



Lok'n Store Group - Preliminary Results

Lok'n Store Group PLC
29 October 2007

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Lok'nStore Group Plc

Preliminary results for the year ended 31st July 2007

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 2007.

Financial Highlights

- Adjusted NAV £2.70 - up 26.5% (based on 31 July 2007 valuations) (2006: £2.13)
- Turnover £10.67 million - up 19.2% (2006: £8.95 million) (+22% excluding Kingston and Woking)
- Group EBITDA before exceptional items £2.63 million - up 65.7% (2006: £1.59 million)
- Operating Profit £1.55 million - up 125.4% (2006: £686,031)
- Exceptional profit - £10.23 million from sale of Kingston and Woking stores
- New banking facility of £40 million
- Maiden dividend proposed

Operational Highlights

- Store EBITDA £4.48 million - up 45.6% (2006 £3.1 million)
- Sales growth 10.1% for established stores (>250 weeks) (2006: 9.2%)
- Overall store EBITDA margin up to 41.8% from 34.6%
- Prices for self-storage up 5.4% year on year
- Overall yield up 7.2% over the year

Property Highlights

- Property valuation £80.1 million - up 20.3% (2006: £66.6 million)
- Total estate 1.1 million sq ft* of which 63% held freehold
- Embedded value of estate £3.57 per share
- 3 new sites acquired

*Including North Harbour, Portsmouth site acquired after year end.

Andrew Jacobs, Chief Executive Officer commented:

'This has been a year of record achievement for Lok'nStore. We have increased turnover, profits, margins and assets. Net asset value per share is £2.70 up 26.5% on last year.'

'During a busy year we have increased the value of the existing estate, sold two stores at a significant profit and acquired new sites to provide future growth.'

'Our estate is now over 1 million square feet - a significant milestone for the business. The embedded value of the estate is £3.57 per share.'

'We are pleased to be proposing our first dividend which demonstrates the Board's confidence in the growth of Lok'nStore. During the year we strengthened

the Board with the appointment of two new non-executive directors, Edward Luker and Charles Peal who bring a wealth of property and financial experience with them.'

'The UK self-storage market continues to grow rapidly and Lok'nStore now has an established and solid platform to benefit from this. I am confident that our management team will continue to deliver substantial growth in value.'

- Ends -

Press Enquiries:

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CHAIRMAN'S STATEMENT

Overview

This has been a year of record achievement for Lok'nStore.

We have bought 3 new sites, expanded 2 existing stores, sold 2 stores and continued to grow the business. The adjusted net asset value per share has increased from £2.13 last year to £2.70 this year (see Financial Review). When all of our existing stores trade as fully established stores this translates into £3.57 per share embedded value (see Property Review).

The Company recently passed a significant milestone. It has more than 1 million square feet of space once all existing projects are built out.

We are also very pleased to be proposing our first dividend which demonstrates the Board's confidence in the growth of Lok'nStore.

During the year we strengthened the Board with the appointment of two new non-executive directors, Edward Luker and Charles Peal who bring a wealth of property and financial experience with them.

Sales and earnings growth

Total turnover for the year was £10.67 million (2006: £8.95 million), an increase of 22.2 %, (excluding the Kingston and Woking stores). The Group made an operating profit for the year before exceptional items of £1.55 million up 125.4% compared with £686,031 in 2006, and an operating profit after exceptional items of £11.78 million. (There were no exceptional items in 2006.) The Group made a pre-tax profit for the year of £10.82 million (2006: loss of £41,019).

The cash-flow of the operating business has continued to grow with earnings before interest, tax, depreciation and amortisation (EBITDA) from the stores up 45.6% at £4.48 million (2006: £3.1 million), reflecting the effects of both the efficient operational management and the increasingly established nature of the existing portfolio. Overall store EBITDA margins improved from 34.6% to 41.8%.

Dividend

In respect of the current year, the directors propose that a dividend of 0.67 pence per share will be paid to the shareholders on 11 December 2007 to shareholders on the register on 16 November 2007. The total estimated dividend to be paid is £179,100 based on the number of shares currently in issue. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Growing Property Assets and Net Asset Value

Lok'nStore's freehold and operating leasehold properties have been independently valued by Cushman & Wakefield (C&W') at £75.7 million as of 31 July 2007 (July 2006: £66.6 million) compared to a net book value of £27.9 million (2006: NBV: 25.2 million). This is referred to further in the Financial Review and is detailed in note 10 of the notes to the financial statements. Adding our stores under development at cost, our total property valuation of £80.1 million (NBV £32.3 million) translates into a net asset value of 270 pence per share, an increase of 26.8% over last year. The value of the properties which were also valued in July 2006 and therefore on a comparable basis showed an uplift of 22.8%. This represents 11.9% of capital growth (yield contraction) and 10.9% from operational performance.

Successful Sale of Kingston and Woking stores

In June 2007 we completed the sale of our Kingston store for £10 million. This compared to its previous valuation as a storage centre in 2005 of £2.75 million and its July 2006 valuation of £9.15 million as a residential site. The property has been sold to a residential developer and the existing self-storage customers have been transferred to Lok'nStore's other locations close by. This represents an extremely successful outcome in obtaining an alternative planning permission to realise the full value of this asset.

In July 2007 we completed the sale of our Woking store at its 2006 valuation for £2.4 million to a private investor. The Woking store was the smallest in Lok'nStore's portfolio providing 19,000 sq ft and while trading extremely well, offered limited opportunity to further increase the value of the business.

The sale of the Kingston and Woking stores which generated a profit of £10.23 million is in line with our strategy of actively managing our existing portfolio in order to maximise the growth of asset values for our shareholders. This includes increasing the size of our stores, buying in freeholds and occasionally selling stores if appropriate. This is in addition to our continuing efforts to drive revenues up by strengthening our branding, filling space and increasing pricing.

The proceeds of these sales will be reinvested in Lok'nStore's ongoing programme of acquiring and building new larger stores.

New bank facility

Lok'nStore is well positioned to take advantage of the opportunity presented by the rapidly growing UK self-storage market, and during the year a new £40 million bank facility has been put in place which will provide the external funding required for the next phase of our growth. This facility replaces the previous £20 million facility and underscores the Board's commitment to continuing investment in new sites.

The Self-storage market in the UK

The UK self-storage market in the UK continues to grow rapidly and offers a great opportunity, particularly to the major operators such as Lok'nStore. The UK Self-Storage Association estimates that the market is growing at around 15% per annum.

The more mature US market grew from 2.9 sq ft per member of the population in 1994 to 6.8 sq ft in 2006. This compares with only 0.42 sq ft in the UK whereas the population density of the US is only 32 per sq km against 246 in the UK. This creates far more pressure to use property resources efficiently in the UK, which is a main driver of demand for self-storage. We believe the UK self-storage market will continue to grow rapidly for many years to come offering Lok'nStore a great opportunity.

With Safestore joining the stock market this year, Lok'nStore is now one of three quoted storage operators in the UK, with around a 5% market share in the UK.

Lok'nStore People

Our 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 our staff for their commitment to our business and for their hard work.

Outlook

The UK self-storage market continues to grow rapidly and Lok'nStore is well placed to benefit from this. To underline our confidence in the business the Board is proposing a maiden dividend in respect of the full year.

Simon G Thomas
Chairman

26 October 2007

OPERATING REVIEW

Sales and Margin Performance

During the year we have benefited from the continued efforts to raise operational standards, and to focus store personnel on taking personal responsibility for increasing turnover. This work has continued to improve the consistency of performance across the stores.

During the year Lok'nStore had 16 established stores (over 250 weeks old)

including one freehold store which joined this category during the year. These 16 stores made EBITDA margins of 43.8% this year compared to 39.8% last year demonstrating the improvement in the underlying margin of the business.

Our established stores have continued to grow alongside the more rapid sales increases at our newest stores. On a like-for-like basis, our 16 stores trading for more than 250 weeks grew revenue by 10.1%. 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.

Our 3 stores with 100 to 250 weeks' trading grew revenue by 21.7% and our stores less than 100 weeks grew revenue by 290%. We are delighted both by the continued rapid growth of the more established stores as well by the early success of the newer units.

Overall EBITDA margins across of all stores improved from 34.6% to 41.8% as the portfolio became more established.

Our central sales team are running frequent and improved sales training courses using the 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. We believe the robust rate of turnover growth is a result of this attention to detail.

Lok'nStore is taking an active approach to yield management with average prices achieved for self-storage units increasing 5.4% over the year, comfortably beating our target of 4% which we achieved last year. Average prices for all rented space increased 7.2% over the year reflecting both the increase in self-storage prices as well as the conversion from lower value uses into self-storage space. The success of our yield management system underlies our confidence that we will be able to increase prices by more than inflation over the medium term.

Our average price for self-storage was £17.29 per square foot per annum at 31 July 2007 which compares favourably with the average of £20.63 for the UK industry (source: Self-Storage Association Survey 2007). We believe that there is room to continue to increase prices while retaining our strong price competitive position in the market. Packing materials, insurance and other sales increased 18% over the year accounting for 7.8% of turnover (2006: 7.9%).

Marketing

The Company spent approximately 5.5% of turnover on advertising and marketing (including postage, printing and stationery) down from 6.5% in 2006. Marketing resources and efforts have been upgraded, and this contributed to fitted unit occupancy. This increased by 47,265 sq ft up 9.7% on the previous year (after taking account of the sales of the Kingston and Woking stores).

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

Work on the visibility of our stores is also improving response to our marketing. Our Farnborough store with its prominent design, distinctive orange elevations and position adjacent to the M3 motorway has raised the profile of the whole Lok'nStore brand, as well as work on the external branding of other stores further improving the appearance of the overall portfolio. We are prominent in our directory advertising, which also produces a significant proportion of our enquiries. In recent years Internet enquiries have increased dramatically and we have allocated a higher proportion of the marketing budget to this media.

Our store personnel are closely involved with these decisions and work with our head office to ensure our marketing expenditure remains targeted and effective.

Systems

The centralisation of our store management computer system continues to yield marketing and other management information benefits and we remain committed to continuing systems centralisation, greater audit capability and the delivery of efficient and timely data. We continue to increase the penetration of direct debit facilities which reduces administrative effort and saves on stationery and postage costs at the stores. As well as being a positive service to our customers it also reduces the time committed to credit management. The store audit system has been effective in terms of improved security, credit control and store presentation and is continually monitored and upgraded to ensure its utility.

Security

The safety and security of our customers and their goods remains our highest 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 stores out of hours. We have rigorous security procedures in relation to customers.

Furthermore, we continually review our security resources and are upgrading our

security 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.

Corporate Social Responsibility

Lok'nStore believes in conducting its business in a manner that reflects honesty, integrity and ethical conduct. As a responsible company, Lok'nStore believes that the long-term success of the business is best served by respecting the interests of all our stakeholders. Management of social, environmental and ethical issues is of prime importance to Lok'nStore. These issues are dealt with on a day-to-day basis by the Company's managers with principal accountability lying with the Board of Directors. We look actively for opportunities to address our responsibility to the environment, and a full assessment of the company's environmental impact is included elsewhere in the report. This year has seen a significant reduction in our carbon dioxide emissions, water use and waste production. Below are other areas of corporate responsibility we take very seriously.

Dealing responsibly with our customers

At the end of July 2007 37.6% of our turnover was from business customers (24.2% by number) and 62.4% was from household customers (75.8% by number). At 31 July 2007, the number of customer contracts had risen to 7,602.

Brochures and literature are written in plain English, explaining clearly our terms of business without hiding anything in the 'small print'. We are open and honest about our products and services. We do not employ pressure selling techniques or attempt to take advantage of any vulnerable groups. If something is wrong we acknowledge the problem and deal with it as soon as possible. We continually review all aspects of our business, never accepting that things cannot be improved. We listen to our customers to help us improve our service. In return for our responsible dealings with our customers we have been rewarded with customer loyalty. 12% of our business comes from previous customers and existing customers taking additional units.

Dealing responsibly with our suppliers

We are committed to conducting our business with suppliers in a fair and honest manner, with openness and integrity, operating in accordance with the terms and conditions agreed upon. We expect our suppliers to operate to these same principles.

Our People

At 31 July 2007, we had 111 employees (2006: 104).

We treat our employees with dignity and respect and are committed to providing a positive attitude in the business and an enjoyable working environment. We have developed a professional open culture where staff can exchange ideas and offer suggestions for work and business improvement. This encourages our staff to build on their skills, through appropriate training and regular performance review. Regular weekly training courses at our Farnborough Head Office support these objectives where we have a large conference room which can accommodate all our training requirements for the foreseeable future. This has 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. This in turn contributes to attracting and retaining the right people which is key to the success of Lok'nStore.

During the year members of our staff successfully completed the National General Certificate in Occupational Safety and Health and embarked on the CIPD Certificate in Personnel Practice. Additionally the Company supports employees undertaking National Vocational Qualifications.

All employees are eligible to participate in share ownership plans and 40% of our employees have an employee benefit trust shares or options. 28% of the personnel are members of the contributory pension scheme. Immediately after the year end Lok'nStore was successful in achieving HM Revenue & Customs approval for a new Share Incentive Plan which was subsequently launched to all employees. Initial take-up is encouraging with 42% of employees participating in the Scheme.

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

Operational performance of Stores

Store analysis					
Weeks old	Over 250	100 to 250	Under 100	Pre-Opening	Total
Year ended 31 July 2007					

Sales (£'000)	8,403	1,288	1,018 **	-	10,709 **
Stores EBITDA (£'000)	3,681	322	475	-	4,478
EBITDA margin (%)	43.8	25.1	46.7	-	41.8
As at 31 July 2007					
Maximum Net Area ('000 sq ft)	721	81	167	129	1,098
Freehold	6	1	2	2	11
Leasehold	8	2	0	0	10
Total stores	14*	3	2	2	21

* The Kingston and Woking stores were sold during the year

** Total store revenue includes, in respect of the Farnborough store (under 100 weeks), a contribution receivable from Group head office in respect of the space and facilities the store provides for the head office function. This income to the Store and the corresponding charge to head office is netted down in the group turnover figures.

PROPERTY REVIEW

Property Sales

In June 2007 we completed the sale of our Kingston store for £10 million. This compared to its previous valuation in 2005 of £2.75 million as a storage centre and its July 2006 valuation of £9.15 million as a residential site. The property has been sold to a residential developer and many of the existing self-storage customers have been transferred to Lok'nStore's other locations close by. This represents an extremely successful outcome to this project rewarding our focussed approach to adding value.

In July 2007 we completed the sale of our Woking store at its 2006 valuation for £2.4 million to a private investor. The Woking store was the smallest in Lok'nStore's portfolio providing 19,000 sq ft. While trading extremely well, the store offered limited opportunity to further increase the value of the business. Following its sale, we continue to manage the Woking store for the new owner on a turnover-based fee.

New Stores

We will open our new purpose built store in Harlow in April 2008. This is located in an attractive market and will be highly branded and prominent. This high specification freehold store will cost approximately £5 million once fully constructed and fitted out. It will provide 69,000 sq ft of space, and increases the Company's total area when fully fitted to 1,023,000 sq ft, breaking the 1 million sq ft barrier for the first time.

Our objective is to increase the number of Lok'nStore centres trading, and we have sites in the pipeline which we expect to complete on during the coming financial year. We continuously review opportunities to buy, to build, and to lease new stores. We strongly believe that there is an opportunity to further increase the value of the business by accelerating our growth rate.

Expansion of Existing Stores

During the year we commenced four exciting projects to increase the value of our existing stores.

The Company recently purchased a new freehold site for the existing leasehold business in Portsmouth. This new store will increase the space available by 62% to around 65,000 sq ft, and will replace the existing leasehold store. This increase in size and the elimination of rent payable will both substantially increase the EBITDA of the store once established.

We have also acquired a freehold site on Third Avenue, Millbrook, Southampton. The site of 2.16 acres fronts the main access road to Southampton city centre and will provide around 100,000 sq ft of self-storage space. It will replace the existing Southampton Lok'nStore, which is located a few hundred metres away and currently provides up to 84,000 sq ft in a freehold property.

The purpose built store will capitalise on the prominent main roadside position using the strong Lok'nStore branding similar in design to the successful new Farnborough store. The increased prominence and modern look of the building will allow the business to leverage off the existing business which is trading well, increasing both the volume of space rented and the rates achieved on those rentals. The store fronts the busy main access road to the city centre, and will carry the distinctive orange livery and neon lighting which is proving an effective generator of business at our other stores. The total investment in the new store will be up to £8 million.

A new lease has been signed at the Company's Fareham store. By expanding into the adjacent building, the new lease doubles the size of the store to around 62,000 square feet.

A new lease has been signed at the Company's Northampton store on an additional adjacent unit. The new lease increases the size of the store from 55,000 sq ft to around 70,000 square feet.

These acquisitions are a key part of the Company's strategy to actively manage its existing portfolio to maximise its value by increase the average size of the stores, increasing profit margins as well as increasing the number of stores and square footage. This in turn positively impacts on the potential margins of the Group overall.

Portfolio

With the sale of the Kingston and Woking stores we currently have nineteen stores open with capacity of around 930,000 sq ft of storage space when fully fitted. 9 stores are held freehold and 10 are leasehold. With the new freehold sites at Portsmouth, Harlow and Southampton this net new space takes capacity to 1,038,000 sq ft. Adding the North Harbour Site acquired after the year-end total capacity rises to around 1.1 million sq ft. Of this, 63% will be held freehold and 37% leasehold. We prefer to acquire freeholds if possible, and where opportunities arise we will seek to acquire the freehold of our leasehold stores. However, our overriding objective is to increase the number of stores 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 stores 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 123,543 sq ft of self-storage units, an 18% increase in fitted space.

Subject to market conditions, it is our current aim to acquire between two and four stores per annum. Our current average store size is around 51,900 sq ft up from 43,800 sq ft last year. The exact timing of store openings will largely depends on market availability of sites, and we will retain our disciplined and flexible approach to site acquisition. We view the current slowing of the property investment market as a potential opportunity to increase the rate of growth of new stores.

Embedded Value

The Cushman and Wakefield valuation includes a calculation of the value of the estate once fully established, which together with stores under development at cost represents the embedded value of the estate. This translates into a value of £3.57 per share.

Andrew Jacobs
Chief Executive Officer

26 October 2006

FINANCIAL REVIEW

Generating cash and increasing asset value

	31 July 2007		31 July 2006	
	Valuation £m	NBV £m	Valuation £m	NBV £m
Stores valued by 'C&W'	75.7	27.9	66.6	25.2
Stores in development at cost	4.4	4.4	-	-
Total	80.1	32.3	66.6	25.2

Net asset value per share

Analysis of net asset value (NAV)	2007 £	2006 £ As restated
Net assets per balance sheet	22,551,039	10,806,011
Add: revalued stores	75,715,000	66,590,000
Deduct: tangible fixed assets at net book value (NBV)	(32,308,030)	(25,240,096)
Stores in development at NBV (not included in valuation)	4,416,224	-
Revalued net assets	70,374,233	52,155,915

Shares in Issue	Number	Number
Opening shares	25,091,144	25,071,144
Shares issued for the exercise of options	1,640,221	20,000
Closing shares in issue	26,731,365	25,091,144
Shares held in EBT	(627,500)	(627,500)
Closing shares for NAV purposes	26,103,865	24,463,644
Basic net asset value per share	270 pence	213 pence

Net assets per share are net assets adjusted for the valuation of the freehold and operating leasehold stores 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 the number of shares.

Trading

Total turnover for the year was £10.67 million (2006: £8.95 million), an increase of 19.2%, which increases to 22.2%, on a pro forma basis adjusting for the sale of our Kingston and Woking stores.

Total store EBITDA, the cash-flow engine of the operating business, has continued to grow this year to £4.48 million up 45.6% from last year. (2006: £3.1 million).

Group EBITDA, before exceptional items, was up 65.7% to £2.63 million (2006: £1.59 million). The Group made an operating profit for the year before exceptional items of £1,546,342 up 125.4% compared with £686,031 in 2006, and an operating profit after exceptional items of £11,780,925. (There were no exceptional items in 2006.) The exceptional profit of £10.3 million was generated by selling the Kingston and Woking stores.

The Group made a pre-tax profit for the year of £10,815,185 compared with a loss of £41,019 in 2006.

Lok'nStore's self-storage 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. Therefore credit control remains tight with only £45,000 of bad debts written off during the year representing around 0.4% of turnover (2006: 0.5%). There was £8,072 of additional costs associated with recovery.

The net interest charge increased from £727,050 to £965,740. This is a consequence of the Group utilising its bank facilities to acquire the freehold sites at Portsmouth, Southampton and Harlow, and the continuing fit-out programme at our existing stores. Year-end borrowings were £15.65 million. Net Debt was £10.46 million following receipts from the sale of the Woking site and the first instalment from the Kingston sale. A second and final instalment of £4 million plus interest since completion is due on the Kingston sale in December 2007.

The Group made a profit on ordinary activities before tax of £10,815,185 including the exceptional profit on the sale of the Kingston and Woking stores of £10,234,583. The Group made a profit on ordinary activities before tax and exceptional items of £580,602 (2006: restated loss £41,019).

There is no current year corporation tax charge arising for 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 £5.4 million. In addition the business had capital losses available to carry forward of £362,636. The Company intends to make a claim for rollover relief in respect of the gains arising on the disposal of the stores during the financial year.

Basic earnings per share was 43.3 pence per share (2006: (0.30) pence per share). On a diluted basis earnings per share was 42.2 pence per share (2006: (0.30) pence per share). Earnings per share after adjusting for the exceptional profits arising from the disposal of properties was 2.41 pence per share (2006: (0.30) pence per share).

Borrowings and Cash Flow

Cash flows from the Group have grown strongly, with turnover growth having a geared impact on cash flow. The Group had cash balances at the year-end of £5.19 million (2006: £0.92 million).

Cash inflow from operating activities before interest and capital expenditure was £5 million (2006: £1.6 million). Capital expenditure totalling some £10.3 million during the year reflects the Group's commitment to growing its business through a combination of new site acquisition and related works (£7.43 million) and investing in our existing stores (£2.87 million). At 31 July 2007, the Group had £15.65 million of borrowings representing gearing on a NBV basis of 46% on net debt of £10.46 million. When adjusted for the Group's revalued property gearing drops to 15%.

Buyback Authority

At the Company's AGM on 7 December 2006 shareholders gave approval to renew the existing share buy-back authority. This authority will be sought 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 21.9% 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 26,731,365 Ordinary Shares (2006: 25,091,144).

Balance Sheet

Net assets at the year-end increased to £22.55 million (2006: £10.81 million) from the profitable sale of the two stores as well as operational surpluses. This does not reflect the significant uplift in valuation as a result of the property valuation of £75.72 million which increases net assets to £70.37 million on a revalued basis. This valuation translates into a net asset value per share of £2.70 (2006:£2.13) as reported below.

The Employee Benefit Trust owns 627,500 (2006: 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 operating leasehold land and buildings

On 31 July 2007, professional valuations were prepared by external valuers, Cushman & Wakefield (C&W), in respect of 11 freehold and 6 operating 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 the bulk of Lok'nStore's properties would be acquired other than in a corporate structure (see note 5 for a more detailed description of the valuation methodology).

The valuation report indicates a total for properties valued of £75.7 million (NBV £27.9million) (July 2006: £66.6 million: NBV £25.2 million). The 2007 valuation includes and reflects the uplift in value which has resulted from the operational performance of the stores. In relation to the existing store at Reading, there is a prospect of redevelopment for residential use and the valuation reflects this. Accordingly, the Lok'nStore Reading site across the road which has a planning permission for a store has been valued as an operating self-storage site including an additional uplift to reflect the import of customers from the existing Reading store in due course. The valuations do not account for any further investment in existing stores since 31 July 2007. The sites at Harlow and Southampton have not been valued and their asset value (stated at cost) of £4.4 million combined with the C&W valuation provides an aggregate property value of £80.1 million.

Over the years Lok'nStore has acquired the freehold interest in previously leased stores at Horsham, Reading and Poole. This tactical approach combines the early cash flow advantages of leasehold stores with the long-term income security and investment potential of freeholds. The 6 leaseholds valued by Cushman and Wakefield are all 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 leasehold stores valued was 12.1 years at the date of the 2007 Valuation (source: C&W) (2006 valuation: 11.2 years).

Financing and Liquidity

During the year the Company signed a new £40 million revolving five-year committed credit facility with The Royal Bank of Scotland Plc replacing the previous £20 million facility. This provides sufficient additional liquidity for the Group's immediate expansion plans. Interest payable on the loan is on similar 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 £24.35 million. The facility is secured on the existing property portfolio.

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

Treasury

All cash deposits are placed with The 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.

International Financial Reporting Standards ('IFRS')

The first full financial statements that the Group will report under IFRS will be for the year ended 31 July 2008. Our interim results for the period to 31 January 2007 will be presented under IFRS. The move to IFRS will not change the underlying performance and cash flow of the business but will impact the way in which results are presented. Based on our review to date, we consider that the main considerations for Lok'nStore are as follows:

- We believe that all our operating leases will remain as operating leases under IFRS. Both historically and currently we value our freehold and our leasehold property assets. We report this as information but do not include in the balance sheet and we base our Net Asset Value calculation ('NAV') upon it. Under IFRS, the Revaluation of our property assets, if formally included in the Balance Sheet shall not permit the inclusion of any valuation in respect of our leasehold properties to the extent that they are classified as operating leases. The value of our operating leases in the current £75.7 valuation totals £9 million. Instead, going forward, we will report by way of a note the underlying value of these leaseholds in future revaluations and adjust our Net Asset Value ('NAV') calculation accordingly to include their value. This will ensure comparable NAV calculations.
- The goodwill in our balance sheet will not be subject to amortisation, but instead will be subject to an annual impairment review.
- There are four main areas of deferred tax we have identified that may be impacted by the adoption of IFRS:

1) Deferred tax on rolled over gains

Lok'nStore has realised significant gains on the disposal of the Kingston and Woking stores and the proceeds will be reinvested in new operating properties. As such rollover relief will be claimed in respect of the entire gain. The tax liability deferred as a result of this is approximately £2.95 million. Under UK GAAP this need only be disclosed by way of a note in the accounts. However, under IFRS this balance may need to be provided for as a deferred tax liability.

2) Deferred tax on revaluation gains

Should our property valuations be adopted under IFRS then a deferred tax liability will need to be recognised on the difference between cost and the revalued amount at 30%, using current rates. This will drop to 28% with effect from 1 April 2008 when the rate of corporation tax is revised.

3) Deferred tax on share based payments

Under UK GAAP deferred tax is recognised on share based payment charges to the extent that they give rise to a timing difference. Under IFRS, the potential tax relief should be calculated by reference to the share price at the balance sheet date, and then spread over the vesting period.

Also under IFRS deferred tax should be recognised on all share based payments where as under UK GAAP deferred tax on options issued prior to November 2002 or which vested prior to application of the standard is not recognised.

4) Deferred tax on new Southampton property

The property acquired through the purchase of Southern Engineering & Machinery Co Ltd ('SEMCO') is currently reflected in the consolidated accounts at approximately £3 million whereas the base cost within SEMCO is approximately £200,000. Under UK GAAP provision for the potential deferred tax liability on this gain is not required but is instead disclosed by way of note as an 'unprovided deferred tax liability'.

Under IFRS however, a deferred tax liability of approximately £840,000 (at current tax rates) must be provided for in respect of the unrealised gain.

Ray Davies
Finance Director

26 October 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 July 2007

Notes	Before	Exceptional	2007	2006
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	Exceptional Items	Items	£	£ As restated
Turnover				
Continuing Operations	10,665,532		10,665,532	8,946,083
Operating expenses	(9,119,190)		(9,119,190)	(8,260,052)
Operating profit	1,546,342		1,546,342	686,031
Exceptional Item: Profit on sale of properties	-	10,234,583	10,234,583	-
Profit on ordinary activities before interest	1,546,342	10,234,583	11,780,925	686,031
Interest receivable	147,461	-	147,461	36,936
Profit on ordinary activities before interest payable	1,693,803	10,234,583	11,928,386	722,967
Interest payable	(1,113,201)	-	(1,113,201)	(763,986)
Profit/ (Loss) on ordinary activities before taxation	580,602	10,234,583	10,815,185	(41,019)
Taxation	2		36,913	(36,913)
Profit / (Loss)/on Ordinary Activities after Taxation			10,852,098	(77,932)
Profit/ (Loss) for the year	10		10,852,098	(77,932)
Earnings per share				
Basic	3		43.3p	(0.30p)
Diluted	3		42.2p	(0.30p)

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 2007

	Notes	Group 2007 £	Group 2006 £ As restated	Company 2007 £	Company 2006 £ As restated
Fixed assets					
Intangible assets	4	310,559	334,813	-	-
Tangible assets	5	32,544,911	25,430,037	-	-
Investments	6	-	-	214,563	214,563
		32,855,470	25,764,850	214,563	214,563
Current assets					
Stocks		74,544	77,668	-	-
Debtors		5,924,750	2,022,769	6,657,689	6,040,331
Cash at bank and in hand		5,189,134	921,928	-	-
		11,188,428	3,022,365	6,657,689	6,040,331
Creditors: Amounts falling due within one year		(6,000,253)	(3,877,489)	-	-
Net current assets/ (liabilities)		5,188,175	(855,124)	6,657,689	6,040,331
Total assets less current liabilities		38,043,645	24,909,726	6,872,252	6,254,894
Creditors: Amounts falling due after more than one year		(15,492,606)	(14,066,802)	-	-
Provisions for liabilities	7	-	(36,913)	-	-
Net assets		22,551,039	10,806,011	6,872,252	6,254,894
Capital and reserves					
Called up share capital	8	267,314	250,911	267,314	250,911
Share premium account	10	667,731	66,776	667,731	66,776
Capital redemption reserve	10	34,205	34,205	34,205	34,205
Merger reserve	10	6,295,295	6,295,295	-	-
Other distributable reserve	10	5,903,002	5,903,002	5,903,002	5,903,002
Profit and loss account	10	9,405,605	(1,446,493)	-	-
Share based payment reserve	9	487,473	211,901	-	-
ESOP shares	11	(509,586)	(509,586)	-	-
Shareholders' funds	12	22,551,039	10,806,011	6,872,252	6,254,894

Approved by the Board of Directors and authorised for issue on 26 October 2007

and signed on its behalf by:

A Jacobs
Chief Executive

R Davies
Finance Director

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 July 2007

	Notes	2007 £	2006 £
Cash inflow from operating activities	13a	5,001,126	1,603,118
Returns on investments and servicing of finance	13b	(839,563)	(771,211)
Taxation		-	(50,500)
Capital expenditure and financial investment	13b	(1,937,518)	(6,273,461)
Cash inflow / (outflow) before financing		2,224,045	(5,492,054)
Financing	13b	2,043,161	5,989,244
Increase in cash in the year		4,267,206	497,190

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Notes	2007 £	2006 £
Increase in cash in the year		4,267,206	497,190
Cash inflow from increase in debt and lease financing		(1,525,954)	(5,974,244)
Movement in net debt in year		2,741,252	(5,477,054)
Net debt at 1 August		(13,202,316)	(7,725,262)
Net debt at 31 July	13c	(10,461,064)	(13,202,316)

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The above results for the year ended 31 July 2007 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 2006.

2. TAXATION

	2007 £	2006 £
Current tax charge for the year (see below)		As restated
Deferred tax		
Origination and reversal of timing differences	(36,913)	(36,913)
Total deferred tax credit/ (charge) for the year (refer note 7)	36,913	(36,913)
Tax on profit/ (loss) on ordinary activities	-	(36,913)

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:

	2007 £	2006 £
Profit / (Loss) on ordinary activities before tax	10,815,185	(41,019)
Profit on ordinary activities multiplied by the standard rate of	3,244,555	(12,306)

corporation tax in the UK of 30% (2006: 30%)		
Expenses not deductible for tax purposes	141,074	69,130
Income not taxable	(36,495)	-
Capital allowances for year in excess of depreciation	(137,738)	(159,558)
Tax losses not utilised	589,291	123,173
Deduction on exercise of share options	(717,874)	(15,000)
General provision	752	(101)
Indexation claimed on capital disposals	(133,534)	-
Rollover relief claimed	(2,950,031)	(5,338)
Current tax charge for the year	-	-

The Group has revenue tax losses of approximately £5.4 million (2006: £3.4 million) available to carry forward against future taxable profits of the same trade (refer note 7).

The current year tax credit relates to a movement in deferred tax arising on accelerated capital allowances in excess of depreciation after taking account of all revenue losses and has a current position of having tax losses in excess of deferred tax liabilities. No deferred tax asset has been recognised in relation to these excess tax losses due to the uncertainty of taxable profits arising in the foreseeable future against which these losses can be offset. No provision for deferred tax has been made on the 'rolled over' gain in respect of the sale of the Kingston and Woking stores or for the difference between the base cost and the corresponding value of the 'SEMCO' property in the group accounts. The aggregate unprovided deferred tax is approximately £3,250,000.

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 stores in the foreseeable future. If, however, the properties were sold at their market values as disclosed in note 5, an estimate of the tax payable on the gain arising would be approximately £12 million (2006:£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.

	2007 £	2006 £ As restated
Profit/ (Loss) for the financial year	10,852,098	(77,932)

	2007 Number of Shares	2006 £ Number of Shares
Weighted average number of shares		
For basic earnings per share	25,670,204	24,453,288
Dilutive effect of share options	673,980	1,526,446
For diluted earnings per share	26,344,183	25,979,734

	2007 £	2006 £ As restated
Earnings/ (loss) per share		
Basic	43.3p	(0.30p)
Diluted	42.2p	(0.30p)

4. INTANGIBLE FIXED ASSETS

Group	Purchased goodwill £
Cost	485,093
1 August 2006 and 31 July 2007	
31 July 2007	485,093
Amortisation	
1 August 2006	150,280

Charged in year	24,254
31 July 2007	174,534
Net book value	310,559
31 July 2007	
31 July 2006	334,813

5. TANGIBLE FIXED ASSETS

Group	Freehold Properties	Short Leasehold Improvements	Furniture, Fixtures & Fittings	Motor Vehicles	Total
Cost					
1 August 2006	18,527,701	1,595,577	9,557,776	60,406	29,741,460
Additions	7,862,809	307,738	2,062,739	29,000	10,262,286
Disposals	(2,067,383)	-	(370,580)	-	(2,437,963)
31 July 2007	24,323,127	1,903,315	11,249,935	89,406	37,565,783
Depreciation					
1 August 2006	540,078	633,055	3,098,618	39,672	4,311,423
Charged in year	145,964	135,954	770,681	4,629	1,057,228
Disposals	(121,649)	-	(226,130)	-	(347,779)
31 July 2007	564,393	769,009	3,643,169	44,301	5,020,872
Net book value					
31 July 2007	23,758,734	1,134,306	7,606,766	45,105	32,544,911
31 July 2006	17,987,623	962,522	6,459,158	20,734	25,430,037

The additions to freehold properties include the acquisition and development of the freehold sites in Portsmouth and Harlow, and a new site in Southampton totalling £7.43 million. The addition to fixtures and fittings includes fit-outs at the Fareham, Ashford, Farnborough and Crayford stores.

Market Valuation of Freehold and Operating Leasehold Land and Buildings

On 31 July 2007, a professional valuation was prepared by external valuers, Cushman & Wakefield (C&W), in respect of 11 freehold and 6 operating 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 or, Market Value as a fully equipped operational entity, having regard to trading potential as appropriate. Existing Use Value was not adopted as a basis of valuation as the valuations are prepared for shareholder information only with all the properties being held in the accounts at NBV. 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 three 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 £75.7 million (NBV £27.9 million) (January 2006: £66.6 million (NBV 25.2 million)). These valuations have not been included in the Balance Sheet.

The 2007 valuation includes and reflects the uplift in value which has resulted from the operational performance of the stores. In relation to the existing store at Reading, although it currently remains an operating self storage facility the site has been valued to reflect its residential development potential but recognising that this has yet to be obtained. Additionally, the freehold development land site in Reading situated opposite the existing store, which has the benefit of an appropriate planning consent for a self storage facility, has been valued accordingly, and reflecting an additional uplift based on the assumption that a substantial number of the existing store's customers

will transfer to the new store. The valuations also do not account for any further investment in existing stores since July 2007.

Valuation Methodology

Background

The USA has over 40,000 self-storage facilities 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 stores 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, albeit as corporate transactions rather than individual property sales.

C&W believe that the valuation methodology adopted in the USA is also 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 fourteen trading stores (both freehold and leaseholds) averages 77.69% (2006:78.28%). The two Reading properties plus Portsmouth are excluded from the group of fourteen stores. 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 the fourteen stores, the yield (net of purchaser's costs) arising from the first year of the projected cash flow is 6.14% (2006: 6.05%). This rises to 9.95% (2006: 10.54%) 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 10.9% (2006: 11.31%).

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.

The 2006 comparative figures are based on a group of sixteen stores which included Woking and the existing Reading store.

Leaseholds

The same methodology has been used as for freeholds, except that no sale of the assets in the 10th year is assumed, but the discounted cash flow is extended to the expiry of the lease. The average unexpired term of the Group's operating leaseholds is approximately 12 years and 1 month as at 31 July 2007 (11 years and 2 months as at January 2006).

6. INVESTMENTS

Company	Shares in Subsidiary Undertakings £
Cost	
At 1 August 2006 and 31 July 2007	
Lok'nStore Limited	214,563

Investment

On 30 May 2007 the Company acquired the entire share capital of 90,000 ordinary shares of £1 each in Southern Machinery and Engineering Company Limited. The consideration for the acquisition was satisfied by the payment of £2.97 million in cash. The underlying purpose of this transaction was the acquisition of a new freehold site on Third Avenue, Millbrook, Southampton and it is included in freehold property additions.

The site of 2.16 acres fronts the main access road to Southampton city centre and will provide around 100,000 sq ft of self-storage space. It will replace the existing Southampton Lok'nStore, which is located a few hundred metres away and currently provides up to 84,000 sq ft in a freehold property. The new build site will capitalise on the prominent main roadside position using the strong Lok'nStore branding similar in design to the successful new Farnborough store. The increased prominence and modern look of the building will allow the business to leverage off the existing business which is trading well, increasing both the volume of space rented and the rates achieved on those rentals.

The total investment in the new store will be up to £8 million, and this investment is a key part of the Company's strategy to actively manage its existing portfolio to maximise its value, as well as increasing the number of stores and square footage.

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

	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
Southern Machinery & Engineering Company Limited	Ordinary	100		Land

7. PROVISIONS FOR LIABILITIES DEFERRED TAX

	2007 £	2006 £ As restated
Accelerated capital allowances	1,314,318	1,132,287
Tax losses carried forward	(1,191,354)	(1,031,375)
Other timing differences	(119,964)	(63,999)
Provision for deferred tax	-	36,913
Provision at start of year	36,913	-
Deferred tax charge/ (credit) in profit and loss account	(36,913)	36,913
Provision at end of year	-	36,913

8. SHARE CAPITAL

	2007 £	2006 £
Authorised:		
35,000,000 Ordinary Shares of 1p each (2006: 35,000,000)	350,000	350,000

Allotted, issued and fully paid Ordinary Shares:

	Number of Shares	£
At 1 August 2006	25,091,144	250,911
Options exercised	1,640,221	16,403
At 31 July 2007	26,731,365	267,314

On 3 November 2006, options were exercised on 1,626,600 Ordinary Shares and that number of shares were issued for a consideration of £601,842. On 30 April 2007, options were exercised on 13,621 Ordinary Shares and that number of shares were issued for a consideration of £9,943.

9. SHARE -BASED PAYMENT PLANS

The Group operates an Enterprise Management Initiative ('EMI') approved and an unapproved share option scheme, the rules of which are similar in all material respects. The grant of options to executive directors and senior management is recommended by the Remuneration Committee on the basis of their contribution to the Group's success. The options vest after three years. No options have been granted under the EMI approved scheme in this year.

The exercise price of the options is equal to the closing mid-market price of the shares on the trading day previous to the date of the grant. The exercise of options awarded has been subject to the meeting of performance criteria geared primarily to sales growth with the key non-market performance condition being the achievement of £10 million annual turnover. This condition has now been achieved. Exercise of an option is subject to continued employment. The life of each option granted is seven years. There are no cash settlement alternatives.

The expected volatility is based on a historical review of share price movements over a period of time, prior to the date of grant, commensurate with the expected term of each award. The expected term is assumed to be six years which is part way between vesting (3 years after grant) and lapse (10 years after grant). The risk free rate of return is the UK gilt rate at date of grant commensurate with the expected term (i.e. six years).

The total charge for the year relating to employer share-based payment schemes was £275,572. (Prior year adjusted: £165,320), all of which relates to equity-settled share-based payment transactions. The 'first-time' adoption of FRS 20 to these financial statements has necessitated a prior year adjustment to be made, and in total a 'Share-based payments reserve' at 31 July 2007 of £487,473 results (prior year adjusted £211,901). This adjustment related to all share options granted since 7 November 2002 that had not vested by 1 August 2006 on 1,968,366 shares.

Profit and Loss Account

	31 July 2007	31 July 2006
	£	£
Opening balance as originally stated	(1,298,162)	(1,321,980)
Prior year adjustment		
Share based payments	(211,901)	(46,581)
Deferred tax	63,570	-
Opening balance as restated	(1,446,493)	(1,368,561)
Profit/ (Loss) for the year	10,852,098	(77,932)
Closing balance	9,405,605	(1,446,493)

Share based payment reserve

	31 July 2007	31 July 2006
Opening balance as originally stated	-	-
Prior year adjustment	211,901	46,581
Charge for year	275,572	165,320
Closing balance	487,473	211,901

a) EMI Approved Scheme

	Options 2007 Number	Weighted average Exercise price 2007 Pence	Options 2006 Number	Weighted average Exercise price 2006 Pence
Outstanding at 1 August	547,415	121.78	428,821	110.01
Granted during the year	-	-	113,594	166.22
Forfeited during the year	(13,134)	117.02	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 31 July	534,281	121.85	547,415	121.78
Exercisable at 31 July	368,900	103.98	-	-

There were no share options exercised during the year. The options outstanding at 31 July 2007 had a weighted average contractual life of 10 years.

The inputs into the Black-Scholes model used by our remuneration consultants, New Bridge Street Consultants are as follows:

Date of Grant	21 Jul 03	27 Nov 03	19 Jan 04	20 Jan 04	30 Jul 04	29 Jul 05	24 Apr 06	31 Jul 06
Expected life (years)	6	6	6	6	6	6	6	6
Share price at date of grant (p)	66.50	105.50	100.00	100.00	113.00	150.00	176.50	156.00
Exercise price (p)	93.00	93.50	102.00	102.00	113.00	152.00	176.50	156.00
Expected volatility	26.82%	34.48%	33.82%	33.80%	32.31%	30.46%	29.53%	29.18%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%	0%
Risk free interest rate	4.05%	4.95%	4.60%	4.60%	5.11%	4.24%	4.62%	4.72%
Fair value charge per award	14.90	49.81	41.05	41.04	47.20	56.94	68.21	60.22

b) Unapproved Scheme

	Options 2007 Number	Weighted average Exercise price 2007 Pence	Options 2006 Number	Weighted average Exercise price 2006 Pence
Outstanding at 1 August	1,022,085	140.63	623,679	129.39
Granted during the year	412,000	219.72	398,406	158.23
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 31 July	1,434,085	219.63	1,022,085	140.63
Exercisable at 31 July	316,100	107.71	-	-

There were no share options exercised during the year. The options outstanding at 31 July 2007 had a weighted average contractual life of 10 years.

The inputs into the Black-Scholes model used by our remuneration consultants, New Bridge Street Consultants are as follows:

Date of Grant	20 Jan 04	30 Jul 04	16 May 05	29 Jul 05	24 Apr 06	31 Jul 06	28 Nov 06	24 Apr 07	31 Jul 07
Expected life (years)	6	6	6	6	6	6	6	6	6
Share price at date of grant (p)	100.00	113.00	145.00	150.00	176.50	156.00	203.50	272.00	213.50
Exercise price (p)	102.00	113.00	148.00	152.00	176.50	156.00	148.00	269.50	213.50
Expected volatility	33.80%	32.31%	30.95%	30.46%	29.53%	29.18%	29.32%	29.47%	29.96%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%	0.40%	0.50%
Risk free interest rate	4.60%	5.11%	4.32%	4.24%	4.62%	4.72%	4.75%	5.29%	5.38%
Fair value charge per award	41.04	47.20	55.48	56.94	68.21	60.22	103.85	110.20	86.88

A period of 6 years was assumed for the expected life, being approximately the midpoint of the exercise window, and the average term as demonstrated in extensive exercise modelling conducted by New Bridge Street Consultants for their clients. The expected volatility was based on volatility over the period prior to grant equal in length to the expected 6 year life.

10. RESERVES

	Share premium £	Merger Reserve £	Other Distributable Reserve £	Capital Redemption reserve £	Share based payment reserve £ As restated	Profit and loss account £ As restated	Total £ As restated
1 August 2006 as restated (refer note 9)	66,776	6,295,295	5,903,002	34,205	211,901	(1,446,493)	10,852,785
Exercise of share options	600,955	-	-	-	-	-	600,955
Profit for the year	-	-	-	-	-	10,852,098	10,852,098
Share based payment (share options)	-	-	-	-	275,272	-	275,572
31 July 2007	667,731	6,295,295	5,903,002	34,205	487,743	9,405,605	22,581,410

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.

On 3 November 2006, Simon Thomas, Andrew Jacobs and Colin Jacobs exercised their founder options ('Founder Options'). These Founder Options were granted under arrangements pertaining to the Company's original move onto the OFEX market in 1997 and were due to expire in April 2007. Their resultant holding in the Company's ordinary shares of 1 pence each (the 'Ordinary Shares') following disposal of the Ordinary Shares issued pursuant to the exercise of the Founder Options is as follows:

Director	No. of founder options exercised	Exercise price per share	Exercise date	Ordinary shares disposed	Disposal price per share	Date of disposal	Resultant holding	Resultant % holding
Simon Thomas	496,489	37p	3.11.06	496,489	181p	3.11.06	2,187,500	8.2%
Andrew Jacobs	992,978	37p	3.11.06	992,978	181p	3.11.06	5,314,000	19.9%
Colin Jacobs	130,000	37p	3.11.06	130,000	181p	3.11.06	nil	0%

No Founder Options remain following this exercise. The Directors continue to retain share options granted subsequent to 1997.

The resultant beneficial holdings of the directors following the above transactions remain unchanged. In aggregate the Directors referred to above hold 7,981,925 ordinary shares in the Company (including their indirect holdings of Lok'nStore shares through two pension schemes (480,425 shares) representing 29.9% of the Company's share capital.

As at 31 July 2007, the Company has 26,731,365 Ordinary Shares in issue.

11. ESOP SHARES

Group	Group 2007 Number	Group 2006 Number	Group 2007 £	Group 2006 £
1 August 2006 and 31 July 2007	627,500	627,500	509,586	509,586

The ESOP shares are held by the employee benefit trust.

12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group 2007 £	Group 2006 £
Profit/ (Loss) for the financial year	10,852,098	(77,932)
Share issue on exercise of share options	16,403	200
Premium on exercise of share options	600,955	14,800
Share based payment	275,572	165,320
Net movement in shareholders' funds for the year	11,745,028	102,388
Opening shareholders' funds (originally £10,742,441 before prior)	10,806,011	10,703,623

year adjustment of £63,570 as explained in note 9)

Closing shareholders' funds	22,551,039	10,806,011
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13. CASH FLOWS

a). Reconciliation of operating profit to net cash inflow from operating activities

	2007 £	2006 £ As restated
Operating profit	11,780,925	686,031
Depreciation	1,057,228	875,203
Amortisation	24,254	24,255
Share based employee remuneration	275,572	165,320
(Profit) / Loss on sale of fixed assets	(10,234,584)	980
Decrease in stocks	3,124	10,980
Decrease / (Increase) in debtors	98,018	(330,187)
Increase in creditors	1,996,589	170,536
Net cash inflow from operating activities	5,001,126	1,603,118

b). Analysis of cash flows for headings netted in the cash flow

	2007 £	2006 £
Returns on investments and servicing of finance		
Interest received	147,461	36,936
Interest paid	(987,024)	(808,147)
Net cash outflow for returns on investments and servicing of finance	(839,563)	(771,211)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(10,262,286)	(6,273,529)
Proceeds from sale of tangible fixed assets (net)	8,324,768	68
Net cash outflow for capital expenditure and financial investment	(1,937,518)	(6,273,461)
Financing		
Bank loans	1,425,804	5,974,244
Exercise of share options	617,357	15,000
Net cash inflow from financing	2,043,161	5,989,244

c). Analysis of net debt

	At 31 July 2006	Cash flow	Other non cash changes	At 31 July 2007 £
Cash at bank and in hand	921,928	4,267,206	-	5,189,134
Debt due after one year	(14,124,244)	(1,525,954)	-	(15,650,198)
Total	(13,202,316)	(2,741,252)	-	(10,461,064)

14. EVENTS AFTER THE BALANCE SHEET DATE

On 27 September 2007, Lok'nStore Limited exchanged contracts on the purchase of a freehold site in North Harbour, Portsmouth for £4.3 million, funded from existing facilities, and which completed on 17 October 2007. The freehold site extends to almost two acres and will be used to build a new self-storage centre of around 60,000 square feet taking the total Lok'nStore portfolio to 1.1 million square feet. The store will front the A27 to the north of Portsmouth, is opposite a busy retail area and is prominent to the M27. The company completed this purchase on 17 October 2007.

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