

30 October 2006

Lok'nStore Group Plc

Preliminary results for the year ended 31st July 2006

Lok'nStore Group plc, one of the leading players in the fast growing self-storage market, announces Preliminary Results for the year ended 31 July 2006.

Financial Highlights

- Turnover £8.95 million – up 15.1% (2005: £7.77 million)
- Company EBITDA £1.75 million – up 29% (2005: £1.36 million)
- Storage centres EBITDA £3.1 m – up 24% (2005: £2.5 million)
- Operating Profit £851k – up 40.3% (2005 £607k)
- EBITDA margin on established stores (>250 weeks): 40%

Property Highlights

- Property valuation £66.6 m
- Net Asset Value (NAV) £2.13 per share (based on 31.07.2006 valuations)
- Built and opened first purpose built store in Farnborough
- Total portfolio capacity 920,000 sq ft
- Planning permission granted for the new Reading store on adjacent land

Operational Highlights

- Good sales growth at established and new storage centres
- Opened Farnborough and Crayford centres on time and on budget
- 104,818 sq ft of self-storage units fitted - an increase of 20% in fitted space
- 19 out of 21 stores now operating at EBITDA positive levels
- Prices for self-storage up 4% year on year

Andrew Jacobs, Chief Executive Officer commented:

“Lok'nStore has made excellent progress during the year and we are encouraged by the early success of the Farnborough store as a model for rolling out future stores. The new centre with its prominent design, distinctive orange elevations and position adjacent to the M3 motorway will help to raise the profile of the whole Lok'nStore brand.

“Our property portfolio has been independently valued at £66.6 million which translates into net asset value per share of 213 pence. This reflects the improved operational efficiency of the business, the immediate increase of the value of the new stores opened during the year, and the full market value of the Kingston and Reading properties.

“The UK self-storage market continues to offer an excellent combination of predictable profits and potential for growth. It continues to grow rapidly and offers a great opportunity, particularly to the major operators with specialist skills. Lok'nStore has a proven ability to increase revenue from our existing centres and open new centres, which combine to produce attractive growth and profits. There are opportunities to open new stores, and to improve margins further by enlarging their average size and increasing prices. We believe that there is an opportunity to further increase the value of the business by accelerating our growth rate.

“Lok'nStore's market position, leading brand and increasing balance sheet strength means we are well positioned to take advantage of this under-developed market and I am confident that our management team will continue to deliver substantial growth in shareholder value.”

Press Enquiries:

Andrew Jacobs, CEO
Ray Davies, Finance Director
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Lok'nStore
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CHAIRMAN'S STATEMENT

OVERVIEW

I am pleased to report that Lok'nStore continues to make good progress and I am delighted at the successful opening of our new flagship store and head office in Farnborough. The operating performance of our existing centres has continued to improve, we have increased the value of our existing centres and we have successfully launched new sites acquired last year. At our year end we have revalued all of our properties. These valuations have not been included in the balance sheet.

Lok'nStore's focus on growth again has underpinned satisfactory results. Turnover, profits and operating cash flows have all increased. We continue to invest in our existing centres, as well as opening new centres, reflecting our positive view of the market.

We believe that the UK self-storage market offers great potential for Lok'nStore.

SALES AND EARNINGS GROWTH

Total turnover for the year was £8.95 million (2005: £7.77 million), an increase of 15.1%, with annualised revenues now reaching £10.36 million (2005: £8.48 million) demonstrating the continued growth of the business during the year. The Group made an operating profit for the year of £851,351 up 40.3% compared with £606,961 in 2005. The Group made a pre-tax profit for the year of £124,301 compared with £114,325 in 2005.

The cash-flow of the operating business has continued to grow with earnings before interest, tax, depreciation and amortisation (EBITDA) from the storage centres at £3.08 million, and cash flow from operating activities amounting to £1.6 million.

At 31 July 2006, the number of customers/contracts had risen to 7,570 up from 6,715 at 31 July 2005, an increase of 12.7% over the year.

Our established centres have continued to grow alongside the more rapid sales increases at our newest centres. On a like for like basis, our 15 Centres trading for more than 250 weeks grew revenue by 9.2%, our 4 centres with 100 to 250 weeks' trading grew revenue by 42.3%. Our 2 new centres at Farnborough and Crayford had been trading for around six months at the year end and have started encouragingly.

Lok'nStore's 11 most established centres (those stores over 250 weeks old in the last financial year) made EBITDA margins of 49% this year compared to 48% last year, demonstrating improvement in the underlying margin on a like for like basis. At 31 July 2006, Lok'nStore had 15 established stores (over 250 weeks old) with the addition of 4 stores, all leasehold, joining this category during the year. These made an aggregate EBITDA margin of 39.8%. Again, we have seen margin improvement when compared to 37.7% last year for the same 15 stores, showing the strong underlying and increasing profitability of the business.

Overall EBITDA margins on the aggregate of all stores improved from 32.4% to 34.6%

DIVIDEND

The directors do not recommend the payment of a dividend; however the Board will keep this matter under periodic review.

NEW CENTRES

During the year we built and opened our new centre in Farnborough, and opened a new centre in Crayford. They are both located in attractive markets with high visibility. We now have 21 stores open with capacity of 920,000 sq. ft. of storage space when fully fitted.

These two new stores, which provide 128,000 sq ft of space, are larger than Lok'nStore's average size of 43,800 ft per store, and add 16% to total space. Combined with the fact that they are both freeholds and prominent, high specification buildings this adds significantly to the potential margins they are capable of achieving. This in turn positively impacts on the potential margins of the Group overall.

The successful development and opening of the Farnborough centre, which is the first purpose built for Lok'nStore, represents an evolution of the business model, creating value through larger new-build centres. It is the first centre where Lok'nStore has managed the entire process of buying the land, gaining planning permission, building, and fitting the store. With its prominent design and position adjacent to the M3 motorway it has raised the profile of the whole Lok'nStore brand.

I would like to take this opportunity to thank the Lok'nStore team for its prompt construction and successful opening.

Our objective is to increase the number of Lok'nStore centres and we have further sites in the pipeline which we expect to sign during the coming financial year. We continuously review opportunities to buy, to build, and to lease new stores and are encouraged by the early success of the Farnborough store as a model for rolling out future stores. We believe that there is an opportunity to further increase the value of the business by accelerating our growth rate.

PROPERTY ASSETS

Lok'nStore's property holdings have been valued at 31 July 2006. This report valued our properties at £66.6 million (Jan 2005: £31.8 million) compared to a net book value of £25.2 million. (2005: NBV £16.7 million). This valuation includes the new Farnborough and Crayford stores, in addition to the Kingston and Reading properties at full market value. This valuation translates into a net asset value of 213 pence per share. The value of trading properties which were previously valued in January 2005 showed an uplift of 33.42% from that date, of which 13.25% is capital growth (yield contraction) and 20.17% operational performance.

During the year we were pleased to conclude the planning permission formalities in respect of high-density residential development at our existing Kingston site with the formal execution of the S.106 Agreement.

SELF-STORAGE IN THE UK AND US

The UK self-storage market continues to grow rapidly and offers a great opportunity, particularly to the major operators with specialist skills.

The more mature US market, grew from 2.9 sq. ft. per member of the population in 1994 to 5.54 sq. ft. in 2006. The population density of the US is only 32 per square kilometre against 246 in the UK. This creates far more pressure to use property resources efficiently in the UK, which is a driver of demand for self-storage.

Lok'nStore is one of two quoted storage operators in the UK, ranked fourth in size in the UK and sixth in Europe.

LOK'NSTORE PEOPLE

Andrew Jacobs, Chief Executive Officer, is supported by an experienced executive team now all based at our corporate head office in Farnborough. Our storage centre personnel are committed and motivated and help maintain the exemplary levels of friendly service that Lok'nStore provides to its customers.

I would like to thank all of the people who work at our head office and in our centres for their commitment to our business and for their hard work. Their continued effort will enable us to further increase the value of the business.

OUTLOOK

The UK self-storage market continues to offer an excellent combination of predictable profits and potential for growth. It continues to grow rapidly and offers a great opportunity, particularly to the major operators with specialist skills. Lok'nStore has a proven ability to increase revenue from our existing centres and open new centres, which combine to produce attractive growth and profits. There are opportunities to open new stores, and to improve margins further by enlarging their average size and increasing prices. We believe that there is an opportunity to further increase the value of the business by accelerating our growth rate.

Lok'nStore's market position, leading brand and increasing balance sheet strength means we are well positioned to take advantage of this under-developed market and I am confident that our management team will continue to deliver substantial growth in shareholder value."

Simon Thomas

Chairman

27 October 2006

OPERATING REVIEW

SALES AND PRICING

During the year under review we have continued to raise operational standards at Lok'nStore, and to focus store personnel on taking responsibility for increasing turnover. This work has continued to improve the consistency of performance across the centres. Our central sales team are now running more frequent and improved sales training courses using facilities in our new flagship store in Farnborough. In addition, we regularly review the bonus scheme to link performance and reward more directly to turnover growth and consistently high quality customer service.

During the year we increased occupied space by 50,301 sq. ft. (9.1%), with total occupied space at 31 July 2006 of 605,746 sq ft. (31 July 2005 of 555,445 sq ft). We have included a table summarising the trading performance of all our centres over the year, analysed between centres open less than 100 weeks, between 100 and 250 weeks, and more than 250 weeks at the end of the period.

Encouragingly, revenue from the 15 most established centres (over 250 weeks) increased 9.2% on the previous year. We believe there is room for further increases in these older stores with new space still to be fitted out in addition to improving income from existing space.

Lok'nStore is now taking a more active approach to yield management with average prices for self-storage units increasing 4% over the year. This compares favourably with the last several years where prices have only risen 0.5–1 % per annum. We have introduced a yield management system underlying our confidence that we will be able to increase prices by more than inflation for several years. Our average price for self-storage was £16.40 at 31st July 2006 which compares favourably with the average of £18.29 for the industry across the south-east. (Source: Self-Storage Association survey 2006). We believe that there is room to continue to increase prices while retaining our price competitive position in the market.

Lok'nStore's established centres (over 250 weeks old) achieved EBITDA margins of 40%.

14 of the centres are trading profitably at the pre-tax level (2005: 14) and 19 have positive operating cash flow (2005: 17).

Packing materials, insurance and other sales increased 18.6% over the year accounting for 7.9% of turnover (2005: 7.7%).

MARKETING

The Company spent approximately 6.5% of turnover on advertising and marketing (including postage, printing and stationery) (2005: 6.4%). Our marketing costs should remain at these levels over the coming years. Marketing resources and efforts have been upgraded, and this contributed to Lok'nStore achieving another increase in occupancy over the year of 50,301 sq. ft, up 9.1% on the previous year, and increases in self storage pricing by 4%.

We continually review new and better opportunities in the media and through local marketing efforts and each of these shows progress. New centres benefit from the marketing and promotion effort already applied to our existing centres.

Work on the visibility of our storage centres is also improving response to our marketing. Our new Farnborough centre with its prominent design, distinctive orange elevations and position adjacent to the M3 motorway will help to raise the profile of the whole Lok'nStore brand. We are prominent in our directory advertising, which also produces a significant proportion of our enquiries.

We apply coordinated sales and marketing messages. Our storage centre personnel are closely involved and work with our head office, to ensure our expenditure remains effective.

SYSTEMS – CENTRALISED SPACE MANAGER

During the year we have centralised our store management computer system which is already yielding marketing and other management information benefits. We remain committed to continuing systems centralisation, greater audit capability and a continued focus on efficient and timely data. During the year we have increased the penetration of direct debit facilities which reduces administrative effort and saves on stationery and postage costs at the centres. As well as being a positive service to our customers it also reduces the time committed to credit management. The centre audit system has been effective in terms of improved security, credit control and centre presentation.

SECURITY ISSUES

The safety and security of our customers and centres remains a high priority. With today's heightened terrorist concerns this is of particular importance. We already invest in CCTV systems, intruder and fire alarm systems and the remote monitoring of our centres out of hours and we have rigorous security procedures in relation to customers.

Furthermore, we continually review our security resources and are upgrading our security in line with up-to-date equipment, for example, colour CCTV monitors of greater capability and detail and improved lighting.

The importance of security and the need for vigilance is communicated to all personnel and reinforced through our various training procedures.

OUR PEOPLE

At 31 July 2006, we had 104 employees (2005: 94).

Attracting, retaining and encouraging the right people is key to the success of Lok'nStore. We are committed to providing a positive attitude in the business and an enjoyable working environment. In January 2006, we moved the Lok'nStore head office from our Kingston centre to a new purpose built accommodation in our Farnborough centre. This has improved coordination and communication within the Company, and particularly amongst our property and other functional management previously dispersed around our different offices. All head office staff now operate from Farnborough.

Lok'nStore encourages all personnel to build their skills through appropriate training and regular performance monitoring. Regular weekly training courses at Farnborough support these objectives. We have incorporated a new conference room into our head office, which can accommodate all our training requirements for the foreseeable future. We have reduced outgoings, increased the regularity of training and improved contact between head office and the stores by bringing staff into head office for regular training.

All employees are eligible to participate in share ownership plans after 3 months of employment. 34% of our employees have EBT shares or options. 36% of the personnel are members of the contributory pension scheme.

I would like to thank all of our people for their contribution to a successful year. The continuing progress of the Group is being achieved as a result of their efforts and hard work.

PROPERTY AND CONSTRUCTION

During the year we built and opened our new freehold centres in Farnborough, and Crayford totalling 128,000 square feet. Farnborough is the first store we have had purpose built for Lok'nStore and we are delighted with the result. Both these stores are located in attractive markets with high visibility.

We now have 21 stores open with capacity of 920,000 sq. ft. of storage space when fully fitted. 11 stores are held freehold and 10 leasehold. We prefer to acquire freeholds if possible, and where opportunities arise we will seek to acquire the freehold of our leasehold centres. However, our overriding objective is to increase the number of storage centres we operate and we are comfortable to take leases on appropriate terms.

Lok'nStore continues to focus on the efficiency of our fitting out programme in order to bring forward the revenue stream and maximise our rate of return. We optimise the available space in new centres by fitting mezzanine floors and storage units as customer demand dictates. This allows revenue to be generated by opening storage space, and keeping tight control on capital expenditure by fitting out when it is required. Over the year under review we fitted out a further 104,818 sq. ft. of self-storage units, a 20% increase in fitted space.

Subject to market conditions, it is our current aim to acquire between 2 and 4 centres per annum. Our current average centre size is 43,800 sq. ft. and this may increase for new centres up to 60,000 sq. ft. or more. The exact timing of centre openings will largely depend on market availability, and we will retain our disciplined and flexible approach to site acquisition.

Centre Analysis

Maturity Analysis	Jul-06			
	over 250	100 to 250	under 100	Total
Weeks Old				
Sales (£'000)	7,243	1,443	202	8,888
Stores EBITDA (£'000)	2,885	269	-78	3,076
EBITDA MARGIN (%)	39.8	18.7	-38.7	34.6
Maximum Net Area (^{'000} sq ft)	630	162	128	920
Freehold	7	2	2	11
Leasehold	8	2	0	10
Total Centres	15	4	2	21

Customer Analysis

At the end of July 39.6% of our turnover was from business customers (25.2% by number) and 60.4% was from household customers (74.8% by number).

Andrew Jacobs

Chief Executive Officer
27 October 2006

FINANCIAL REVIEW

TRADING

Total turnover for the year was £8.95 million (2005: £7.77 million), an increase of 15.1%, with annualised revenues now reaching £10.36 million. (2005: £8.48 million) Excluding the rental income foregone by expanding the Poole Store self storage turnover grew by 16.4%.

Group EBITDA was up 29% to £1.75 million (2005: £1.36 million). Operating profit increased 40.3% to £851,351 (2005: £606,961). There were no exceptional costs.

Lok'nStore's business model is a robust one with security deposits taken from customers when they first store with us. Customers also pay four weekly in advance. Credit control therefore remains tight with only £44,000 of bad debts written off during the year representing less than 0.5% of turnover.

The net interest charge increased from £492,636 to £727,050. This is a consequence of the Group utilising its bank facilities to acquire the freehold sites at Farnborough and Crayford, and the continuing fit-out programme at our existing stores. Year-end borrowings were £14.12 million.

The Group made a profit on ordinary activities before tax of £124,301 (2005: £114,325).

The current year tax charge of £100,483 relates to a movement in deferred tax arising on capital allowances in excess of depreciation. No actual cash liability to corporation tax arises during the year as a result of the Group's tax loss in the year. Tax losses available to carry forward for offset against future profits amount to some £3.4 million. In addition the business had capital losses available to carry forward of £362,636.

Basic earnings per share was 0.10 pence per share (2005: 0.47 pence per share).

BORROWINGS AND CASH FLOW

Cash flows from the Group remain encouraging, with increasing cash flows as turnover increases continuing to demonstrate the cash generative nature of the business. The Group had cash balances at the year-end of £0.92 million (2005: £0.42 million).

Cash inflow from operating activities before interest and capital expenditure was £1.6 million. Capital expenditure totalling some £6.3 million reflects the Group's commitment to growing the business through a combination of site acquisition and related works (£5.2 million) and investing in our existing stores (£1.1 million). At 31 July 2006, the Group had £14.12 million of borrowings representing gearing on a NBV basis of 123% on net debt of £13.2 million. Gearing, when adjusted, on the basis of the Group's revalued stores, drops to 25%.

BUYBACK AUTHORITY

At the Company's AGM on 1 December 2005, shareholders gave approval to replace the existing share buy-back authority. This authority will be sought annually at the Company's annual general meeting each year. The authority is restricted to a maximum of 5,845,299 Ordinary Shares, which is equivalent to 23.3% of the Company's issued share capital and is equal to the number of shares available for purchase under the previous authority. The buy-back authority will only be exercised in circumstances where the Directors regard such purchases to be in the best interests of Shareholders as a whole and is subject to the waiver of Rule 9 by the Panel of Takeovers and Mergers being approved by the Shareholders.

The total number of shares in issue is 25,091,144 Ordinary Shares.

BALANCE SHEET

Net assets at the year-end increased to £10.74 million (2005: £10.7 million). This does not reflect the significant uplift in valuation as a result of the property valuation of £66.6 million which increases net assets to £52.1 million. This valuation translates into a net asset value per share of £2.13 as reported below.

The Employee Benefit Trust owns 627,500 (2005: 627,500) shares, the costs of which are shown as a deduction from shareholders' funds in accordance with Urgent Issues Task Force Abstract 38.

Market valuation of freehold and leasehold land and buildings

On 31 July 2006, professional valuations were prepared by external valuers, Cushman & Wakefield (C&W), in respect of 11 freehold and 6 leasehold properties. The valuation was prepared in accordance with RICS Appraisal and Valuation Standards, The valuation has been provided for accounts purposes and as such, is a Regulated Purpose Valuation as defined in the Red Book, The external valuation methodology provides for a Purchaser acquiring a centre incurring purchase costs of 5.75% initially and sale plus purchaser's costs totalling 7.75% are assumed on the notional sales in the tenth year in relation to the freehold stores. In practice we believe that it is unlikely that Lok'nStore stores would be acquired other than in a corporate structure (See note 5 in the notes to the accounts for a more detailed description of the valuation methodology).

The valuation report indicates a total for properties valued of £66.6 million (NBV £25.2 million). (January 2005 : £31.8 million : NBV £16.7 million). These valuations have not been included in the Balance Sheet. The 2006 valuation includes the new stores Farnborough and Crayford and reflects the uplift in value which has resulted from the grant of planning permission and the execution of the S.106 Agreement at the Kingston site. In relation to the existing store at Reading, there is potential for redevelopment for residential use. Accordingly the site has been valued as an operating self storage site but with an additional uplift to reflect residential development potential, but recognising that this has yet to be obtained. The valuations also do not account for any further investment in existing centres since July 2006. While the Company does not envisage routinely revaluing its properties it will continue to do so when appropriate.

PROPERTY ASSETS

	31.07.2006		31.01.2005	
	£ million		£ million	
	Valuation	NBV	Valuation	NBV
Properties valued by 'C&W'	66.6	25.2	31.8	16.7
Farnborough at cost	-	-	1.8	1.8
	66.6	25.2	33.6	18.5

Over the years Lok'nStore has acquired the freehold interest in previously leased centres at Horsham, Reading and Poole. This tactical approach combines the early cash flow advantages of leasehold centres with the long-term income security and investment potential of freeholds. 8 of our 10 leaseholds are within the terms of the Landlord and Tenant Act (1954) giving a degree of security of tenure. The average length of the leases on the stores valued was 11.2 years at the date of the 2006 Valuation. (Source: 'C & W') (2005 valuation: 11.1 years).

NET ASSET VALUE PER SHARE

	2006
Analysis of net asset value	£
Net assets per balance sheet	10,742,441
Add : revalued property assets	66,590,000
Deduct : tangible fixed assets at net book value (NBV)	<u>(25,240,096)</u>
Revalued net assets	<u>52,092,345</u>
Shares in Issue	Number
Opening shares	25,071,144
Shares issued for the exercise of options	<u>20,000</u>
Closing shares in issue	25,091,144
Shares held in EBT	<u>(627,500)</u>
Closing shares for NAV purposes	<u>24,463,644</u>
Basic net asset value per share	213 pence

Net assets per share are shareholders' funds divided by the number of shares at the year end. The shares currently held in the Group's employee benefits trust (own shares held) are excluded from both net assets and the number of shares.

FINANCING & LIQUIDITY

The Company has a £20 million revolving five-year committed credit facility with Royal Bank of Scotland Plc and provides sufficient additional liquidity for the Group's immediate expansion plans. Interest payable on the loan is on terms, paying between 1.25% and 1.35% over LIBOR. Non-utilisation charges are 0.25% on the value of the undrawn facility. Undrawn committed facilities at the year-end amounted to £5.88 million.

The facility is secured on the existing property portfolio, excluding the Kingston and Reading properties. This ensures that the group has the full flexibility to maximise the value of any potential exit or realisation of these two redevelopment opportunities.

During the year the Company complied with all corresponding debt covenants.

TREASURY

All cash deposits are placed with Royal Bank of Scotland Plc on treasury deposit utilising either one-day or two-day money funds. The Group's cash position is reviewed daily and cash is transferred daily between these accounts and the company's operational current accounts as required. During the year the company obtained improved terms on its treasury deposit rates.

Ray Davies

Finance Director

27 October 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 July 2006

	<i>Notes</i>	2006 £	2005 £
TURNOVER		8,946,083	7,774,541
Operating expenses		<u>(8,094,732)</u>	<u>(7,167,580)</u>
OPERATING PROFIT		851,351	606,961
Interest receivable		<u>36,936</u>	<u>35,898</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST PAYABLE		888,287	642,859
Interest payable		<u>(763,986)</u>	<u>(528,534)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		124,301	114,325
Taxation	2	<u>(100,483)</u>	-
PROFIT FOR THE YEAR	8	<u>23,818</u>	<u>114,325</u>
EARNINGS PER SHARE			
Basic	3	<u>0.10p</u>	<u>0.47p</u>
Diluted	3	<u>0.09p</u>	<u>0.44p</u>

The operating profit for the year arises from the Group's continuing operations.

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss account.

BALANCE SHEET as at 31 July 2006

	<i>Notes</i>	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
FIXED ASSETS					
Intangible assets	4	334,813	359,068	-	-
Tangible assets	5	25,430,037	20,032,760	-	-
Investments	6	-	-	214,563	214,563
		25,764,850	20,391,828	214,563	214,563
CURRENT ASSETS					
Stocks		77,668	88,648	-	-
Debtors		2,022,769	1,684,793	6,040,331	6,025,331
Cash at bank and in hand		921,928	424,738	-	-
		3,022,365	2,198,179	6,040,331	6,025,331
CREDITORS: Amounts falling due within one year		(3,877,489)	(3,736,384)	-	-
NET CURRENT (LIABILITIES)/ASSETS		(855,124)	(1,538,205)	6,040,331	6,025,331
TOTAL ASSETS LESS CURRENT LIABILITIES		24,909,726	18,853,623	6,254,894	6,239,894
CREDITORS: Amounts falling due after more than one year		(14,066,802)	(8,150,000)	-	-
PROVISION FOR LIABILITIES AND CHARGES		(100,483)	-	-	-
NET ASSETS		10,742,441	10,703,623	6,254,894	6,239,894
CAPITAL AND RESERVES					
Called up share capital	7	250,911	250,711	250,911	250,711
Share premium account	8	66,776	51,976	66,776	51,976
Capital redemption reserve	8	34,205	34,205	34,205	34,205
Merger reserve	8	6,295,295	6,295,295	-	-
Other distributable reserve	8	5,903,002	5,903,002	5,903,002	5,903,002
Profit and loss account	8	(1,298,162)	(1,321,980)	-	-
ESOP shares	9	(509,586)	(509,586)	-	-
SHAREHOLDERS' FUNDS		10,742,441	10,703,623	6,254,894	6,239,894

Approved by the Board of Directors and authorised for issue on 27 October 2006
and signed on its behalf by:

A Jacobs
Chief Executive

R Davies
Finance Director

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 July 2006

	<i>Notes</i>	2006	2005
		£	£
Cash flow from operating activities	<i>10a</i>	1,603,118	1,983,832
Returns on investments and servicing of finance	<i>10b</i>	(771,211)	(500,901)
Taxation		(50,500)	-
Capital expenditure and financial investment	<i>10b</i>	(6,273,461)	(2,293,945)
CASH OUTFLOW BEFORE FINANCING		(5,492,054)	(811,014)
Financing	<i>10b</i>	5,989,244	581,392
INCREASE/(DECREASE) IN CASH IN THE PERIOD		497,190	(229,622)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	<i>Notes</i>	2006	2005
		£	£
Increase/(decrease) in cash in the period		497,190	(229,622)
Cash inflow from increase in debt and lease financing		(5,974,244)	(549,852)
MOVEMENT IN NET DEBT IN PERIOD		(5,477,054)	(779,474)
NET DEBT AT 1 AUGUST		(7,725,262)	(6,945,788)
NET DEBT AT 31 JULY	<i>10c</i>	(13,202,316)	(7,725,262)

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The above results for the year ended 31 July 2006 are an abridged version of the Company's statutory financial statements. The profit and loss account and balance sheet do not constitute statutory financial statements within the meaning of Section 240 of the Companies Act 1985. These accounts have been prepared on the basis of the same accounting policies as set out in the statutory accounts for the year ended 31 July 2005.

2. TAXATION

	2006 £	2005 £
Current tax charge for the year (see below)	-	-
Deferred tax		
Origination and reversal of timing differences	(100,483)	-
Total deferred tax charge for the year	(100,483)	-
Tax on profit on ordinary activities	(100,483)	-

The tax assessed is lower than the standard rate of corporation tax in the UK (30%). A reconciliation of the factors affecting the tax charge for the year is shown below:

	2006 £	2005 £
Profit on ordinary activities before tax	124,301	114,325
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 – 30%)	37,290	34,298
Expenses not deductible for tax purposes	19,534	15,295
Capital allowances for period in excess of depreciation	(159,558)	(82,429)
Tax losses not utilised	123,173	60,552
General provision	(101)	(203)
Deduction for employee share options	(15,000)	(23,277)
Depreciation on revenue items capitalised	(5,338)	(4,236)
Current tax charge for the year	-	-

The Group has revenue tax losses of approximately £3.4 million available to carry forward against future taxable profits of the same trade. The current year tax charge relates to a movement in deferred tax arising on accelerated capital allowances in excess of depreciation after taking account of all revenue tax losses.

Future tax charges may be affected by the degree to which deferred tax assets are subject to recognition in the future.

It is not the intention of the directors to dispose of any of the properties as operational self-storage centres in the foreseeable future. If, however, the properties were sold at their market values as operational self-storage centres or in the case of the Kingston and Reading sites with their residential development value as disclosed in note 5, an estimate of the tax payable on the gain arising would be approximately £10.6 million. This tax payable figure does not take into account any claims to rollover relief that the company might make. At present, it is not envisaged that any tax will become payable in the foreseeable future.

3. EARNINGS PER ORDINARY SHARE

The calculations of earnings per share are based on the following profits and numbers of shares.

	2006 £	2005 £
Profit for the financial year	124,301	114,325
	2006 No. of shares	2005 No. of shares
Weighted average number of shares		
For basic earnings per share	24,453,288	24,432,491
Dilutive effect of share options	1,526,446	1,414,688
For diluted earnings per share	25,979,734	25,847,179

4. INTANGIBLE FIXED ASSETS

	Purchased Goodwill £
GROUP	
Cost 1 August 2005 and 31 July 2006	485,093
31 July 2006	
Amortisation 1 August 2005	126,025
Charged in year	24,255
31 July 2006	150,280
Net book value 31 July 2006	334,813
Net book value 31 July 2005	359,068

5. TANGIBLE FIXED ASSETS

	Freehold properties £	Short leasehold improvements £	Furniture, fixtures & fittings £	Motor vehicles £	Total £
GROUP					
Cost					
1 August 2005	14,453,112	1,497,642	7,456,771	69,049	23,476,574
Additions	4,074,589	97,935	2,101,005	-	6,273,529
Disposals	-	-	-	(8,643)	(8,643)
31 July 2006	18,527,701	1,595,577	9,557,776	60,406	29,741,460
Depreciation					
1 August 2005	427,482	502,463	2,472,585	41,284	3,443,814
Charged in year	112,596	130,592	626,033	5,982	875,203
Disposals	-	-	-	(7,594)	(7,594)
31 July 2006	540,078	633,055	3,098,618	39,672	4,311,423
Net book value					
31 July 2006	17,987,623	962,522	6,459,158	20,734	25,430,037
Net book value					
31 July 2005	14,025,630	995,179	4,984,186	27,765	20,032,760

The additions to freehold properties include the acquisition and development of the freehold sites in Hawley Lane, Farnborough and at Optima Business Park, Crayford totalling £3.8 million. The additions to fixtures & fittings includes fit-outs at Tonbridge, Poole, Sunbury, Luton, Eastbourne and Milton Keynes stores.

Market valuation of freehold and leasehold land and buildings

On 31 July 2006, a professional valuation was prepared by external valuers, Cushman & Wakefield (C&W), in respect of 12 freehold and 6 leasehold properties. The valuation was prepared in accordance with RICS Appraisal and Valuation Standards, 5th Edition, published by The Royal Institution of Chartered Surveyors ("the Red Book"). The valuations were prepared on the basis of Market Value for the two non trading properties and, for the 16 trading properties, Market Value as a fully equipped operational entity, having regard to trading potential. The valuation has been provided for accounts purposes and as such, is a Regulated Purpose Valuation as defined in the Red Book. In compliance with the disclosure requirements of the Red Book, C&W have confirmed that:

- The members of the RICS who have been the signatories to the valuation provided to the Company for the same purposes as this valuation have done so since January 2004.
- C&W have prepared two previous valuations for the same purpose as this valuation on behalf of the Company.
- C&W do not provide other significant professional or agency services to the Company
- In relation to the preceding financial year of C&W, the proportion of the total fees payable by the Company to the total fee income of the firm is less than 5%.

The valuation report indicates a total for all properties valued of £66.6 million (NBV £25.2 million). (January 2005 : £31.8 million : NBV £16.7 million). These valuations have not been included in the Balance Sheet.

The 2006 valuation includes the new stores Farnborough and Crayford and reflects the uplift in value which has resulted from the grant of planning permission and the execution of the S.106 Agreement at the Kingston site. In relation to the existing store at Reading, there is potential for redevelopment for residential use. Accordingly the site has been valued as an operating self storage facility but with an additional uplift to reflect residential development potential but recognising that this has yet to be obtained. The valuations also do not account for any further investment in existing centres since July 2006. While the Company does not envisage routinely revaluing its properties it will continue to do so when appropriate.

Valuation Methodology

Background

The USA has over 40,000 self-storage centres trading in a highly fragmented market with the largest 5 operators accounting for less than 20% of market share based on net rentable square footage. The vast majority of centres are owned and managed singly or in small portfolios. These properties have a well established track record of being traded and are therefore considered as liquid property assets.

Many valuations of this asset class are undertaken by appraisers in the USA and the accepted valuation approach is to value the properties on the basis of Market Value as fully equipped operational entities, having regard to trading potential. This approach is recognised in the Red Book and is adopted for other categories of property that are normally bought and sold on the basis of their trading potential. Examples include hotels, licensed properties, marinas and petrol stations.

The UK self storage sector differs from the USA in that the five larger groups control over 50% of the market by net rentable storage space. The scope for active trading of these property assets is therefore

likely to be less, however there is now some evidence that there will be increasing liquidity with recent sales of independently owned product in larger conurbations.

In addition the acquisition of Shurgard Storage Centres, Inc. by Public Storage, Inc. was announced in March this year including a portfolio of over 140 trading storage facilities in Europe, with 18 in the UK.

C&W believe that the valuation methodology adopted in the USA is the most appropriate for the UK market.

Methodology

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

Freehold

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

Assumptions

A. Net operating income is based on projected revenue received less projected operating costs together with a central administration charge representing 6% of the estimated annual revenue. The initial net operating income is calculated by estimating the net operating income in the first twelve months following the valuation date.

B. The net operating income in future years is calculated assuming straight-line absorption from day 1 actual occupancy to an estimated stabilised/mature occupancy level. In the valuation the assumed stabilised occupancy level for the sixteen stores (both freehold and leaseholds) averages 78.28% (2005:78.20%). The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth.

C. The capitalisation rates applied to existing and future net cash flow have been estimated by reference to underlying yields for industrial and retail warehouse property, bank base rates, ten-year money rates, inflation and the available evidence of transactions in the sector. On average, for all sixteen stores, the yield (net of purchaser's costs) arising from the first year of the projected cash flow is 6.05% (2005 6.00%). This rises to 10.54% (2005: 12.86%) based on the projected cash flow for the first year following estimated stabilisation in respect of each property.

D. The future net cash flow projections (including revenue growth and cost inflation) have been discounted at a rate that reflects the risk associated with each asset. The weighted average annual discount rate adopted (for both freeholds and leaseholds) is 11.31% (2005: 12.50%).

E. Purchaser's costs of 5.75% have been assumed initially and sale plus purchaser's costs totalling 7.75% are assumed on the notional sales in the tenth year in relation to the freehold stores.

Leaseholds The same methodology has been used as for freeholds, except that no sale of the assets in the 10th year are assumed, but the discounted cash flow is extended to the expiry of the lease. The average unexpired term of the Group's leaseholds is approximately 11 years and 2 month as at 31 July 06 (11 years and 1 month as at January 2005).

6. INVESTMENTS

COMPANY	Shares in subsidiary undertakings £
Cost: At 1 August 2005 and 31 July 2006 Lok'nStore Limited	214,563

The Company holds more than 20% of the share capital of the following companies, all of which are incorporated in England and Wales:

Subsidiary undertakings	Class of shareholding	% of shares held		Nature of business
		Directly	Indirectly	
Lok'nStore Limited	Ordinary	100	-	Self-storage
Lok'nStore Trustee Limited	Ordinary	-	100	Trustee Company (dormant)

7. SHARE CAPITAL

	2006	2005
	£	£
Authorised:		
35,000,000 ordinary shares of 1p each (2005: 35,000,000)	350,000	350,000
	Number of shares	£
Allotted, issued and fully paid ordinary shares:		
At 1 August 2005	25,071,144	250,711
Options exercised	20,000	200
At 31 July 2006	25,091,144	250,911

During the year, options were exercised on 20,000 ordinary shares at 38 pence per share and that number of shares were issued for a consideration of £7,600.

At the Company's AGM on 1 December 2005, shareholders gave approval to replace the existing share buy-back authority and this authority will be subsequently renewed annually at the Company's annual general meeting each year thereafter. The authority is restricted to a maximum of 5,845,299 Ordinary Shares, which is equivalent to 23.3% of the Company's issued share capital and is equal to the number of shares available for purchase under the previous authority. The buy-back authority will only be exercised in circumstances where the Directors regard such purchases to be in the best interests of Shareholders as a whole and is subject to the waiver of Rule 9 by the Panel of Takeovers and Mergers being approved by the Shareholders.

8. RESERVES

	Share premium £	Merger reserve £	Other Distributable reserve £	Capital Redemption reserve £	Profit and loss account £	Total £
1 August 2005	51,976	6,295,295	5,903,002	34,205	(1,321,980)	10,962,498
Exercise of share options	14,800	-	-	-	-	14,800
Profit for the year		-	-	-	23,818	23,818
31 July 2006	66,776	6,295,295	5,903,002	34,205	(1,298,162)	11,001,116

The merger reserve represents the excess of the nominal value of the shares issued by Lok'nStore Group Plc over the nominal value of the share capital and share premium of Lok'nStore Limited as at 31 July 2001.

9. ESOP SHARES

	Group 2006 Number	Group 2005 Number	Group 2006 £	Group 2005 £
1 August 2005 & 31 July 2006	627,500	627,500	509,586	509,586

The ESOP shares are held by the employee benefit trust.

10. CASH FLOWS		2006	2005	
		£	£	
a	Reconciliation of operating profit to net cash inflow from operating activities			
	Operating profit	851,351	606,961	
	Depreciation	875,203	728,522	
	Amortisation	24,255	24,255	
	Loss on sale of fixed assets	980	-	
	Decrease in stocks	10,980	15,232	
	(Increase)/decrease in debtors	(330,187)	263,089	
	Increase in creditors	170,536	345,773	
	Net cash flow from operating activities	1,603,118	1,983,832	
b	Analysis of cash flows for headings netted in the cash flow	2006	2005	
		£	£	
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
	Interest received	36,936	35,898	
	Interest paid	(808,147)	(536,757)	
	Interest element of finance lease rental payments	-	(42)	
	NET CASH OUTFLOW FOR RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(771,211)	(500,901)	
	CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
	Purchase of tangible fixed assets	(6,273,529)	(2,293,945)	
	Proceeds from sale of tangible fixed assets	68	-	
	NET CASH OUTFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	(6,273,461)	(2,293,945)	
	FINANCING			
	Bank loans	5,974,244	550,000	
	Capital element of finance lease rental payments	-	(148)	
	Exercise of share options	15,000	31,540	
	NET CASH INFLOW FROM FINANCING	5,989,244	581,392	
c	Analysis of net debt			
		At	Other non	At
		31 July 2005	Cash flow	31 July 2006
		£	£	£
	Cash at bank and in hand	424,738	497,190	921,928
	Debt due after 1 year	(8,150,000)	(5,974,244)	(14,124,244)
	Total	(7,725,262)	(5,477,054)	(13,202,316)

11. EVENTS AFTER THE BALANCE SHEET DATE

On 25th September 2006, Lok'nStore Limited exchanged contracts on the purchase of a freehold site in Portsmouth with a contractual completion date set for 27th November 2006. The purchase price is £2,025,000 and the property will be refurbished and fitted out for a further cost of approximately £2 million. The refurbished store will open in 2007.