					
Dividends (note 10)	—	—	—	(35.0)	(35.0)
Increase in share capital	—	0.1	—	—	0.1
Employee share options	—	—	—	3.8	3.8
Transactions with owners	—	0.1	—	(31.2)	(31.1)
Balance at 31 October 2019	2.1	60.6	9.8	813.4	885.9

The translation reserve balance of £9.8 million (FY2018: £13.5 million) comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Consolidated cash flow statement

for the year ended 31 October 2019

	Notes	Group	
		2019 £'m	2018 £'m
Cash flows from operating activities			
Cash generated from operations	25	85.5	80.2
Interest received		0.1	—
Interest paid		(13.7)	(13.2)
Tax paid		(5.3)	(6.4)
Net cash inflow from operating activities		66.6	60.6
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	33	(6.4)	(55.9)
Investment in associates		(2.8)	—
Loans to associates		(1.7)	—
Expenditure on investment properties and development properties		(38.7)	(27.7)
Proceeds in respect of Capital Goods Scheme		0.6	1.1
Purchase of property, plant and equipment		(0.9)	(0.8)
Net cash outflow from investing activities		(49.9)	(83.3)
Cash flows from financing activities			
Issue of share capital		0.1	0.1
Equity dividends paid	10	(35.0)	(31.3)
Proceeds from borrowings		173.4	24.0
Repayment of borrowings		(125.5)	(19.0)
Debt issuance costs		(0.5)	(1.1)
Hedge breakage costs		(0.6)	—
Finance lease principal payments		(5.4)	(5.2)
Net cash inflow/(outflow) from financing activities		6.5	(32.5)
Net increase/(decrease) in cash and cash equivalents		23.2	(55.2)
Exchange (loss)/gain on cash and cash equivalents		(0.5)	0.1
Cash and cash equivalents at 1 November		10.5	65.6
Cash and cash equivalents at 31 October	18, 26	33.2	10.5

Notes to the financial statements

for the year ended 31 October 2019

1. General information

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

2. Summary of significant accounting policies

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

Basis of preparation

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

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual amounts may differ from those estimates.

Going concern and viability statement

After making enquiries, the Directors of Safestore are confident that, on the basis of current financial projections and facilities available and after considering sensitivities, the Group has sufficient resources for its operational needs and to enable the Group to remain in compliance with the financial covenants in its bank facilities for the foreseeable future, a period of not less than twelve months. The Directors have assessed Safestore’s viability over a three-year period to October 2022. This is based on three years of the strategic plan, which gives greater certainty over the forecasting assumptions used. The viability statement is set out on page 16.

Standards, amendments to standards and interpretations issued and applied

The following new or revised accounting standards or IFRIC interpretations are applicable for the first time in the year ended 31 October 2019:

- IFRS 9 “Financial Instruments”
- IFRS 15 “Revenue from Contracts with Customers”
- Amendments to IFRS 2 clarifying the classification and measurement of share-based payment transactions
- Amendments to IAS 40 relating to the transfer of investment property

IFRS 9 “Financial Instruments”

On 1 November 2018, the Group adopted IFRS 9 “Financial Instruments”. The standard applies to the classification and measurement of financial assets and liabilities, impairment provisioning and hedge accounting. The standard also introduced an expected credit losses model, which replaced the incurred loss impairment model. The changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. The adoption, however, has not had a material impact on the recognition and measurement of income and costs in the statement of comprehensive income or of assets and liabilities on the balance sheet. The Group has not identified any significant changes in how it accounts for financial assets or liabilities under IFRS 9. The Directors have assessed the impact of impairment losses recognised for trade receivables under IFRS 9 at 31 October 2019 based on actual losses experienced over the past two years and consider the impact to the Group’s bad debt provision to be immaterial. The Group has not identified any changes in how it accounts for its effective hedging against foreign exchange movements for its investment in operations in France.

There have been incremental disclosures included in this Annual Report, as required by IFRS 9.

IFRS 15 “Revenue from Contracts with Customers”

On 1 November 2018, the Group adopted IFRS 15 “Revenue from Contracts with Customers”. The requirements of the standard have been applied retrospectively to each prior reporting period presented in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

IFRS 15 establishes the principles that the Group applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. Applying IFRS 15, the Group recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Prior to its adoption, and as disclosed in the Group’s Annual Report for the year ended 31 October 2018, the Group completed a review of the requirements of IFRS 15 against its current accounting policies. The Group concluded that there was no material change in the amounts and timing of revenue recognised following the adoption of the standard and no transition adjustments have been made. In making this assessment, the Group considered its timing of revenue recognised based on discrete performance obligations, accounting for opening offer discounts and principal versus agent relationships. Each customer contract contains discrete performance obligations and revenue is recognised over the period of the contract. The opening discount offers and principal versus agent relationship were also assessed under IFRS 15 and the accounting for these has remained unchanged. It was identified that income streams relating to Tenancy and Office Space fall outside the scope of IFRS 15 and fall under IAS 17 “Leases” but this does not impact the accounting treatment.

There have been incremental disclosures included in this Annual Report, as required by IFRS 15.

Notes to the financial statements *continued*

for the year ended 31 October 2019

2. Summary of significant accounting policies *continued*

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, a number of new standards and amendments to standards and interpretations have been issued but are not yet effective for the current accounting period. Except as set out below, none of these standards are expected to have a significant impact on the financial statements of the Group or Company.

IFRS 16 "Leases"

IFRS 16 results in almost all leases being recognised on the balance sheet for a lessee, as the distinction between operating and finance leases is removed. The standard is applicable for financial years commencing on or after 1 January 2019, and hence the year ending 31 October 2020 will be the first applicable year for the Group.

Under the standard an asset, representing the right-to-use the leased item, and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases. The accounting for lessors will not significantly change.

The Group already classifies its leasehold stores as finance leases. However, as a result of this new standard, these leases will be based on actual current cash flows, rather than cash flows at inception of the lease, as is the case currently under IAS 17 "Leases". This will result in an opening transition adjustment to the right-of-use asset and lease liability, estimated both to be approximately £5.4 million. As these offset, there will be no impact to net assets or the income statement on transition. The Group has identified one operating lease, with non-cancellable annual future lease payments of £0.1 million at 31 October 2019. This will be brought onto the balance sheet on adoption of the standard in the year ending 31 October 2020.

Basis of consolidation and business combinations

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary undertakings made up to 31 October each year. Subsidiaries are entities controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances and unrealised gains on transactions are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for the acquisition is measured as the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity instruments issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Any excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets including intangible assets of the acquired entity at the date of acquisition is recognised as goodwill. Any discount received is credited to the income statement in the year of acquisition as negative goodwill on acquisition of subsidiary. Costs attributable to an acquisition are expensed in the consolidated income statement under the heading "administrative expenses".

Investment in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Where necessary, adjustments are made to the financial statements of associates to bring the accounting policies used into line with those used by the Group. Where a Group Company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

Segmental reporting

IFRS 8 "Operating Segments" ("IFRS 8") requires operating segments to be identified based upon the Group's internal reporting to the chief operating decision maker ("CODM") to make decisions about resources to be allocated to segments and to assess their performance. The CODM is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its CODM is the Executive Directors.

A business segment is a distinguishable group of assets and operations, reflected in the way that the Group manages its business, that is subject to risks and returns that are different from those of other business segments. The Group's net assets, revenue and profit before tax are attributable to one principal activity, the provision of self storage, in two geographical reporting segments, the United Kingdom and Paris in France.

Segment results, assets and liabilities include items directly attributable to segments as well as those that can be allocated on a reasonable basis.

2. Summary of significant accounting policies *continued*

Revenue recognition

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

Rental income is recognised over the period for which the space is occupied by the customer on a time apportionment basis. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due. Insurance income is recognised over the period for which the space is occupied by the customer on a time apportionment basis.

The Group has put in place insurance arrangements whereby the Group purchases block policies for its customers from third party insurers, for which it pays annual premiums at the beginning of the insurance year. The Group allows customers to benefit from the policies and charges a fee for the level of cover that the customer needs. The block policies purchased and the income earned from charging customers are independent transactions. Although Safestore is involved in the initial handling of any customers' insurance claims, these are passed on to the third party insurance providers, who are responsible for all insurance payments. The Group is not exposed to insurance risk.

The Group bears the inventory risk and pricing risk associated with these contracts and as such the Group acts as principal in the provision of the access to insurance services for its customers who elect to access that insurance, and therefore revenue from insurance premiums is reported on a gross basis. The portion of insurance premiums receivable from customers on occupied space that relates to unexpired risks at the balance sheet date is reported as unearned premium liability in other payables.

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

Income from insurance claims is recognised when it is virtually certain of being received.

Foreign currency translation

Functional and presentation currency

The individual financial statements for each company are measured using the currency of the primary economic environment in which it operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of the Group are expressed in Sterling, which is the presentational currency of the Group.

Transactions and balances

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are included within the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

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

Investment properties are those properties owned by the Group that are held to earn rental income, or for capital growth, or both. Investment properties and investment properties under construction are initially measured at cost, including related transaction and borrowing costs. After initial recognition, investment properties and investment properties under construction are held at fair value based on a market valuation by professionally qualified external valuers at each balance sheet date.

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

Land and properties held under operating leases are classified and accounted for by the Group as investment property in accordance with IAS 40 when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. For investment properties held under leases that are classified as finance leases, the properties are initially recognised at the lower of fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognised as a finance lease liability. After initial recognition, leasehold properties classified as investment properties are held at fair value, and the obligation to the lessor for the buildings element of the leasehold is included in the balance sheet at the present value of the minimum lease payments. The minimum lease payment valuation is re-measured at each balance sheet date and the value of the Group's interest in leasehold properties is adjusted accordingly over the lease term.

Notes to the financial statements *continued*

for the year ended 31 October 2019

2. Summary of significant accounting policies *continued*

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

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

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

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

Property, plant and equipment

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

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

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

Owner-occupied freehold buildings	2% per annum
Motor vehicles	20–25% per annum
Computer hardware and software	15–33% per annum
Fixtures, fittings, signs and partitioning	10–15% per annum

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

Impairment of tangible assets (excluding investment property)

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less directly associated costs. Provision is made for slow-moving or obsolete stock, calculated on the basis of sales trends observed in the year.

Trade and other receivables

Trade and other receivables are booked at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (credit losses). The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective receivable.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses ("ECLs") which uses a lifetime expected loss allowance on trade and other receivables. The expected credit losses on these financial assets are estimated using a provisions matrix based upon the Group's historical credit loss experience and geographic Business Unit, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including time value of money where appropriate.

Cash and cash equivalents

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

Trade and other payables

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

2. Summary of significant accounting policies *continued*

Leases

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and the reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Contingent rent payable under finance leases, being the difference between the rent currently payable and the minimum lease payments when the lease obligation was originally calculated, is charged as an expense in the years in which it is payable.

Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

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

Borrowings

Interest-bearing bank loans and overdrafts are initially recorded at fair value, net of directly attributable transaction costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are included within the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Where fees are payable in relation to raising debt the costs are disclosed in the cash flow statement within financing activities. Where payments are made to exit or modify derivative financial instruments, these costs are disclosed in the cash flow statement within financing activities.

Where existing borrowings are replaced by others from the same lenders on substantially different terms, or the terms of existing borrowing are substantially modified, such an exchange or modification is treated as a de-recognition of the original borrowings and the recognition of new borrowings, and the difference in the respective carrying amounts, including issuance costs, is recognised in the income statement. Otherwise, issuance costs incurred on refinancing are offset against the carrying value of borrowings.

Financial instruments

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

The effective part of any gain or loss on borrowings that are designated as a hedge of a net investment in a foreign operation is recognised in other comprehensive income and presented in the translation reserve in equity, and is subsequently recognised in the Group income statement as part of the profit or loss on disposal of the net investment. The ineffective portion of the gain or loss is recognised immediately within trading profit in the Group income statement.

(a) Financial assets

Financial assets are classified as financial assets at fair value through profit or loss or at amortised cost as appropriate. The Group determines the classification of its assets at initial recognition.

Financial assets are de-recognised only when the contractual right to the cash flows from the financial asset expire or the Group transfers substantially all risks and rewards of ownership. Financial assets consist of loans and receivables and derivatives.

Financial assets recognised as trade and other receivables are classified as amortised cost. They are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

Cash and cash equivalents are also classified as amortised cost. They are subsequently measured at amortised cost. Cash and cash equivalents include cash in hand, deposits at call with banks and other short term highly liquid investments with original maturities of three months or less.

At each balance sheet date the Group calculates an expected credit loss as explained in (c) below, assesses whether there is objective evidence that a financial asset or group of assets is impaired. If there is objective evidence the asset is impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the income statement.

Notes to the financial statements *continued*

for the year ended 31 October 2019

2. Summary of significant accounting policies *continued*

Financial instruments *continued*

(b) Financial liabilities

Liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss or other liabilities, as appropriate.

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. All loans and borrowings are classified as other liabilities. Initial recognition is at fair value and subsequently at amortised cost. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Financial liabilities included within trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest-bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

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

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

(c) Impairment of financial assets

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses ("ECLs"). When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information. The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full.

Taxation including deferred tax

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

Deferred tax is provided on items that may become taxable at a later date, on the difference between the balance sheet value and the tax base value, on an undiscounted basis. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Employee benefit costs

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

Share capital

Ordinary shares are classified as equity.

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

Share-based payments

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

Critical accounting judgements and key sources of estimation uncertainty

The preparation of consolidated financial statements under IFRS requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual outcomes may therefore differ from these judgements, estimates and assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. Summary of significant accounting policies *continued*

Critical accounting judgements and key sources of estimation uncertainty *continued*

Key sources of estimation uncertainty

The following key estimate has significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the consolidated financial statements:

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

The Group values its investment properties using a discounted cash flow methodology which is based on projections of net operating income. Principal assumptions and management's underlying estimation of the fair value of those relate to: stabilised occupancy levels; expected future growth in storage rental income and operating costs; maintenance requirements; capitalisation rate; and discount rates. There are inter-relationships between the valuation inputs, and they are primarily determined by market conditions. The effect of an increase in more than one input could be to magnify the impact on the valuation. However, the impact on the valuation could be mitigated by the inter-relationship of two inputs moving in opposite directions, e.g. an increase in rent may be offset by a decrease in occupancy, resulting in no net impact on the valuation. For immature stores, these underlying estimates hold a higher risk of uncertainty, due to the unproven nature of its cash flows. A more detailed explanation of the background, methodology and judgements made by management is adopted in the valuation of the investment properties and is set out in note 13 to the financial statements.

Non-GAAP financial information

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

- The Group defines exceptional items to be those that warrant, by virtue of their nature, size or frequency, separate disclosure on the face of the income statement where, in the opinion of the Directors, this enhances the understanding of the Group's financial performance.
- Underlying EBITDA is defined as operating profit before exceptional items, share-based payments, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties, contingent rent and depreciation. Management considers this presentation to be representative of the underlying performance of the business, as it removes the income statement impact of items not fully controllable by management, such as the revaluation of derivatives and investment properties, and the impact of exceptional credits, costs and finance charges. A reconciliation of statutory operating profit to Underlying EBITDA can be found in the financial review on page 19.
- 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 11.
- EPRA basic net assets per share is an industry standard measure recommended by the European Public Real Estate Association ("EPRA"). The basis of calculation, including a reconciliation to reported net assets, is set out in note 15.

3. Revenue

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

	2019 £'m	2018 £'m
Self storage income	122.0	115.9
Insurance income	18.6	17.4
Other non-storage income	11.2	10.6
Total revenue	151.8	143.9

4. 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, share-based payments, 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.

Notes to the financial statements *continued*

for the year ended 31 October 2019

4. Segmental analysis *continued*

Year ended 31 October 2019	UK £'m	Paris £'m	Group £'m
Continuing operations			
Revenue	114.7	37.1	151.8
Underlying EBITDA	64.1	23.4	87.5
Exceptional items	(0.6)	—	(0.6)
Share-based payments	(5.0)	(0.6)	(5.6)
Contingent rent and depreciation	(1.2)	(0.6)	(1.8)
Operating profit before gain on investment properties	57.3	22.2	79.5
Gain on investment properties	51.0	33.2	84.2
Operating profit	108.3	55.4	163.7
Net finance expense	(14.2)	(2.2)	(16.4)
Profit before tax	94.1	53.2	147.3
Total assets	1,105.4	365.6	1,471.0
Year ended 31 October 2018	UK £'m	Paris £'m	Group £'m
Continuing operations			
Revenue	109.0	34.9	143.9
Underlying EBITDA	61.1	21.8	82.9
Exceptional items	(0.5)	0.5	—
Share-based payments	(4.8)	(0.5)	(5.3)
Contingent rent and depreciation	(1.6)	(0.5)	(2.1)
Operating profit before gain on investment properties	54.2	21.3	75.5
Gain on investment properties	99.3	22.8	122.1
Operating profit	153.5	44.1	197.6
Net finance expense	(10.8)	(1.5)	(12.3)
Profit before tax	142.7	42.6	185.3
Total assets	991.5	323.0	1,314.5

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.

5. Exceptional items

	2019 £'m	2018 £'m
Costs relating to corporate transactions and legal and employment proceedings	(0.6)	—
Net exceptional cost	(0.6)	—

A net exceptional cost of £0.6 million (FY2018: £nil) was incurred in the year, relating to fees associated with the Group's acquisitions in the year and exceptional legal and employment related costs. In the prior year, a net exceptional cost of zero was incurred. In France, compensation of £0.5 million was received from a landlord in respect of water damage and was offset by £0.5 million of legal and employment related costs in the UK.

6. Operating profit

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

	Notes	2019 £'m	2018 £'m
Staff costs	27	28.7	27.8
Inventories: cost of inventories recognised as an expense (included in cost of sales)	16	0.9	1.0
Depreciation on property, plant and equipment	14	0.7	0.6
Gain on investment properties	13	(84.2)	(122.1)
Contingent rent payable under finance leases		1.1	1.5

7. Fees paid to auditor

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

	2019 £'m	2018 £'m
Audit services		
Fees payable to the Company's auditor and its associates for the audit of the parent company and consolidated financial statements	0.2	0.2
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries pursuant to legislation	0.1	0.1
Total audit fees	0.3	0.3
Fees for other services		
Transaction services	—	—
Total	0.3	0.3

8. Finance income and costs

	2019 £'m	2018 £'m
Finance income		
Fair value movement of derivatives	—	0.6
Interest income including unwinding of discount on Capital Goods Scheme ("CGS") receivable	0.1	0.1
Net exchange gains	—	—
Total finance income	0.1	0.7
Finance costs		
Interest payable on bank loans and overdraft	(8.5)	(8.3)
Amortisation of debt issuance costs on bank loan	(0.2)	(0.1)
Underlying finance charges	(8.7)	(8.4)
Interest on obligations under finance leases	(4.8)	(4.5)
Fair value movement of derivatives	(2.1)	(0.1)
Net exceptional finance expense	(0.6)	—
Net exchange losses	(0.3)	—
Total finance costs	(16.5)	(13.0)
Net finance costs	(16.4)	(12.3)

Included within interest payable of £8.5 million (FY2018: £8.3 million) is £0.4 million (FY2018: £0.4 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 £2.1 million net loss (FY2018: £0.5 million net gain).

Net exceptional finance costs of £0.6 million relating to terminating a portion of the interest rate swaps, following the re-financing in October 2019, were incurred in FY2019 (FY2018: £nil).

9. Income tax charge

Analysis of tax charge in the year:

	Note	2019 £'m	2018 £'m
Current tax:			
– tax in respect of overseas subsidiaries		5.1	4.7
		5.1	4.7
Deferred tax:			
– current year		10.1	7.6
– prior year		—	(0.2)
– impact of tax rate change		—	(4.0)
	23	10.1	3.4
Tax charge		15.2	8.1

Notes to the financial statements *continued*

for the year ended 31 October 2019

9. Income tax charge *continued*

Reconciliation of income tax charge

The tax for the period is lower (FY2018: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 October 2019 of 19.0% (FY2018: 19.0%). The differences are explained below:

	2019 £'m	2018 £'m
Profit before tax	147.3	185.3
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (FY2018: 19.0%)	28.0	35.2
Effect of:		
– permanent differences	—	—
– profits from the tax exempt business	(17.9)	(27.0)
– difference from overseas tax rates	5.1	3.9
– impact of tax rate change in France	—	(4.0)
Tax charge	15.2	8.1

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 is 19.0%. Accordingly the Group’s results for this accounting period are taxed at an effective rate of 19.0% (FY2018: 19.0%). Finance (No.2) Act 2015 provides that the rate of corporation tax from 1 April 2020 will be 17%. There will be no deferred taxation impact in respect of the changes in taxation rates.

In France, the 2018 Finance Bill, which was adopted in December 2017, introduced a reduction in the standard rate of corporate income tax from 33.33% to 25.0%, applicable progressively from 2018 to 2022, extending reductions previously adopted following the 2017 Finance Bill. These reductions are applicable to all companies. As a result, the deferred tax charge includes a non-recurring deferred tax credit of £nil (FY2018: £4.0 million) relating to this change.

10. Dividends per share

The dividend paid in 2019 was £35.0 million (16.65 pence per share) (FY2018: £31.3 million (14.9 pence per share)). A final dividend in respect of the year ended 31 October 2019 of 12.00 pence (FY2018: 11.15 pence) per share, amounting to a total final dividend of £25.2 million (FY2018: £23.4 million), is to be proposed at the AGM on 18 March 2020. The ex-dividend date will be 5 March 2020 and the record date will be 6 March 2020 with an intended payment date of 9 April 2020. The final dividend has not been included as a liability at 31 October 2019.

The property income distribution (“PID”) element of the final dividend is 12.00 pence (FY2018: 11.15 pence), making the PID payable for the year 17.5 pence (FY2018: 13.7 pence) per share.

11. 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 2019			Year ended 31 October 2018		
	Earnings £'m	Shares million	Pence per share	Earnings £'m	Shares million	Pence per share
Basic	132.1	210.2	62.8	177.2	209.9	84.4
Dilutive securities	—	0.7	(0.2)	—	0.6	(0.2)
Diluted	132.1	210.9	62.6	177.2	210.5	84.2

11. Earnings per share *continued*

Adjusted earnings per share

Explanations related to the adjusted earnings measures adopted by the Group are set out in note 2 under the heading Non-GAAP financial information on page 107. Adjusted Earnings per Share represents profit after tax adjusted for the valuation movement on investment properties, exceptional items, change in fair value of derivatives, exchange gains/losses, unwinding of the discount on the CGS receivable and the associated tax thereon. The Directors consider that these alternative measures provide useful information on the performance of the Group.

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

	Year ended 31 October 2019			Year ended 31 October 2018		
	Earnings £'m	Shares million	Pence per share	Earnings £'m	Shares million	Pence per share
Basic	132.1	210.2	62.8	177.2	209.9	84.4
Adjustments:						
Gain on investment properties	(84.2)	—	(40.1)	(122.1)	—	(58.2)
Exceptional items	0.6	—	0.3	—	—	—
Exceptional finance costs	0.6	—	0.3	—	—	—
Unwinding of discount on CGS receivable	—	—	—	(0.1)	—	—
Net exchange loss	0.3	—	0.1	—	—	—
Change in fair value of derivatives	2.1	—	1.0	(0.5)	—	(0.2)
Tax on adjustments	9.4	—	4.5	2.4	—	1.1
Adjusted	60.9	210.2	28.9	56.9	209.9	27.1
EPRA adjusted:						
Fair value re-measurement of interest in leasehold properties	(5.4)	—	(2.6)	(5.2)	—	(2.5)
Tax on leasehold depreciation adjustment	0.7	—	0.3	1.0	—	0.5
EPRA basic EPS	56.2	210.2	26.6	52.7	209.9	25.1
Share-based payments charge	5.6	—	2.7	5.3	—	2.5
Dilutive shares	—	6.6	(0.8)	—	6.8	(0.8)
Adjusted Diluted EPRA EPS ¹	61.8	216.8	28.5	58.0	216.7	26.8

Note

¹ Adjusted Diluted EPRA EPS is defined in note 2 under Non-GAAP financial information on page 107.

Gain on investment properties includes the fair value re-measurement of interest in leasehold properties of £5.4 million (FY2018: £5.2 million) and the related tax thereon of £0.7 million (FY2018: £1.0 million). As an industry standard measure, EPRA earnings is presented. EPRA earnings of £56.2 million (FY2018: £52.7 million) and EPRA Earnings per Share of 26.6 pence (FY2018: 25.1 pence) are calculated after further adjusting for these items.

EPRA adjusted income statement (non-statutory)	2019 £'m	2018 £'m	Movement %
Revenue	151.8	143.9	5.5
Underlying operating expenses (excluding depreciation and contingent rent)	(64.3)	(61.0)	5.4
Underlying EBITDA before contingent rent	87.5	82.9	5.5
Share-based payments charge	(5.6)	(5.3)	5.7
Depreciation and contingent rent	(1.8)	(2.1)	(14.3)
Operating profit before depreciation on leasehold properties	80.1	75.5	6.1
Fair value re-measurement of interest in leasehold properties	(5.4)	(5.2)	3.8
Operating profit	74.7	70.3	6.3
Net financing costs	(13.4)	(12.9)	3.9
Profit before income tax	61.3	57.4	6.8
Income tax	(5.1)	(4.7)	8.5
Profit for the year ("EPRA earnings")	56.2	52.7	6.6
EPRA basic Earnings per Share	26.6 pence	25.1 pence	6.0
Final dividend per share	12.00 pence	11.15 pence	7.6

Notes to the financial statements *continued*

for the year ended 31 October 2019

12. Investment in associates

On 21 August 2019 the Group acquired a 20% interest in CERF Storage JV B.V. ("CERF"), a company registered and operating in the Netherlands. CERF is accounted for using the equity method of accounting. CERF invests in carefully selected self storage opportunities in Europe and currently owns six stores in Amsterdam and Haarlem. The Group will earn a fee for providing management services to CERF. The Group's share of total comprehensive income of associates in the year was £nil. Aggregate carrying value of the Group's interest in the associate was £4.5 million at 31 October 2019, made up of an investment of £2.8 million and a loan to the associate of £1.7 million (note 30).

13. 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
At 1 November 2018	1,216.2	56.1	4.7	1,277.0
Additions	13.7	14.1	25.2	53.0
Acquisition of subsidiary (note 33)	6.4	—	—	6.4
Disposals	—	(0.7)	—	(0.7)
Reclassifications	14.4	—	(14.4)	—
Revaluations	91.2	—	(1.6)	89.6
Fair value re-measurement of interest in leasehold properties	—	(5.4)	—	(5.4)
Exchange movements	(10.1)	(0.6)	—	(10.7)
At 31 October 2019	1,331.8	63.5	13.9	1,409.2

	Investment property £'m	Interests in leasehold properties £'m	Investment property under construction £'m	Total investment properties £'m
At 1 November 2017	999.2	56.2	7.8	1,063.2
Additions	18.1	3.5	8.8	30.4
Acquisition of subsidiary (note 33)	56.6	1.4	—	58.0
Reclassifications	14.4	—	(14.4)	—
Revaluations	124.8	—	2.5	127.3
Fair value re-measurement of interest in leasehold properties	—	(5.2)	—	(5.2)
Additions	3.1	0.2	—	3.3
At 31 October 2018	1,216.2	56.1	4.7	1,277.0

The gain on investment properties comprises:

	2019 £'m	2018 £'m
Revaluations of investment property and investment property under construction	89.6	127.3
Fair value re-measurement of interest in leasehold properties	(5.4)	(5.2)
	84.2	122.1

13. Investment properties, investment properties under construction and interests in leasehold properties *continued*

	Cost £'m	Revaluation on cost £'m	Valuation £'m
Freehold stores			
At 1 November 2018	529.2	473.0	1,002.2
Movement in year	37.2	61.2	98.4
At 31 October 2019	566.4	534.2	1,100.6
Leasehold stores			
At 1 November 2018	99.2	114.8	214.0
Movement in year	1.3	15.9	17.2
At 31 October 2019	100.5	130.7	231.2
All stores			
At 1 November 2018	628.4	587.8	1,216.2
Movement in year	38.5	77.1	115.6
At 31 October 2019	666.9	664.9	1,331.8

The valuation of £1,331.8 million (FY2018: £1,216.2 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 2019 was £125.1 million (FY2018: £118.9 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 interests in leasehold properties balance of £63.5 million (FY2018: £56.1 million) is the finance lease asset portion of the leasehold assets relating to individual properties that Safestore leases under operating leases, and that are accounted for as investment properties under IAS 40. As described in note 2 summary of significant accounting policies, the lease cash flows are already included within both the fair value of investment properties and within the finance lease liability. Therefore, to avoid double counting of these lease cash flows, a finance lease asset is included within the total investment properties balance at the same value as the related finance lease liability, i.e. the finance lease liability of £63.5 million (FY2018: £56.1 million) per note 22.

The freehold and leasehold investment properties have been valued as at 31 October 2019 by external valuers, Cushman & Wakefield Debenham Tie Leung Limited ("C&W"). The valuation has been carried out in accordance with the current edition of the RICS Valuation – Global Standards, which incorporates the International Valuation Standards and the RICS Valuation UK National Supplement (the "RICS Red Book"). The valuation of each of the investment properties has been prepared on the basis of fair value as a fully equipped operational entity, having regard to trading potential. Two non-trading properties were valued on the basis of fair value. The valuation has been provided for accounts purposes and, as such, is a Regulated Purpose Valuation as defined in the RICS Red Book. In compliance with the disclosure requirements of the RICS Red Book, C&W has confirmed that:

- the member of the RICS who has been the signatory to the valuations provided to the Group for the same purposes as this valuation has done so since 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 2016 there have only been 15 transactions involving multiple assets and 14 single asset transactions, and C&W is aware of only two comparable transactions 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.

Notes to the financial statements *continued*

for the year ended 31 October 2019

13. Investment properties, investment properties under construction and interests in leasehold properties *continued*

Valuation method and assumptions *continued*

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 2019 averages 86.18% (FY2018: 85.31%). 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 28.16 months (FY2018: 27.23 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 7.20% (FY2018: 7.54%), rising to a stabilised net yield pre-administration expenses of 8.22% (FY2018: 8.47%).
- The weighted average freehold exit yield on UK freeholds is 6.60% (FY2018: 6.79%) and on France freeholds is 6.43% (FY2018: 6.56%). The weighted average freehold exit yield for all freeholds adopted 6.57% (FY2018: 6.74%).
- The future net cash flow projections (including revenue growth and cost inflation) have been discounted at a rate that reflects the risk associated with each asset. The weighted average annual discount rate adopted (for both freeholds and leaseholds) in the UK portfolio is 9.83% (FY2018: 10.15%) and in the France portfolio is 9.80% (FY2018: 10.23%). The weighted average annual discount rate adopted (for both freeholds and all leaseholds) is 9.82% (FY2018: 10.17%).
- Purchaser’s costs in the range of approximately 3.3% 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 5.3% 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 12.3 years (FY2018: 12.5 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, three of the stores in the portfolio are relatively immature and have low initial cash flow. C&W has endeavoured to reflect the nature of the cash flow profile for these properties in its valuation, and the higher associated risks relating to the as yet unproven future cash flow, by adjustment to the capitalisation rates and discount rates adopted. However, immature low cash flow stores of this nature are rarely, if ever, traded individually in the market, unless as part of a distressed sale or similar situation. Although, there is more evidence of 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 three immature stores is greater than in relation to the balance of the properties due to there being even less market evidence than might be available for more mature properties and portfolios.

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

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

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

13. Investment properties, investment properties under construction and interests in leasehold properties *continued*

Valuation method and assumptions *continued*

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 2.5% 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 is used for internal management purposes.

Sensitivity of the valuation to assumptions

As noted in "Key sources of estimation uncertainty" on page 107, self storage valuations are complex, derived from data which is not widely publicly available and involve a degree of judgement. All other factors being equal, higher net operating income would lead to an increase in the valuation of a store and an increase in the capitalisation rate or discount rate would result in a lower valuation, and vice versa. Higher assumptions for stabilised occupancy, absorption rate, rental rate and other revenue, and a lower assumption for operating costs, would result in an increase in projected net operating income, and thus an increase in valuation.

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

14. Property, plant and equipment

	Owner-occupied buildings £'m	Motor vehicles £'m	Fixtures and fittings £'m	Total £'m
Cost				
At 1 November 2018	0.8	0.6	4.5	5.9
Additions	—	0.1	0.8	0.9
Disposals	—	—	—	—
At 31 October 2019	0.8	0.7	5.3	6.8
Accumulated depreciation				
At 1 November 2018	0.2	0.3	3.2	3.7
Charge for the year	—	0.1	0.6	0.7
At 31 October 2019	0.2	0.4	3.8	4.4
Net book value				
At 31 October 2019	0.6	0.3	1.5	2.4
At 31 October 2018	0.6	0.3	1.3	2.2
	Owner-occupied buildings £'m	Motor vehicles £'m	Fixtures and fittings £'m	Total £'m
Cost				
At 1 November 2017	0.8	0.5	3.8	5.1
Additions	—	0.2	0.7	0.9
Disposals	—	(0.1)	—	(0.1)
At 31 October 2018	0.8	0.6	4.5	5.9
Accumulated depreciation				
At 1 November 2017	0.2	0.2	2.7	3.1
Charge for the year	—	0.1	0.5	0.6
At 31 October 2018	0.2	0.3	3.2	3.7
Net book value				
At 31 October 2018	0.6	0.3	1.3	2.2
At 31 October 2017	0.6	0.3	1.1	2.0

Notes to the financial statements *continued*

for the year ended 31 October 2019

15. 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:

	2019 £'m	2018 £'m
Analysis of net asset value:		
Net assets	885.9	788.6
Adjustments to exclude:		
Fair value of derivative financial instruments (net of deferred tax)	0.5	(1.2)
Deferred tax liabilities on the revaluation of investment properties	64.4	56.0
Adjusted net asset value	950.8	843.4
Basic net assets per share (pence)	421	376
EPRA basic net assets per share (pence)	452	402
Diluted net assets per share (pence)	420	374
EPRA diluted net assets per share (pence)	450	400

	Number	Number
Shares in issue	210,381,968	210,008,901

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 706,231 shares (FY2018: 630,784 shares). EPRA diluted net assets per share excludes deferred tax liabilities arising on the revaluation of investment properties. The EPRA NAV, which further excludes fair value adjustments for debt and related derivatives net of deferred tax, was £950.8 million (FY2018: £843.4 million), giving EPRA net assets per share of 452 pence (FY2018: 402 pence). The Directors consider that these alternative measures provide useful information on the performance of the Group.

EPRA adjusted balance sheet (non-statutory)

	2019 £'m	2018 £'m
Assets		
Non-current assets	1,414.9	1,279.9
Current assets	56.1	33.2
Total assets	1,471.0	1,313.1
Liabilities		
Current liabilities	(53.0)	(52.2)
Non-current liabilities	(467.2)	(417.5)
Total liabilities	(520.2)	(469.7)
EPRA net asset value	950.8	843.4
EPRA net asset value per share	452 pence	402 pence

16. Inventories

	2019 £'m	2018 £'m
Finished goods and goods held for resale	0.3	0.3
Less: provision for impairment of inventories	—	(0.1)
	0.3	0.2

The Group consumed £0.9 million (FY2018: £1.0 million) of inventories during the year. Inventory write downs were £nil for the financial year ended 31 October 2019 (FY2018: £nil). Inventories of £0.1 million (FY2018: £0.1 million) are carried at fair value less costs to sell. Provisions are made against slow-moving and obsolete stock lines where considered appropriate.

17. Trade and other receivables

	2019 £'m	2018 £'m
Current		
Trade receivables	14.8	15.5
Less: credit loss allowance/provision for impairment of receivables	(2.9)	(2.0)
Trade receivables – net	11.9	13.5
Other receivables	2.4	2.9
Amounts due from associates (note 30)	1.9	—
Prepayments	6.4	6.1
	22.6	22.5

The creation and release of credit loss allowances have been included in cost of sales in the income statement.

The Group always measures the loss allowance for the trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor and an analysis of the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group provides in full against all receivables due over six months past due because historical experience has indicated that these receivables are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtors is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

The following table details the risk profile of trade receivables based on the Group's provision matrix:

UK	Not past due	<28 days	29-60 days	>60 days	Total
Expected credit loss rate (%)	0.0%	8.3%	10.0%	22.2%	4.4%
Estimated total gross carrying amount at default (£'m)	5.9	1.2	1.0	0.9	9.0
Lifetime ECL (£'m)	(—)	(0.1)	(0.1)	(0.2)	(0.4)
Net Trade receivables as at 31 October 2019	5.9	1.1	0.9	0.7	8.6
France	Not past due	<28 days	29-60 days	>60 days	Total
Expected credit loss rate (%)	0.0%	0.0%	50.0%	88.9%	43.1%
Estimated total gross carrying amount at default (£'m)	2.5	0.4	0.2	2.7	5.8
Lifetime ECL (£'m)	(—)	(—)	(0.1)	(2.4)	(2.5)
Net Trade receivables as at 31 October 2019	2.5	0.4	0.1	0.3	3.3

The difference between expected credit loss rates in the UK and France is largely due to the differing processes for collecting overdue debt, with legal proceedings in France typically taking significantly longer than in the UK.

As at 31 October 2019, trade receivables of £4.5 million (FY2018: £4.6 million) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default, some of whom benefit from an extension to normal terms.

The above balances are short term (including other receivables) and therefore the difference between the book value and the fair value is not significant. Consequently, these have not been discounted.

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

	2019 £'m	2018 £'m
Sterling	16.8	15.4
Euros	5.8	7.1
	22.6	22.5

Other receivables includes amounts in relation to VAT recoverable on qualifying expenditure in respect of the Capital Goods Scheme. As at 31 October 2019 the Group had a total discounted other receivable of £0.4 million (FY2018: £1.1 million). This is split £0.2 million as non-current assets and £0.2 million as current assets (FY2018: £0.5 million and £0.6 million respectively). Amounts due from associates of £1.9 million relate to the new joint venture arrangement entered into by the Group during the year (note 12), made up of a loan to the associate of £1.7 million and a trading balance of £0.2 million.

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for the year ended 31 October 2019

18. Cash and cash equivalents

	2019 £'m	2018 £'m
Cash at bank and in hand	33.2	10.5

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2019 £'m	2018 £'m
Sterling	25.2	4.7
Euros	8.0	5.8
	33.2	10.5

19. Trade and other payables

	2019 £'m	2018 £'m
Current		
Trade payables	5.4	6.7
Other taxes and social security payable	2.7	3.7
Other payables	3.1	2.5
Accruals	14.8	13.4
Deferred income	14.6	14.0
	40.6	40.3

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

	2019 £'m	2018 £'m
Sterling	29.1	30.1
Euros	11.5	10.2
	40.6	40.3

20. Financial liabilities – bank borrowings and secured notes

Non-current	2019 £'m	2018 £'m
Bank loans and secured notes		
Secured	414.3	370.9
Debt issue costs	(1.3)	(1.0)
	413.0	369.9

The Group's borrowings consist of bank facilities of £250 million and €70 million. Following a loan extension exercise in October 2019 all our facilities now mature in June 2023 (FY2018: £26 million of the £250 million facility ran to June 2022 and £224 million ran to June 2023, and €13.3 million of the €70 million facility ran to June 2022, and €56.7 million ran to June 2023). In October 2019 the facilities which were due to mature in June 2022 were extended to June 2023. US Private Placement Notes of €125 million have maturities extending to 2024 and 2027, and £50.5 million maturing in 2029. In October 2019 additional US private placements notes were issued, €70 million and £35 million maturing in 2026 and £30 million in 2029. The blended cost of interest on the overall debt at 31 October 2019 was 2.30% 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 0.8152% (LIBOR) or 0.1656% (EURIBOR).

The Company also has in issue €50.9 million (FY2018: €50.9 million) 1.59% Series A Senior Secured Notes due 2024, €74.1 million (FY2018: €74.1 million) 2.00% Series B Senior Secured Notes due 2027 and £50.5 million (FY2018: £50.5 million) 2.92% Series C Senior Secured Notes due 2029. In October 2019 the Company issued an additional €70.0 million 1.26% Series A Senior Secured Notes due 2026, £35.0 million 2.59% Series B Senior Secured Notes due 2026 and £30.0 million 2.69% Series C Senior Secured Notes due 2029. The €195.0 million of Euro denominated borrowings provides 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 has entered into several interest rate swap contracts, details of which are shown in note 20.

Bank loans and secured notes are stated before unamortised issue costs of £1.3 million (FY2018: £1.0 million).

20. Financial liabilities – bank borrowings and secured notes *continued*

Bank loans and secured notes are repayable as follows:

	Group	
	2019 £'m	2018 £'m
Between two and five years	174.5	209.2
After more than five years	239.8	161.7
Bank loans and secured notes	414.3	370.9
Unamortised debt issue costs	(1.3)	(1.0)
	413.0	369.9

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

	2019	2018
Bank loans (UK term loan)	Quarterly or monthly LIBOR plus 1.25%	Quarterly or monthly LIBOR plus 1.25%
Bank loans (Euro term loan)	Quarterly EURIBOR plus 1.25%	Quarterly EURIBOR plus 1.25%
Private placement notes (Euro)	Weighted average rate of 1.63%	Weighted average rate of 1.83%
Private placement notes (Sterling)	Weighted average rate of 2.76%	2.92%

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	
	2019 £'m	2018 £'m
Expiring beyond one year	179.7	103.0

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

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

	2019 £'m	2018 £'m
Sterling	212.5	221.5
Euro	201.8	149.4
	414.3	370.9

21. Financial instruments

Financial risk management

Financial risk management is an integral part of the way the Group is managed. In the course of its business, the Group is exposed primarily to foreign exchange risk, interest rate risk, liquidity risk and credit risk. The overall aim of the Group's financial risk management policies is to minimise potential adverse effects on financial performance and net asset values ("NAV"). The Group manages the financial risks within policies and operating parameters approved by the Board of Directors and does not enter into speculative transactions. Treasury activities are managed centrally under a framework of policies and procedures approved and monitored by the Board. These objectives are to protect the assets of the Group and to identify and then manage financial risk. In applying these policies, the Group will utilise derivative instruments, but only for risk management purposes.

The principal financial risks facing the Group are described below.

Interest rate risk

The Group finances its operations through a mixture of retained profits, issued share capital and bank borrowings. The Group borrows in Sterling and Euros at floating rates and, where necessary, uses interest rate swaps to convert these to fixed rates to generate the preferred interest rate profile and to manage its exposure to interest rate fluctuations. A 1 percentage point change in interest rates would have a £0.5 million (FY2018: £0.5 million) impact on net interest. This sensitivity impact has been prepared by determining average floating interest rates and flexing these against average floating rate deposits and borrowings by major currency area over the course of the year.

Liquidity risk

The Group's policy on liquidity risk is to ensure that sufficient cash is available to fund ongoing operations without the need to carry significant net debt over the medium term. The Group's principal borrowing facilities are provided by a group of core relationship banks in the form of term loans and overdrafts. The quantum of committed borrowing facilities available to the Group is reviewed regularly and is designed to exceed forecast peak gross debt levels. Further details of the Group's borrowing facilities, including the repayment profile of existing borrowings and the amount of undrawn committed borrowing facilities, are set out in note 20.

Notes to the financial statements *continued*

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21. Financial instruments *continued*

Financial risk management *continued*

Credit risk

Credit risk arises on financial instruments such as trade and other receivables and short term bank deposits. Policies and procedures exist to ensure that customers have an appropriate credit history and account customers are given credit limits that are monitored. Short term bank deposits are executed only with A-rated or above authorised counterparties based on ratings issued by the major rating agencies. Counterparty exposure positions are monitored regularly so that credit exposures to any one counterparty are within predetermined limits. Overall, the Group considers that it is not exposed to a significant amount of credit risk. The amount of trade receivables outstanding at the year end does not represent the maximum exposure to operational credit risk due to the normal patterns of supply and payment over the course of a year. Based on management information collected as at month ends the maximum level of net trade receivables at any one point during the year was £16.1 million (FY2018: £14.3 million).

Foreign exchange risk

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

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

The Group holds Euro denominated loan notes totalling €195 million and as such is exposed to foreign exchange risk on these notes. The foreign exchange risk relating to the notes provides a natural hedge against the Euro denominated assets of its operations in France. As a result, the Group applies net investment hedging in respect of these loan notes.

At 31 October 2019, if Sterling had weakened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been unchanged (FY2018: unchanged). Equity would have been £7.2 million higher (FY2018: £10.3 million higher), arising primarily on translation of Euro denominated net assets held by subsidiary companies with a Euro functional currency.

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

Capital risk

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Being a REIT, the Group is required to distribute as a dividend a minimum of 90% of its property rental income to shareholders. This is factored into the Group's capital risk management.

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

The gearing ratios at 31 October 2019 and 2018 were as follows:

	2019 £'m	2018 £'m
Total borrowings (excluding derivatives)	476.5	426.0
Less: cash and cash equivalents (note 18)	(33.2)	(10.5)
Net debt	443.3	415.5
Total equity	885.9	788.6
Total capital	1,329.2	1,204.1
Gearing ratio	33%	35%

The Group considers that a loan-to-value ("LTV") ratio, defined as gross debt (excluding finance leases) as a proportion of the valuation of investment properties and investment properties under construction (excluding finance leases), of between 30% and 40% represents an appropriate medium term capital structure objective. The Group's LTV ratio was 31% at 31 October 2019 (FY2018: 30%).

The Group has complied with all of the covenants on its banking facilities during the year.

Financial instruments

Financial instruments disclosures are set out below:

	2019		2018	
	Asset £'m	Liability £'m	Asset £'m	Liability £'m
Interest rate swaps	—	(0.6)	1.4	(0.2)

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.

21. Financial instruments *continued*

Financial instruments *continued*

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

The fair value of bank loans is calculated as:

	2019		2018	
	Book value £'m	Fair value £'m	Book value £'m	Fair value £'m
Bank loans	413.0	457.6	369.9	376.5

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	2019 £'m	2018 £'m
Derivative financial instruments – Level 2	—	1.4
Amounts due from associates – Level 2	1.9	—

Liabilities per the balance sheet	2019 £'m	2018 £'m
Derivative financial instruments – Level 2	0.6	0.2
Bank loans – Level 2	457.6	376.5

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 2019 were £55 million and €30 million (FY2018: £135 million and €30 million). At 31 October 2019 the weighted average fixed interest rates were Sterling at 0.8152% and Euro at 0.1656% (FY2018: Sterling at 0.9382% and Euro at 0.1635%) and floating rates are at quarterly LIBOR and quarterly EURIBOR. The £55.0 million LIBOR swaps and the EURIBOR swaps expire in June 2022, whilst a further £55.0 million LIBOR forward-starting swaps become effective in June 2022 and expire in June 2023 and have a fixed interest rate of 0.6885%. The movement in fair value recognised in the income statement was a net loss of £2.1 million (FY2018: £0.5 million net gain).

Financial instruments by category

Assets per the balance sheet	Financial assets at amortised cost £'m	Assets at fair value through profit and loss £'m	Total £'m
Trade receivables and other receivables excluding prepayments	14.3	—	14.3
Amounts due from associates	1.9	—	1.9
Derivative financial instruments	—	—	—
Cash and cash equivalents	33.2	—	33.2
At 31 October 2019	49.4	—	49.4

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)	—	413.0	413.0
Finance lease liabilities	—	63.5	63.5
Derivative financial instruments	0.6	—	0.6
Payables and accruals	—	26.0	26.0
At 31 October 2019	0.6	502.5	503.1

Notes to the financial statements *continued*

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21. Financial instruments *continued*

Financial instruments *continued*

Financial instruments by category *continued*

	Loans and receivables £'m	Assets at fair value through profit and loss £'m	Total £'m
Assets per the balance sheet			
Trade receivables and other receivables excluding prepayments	16.4	—	16.4
Derivative financial instruments	—	1.4	1.4
Cash and cash equivalents	10.5	—	10.5
At 31 October 2018	26.9	1.4	28.3

	Liabilities at fair value through profit and loss £'m	Other financial liabilities at amortised cost £'m	Total £'m
Liabilities per the balance sheet			
Borrowings (excluding finance lease liabilities)	—	369.9	369.9
Finance lease liabilities	—	56.1	56.1
Derivative financial instruments	0.2	—	0.2
Payables and accruals	—	26.3	26.3
At 31 October 2018	0.2	452.3	452.5

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

	2019			2018		
	Floating rate £'m	Fixed rate £'m	Total £'m	Floating rate £'m	Fixed rate £'m	Total £'m
Borrowings	48.4	364.6	413.0	46.5	323.4	369.9

The weighted average interest rate of the fixed rate financial borrowing was 2.04% (FY2018: 2.12%) and the weighted average remaining period for which the rate is fixed was seven years (FY2018: six years).

Maturity analysis

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

	Less than one year £'m	One to two years £'m	Two to five years £'m	More than five years £'m
2019				
Borrowings	9.0	9.0	197.4	258.2
Derivative financial instruments	0.8	0.8	1.3	—
Contractual interest payments and finance lease charges	10.2	10.1	27.1	50.8
Payables and accruals	26.0	—	—	—
	46.0	19.9	225.8	309.0
2018				
Borrowings	7.9	7.9	231.6	176.5
Derivative financial instruments	1.6	1.6	2.6	—
Contractual interest payments and finance lease charges	9.4	8.3	23.5	48.2
Payables and accruals	26.3	—	—	—
	45.2	17.8	257.7	224.7

22. Obligations under finance leases

The Group leases certain of its investment properties under finance leases. The average remaining lease term is 10.9 years (FY2018: 10.4 years).

	Minimum lease payments		Present value of minimum lease payments	
	2019 £'m	2018 £'m	2019 £'m	2018 £'m
Within one year	10.2	9.4	9.7	8.9
Within two to five years	37.2	31.8	29.7	25.3
Greater than five years	50.8	48.2	24.1	21.9
	98.2	89.4	63.5	56.1
Less: future finance charges on finance leases	(34.7)	(33.3)	—	—
Present value of finance lease obligations	63.5	56.1	63.5	56.1
			2019 £'m	2018 £'m
Current			9.7	8.9
Non-current			53.8	47.2
			63.5	56.1

23. Deferred income tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (FY2018: 17%) for the UK and 25.83% (FY2018: 25.83%) for France. The movement on the deferred tax account was as shown below.

	Note	2019 £'m	2018 £'m
At 1 November		56.2	52.2
Charge to income statement	9	10.1	3.4
Exchange differences		(1.9)	0.6
At 31 October		64.4	56.2

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below.

	Revaluation of investment properties £'m	Other timing differences £'m	Total £'m
Deferred tax liability			
At 1 November 2017	51.8	0.5	52.3
Charge/(credit) to income statement	3.6	(0.1)	3.5
Exchange differences	0.6	—	0.6
At 31 October 2018	56.0	0.4	56.4
At 1 November 2018	56.0	0.4	56.4
Charge/(credit) to income statement	10.3	(0.1)	10.2
Exchange differences	(1.9)	—	(1.9)
At 31 October 2019	64.4	0.3	64.7

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23. Deferred income tax *continued*

	Other timing differences £'m	Interest swap £'m	Total £'m
Deferred tax asset			
At 1 November 2017	—	0.1	0.1
Credit/(charge) to income statement	0.2	(0.1)	0.1
At 31 October 2018	0.2	—	0.2
At 1 November 2018	0.2	—	0.2
Credit to income statement	—	0.1	0.1
At 31 October 2019	0.2	0.1	0.3

The deferred tax liability due after more than one year is £64.7 million (FY2018: £56.4 million).

As at 31 October 2019, the Group had trading losses of £27.6 million (FY2018: £29.7 million) and capital losses of £36.4 million (FY2018: £36.4 million) in respect of its UK operations. All losses can be carried forward indefinitely. No deferred tax asset has been recognised in respect of these losses.

24. Called up share capital

	2019 £'m	2018 £'m
Called up, allotted and fully paid		
210,420,424 (FY2018: 210,011,217) ordinary shares of 1 pence each	2.1	2.1

Ordinary shares

The holders of the ordinary shares shall be entitled to one vote for each ordinary share.

During the year the Company issued 409,207 ordinary shares (FY2018: 527,998 ordinary shares).

Safestore Holdings plc Sharesave scheme

The fair value of the Sharesave options granted during the year was assessed by an independent actuary using a Black-Scholes model based on the assumptions set out in the table below:

		Grant date 14 August 2019 (UK three years)
Number of options granted		153,443
Share price at grant date	(pence)	587
Exercise price	(pence)	510
Risk-free rate of interest	(% per annum)	0.34
Expected volatility	(% per annum)	21.5
Expected dividend yield	(% per annum)	2.84
Expected term to exercise	(years)	3.0
Value per option	(pence)	96

Safestore Long Term Incentive Plan

The fair values of the awards granted in the accounting period were assessed by an independent actuary using a Monte Carlo model based on the assumptions set out in the table below. In determining an appropriate assumption for expected future volatility, the historical volatility of the share price of Safestore Holdings plc has been considered along with the historical volatility of comparator companies.

		Grant date February/July 2019	
		(PBT-EPS part)	(TSR part)
Number of options granted		101,333	50,666
Weighted average share price at grant date	(pence)	586	586
Exercise price	(pence)	—	—
Weighted average risk-free rate of interest	(% per annum)	n/a	0.71
Expected volatility	(% per annum)	n/a	25.2
Weighted average expected term to exercise	(years)	3.51	3.51
Weighted average value per option	(pence)	582	484

24. Called up share capital *continued*

Safestore Long Term Incentive Plan *continued*

Details of the awards outstanding under all of the Group's share schemes are set out below:

Date of grant	At 31 October 2018	Granted	Exercised	Lapsed	At 31 October 2019	Exercise price	Expiry date
Safestore Holdings plc Sharesave scheme							
26/08/2014	62,075	—	(62,075)	—	—	164.0p	01/03/2020
24/10/2017	240,245	—	—	(17,292)	222,953	352.8p	01/05/2021
24/10/2017	59,585	—	—	(10,797)	48,788	352.8p	01/05/2023
14/08/2019	—	153,443	—	(1,762)	151,681	510.0p	01/03/2023
Total	361,905	153,443	(62,075)	(29,851)	423,422		
Safestore 2009 Performance Share Plan							
14/03/2016	341,746	—	(341,746)	—	—	0.0p	14/03/2020
Total	341,746	—	(341,746)	—	—		
Safestore Long Term Incentive Plan							
29/09/2017	5,913,000	—	—	(65,000)	5,848,000	0.0p	28/09/2027
09/10/2017	150,000	—	—	—	150,000	0.0p	28/09/2027
15/06/2018	53,000	—	—	(20,000)	33,000	0.0p	28/09/2027
05/02/2019	—	102,500	—	(17,500)	85,000	0.0p	28/09/2027
05/07/2019	—	49,500	—	—	49,500	0.0p	28/09/2027
Total	6,116,000	152,000	—	(102,500)	6,165,500		

In addition, amounts totalling £260,000 (FY2018: £147,000) in respect of bonuses awarded to Executive Directors for the year ended 31 October 2019 will be deferred into shares which will vest at the end of two years following the financial year in which the bonus is earned. The grant date is the start of the financial year in which the performance stage is assessed, which is one year before the shares are awarded. The shares are expected to be awarded in January 2020.

During the year ended 31 October 2018, the Long Term Incentive Plan ("LTIP") options granted in 2017 to Frederic Vecchioli and Andy Jones were modified, such that the LTIP vesting level was reduced to nil for EPS performance below 7% per annum and relative TSR performance below the 55th percentile, unless there are exceptional circumstances justifying some pay out for this level of performance. No options have been modified for all other participants of the LTIP scheme. No options have been modified since grant under any other awards.

The weighted average exercise price of outstanding options under the Sharesave scheme is 409 pence (FY2018: 322 pence). The weighted average exercise price of options exercised under the Sharesave scheme is 164 pence (FY2018: 164 pence).

Participants exercising Performance Share Plan awards during the year also received a further 23,861 shares in respect of dividends accrued during the vesting period.

Own shares

Included within retained earnings are ordinary shares with a nominal value of £385 (FY2018: £23) that represent shares allotted to the Safestore Employee Benefit Trust in satisfaction of awards under the Group's Long Term Incentive Plan and which remain unvested.

25. Cash flow from operating activities

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

	Notes	2019 £'m	2018 £'m
Cash generated from continuing operations			
Profit before income tax		147.3	185.3
Gain on investment properties	13	(84.2)	(122.1)
Depreciation	14	0.7	0.6
Net finance expense	8	16.4	12.3
Employee share options		3.8	4.1
Changes in working capital:			
Decrease in trade and other receivables		0.9	1.5
Increase/(decrease) in trade and other payables		0.6	(1.5)
Cash generated from continuing operations		85.5	80.2

Notes to the financial statements *continued*

for the year ended 31 October 2019

26. Analysis of movement in net debt

	2018 £'m	Cash flows £'m	Non-cash movements £'m	2019 £'m
Bank loans	(369.9)	(47.3)	4.2	(413.0)
Finance leases	(56.1)	5.4	(12.8)	(63.5)
Total gross debt	(426.0)	(41.9)	(8.6)	(476.5)
Cash in hand	10.5	23.2	(0.5)	33.2
Total net debt	(415.5)	(18.7)	(9.1)	(443.3)

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

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

Non-cash movements relate to the amortisation of debt issue costs, £0.2 million (FY2018: £0.8 million), foreign exchange movements, £3.9 million (FY2018: £1.6 million) and unwinding of discount including adjustments to finance leases, £12.8 million (FY2018: £5.1 million).

27. Employees and Directors

Staff costs (including Directors) for the Group during the year	2019 £'m	2018 £'m
Wages and salaries	20.0	19.3
Social security costs	4.4	4.0
Other pension costs	0.5	0.4
Share-based payments	3.8	4.1
	28.7	27.8

During the period ended 31 October 2019 the Company's equity-settled share-based payment arrangements comprised the Safestore Holdings plc Sharesave scheme, the Safestore 2009 Performance Share Plan and the Safestore Long Term Incentive Plan. The number of awards made under each scheme is detailed in note 24. No options have been modified since grant under any of the schemes, other than the modification in respect of the LTIP awards for Executive Directors described in note 24.

Average monthly number of people (including Executive Directors) employed	2019 Number	2018 Number
Sales	555	554
Administration	83	80
	638	634

Key management compensation	2019 £'m	2018 £'m
Wages and salaries	3.5	3.1
Social security costs	1.8	1.5
Post-employment benefits	0.1	0.2
Share-based payments	3.0	3.2
	8.4	8.0

The key management figures given above include Directors.

Directors	2019 £'m	2018 £'m
Aggregate emoluments	5.0	5.0
Company contributions paid to money purchase pension schemes	0.1	0.1
	5.1	5.1

There were two Directors (FY2018: two) accruing benefits under a money purchase scheme.

28. Contingent liabilities

As part of the Group banking facility, the Company has guaranteed the borrowings totalling £414.3 million (FY2018: £370.9 million) of fellow Group undertakings by way of a charge over all of its property and assets. There are similar cross guarantees provided by the Group companies in respect of any bank borrowings which the Company may draw under a Group facility agreement. The financial liability associated with this guarantee is considered remote and therefore no provision has been recorded.

Following tax audits 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 and 2016 to 2019. 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 are in the process of contesting the findings of the FTA through the French courts. The duration and outcome of this dispute cannot be anticipated at this stage of the proceedings. Based on our analysis of the relevant information, the maximum potential exposure in relation to the tax audit issues at 31 October 2019 is £2.3 million. No provision for any potential exposure has been recorded in the consolidated financial statements since the Group believes it is more likely than not that a successful outcome will be achieved resulting in no eventual additional liabilities. Bank guarantees to cover any potential additional tax assessment are currently being put in place, of which guarantees totalling £0.4 million have been put in place as at 31 October 2019.

29. Capital commitments

The Group had £59.7 million of capital commitments as at 31 October 2019 (FY2018: £11.1 million).

30. Related party transactions

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

Transactions with CERF Storage JV B.V.

As described in note 12, the Group has a 20% interest in CERF Storage JV B.V. ("CERF"), and entered into transactions with CERF. During the year the Group recharged £0.2 million to CERF for costs paid on behalf of CERF, and loaned £1.7 million for operational and set-up costs. Amounts due from CERF as at 31 October 2019 amounted to £1.9 million (FY2018: £nil).

31. Post balance sheet events

On 5 November 2019, the Group completed the acquisition of Fortbox Self Storage Limited and Walnut Tree Self Storage Limited which include properties located in Central London.

On 30 December 2019, the Group completed the acquisition of OMB Self Storage SL which include properties located in Central Barcelona.

32. Parent company

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

33. Business combination

On 29 July 2019, the Group completed the acquisition of Salus Services Limited ("SSL") trading as Ready Steady Store, a company controlled by a private equity group, for a cash consideration of £6.4 million. The acquisition has complemented the Group's strategy of strengthening its market-leading portfolio. Final fair values of assets and liabilities have been determined following finalisation of working capital balances, resulting in no goodwill being recognised on acquisition due to the consideration paid being equal to the fair value of the identifiable net assets. £0.2 million of transaction related costs were reported as an exceptional item within administrative expenses for the year ended 31 October 2019.

The fair value of the assets and liabilities of SSL recognised at the date of acquisition is set out in the table below:

	£'m
Assets	
Investment properties (note 13)	6.4
Inventories	—
Trade and other receivables	0.2
Total assets	6.6
Liabilities	
Trade and other payables	(0.2)
Total liabilities	(0.2)
Net assets	6.4
Gross consideration	6.4
Less cash acquired	—
Net consideration paid	6.4

Since the date of the acquisition, SSL has contributed £0.2 million to the revenue of the Group and £0.1 million to the profit after tax for the Group.

Company balance sheet

as at 31 October 2019

	Notes	Company	
		2019 £'m	2018 £'m
Fixed assets			
Tangible assets	5	—	—
Investments in subsidiaries	6	1.0	1.0
Total fixed assets		1.0	1.0
Current assets			
Debtors: amounts falling due after more than one year	7	489.8	321.8
Debtors: amounts falling due within one year	7	0.7	—
Cash at bank and in hand		0.6	—
Total current assets		491.1	321.8
Total assets		492.1	322.8
Creditors: amounts falling due within one year	8	(6.4)	(20.3)
Total assets less current liabilities		485.7	302.5
Creditors: amounts falling due after more than one year	9	(283.6)	(161.7)
Net assets		202.1	140.8
Capital and reserves			
Called up share capital	10	2.1	2.1
Share premium account		60.6	60.5
Profit and loss account		139.4	78.2
Total shareholders' funds		202.1	140.8

The Company's profit for the financial year amounted to £92.8 million (FY2018: £43.4 million).

The Company financial statements on pages 130 to 132 were approved by the Board of Directors on 6 January 2020 and signed on its behalf by:

A Jones

Chief Financial Officer

F Vecchioli

Chief Executive Officer

Company registration number: 4726380

Company statement of changes in equity

for the year ended 31 October 2019

	Company			
	Share capital £'m	Share premium £'m	Retained earnings £'m	Total £'m
Balance at 1 November 2017	2.1	60.4	62.0	124.5
Comprehensive income				
Profit for the year	—	—	43.4	43.4
Total comprehensive income	—	—	21.1	21.1
Transactions with owners				
Dividends	—	—	(31.3)	(31.3)
Increase in share capital	—	0.1	—	0.1
Employee share options	—	—	4.1	4.1
Transactions with owners	—	0.1	(27.2)	(27.1)
Balance at 1 November 2018	2.1	60.5	78.2	140.8
Comprehensive income				
Profit for the year	—	—	92.8	92.8
Total comprehensive income	2.1	60.5	171.0	233.6
Transactions with owners				
Dividends	—	—	(35.0)	(35.0)
Increase in share capital	—	0.1	—	0.1
Employee share options	—	—	3.4	3.4
Transactions with owners	—	0.1	(31.6)	(31.5)
Balance at 31 October 2019	2.1	60.6	139.4	202.1

For details of the dividend paid in the year see note 11 in the Group financial statements.

Notes to the Company financial statements

for the year ended 31 October 2019

1. Accounting policies and basis of preparation

The Company financial statements are prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101"). In preparing these financial statements the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards ("IFRS") as adopted by the European Union, but makes amendments where necessary in order to comply with the Companies Act 2006 and sets out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for tangible fixed assets;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- IFRS 2 "Share-based Payment" in respect of Group-settled share-based payments; and
- certain disclosures required by IFRS 13 "Fair Value Measurement" and the disclosures required by IFRS 7 "Financial Instruments: Disclosures".

The above disclosure exemptions are permitted because equivalent disclosures are included in the Group consolidated financial statements.

The financial statements are prepared on a going concern basis under the historical cost convention. The Company's principal accounting policies are the same as those applied in the Group financial statements, except as described below:

Investments

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

2. Results of parent company

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account as part of these financial statements. The Company's profit for the financial year amounted to £92.8 million (FY2018: £43.4 million).

3. Directors' emoluments

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

4. Operating profit

The Company does not have any employees (FY2018: none). Details of the Company's share-based payments are set out in note 24 to the Group financial statements.

Auditor's remuneration for the year ended 31 October 2019 was £11,200 (FY2018: £10,000). There were no non-audit services (FY2018: none) provided by the auditor.

5. Tangible assets – fixtures and fittings

	£'m
Cost	
As at 1 November 2018 and at 31 October 2019	0.2
Accumulated depreciation	
As at 1 November 2018	0.2
Charge for the year	—
At 31 October 2019	0.2
Net book value	
At 31 October 2019	—
At 31 October 2018	—

6. Investments in subsidiaries

	£'m
Cost and net book value	
At 1 November 2018	1.0
At 31 October 2019	1.0

Investments in subsidiaries are stated at cost. A list of interests in subsidiary undertakings is given below. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

6. Investments in subsidiaries *continued*

Interests in subsidiary undertakings

The entities listed below are subsidiaries of the Company or the Group. The Group percentage of equity capital and voting rights is 100% for all subsidiaries listed. The results of all of the subsidiaries have been consolidated within these financial statements. The registered address of each subsidiary is Brittanica House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT, except where indicated below by a footnote.

Subsidiary	Country of incorporation	Principal activity
Safestore Investments 2018 Limited ¹	England and Wales	Holding company
Access Storage Holdings (France) S.à r.l.	Luxembourg ²	Holding company
Alligator Management Services Limited ⁶	Scotland ³	Provision of self storage
Alligator Self Storage Limited ⁶	Scotland ³	Provision of self storage
Alligator Storage Birmingham Limited ⁸	Scotland ³	Provision of self storage
Alligator Storage Bolton Limited ⁸	Scotland ³	Provision of self storage
Alligator Storage Centres Limited ⁸	Scotland ³	Provision of self storage
Alligator Storage Limited ⁸	England and Wales	Provision of self storage
Alligator Storage Wednesbury Limited ⁸	Scotland ³	Provision of self storage
Assay Insurance Services Limited	Guernsey ⁴	Insurance services
Compagnie de Libre Entreposage France SAS	France ⁵	Holding company
Crown Self Storage (Exeter) Limited ⁷	England and Wales	Provision of self storage
Crown Self Storage (Plymouth) Limited ⁷	England and Wales	Provision of self storage
Mentmore Limited	England and Wales	Holding company
R & M Hampson Limited ⁷	England and Wales	Provision of self storage
Safestore Acquisition Limited	England and Wales	Holding company
Safestore Group Limited	England and Wales	Holding company
Safestore Investments Limited	England and Wales	Holding company
Safestore Limited	England and Wales	Provision of self storage
Safestore Properties Limited	England and Wales	Provision of self storage
Safestore Trading Limited	England and Wales	Non-trading
Spaces Personal Storage Limited	England and Wales	Provision of self storage
Salus Services Limited	England and Wales	Provision of self storage
Space Maker Stores Limited ⁷	England and Wales	Holding company
Space Maker Trading Limited ⁷	England and Wales	Provision of self storage
Storage UK SPV1 Limited ⁸	England and Wales	Provision of self storage
Storage UK SPV2 Limited ⁸	England and Wales	Provision of self storage
Stork Self Storage (Holdings) Limited ⁸	England and Wales	Holding company
Stork Self Storage (UK) Limited ⁸	England and Wales	Provision of self storage
Une Pièce en Plus SAS	France ⁵	Provision of self storage

Notes

¹ Held directly by the Company.

² Registered address: 412F, route d'Esch, L-2086 Luxembourg.

³ Registered address: 9 Safestore Centre, 9 Canal Street, Glasgow G4 0AD.

⁴ UK tax resident; registered address: St Martin's House, Le Bordage, St Peter Port, Guernsey.

⁵ Registered address: 1, rue François Jacob, 92500 Rueil Malmaison, France.

⁶ Companies dissolved 26 February 2019.

⁷ Companies liquidated 8 November 2019.

⁸ Companies that are being liquidated.

Notes to the Company financial statements *continued*

for the year ended 31 October 2019

7. Debtors

	2019 £'m	2018 £'m
Trade receivables	0.2	—
Other receivables	0.5	—
Debtors due within one year	0.7	—
Amounts owed by Group undertakings	489.8	321.8
Debtors due after more than one year	489.8	321.8

Amounts owed by Group undertakings are unsecured and repayable on demand; however, the Directors consider it unlikely that repayment will arise in the short term and it is for this reason that the amounts are shown as falling due after one year.

Interest is charged to Group undertakings on amounts totalling £283.6 million (FY2018: £161.7 million). The remaining amounts owed by Group undertakings are interest free.

8. Creditors: amounts falling due within one year

	2019 £'m	2018 £'m
Amounts owed to Group undertakings	0.3	16.7
Trade payables	0.2	—
Accruals and deferred income	5.9	3.6
Creditors due within one year	6.4	20.3

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

9. Creditors: amounts falling due after more than one year

	2019 £'m	2018 £'m
Secured loan notes	283.6	161.7
Creditors due after more than one year	283.6	161.7

Of the above, £239.8 million (FY2018: £161.7 million) is due after more than five years.

The secured loan notes are €50.9 million (FY2018: €50.9 million) 1.59% Series A Senior Secured Notes due 2024, €74.1 million (FY2018: €74.1 million) 2.00% Series B Senior Secured Notes due 2027 and £50.5 million (FY2018: £50.5 million) 2.92% Series C Senior Secured Notes due 2029. In October 2019 the Company issued an additional €70.0 million 1.26% Series A Senior Secured Notes due 2026, £35.0 million 2.59% Series B Senior Secured Notes due 2026 and £30.0 million 2.69% Series C Senior Secured Notes due 2029.

10. Called up share capital

	2019 £'m	2018 £'m
Called up, allotted and fully paid		
210,420,424 (FY2018: 210,011,217) ordinary shares of 1 pence	2.1	2.1

Ordinary shares

The holders of the ordinary shares shall be entitled to one vote for each ordinary share.

For details of share options see note 24 in the Group financial statements.

11. Contingent liabilities

For details of contingent liabilities see note 28 in the Group financial statements.

Directors and advisers

Directors

David Hearn	(Non-Executive Chairman)
Frederic Vecchioli	(Chief Executive Officer)
Andy Jones	(Chief Financial Officer)
Ian Krieger	(Non-Executive Director)
Joanne Kenrick	(Non-Executive Director)
Claire Balmforth	(Non-Executive Director)
Bill Oliver	(Non-Executive Director)

Company Secretary

Helen Bramall

Registered office

Brittanic House
Stirling Way
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Registered company number

4726380

Websites

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www.safestore.com

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HSBC Bank
Lloyds Bank

Independent auditor

Deloitte LLP

Statutory Auditor
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London EC4A 3TR

Legal advisers

Travers Smith LLP

10 Snow Hill
London EC1A 2AL

Eversheds LLP

115 Colmore Row
Birmingham B3 3AL

Brokers and financial advisers

Investec Bank Plc

2 Gresham Street
London EC2V 7QP

Citigroup Global Markets Limited

Citigroup Centre
33 Canada Square
London E14 5LB

Financial PR advisers

Instinctif Partners

65 Gresham Street
London EC2V 7NQ

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The Registry
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Beckenham
Kent BR3 4TU

Telephone (in UK): 0871 664 0300
(Calls cost 12 pence per minute plus your phone company's access charge.)

Telephone (from overseas): +44 (0)371 664 0300
(Calls outside the United Kingdom will be charged at the applicable international rate.)

Lines are open between 9.00 am and 5.30 pm Monday to Friday, excluding public holidays in England and Wales.

Email: enquiries@linkgroup.co.uk
Share Portal Enquiries: enquiries@linkgroup.co.uk
Share Portal: www.signalshares.com

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

Please visit our investor relations website

All the latest news and updates for investors at www.safestore.com.



Safestore's commitment to environmental issues is reflected in this Annual Report, which has been printed on Genyous, an FSC® certified material.

This document was printed by Park Communications using its environmental print technology, which minimises the impact of printing on the environment, with 99% of dry waste diverted from landfill. Both the printer and the paper mill are registered to ISO 14001.

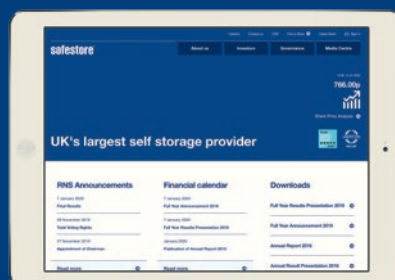
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