Safestore Holdings plc

Interim report for the six months ended 30 April 2015

Safestore the things you love

Market leaders
in self-storage

With 121 stores, Safestore and Une Pièce en Plus are the self-storage market leaders in the UK and Paris.

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Continued operational improvements and good trading momentum

Key measures

	Six months ended 30 April 2015	Six months ended 30 April 2014	Change	Change - CER[1]
Underlying and Operating Metrics				
Revenue	**£50.4m**	£46.9m	7.5%	10.1%
Revenue- like-for-like[2]	**£50.4m**	£46.4m	8.6%	11.2%
Underlying EBITDA[3]	**£29.9m**	£25.1m	7.2%	8.3%
Free Cash flow[4]	**£15.7m**	£7.2m	118.1%	n/a
Cash tax adjusted earnings per share[5]	**7.6p**	6.0p	26.7%	n/a
Dividend per share	**3.00p**	2.15p	39.5%	n/a
Closing occupancy[6]	**68.9%**	65.3%	+3.6ppts	n/a
Statutory Metrics				
Profit before tax[9]	**£62.2m**	£6.9m	+£55.3m	n/a
Basic earnings per share	**28.8p**	2.4p	+26.4p	n/a

Highlights

For the six months ended 30 April 2015

Improving Operational Delivery

- Good performance across the UK with enquiry growth, increased conversion and continued strong new lets performance (up 31%)
- Closing occupancy up 3.4 ppts in the UK
- UK average rate growth of 7.5% in the period with improved move-in rates
- National Accounts UK business space grows 25%
- Continuing robust Paris performance growing occupancy, rate and revenue (CER[1] basis)
- Acquisition of High Wycombe freehold and a further five leasehold extensions since the end of last financial year
- Planned redevelopment of Wandsworth store increasing MLA[7] by 25,000 sq ft

Good Financial Performance

- Group like-for-like revenue (CER[1] basis) up 11.2% and closing occupancy up 3.6 ppts
- Like-for-like revenue growth of 13.4% in the UK and 5.9% in Paris on CER[1]
- Cash Tax Adjusted Earnings per Share up 26.7% at 7.6p
- Interim dividend of 3.0p, increased by 40% since April 2014
- Full year Cash Tax Adjusted Earnings Per Share to be in line with Board expectations

Strong and flexible balance sheet

- Group Loan to Value[8] ("LTV") at c.35%, Interest Cover Ratio of 3.9x and available facilities of £68m

Notes

1 – Constant Exchange Rates.

2 – Adjusted to reflect the closure of St Denis Landy in France and the loss of tenancy income in the UK following the sale and short term leaseback of our Whitechapel site.

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

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

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

6 – Closing occupancy excludes offices but includes 69,100 sq ft of bulk tenancy as at 30 April 2015 (30 April 2014: 74,100 sq ft).

7 – MLA is Maximum Lettable Area. Group MLA is currently 5.03m sq ft.

8 – Loan to Value is calculated as gross debt (excluding finance leases) as a proportion of the valuation of investment properties and properties under construction (excluding finance leases).

9 – Includes a gain on investment properties of £43.9m in 2015 and a loss on investment properties of £6.8m in 2014.

10 – Office of National Statistics – English housing survey 2013/2014

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

"The key initiatives taken over the last 18 months to enhance operational performance are now reflected in sustained and improved trading. Growing enquiries, stronger conversion and improved pricing has driven double digit like-for-like growth in the UK, while our strongly positioned Parisian business has delivered a robust performance and its seventeenth year of consecutive growth, reflecting its market leading position.

"Although it is still early in the second half of the financial year, I am confident that the progress we have made to date will be reflected in the financial results for the full year and that we will deliver cash tax adjusted earnings per share in line with Board expectations.

"As our positive momentum continues I look forward to the opening of our two London developments at Chiswick in 2016 and Wandsworth, announced today, in 2017 and to considering further selective development and acquisition opportunities in our key markets."

Summary

Safestore has delivered a good performance in the first half of the financial year. Group revenue increased 11.2% on a like-for-like basis with the UK growing by 13.4% and our Parisian business by 5.9% on a constant currency basis. The Group's occupancy increased by 3.6 percentage points (ppts) to 68.9% with the average storage rate up 5.8%[1].

Our operational progress across the UK has continued in the period. Enquiry growth remains healthy and improvements in conversion have resulted in new lets growth of 31% across the half year. As a result, occupancy in the UK was up 3.4 ppts to 66.8%. At the same time our UK rate grew by 7.5%.

In Paris, despite a relatively tough economic environment, our market leading portfolio has delivered a robust performance resulting in increases in occupancy, rate and like-for-like revenue. Occupancy is now 77.2%, a 5.1 ppts increase compared to the prior year and rate grew by 2.9% (CER[1]) in the period. This is now the seventeenth consecutive year of revenue growth in Paris.

As a result, Group underlying EBITDA, at £26.9m, increased £1.8m on the prior year despite the negative impact of the weakening Euro on the profitability of our Paris business and an incremental investment in both our staff incentivisation programme and enquiry generation efforts. Cash tax adjusted EPS grew 26.7% in the period to 7.6p (2014: 6.0p) reflecting the strong EBITDA performance and the reduced finance costs following the rebalancing of the capital structure completed in January 2014.

Our property portfolio valuation increased by 4.8% since October 2014 to £743.5m despite the impact of the weakening of the Euro on the Paris valuation. On a CER basis the portfolio valuation increased by 7.1% with the UK portfolio up £47.5m to £579.8m and the French portfolio up €3.7m to €228.2m. This increase reflects an improved trading outlook, revised cap rate assumptions and the impact of a freehold purchase and a number of lease re-gears in the period.

As a result of the continued improvements to our business and the strong growth in earnings and free cash flow during the period, the Board is pleased to announce a 40% increase in the interim dividend to 3.0p per share (2014: 2.15p).

Outlook

We are pleased with the continued operational and financial progress achieved in the first half of the financial year. Early trading in the second half is encouraging and accordingly we are confident that the business will deliver earnings in line with Board expectations for the full year.

In keeping with our strategy we will continue to focus on leveraging our scale and strong market positions in both the UK and Paris to fill the 1.6m sq ft of currently unoccupied space. At the same time we will take advantage of selected development and acquisition opportunities that meet our strict investment criteria.

Industry participants in the recent Self Storage Association ("SSA") survey demonstrated an increasing level of confidence in the trading outlook for 2015 with 78% anticipating an increase in profitability, 80% expecting increasing rental rates and 96% expecting similar or reduced levels of customer incentives in the year ahead.

We continue to believe that, with more favourable economic conditions and limited new supply coming into the self-storage market, the industry is well positioned for growth.

Strategy Update

In January 2014 we identified three phases to our future strategy:

- Establish a more appropriate capital structure for the business.
- Improve operational delivery.
- Selective portfolio management opportunities.

Capital Structure

Our capital structure was addressed in early 2014 and we now have a strong and flexible balance sheet to support further the growth of the business. Key balance sheet metrics at 30 April 2015 are:

- Group LTV of 35% (31 October 2014: 37%)
- Underlying interest charges covered 3.9 times by underlying EBITDA (after leasehold rent costs)
- Undrawn facilities of £68m

Whilst we are comfortable with the shape of our capital structure, we will continue to keep it under review.

Improved Operational Delivery

The key focus of senior management over the last 18 months has been to improve the operational performance of the UK business in generating enquiries and converting them into customers at an appropriate rate. We are pleased to report continued significant progress against this objective with enquiries increasing by 12% and our number of new lets by 31% while simultaneously growing the average rate by 7.5% compared to the prior period.

Self-storage is a relatively new product and many customers look for guidance and support when working out how best to store their property, where to store it and how to safeguard it. Our teams provide that support and we look to recruit, develop and reward a high quality team.

Since the recruitment of our operational leaders one year ago, we have made numerous improvements to energise the store team:

- An improved store recruitment and induction process has been implemented ensuring that we are attracting high calibre staff to the business and improving both the speed and quality of their induction;
- Three positions have been added to the Regional Management structure enabling closer management as well as improved development and training of the store teams;
- New management processes and ways of engaging with our store managers have been introduced in order to develop local leadership and results accountability;
- Enhanced incentivisation programmes have been introduced allowing staff to earn up to 50% of salary dependent on performance measured against four understandable and controllable key operational metrics;
- Our store team structure has been adjusted with the introduction of a sales consultant position which, over time, will replace the assistant manager and sales assistant positions to create a flatter store team hierarchy and a more efficient store operating model;
- An online Learning Management System has been introduced to the business. In conjunction with our Space Specialist training programme, staff have the development tools to rapidly and efficiently improve their technical and selling skills;
- As staff develop and demonstrate their increasing skills they will benefit from our Pay-for-Skills development programme and some will be considered for promotion to store management roles, ensuring internal management succession and career development;
- Reporting systems have been introduced to enable a greater focus on the consistency and comparability of the sales performance of individual staff members; and
- Our pricing policy has been adapted to ensure that each store trades competitively in its local market. Training and price discipline initiatives have been implemented to ensure that store level discounting is targeted and appropriate, and reflects the strength of our offer in the market.

Reflecting these investments, we are proud to announce the business was awarded with a silver Investors In People accreditation earlier in the year.

As a result of the dedication of our store team, our customer service remains unrivalled. Since 2013 when we integrated Feefo (an independent merchant review system), which allows customers to leave their feedback on the quality of our customer service on the site, our customer satisfaction score has remained in excess of 97%.

We complement our store teams in the UK with our central customer support centre that provides ongoing support to the UK stores, in addition to processing enquiries that fall outside store hours and overall handles 14% of all enquiries.

Portfolio management

Active and effective management of our property portfolio has always been a key priority. Since the end of the last financial year we have extended leases on a further five leasehold properties at Guildford, Swanley, Harlow, Preston, and Camden providing the business with long-term tenure on these properties. It is estimated that these lease re-gears will add approximately £5.0m to our asset valuation. We have now extended the leases on 16 stores or c.50% of our leased store portfolio in the UK since FY2012 and our average lease length remaining (excluding forthcoming store closures) now stands at 13.4 years as compared to 12.8 years at H1 2014.

As previously reported, we believe that the land we own on the A4 in London at Chiswick represents an attractive opportunity and we are proceeding with the development of a new store on this site. We anticipate the store, which will add 43,000 sq ft of capacity, opening during 2016.

In addition, since 2012 we have owned a 0.25 acre site in Wandsworth adjacent to our existing store. We have decided to redevelop our existing store and to build a purpose built store on the extended site which will add around 25,000 sq ft of storage capacity to our portfolio. We anticipate this new store opening in 2017.

We have also owned since May 2012 a prime property in Birmingham for a flagship store and have applied for a planning consent.

Where possible, we will consider purchasing the freeholds of our leasehold assets. In the first half of the year we acquired the freehold of our leasehold High Wycombe store for £1.8m, which added over £2.5m to our asset valuation.

As already reported, at New Malden our landlord has now obtained planning permission for the redevelopment of the site and, pursuant to the lease amendment signed with the company 3 years ago, has served its option to break the lease in return for a premium of £1.5m, which has been reflected in the store portfolio valuation. This is significantly higher than the asset valuation as an ongoing trading store. The store will close in H2 2015. We are in the process of relocating a significant proportion of the store's occupancy to other nearby stores in our portfolio.

We continue to seek asset management opportunities to develop our store portfolio. Further lease re-gearing and income generation opportunities will be explored on an ongoing basis. Looking forward, our approach to store development and potential acquisition opportunities in the future will be pragmatic, flexible and returns focused.

Trading Performance

Group

Group Operating Performance	**H1 2015**	**H1 2014**	**Change**	**Change- CER[1]**
Revenue- like-for-like (£'m)[2]	50.4	46.4	+8.6%	+11.2%
Revenue (£'m)	50.4	46.9	+7.5%	+10.1%
EBITDA (£'m)[3]	26.9	25.1	+7.2%	+8.3%
EBITDA (after leasehold costs) (£'m)	22.4	20.1	+11.4%	+11.9%
Closing Occupancy (let sq ft- million)[6]	3.47	3.32	+4.5%	n/a
Closing Occupancy (% of MLA)[7]	68.9%	65.3%	+3.6ppts	n/a
Average Storage Rate (£)	24.86	24.14	+3.0%	+5.8%

Group revenue was up 11.2% on a like-for-like basis (on a constant currency basis) and occupancy increased by 3.6 ppts compared with a year ago. Our average rate has performed strongly and is 5.8% ahead of the prior half year on a constant currency basis.

Whilst occupancy has improved by 3.6 ppts over the period, we still have 1.4 million sq ft of space that is currently unlet in the UK and 0.2 million sq ft in Paris. Our operational focus is on continuing to grow revenue by striking the right balance between occupancy and rates.

UK – a strong performance

Group Operating Performance	**H1 2015**	**H1 2014**	**Change**
Revenue - like-for-like (£'m)[2]	38.2	33.7	+13.4%
Revenue (£'m)	38.2	33.9	+12.7%
EBITDA (£'m)[3]	18.8	16.6	+13.3%
EBITDA (after leasehold costs) (£'m)	16.2	14.0	+15.7%
Closing Occupancy (let sq ft- million)[6]	2.69	2.55	+5.5%
Closing Occupancy (% of MLA)[7]	66.8%	63.4%	+3.4ppts
Average Storage Rate (£)	23.51	21.87	+7.5%

Our UK revenue was up 13.4% on the prior year on a like-for-like basis.

EBITDA was £2.2m ahead of H1 2014 driven by the strong revenue performance.

Our UK business ended the period at closing occupancy of 2.69m sq ft or 66.8% of our Maximum Lettable Area which represented an increase on 2014 of 135,000 sq ft. During the second quarter of 2015 we increased occupancy by 61,000 sq ft, up 24% on the prior period.

In the first half of 2014 we changed our pricing strategy in the UK business. As a result of improved store selling skills, high quality customer service and reduced price lists, as well as a narrower range of discounting tools, our move-in rate increased significantly during the second half of 2014. This momentum has continued and, as a result, our average rate for the first half of 2015 is up 7.5% on H1 2014. In addition, the rate achieved in Q2 2015 was 1.3% higher than the Q1 2015 rate. We are encouraged by the positive quarter-on-quarter trends although we expect the rate of growth to slow as we pass the anniversary of our policy changes.

Paris – a robust performance in a challenging environment

Paris Operating Performance	**H1 2015**	**H1 2014**	**Change**
Revenue- like-for-like (€'m)[2]	16.2	15.3	+5.9%
Revenue (€'m)	16.2	15.7	+3.2%
EBITDA (€'m)[3]	10.3	10.4	(1.0%)
EBITDA (after leasehold costs) (€'m)	7.8	7.5	+4.0%
Closing Occupancy (let sq ft- million)[6]	0.78	0.76	+2.6%
Closing Occupancy (% of MLA)[7]	77.2%	72.1%	+5.1ppts
Average Storage Rate (€)	38.97	37.86	+2.9%
Revenue- like-for-like (£'m)[2]	12.2	12.7	(3.9%)
Revenue (£'m)	12.2	13.0	(6.2%)

Our Parisian business has performed well throughout the period. Euro denominated revenue has increased by 5.9% on a like-for-like basis over H1 2014 to €16.2m (2014: €15.3m). However, the significant weakening of the Euro in the period results in the Sterling equivalent like-for-like revenue being 3.9% behind H1 2014. This currency impact is partially offset by the benefits of our Euro hedging arrangements which benefit the EBITDA line when reported in Sterling.

The constant currency revenue improvements, combined with reduced leasehold rent costs subsequent to the closure of our St Denis Landy store in October 2014, resulted in a 4.0% improvement in underlying EBITDA (after leasehold rent costs), which increased to €7.8m prior to the benefit of the Euro hedging arrangements.

Closing occupancy was 0.78m sq ft, 2.6% ahead of the closing half year position in 2014 despite the closure of the St Denis Landy store. This represents 77.2% of MLA[7] at 30 April 2015, an increase of 5.1 ppts.

The average self-storage rate per sq ft for H1 2015 in Paris was €38.97, 2.9% higher than at 30 April 2014.

Business Model

Enquiry generation

There is a clear benefit of scale in the generation of customer enquiries, and the size of our organisation allows us to employ the appropriate skills and to dedicate a significant budget to achieve these results. In the current financial year we have increased our investment in this area and in the UK have an annual marketing budget of c£4m which is mainly directed towards the generation of enquiries through sponsored links as well as organic referencing in the search engines. In France, our marketing focus is also on the search engines and we budget around €1m per annum to this end.

Our priority is to constantly appear on the top rankings of searches made through the internet. This is achieved by managing around 0.5 million search keyword combinations on a daily basis.

Investing in optimised paid search results as well as Search Engine Optimisation (“SEO”) to grow organic ranking is and will remain a critical priority for Safestore. In the last 18 months we have strengthened our marketing team and brought our SEO efforts in-house with the support of an external agency on a cost-neutral basis.

During the first half of the year we have continued to enhance our consumer website for desktop and mobile with richer content designed to assist online customers in establishing their storage requirements. We have an industry leading website in the UK and we continue to monitor all channels of enquiry generation and adapt our marketing strategy to optimise responses.

Although we already have a leading digital platform which has been built over a number of years, we have identified areas of further opportunities for technical improvement that will be implemented in due course with a redesigned website.

Online enquiries now represent 81% of our enquiries and 42% of our online enquiries originate from our mobile & tablet site, a figure which has increased by 25% in the last 12 months.

As a result of this progress, enquiries have grown by 12% compared to H1 14.

Pricing

Our team has also been instrumental in delivering strong rental rate improvements.

The management team’s goal is to strike the right balance between occupancy growth and rate management which optimises revenue growth over the long term.

Despite the relative transparency of pricing, the relationship between pricing and sales volume is not straightforward and volumes depend on many factors including:

- The store location and proximity to customers;
- The sales skills of the staff and their capacity to sell using discounting tools in a disciplined manner;
- The level of customer service and the unique selling points of the store relative to each customer needs;
- The intensity of local competition;
- The number of enquiries; and
- The size of the store in relation to local demand as bigger facilities may need greater discount policies to attract customers from a wider catchment area.

In line with peers we offer industry standard introductory offers for the initial 8 weeks of stay and our lowest price guarantee for similar types of competing product. Self-storage is a demand driven market and pricing will be one of several elements in the customer selection process between the various storage suppliers.

Our central pricing team is responsible for the management of our dynamic pricing policy and the implementation of targeted promotional offers, as well as management of our existing customers' rates in both countries.

Our operational leaders are responsible for ensuring that our store teams have the skills to leverage their unique selling points to achieve a high conversion rate and limit their usage of discounts.

In the UK, new lets were 31% up on the prior half year despite our having already reached the anniversary of certain of the above initiatives. At the same time, the pricing momentum we witnessed throughout 2014 has continued into 2015. Our average rate for the half year was up 7.5% compared to the prior year and our second quarter rate was up 8.0%.

Customer segments

Demand for self-storage is fuelled by two principal customer groups:

Personal customers - individuals and families in the process of moving house, undertaking refurbishments or simply needing to free up more space at home as a result of lifestyle changes.

Business customers - companies storing stock and archiving materials as an alternative to having their own warehouse or office and large companies using self-storage for small scale logistics needs.

While the potential demand for our product is very broad, the awareness of the existence of self-storage as a solution to these needs is still limited and well below the more mature markets such as the US or Australia. The recent SSA UK Annual Survey (April 2015) indicated that 55% (2014: 62%) of consumers had limited or no knowledge of the service offered by self-storage operators. The vast majority of potential customers enquiring about self-storage has never used the product before and typically starts the discovery process online searching predominantly through generic terms for storage facilities located near where they live or work. The SSA survey showed that 69% of customers are likely to locate a self-storage facility via an internet search, a figure that had increased from 67% in the prior year. The initial email enquiry is followed by direct interaction with our store teams through telephone calls and store visits where the unit sale can then be closed.

We believe that the successful combination of a leading digital platform leveraging the scale of a large network of very centrally located stores staffed with sellers capable of converting enquiries into customers at the best possible price is the best formula at the current stage of the product maturity.

Enquiries for personal customers across the Group grew by 11% during the year with personal customers accounting for approximately 90% of enquiries.

Storage needs for this segment are principally driven by two factors: lifestyle events and the housing market. Demand created by lifestyle events, such as people moving in together, having children, becoming divorced or addressing the issues presented by bereavement are needs related and we believe remain largely unaffected by the economic environment.

Demand created by home moves is created by sales and purchases within the owner-occupied sector, moves in the rental sector as well as refurbishments in both. This segment of demand has been relatively resilient over the years and principally results from the large size of the rental market. According to a recent UK Office for National Statistics report[10], approximately 1.5 million rental moves take place in England compared to 0.7m owner-occupied housing market transactions. The impact of the rental sector is even stronger in our Parisian business where the home ownership rate is below (33%).

Enquiries for business customers across the Group grew by 10% during the year with business customers accounting for approximately 10% of enquiries.

Storage needs for this segment are principally driven by the need for small and medium size enterprises ("SME") to store stock and for larger businesses to manage logistics.

Demand for business storage is fuelled by rising awareness of the benefits of self-storage and economic conditions. We have observed, with the economic recovery in the UK, a sustained demand for business needs. Our now well established business customer base benefits from our national network which means that we are uniquely placed to further grow the business customer market. Business customers in the UK now constitute 53% of our total space let and have an average length of stay of 31 months. Within our business customer category, our National Accounts business continues to grow with storage revenue increasing by 27% compared with 2014. Our centrally based National Accounts team is focused on driving growth in our base of business customers who store at multiple locations. The space let to National Accounts customers has increased by 25% compared with 2014 and, at 303,500 sq ft, constitutes 11% of our total occupied space in the UK business. Two-thirds of the space occupied by National Accounts customers is outside London, demonstrating the importance of our well invested national estate.

We also successfully continued our focus on serving SMEs, who account for the majority of business occupied space. In the UK, Safestore is an attractive solution for many small businesses. In addition to storage and office space, our store teams offer a range of value-added services that free up small businesses to focus on their core activities, including signing for deliveries, help with unloading, serviced fork-lift trucks and arranging for dispatch of stock. This has been particularly helpful in driving growth from online retailers, where businesses that would previously have had a traditional high street presence now choose a self-service solution which gives them a single bill for space, rates and utilities, provides greater flexibility over lease term as well as value added services.

We expect our business customers' demand to be positively correlated with national GDP in the UK and Parisian GDP for UPP.

Business and Personal Customers	UK	France
Personal customers		
Numbers (% of total)	70%	80%
Square feet occupied (% of total)	47%	63%
Average Length of Stay (months)	21.5	26.8
Business customers		
Numbers (% of total)	30%	20%
Square feet occupied (% of total)	53%	37%
Average Length of Stay (months)	30.8	32.5

Our current portfolio

Since the UK and Paris businesses were founded, our strategy has been to develop and operate high quality self-storage facilities located in unique central areas close to where our customers live and our business customers need storage solutions, predominantly in areas with very high barriers to entry.

As a result, we now have a strong, fully invested estate in both the UK and France of 121 stores, 82 of which are in London and the South East of England (58 stores) or in Paris (24 stores) and 39 in UK metropolitan areas. We operate more self-storage sites inside the M25 (43 stores) and inside Paris than any competitor providing greater proximity to customers in the wealthiest and densest UK and French markets.

Few regions offer the unique characteristic of London and Paris, both of which consist of large, wealthy and densely populated markets. In the London region, the population is 13 million inhabitants with a density of 5,200 inhabitants per square mile in the region, 11,000 per square mile in Central London and up to 32,000 in the densest boroughs.

The population of the Paris urban area is 10.7 million inhabitants with a density of 9,300 inhabitants per square mile in the urban area but 54,000 per square mile in the City of Paris and first belt, where 75% of our French stores are located and which has one of the highest densities in the western world. 85% of the Paris region population live in the city centre which compares with 60% in the London region. There are currently c.200 storage centres within the M25 as compared to only c.85 in the Paris urban area. The GDPs generated in the London and Paris conurbations are roughly equivalent and are more than twice that of any other European equivalent.

The barriers to entry in these two city markets are high, due to land values and limited availability of sites, as well as planning regulation. This is the case for Paris and its first belt in particular, which limits new development possibilities.

Together, London, the South East and Paris represent 68% of our stores, 77% of our revenue and 58% of our available capacity. Our combined operations in London and Paris, with 67 stores, £33.2m revenue and £19.0m EBITDA, offer a unique exposure to the two most attractive European self-storage markets.

Owned Store Portfolio by Region	**London & South East**	**Rest of UK**	**UK Total**	**Paris**	**Group Total**
Number of Stores	58	39	97	24	121
Let Square Feet (m sq ft)	1.55	1.14	2.69	0.78	3.47
Maximum Lettable Area (m sq ft)	2.22	1.80	4.02	1.01	5.03
Average Let Square Feet per store (k sq ft)	27	29	28	33	29
Average Store Capacity (k sq ft)	38	46	41	42	42
Closing Occupancy %	69.9%	63.0%	66.8%	77.2%	68.9%
Average Rate (£ per sq ft)	27.72	17.50	23.51	29.41	24.86
Revenue (£'m)	26.4	11.8	38.2	12.2	50.4
Average Revenue per Store (£'m)	0.46	0.30	0.39	0.51	0.42

In the UK, 69% of our revenue is generated by our stores in London and the South East. On average, our stores in London and the South East are smaller than in the rest of the UK but the occupancy levels and rental rates achieved are higher.

In France, we have a leading position in the heart of the affluent City of Paris market with eight stores branded as Une Pièce en Plus ("UPP") ("A spare room") with more than twice the number of stores of our two major competitors combined. 75% of the UPP stores are located in a cluster within a five-mile radius of the city centre, which facilitates strong operational and marketing synergies as well as options to differentiate and channel customers to the right store subject to their preference for convenience or price affordability. The Parisian market has attractive socio-demographic characteristics for self-storage and we believe that UPP enjoys unique strategic strength in such an attractive market.

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

Our competitors and density of supply

The self-storage market in the UK and France remains relatively immature compared to geographies such as the USA and Australia. The Self Storage Association ("SSA") Annual Survey (April 2015) confirmed that, in the UK, self-storage capacity is at 0.56 square feet per head of population as compared with 7.3 square feet in the USA and 1.6 square feet in Australia. While capacity increased significantly between 2007 and 2010 in the UK with an average of 32 stores per annum being opened, new additions have been limited to an average of 9 stores per annum between 2011 and 2014.

In the Paris market, we estimate the density to be even lower at around 0.36 square feet per inhabitant.

New supply is likely to be limited in the short term as a result of planning restrictions and the availability of suitable land. Respondents to the SSA survey indicated an increasing desire to open new sites and it is anticipated that this will translate into around 17 new sites in the UK in 2015. We are not aware of any forthcoming new openings in Central Paris.

The supply in the UK market, according to the SSA survey, remains relatively fragmented. Safestore is the leader by number of stores with 97 wholly-owned sites, followed by Big Yellow with 69 wholly-owned stores, Access with 55 stores, Storage King and Lok'n Store with 24 stores each and Shurgard with 22 stores. In aggregate, the six leading brands account for less than 30% of the UK store supply. The remaining c.730 self-storage outlets (including 159 container based operations) are independently owned in small chains or single units.

The Paris market is significantly more concentrated with three main operators. Our French Business, UPP, is mainly present in the core wealthier and more densely populated inner Paris and first belt areas, whereas our two main competitors, Shurgard and Homebox, have a greater presence in the outskirts and second belt of Paris.

The opportunity to grow consumer awareness of self-storage, combined with limited new industry supply and improving economic conditions, makes for an attractive industry backdrop.

Frederic Vecchioli
17 June 2015

Financial Review

Underlying Income Statement

The table below sets out the Group's underlying results of operations for the six months ended 30 April 2015 and the six months ended 30 April 2014.

	H1 2015 (£'m)	H1 2014 (£'m)	Mvmt %
Revenue	50.4	46.9	7.5%
Underlying Costs	(23.5)	(21.8)	7.8%
Underlying EBITDA	**26.9**	**25.1**	**7.2%**
Leasehold Rent	(4.5)	(5.0)	(10.0%)
Underlying EBITDA after leasehold rent	**22.4**	**20.1**	**11.4%**
Depreciation	(0.2)	(0.2)	0.0%
Finance Charges	(5.8)	(7.5)	(22.7%)
Underlying profit before tax	**16.4**	**12.4**	**32.3%**
Current tax	(0.6)	(0.5)	20.0%
Cash tax earnings	**15.8**	**11.9**	**32.8%**
Underlying deferred tax	(1.3)	(1.4)	(7.1%)
EPRA Earnings	**14.5**	**10.5**	
Average Shares In Issue (m)	207.3	197.3	
Underlying (cash tax adjusted) EPS (p)	**7.6**	**6.0**	**26.7%**
EPRA EPS (p)	**7.0**	**5.3**	**32.1%**

Management considers the above presentation of earnings to be representative of the underlying performance of the business.

Underlying EBITDA increased by 7.2% to £26.9m (H1 2014: £25.1m) reflecting a 7.5% increase in revenue less a broadly similar increase in the underlying cost base (see below). The leasehold rent charge has decreased by 10.0% from £5.0m in H1 2014 to £4.5m, principally reflecting reductions from the closure of the St Denis Landy store and from the freehold purchase of two previous leasehold properties (in High Wycombe and St Denis) since April 2014.

Finance charges reduced by 22.7% from £7.5m in H1 2014 to £5.8m in H1 2015 as the benefit of the Group's January 2014 refinancing is annualised, but also reflecting the repayment of €4.0m of borrowings in France.

Given the Group's REIT status in the UK, tax is only paid in France and the current tax charge for the period increased to £0.6m (H1 2014: £0.5m).

Management considers that the most representative earnings per share ("EPS") measure is cash tax adjusted EPS, which increased by 26.7% to 7.6p (H1 2014: 6.0p). EPRA EPS also reflects the deferred tax on underlying trading and increased by 32.1% to 7.0p from 5.3p in H1 2014.

Reconciliation of Underlying EBITDA

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

	H1 2015 £'m	H1 2014 £'m
Operating Profit	70.3	17.8
Adjusted for		
- (gain)/loss on investment properties	(43.9)	6.8
- depreciation	0.2	0.2
- contingent rent	0.5	0.4
- change in fair value of derivatives	(0.2)	(0.7)
Exceptional Items		
- restructuring costs	-	0.4
- other	-	0.2
Underlying EBITDA	26.9	25.1

The main reconciling item between operating profit and underlying EBITDA is the gain or loss on investment properties, which moved from a £6.8m loss in H1 2014 to a £43.9m gain in H1 2015, reflecting the benefit of the improved cap rates and the continuing trading performance improvement of the Group's portfolio. The Group's approach to the valuation of its investment property portfolio at 30 April 2015 is discussed below.

Underlying Profit by geographical region

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

	H1 2015			H1 2014		
	UK £'m	Paris £'m	Total £'m	UK £'m	Paris £'m	Total £'m
Revenue	38.2	12.2	50.4	33.9	13.0	46.9
Underlying Cost of Sales	(13.0)	(2.8)	(15.8)	(12.2)	(3.2)	(15.4)
Gross Profit	25.2	9.4	34.6	21.7	9.8	31.5
Gross Margin	*66%*	*77%*	*69%*	*64%*	*75%*	*67%*
Underlying Administrative Expenses	(6.4)	(1.3)	(7.7)	(5.1)	(1.3)	(6.4)
Underlying EBITDA	18.8	8.1	26.9	16.6	8.5	25.1
EBITDA margin	*49%*	*66%*	*53%*	*49%*	*65%*	*54%*
Leasehold Rent	(2.6)	(1.9)	(4.5)	(2.6)	(2.4)	(5.0)
Underlying EBITDA after Leasehold Rent	16.2	6.2	22.4	14.0	6.1	20.1

Underlying EBITDA after leasehold rent in the UK increased by £2.2m to £16.2m (H1 2014: £14.0m). A £4.3m increase in revenue was partly offset by cost increases totalling £2.1m including increased investment in store incentivisation and enquiry generation.

In Paris, underlying EBITDA after leasehold rent increased by £0.1m or to £6.2m (H1 2014: £6.1m), despite being impacted by the strengthening of Sterling against the Euro. In local currency, revenue improved by 3.2% to €16.2m (H1 2014: €15.7m), despite the loss of revenue following the closure of St Denis Landy in October 2014, and underlying EBITDA after leasehold rent, but before taking account of the Euro swap income, improved by 4.0% to €7.8m (H1 2014: €7.5m).

Revenue

Revenue for the Group is primarily derived from the rental of self-storage space and the sale of ancillary products such as insurance and merchandise (e.g. packing materials and padlocks) in both the UK and France.

The split of the Group's revenues by geographical segment is set out below for H1 2015 and H1 2014.

		H1 2015	% of total	H1 2014	% of total	% change
UK	£'m	38.2	76%	33.9	72%	12.7%
France						
Local currency	€'m	16.2		15.7		3.2%
Average exchange rate	€:£	1.325		1.204		
France in Sterling	£'m	12.2	24%	13.0	28%	(6.2%)
Total Revenue		50.4	100%	46.9	100%	7.5%

The Group's revenue increased by 7.5% or £3.5m during the period. The Group's occupied space was 150,000 sq ft higher at 30 April 2015 (3.47 million sq ft) than at 30 April 2014 (3.32 million sq ft), with average occupancy during the period 3.6% higher at 3.41 million sq ft (H1 2014: 3.29 million sq ft), and the average rental rate for the Group for the period was 3.0% higher at £24.86 than in H1 2014 (£24.14).

On a like-for-like basis, adjusting for the impact of store closures, the Group's revenue has increased by 8.6% since the comparative period. Adjusting further for the impact of Sterling strengthening against the Euro, revenue increased by 11.2%.

In the UK revenue increased by £4.3m or 12.7%, reflecting strong improvements in both occupancy and rental rates. UK occupancy was 135,000 sq ft higher at 30 April 2015 than at 30 April 2014. The average sq ft occupied during the period was up 4.7% compared with H1 2014 at 2.65 million sq ft (H1 2014: 2.53 million sq ft) and the average rental rate increased 7.5% to £23.51 (H1 2014: £21.87).

In Paris, H1 revenue increased by €0.5m or 3.2% on a constant currency basis, and on a like-for-like basis, adjusting for the closure of St Denis Landy, revenue was up €0.9m or 5.9%. There was a significant adverse currency impact during the period, compared with the same period last year, with an average Euro exchange rate in H1 2015 of €1.325:£1, 10% weaker than the average rate in H1 2014 of €1.204:£1, and this decline in the exchange rate has resulted in a £0.8m or 6.2% reduction in the revenues of the Paris business when reported in Sterling.

Paris closing occupancy at 30 April 2015 has increased by 2.6% since 30 April 2014 to 0.78 million sq ft and average occupancy for the period of 0.76 million sq ft is in line with H1 2014. The average rental rate in France was €38.97 for the period, an increase of 2.9% on H1 2014 (€37.86).

Analysis of Cost Base

Cost of sales

The table below details the key movements in cost of sales between H1 2014 and H1 2015.

Cost of sales	H1 2015 £'m	H1 2014 £'m
Reported cost of sales	(16.5)	(16.0)
Adjusted for		
- Depreciation	0.2	0.2
- Contingent rent	0.5	0.4
Underlying cost of sales	(15.8)	(15.4)
Underlying cost of sales for H1 2014		(15.4)
- Store employee incentives		(0.5)
- Foreign exchange net of swap income		0.8
- Other		(0.7)
Underlying cost of sales for H1 2015		(15.8)

In order to arrive at underlying cost of sales adjustments are made to remove the impact of depreciation and contingent rent.

The Group's cost base continues to benefit from the actions taken by management to reduce costs over the last two years. However, the underlying cost of sales has increased by £0.4m, to £15.8m (H1 2014: £15.4m) primarily due to increases in the cost of employee incentives which have underpinned the recent strong revenue performance of the business during the period.

Administrative Expenses

The table below reconciles reported administrative expenses to underlying administrative expenses and details the key movements in underlying administrative expenses between H1 2014 and H1 2015.

Administrative Expenses	H1 2015 £'m	H1 2014 £'m
Reported Administrative Expenses	(7.5)	(6.3)
Adjusted for		
- Exceptional items	-	0.6
- Changes in fair value of derivatives	(0.2)	(0.7)
Underlying Administrative Expenses	(7.7)	(6.4)
Underlying Administrative Expenses for H1 2014		(6.4)
- Employee remuneration		(0.7)
- Enquiry generation		(0.5)
- Other (including foreign exchange)		(0.1)
Underlying Administrative Expenses for H1 2015		(7.7)

In order to arrive at underlying administrative expenses adjustments are made to remove the impact of exceptional items and changes in the fair value of derivatives.

Exceptional items in the prior period, costs principally associated with the restructuring of the Group's senior management team, were not repeated in the current period.

Underlying administrative expenses increased by £1.3m to £7.7m (H1 2014: £6.4m). The increase of £1.3m arose primarily in the UK, and is due to investment in customer enquiry generation (£0.5m) and higher employee incentives (£0.7m), reflecting the strong revenue and profit performance of the business during the period.

Investment Properties

The directors made the decision in 2014 that a full external valuation of the store portfolio shall be undertaken on an annual rather than a bi-annual basis. Therefore, a sample of the Group's largest properties, representing approximately 45% of the value of the Group's investment property portfolio at 31 October 2014, have been valued by the Group's external valuers, Cushman & Wakefield LLP ("C&W"), as at 30 April 2015. In addition, at the same date, the directors have prepared estimates of fair values for the remaining 55% of the Group's investment property portfolio, updating 31 October 2014 valuations to incorporate latest assumptions for estimated absorption, revenue growth and capitalisation rates to reflect current market conditions and trading.

As a result of this exercise, the net gain or loss on investment properties during the period is as follows.

	H1 2015 £'m	H1 2014 £'m
Revaluation of investment properties	45.4	(4.4)
Revaluation of investment properties under construction	0.6	-
Depreciation on leasehold properties	(2.1)	(2.4)
Net gain/(loss) on investment properties	43.9	(6.8)

The movement on investment properties reflects the increased value of the Group's store portfolio as a result of the continuing trading performance improvement. The UK business contributed £44.2m of the £46.0m gain, with £1.8m arising in France.

Operating Profit

Operating profit increased by £52.5m from £17.8m in H1 2014 to £70.3m in H1 2015. The movement principally reflects the swing in the movement on investment properties from a loss of £6.8m to a gain of £43.9m, as well as a £1.8m improvement in underlying EBITDA.

Net Finance Costs

Net finance costs consist of interest payable, interest on obligations under finance leases, fair value movements on derivatives and exchange gains or losses.

	H1 2015 £'m	H1 2014 £'m
Net bank interest payable	(5.8)	(7.5)
Interest on obligations under finance leases	(1.9)	(2.2)
Fair value movement on derivatives	2.5	0.7
Net exchange losses	(3.0)	-
Unwinding of discount on CGS receivable	0.1	0.2
Exceptional finance expenses	-	(2.1)
Net Finance Costs	(8.1)	(10.9)

Bank interest payable continues to benefit from the lower blended interest rate and reduced borrowings following the capital restructuring undertaken by the Group in H1 2014, as well the benefit of the repayment of €4.0m of borrowings in France out of free cash flow.

Following the cessation of hedge accounting, net finance costs reflects £3.0m of exchange losses arising on the Group's US dollar denominated borrowings, which would previously have been reflected in the hedge reserve. This is largely offset by the net fair value gain on derivatives of £2.5m which includes a £3.1m gain in respect of cross currency swaps taken out by the Group to hedge against movements in the US dollar denominated borrowings.

Exceptional finance costs of £2.1m, incurred during the prior period in the rebalancing of the Group's capital structure in January 2014, have not been repeated in the current period.

Based on the drawn debt position as at 30 April 2015, the effective interest rate is analysed as follows:

	Facility £/€/$'m	Drawn £'m	Hedged £'m	Hedged %	Bank Margin	Hedged Rate	Floating Rate	Total Rate
UK Term Loan	£156.0	£156.0	£80.0	51%	2.25%	1.64%	0.50%	3.34%
UK Revolver	£50.0	-	-	-	2.25%	-	0.50%	2.75%
UK Revolver- non-utilisation	£50.0	-	-	-	1.01%	-	-	1.01%
Euro Revolver	€70.0	£32.3	£32.3	100%	2.25%	0.81%	0.05%	3.06%
Euro Revolver- non-utilisation	€25.0	-	-	-	1.01%	-	-	1.01%
US Private Placement 2019	$65.6	£42.6	£42.6	100%	5.52%	-	-	5.83%
US Private Placement 2024	$47.3	£30.8	£30.8	100%	6.29%	-	-	6.74%
Unamortised Finance Costs (US PP)	-	(£0.5)	-	-	-	-	-	-
Total	£329.6	£261.2	£185.7	71%				4.38%

The UK term loan of £156m is fully drawn as at 30 April 2015 and attracts a bank margin of 2.25%. The Group has interest rate hedge agreements in place to June 2018 swapping LIBOR on £80.0m at an effective rate of 1.64%.

The £50m UK revolver facility had remained undrawn throughout the period. The Group pays a non-utilisation fee of 1.0125% on undrawn balances.

The Euro revolver of €70m has €45m (£32.3m) drawn as at 30 April 2015 and attracts a bank margin of 2.25%. The Group has interest rate hedges in place to June 2018 swapping EURIBOR on €45m at an effective rate of 0.8085%. During the period, €4.0m of the revolver was repaid.

The US Private Placement Notes are fully hedged at 5.83% for the 2019 notes and 6.74% for the 2024 notes.

The hedge arrangements provide cover for 71% of the Group's drawn debt. Net interest payable includes a net fair value gain on derivatives of £2.5m (H1 2014: gain of £0.7m).

Overall, the Group had an effective interest rate on its outstanding borrowings of 4.38% at 30 April 2015.

Interest on finance leases was £1.9m (H1 2014: £2.2m) and reflects part of the leasehold rental payment. The balance of the leasehold payment is charged through the gain or loss on investment properties line and contingent rent in the income statement. Overall, the leasehold rent charge is down from £5.0m in H1 2014 to £4.5m in H1 2015 reflecting the closure of the St Denis Landy store and the purchase of the freeholds of two previous leasehold properties (in High Wycombe and St Denis) since April 2014.

Tax

The tax charge for the period is analysed below:

Tax Charge	H1 2015 £'m	H1 2014 £'m
Underlying current tax	(0.6)	(0.5)
Current tax	(0.6)	(0.5)
Underlying deferred tax	(1.3)	(1.4)
Tax on investment properties movement	(0.6)	0.6
Tax on exceptional finance costs	-	0.2
Tax on revaluation of interest rate swaps	-	0.1
Other	0.1	(1.1)
Deferred tax	(1.8)	(1.6)
Tax Charge	(2.4)	(2.1)

The income tax charge in the period is £2.4m (H1 2014: £2.1m).

In the UK the Group is a REIT, so the current tax charge all relates to the Paris business and amounted to £0.6m (H1 2014: £0.5m). Underlying deferred tax related to the Paris business and amounted to a charge of £1.3m (H1 2014: £1.4m).

Profit after tax

The profit after tax for the period was £59.8m as compared with £4.8m in H1 2014. Basic EPS was 28.8 pence (H1 2014: 2.4 pence) and diluted EPS was 28.6 pence (H1 2014: 2.4 pence). Management considers cash tax adjusted EPS to be more representative of the underlying EPS performance of the business and this is discussed above.

Dividends

The Board has announced an interim dividend of 3.0 pence per share, an increase of 40% on the interim dividend paid last year of 2.15 pence. This will amount to £6.2m (H1 2014: £4.4m). The dividend will be paid on 14 August 2015 to shareholders who are on the Company's register at the close of business on 10 July 2015. The ex-dividend date will be 9 July 2015. The Property Income Dividend ("PID") element of the dividend payable for the period is 3.0 pence per share (H1 2014: 2.15 pence).

Property Valuation

As discussed above, a sample of the Group's largest properties, representing approximately 45% of the value of the Group's investment property, have been valued by the Group's external valuers and the directors have prepared estimates of fair values for the remaining 55% of the Group's investment property portfolio.

	UK £'m	France £'m	Total £'m	France €'m
Value as at 1 November 2014	527.0	177.0	704.0	224.5
Currency translation movement	-	(16.0)	(16.0)	-
Additions	1.5	0.9	2.4	1.3
Purchase of freehold	1.8	-	1.8	-
Revaluation	43.6	1.8	45.4	2.4
Value at 30 April 2015	573.9	163.7	737.6	228.2

The table above summarises the movement in the valuations.

The exchange rate at 30 April 2015 was €1.395:£1 compared to €1.269:£1 at 31 October 2014. This movement in the foreign exchange rate has resulted in a £16.0m adverse currency translation movement in the period. This will impact net asset value ("NAV") but has no impact on the loan to value ("LTV") covenant as the assets in Paris are tested in Euro.

The Company's pipeline of expansion stores has been valued at £5.9m as at 30 April 2015, following a £0.6m valuation gain during the period.

The property portfolio valuation has increased by £33.6m from the valuation of £704.0m at 31 October 2014. This reflects the gain on valuation £45.4m plus capital additions of £4.2m, including the purchase of the High Wycombe freehold for £1.8m, less the £16.0m exchange loss described above.

The adjusted EPRA NAV per share is 233.9 pence, an increase of 7.3% since 31 October 2014, mainly due to the revaluation gains reported for the period.

Gearing and Capital Structure

The Group's borrowings comprise bank borrowing facilities, made up of a UK term loan and revolving facilities in the UK and France, as well as a US Private Placement.

Net debt (including finance leases and cash) stood at £297.2m at 30 April 2015, a reduction of £3.1m during the period from £300.3m at 31 October 2014. Total capital (net debt plus equity) increased from £708.3m at 31 October 2014 to £745.2m at 30 April 2015. The net impact is that the gearing ratio has reduced from 42% to 40% in the period.

Management also measures gearing with reference to its loan to value ("LTV") ratio defined as gross debt (excluding finance leases) as a proportion of the valuation of investment properties and investment properties under construction (excluding finance leases). At 30 April 2015 the Group LTV ratio was 35% compared with 37% at 31 October 2014.

The Group's £156m UK term loan facility and £50m UK revolver both run to June 2018 and currently attract a margin of 2.25%. The UK revolver has remained undrawn throughout the period. Repayments of £5m will be made on the UK term facility every six months commencing on 31 October 2015, with the balance due on expiry in June 2018.

The Group's Euro revolver is €70m, of which €45m had been drawn as at 30 April 2015, following the repayment of €4m out of free cash flow during the period. It also runs to June 2018 and currently attracts a margin of 2.25%.

There is no amortisation on the US Private Placement debt of $113m. $66m was issued at 5.52% (swapped to 5.83%) with 2019 maturity and $47m was issued at 6.29% (swapped to 6.74%) with 2024 maturity.

The UK bank facilities and the US Private Placement share interest cover and LTV covenants. The interest cover requirement is currently set at a level of EBITDA: interest of 2.0:1. In July 2015 this will increase to 2.2:1 and in July 2016 the covenant ratchets to 2.4:1 where it remains until the end of the facilities. The UK LTV covenant reduced from 62.5% to 60.0% in April 2015, where it will remain until the end of the facilities, and the French LTV covenant remains at 60% throughout the life of the facility. The Group is in compliance with its covenants at 30 April 2015 and, based on forecast projections, is expected to be in compliance for a period in excess of twelve months from the date of this report.

Cash flow

The table below sets out the cash flow of the business in H1 2015 and H1 2014.

	H1 2015 £'m	H1 2014 £'m
Underlying EBITDA	26.9	25.1
Working capital/exceptionals/other	0.2	(2.7)
Operating cash inflow	27.1	22.4
Interest payments	(6.7)	(9.1)
Leasehold rent payments	(4.5)	(5.0)
Tax Payments	(0.2)	(1.1)
Free cash flow (before investing and financing activities)	15.7	7.2
Capital expenditure - investment properties	(2.5)	(1.6)
Capital expenditure - purchase of freehold	(1.8)	-
Capital expenditure - property, plant and equipment	(0.1)	(0.1)
Proceeds from disposal - investment properties	-	40.5
Net inflow after investing activities	11.3	46.0
Dividends paid	(10.3)	(6.9)
Issue of share capital	-	31.6
Net repayment of borrowings	(3.0)	(72.8)
Debt issuance costs	-	(2.1)
Hedge breakage costs	-	(4.9)
Net decrease in cash	(2.0)	(9.1)

Operating cash flow increased by £4.7m in the period, principally reflecting the £1.8m increase in underlying EBITDA and £2.2m improvements in the cash flows from working capital.

Free cash flow (before investing and financing activities) grew by 118% to £15.7m (H1 2014: £7.2m) reflecting the reduction in interest costs and leasehold rent payments arising from the refinancing and the closure of our St Denis Landy store in the prior period.

Net investing activities included the purchase of the High Wycombe freehold for £1.8m, whereas the comparative period benefitted from the receipt of the sale proceeds of the Whitechapel property.

Dividends paid to shareholders increased from £6.9m in H1 2014 to £10.3m in H1 2015, and the Group repaid £3.0m of borrowings in France.

Consolidated income statement

for the six months ended 30 April 2015

	Note	**Six months ended 30 April 2015 (unaudited) £'m**	Six months ended 30 April 2014 (unaudited) £'m	Six months ended 31 October 2014 (audited) £'m
Revenue	4	**50.4**	46.9	97.9
Cost of sales		**(16.5)**	(16.0)	(32.3)
Gross profit		**33.9**	30.9	65.6
Administrative expenses		**(7.5)**	(6.3)	(14.1)
Underlying EBITDA (operating profit before exceptional items, change in fair value of derivatives, gain/loss on investment properties, contingent rent and depreciation)	4	**26.9**	25.1	53.0
Exceptional items	5	**-**	(0.6)	(1.0)
Change in fair value of derivatives		**0.2**	0.7	1.2
Depreciation and contingent rent		**(0.7)**	(0.6)	(1.7)
Operating profit before gain/(loss) on investment properties		**26.4**	24.6	51.5
Gain/(loss) on investment properties	11	**43.9**	(6.8)	24.1
Operating profit		**70.3**	17.8	75.6
Finance income	6	**3.2**	0.9	4.7
Finance expense	6	**(11.3)**	(11.8)	(27.9)
Profit before income tax	4	**62.2**	6.9	52.4
Income tax charge	7	**(2.4)**	(2.1)	(5.6)
Profit for the period		**59.8**	4.8	46.8
Earnings per share for profit attributable to the equity holders				
- basic (pence)	10	**28.8**	2.4	23.2
- diluted (pence)	10	**28.6**	2.4	23.0

All items in the income statement relate to continuing operations.

An interim dividend of 3.00 pence per ordinary share has been declared for the period ended 30 April 2015 (30 April 2014: 2.15 pence).

Consolidated statement of comprehensive income

for the six months ended 30 April 2015

	Six months ended 30 April 2015 (unaudited) £'m	Six months ended 30 April 2014 (unaudited) £'m	Year ended 31 October 2014 (audited) £'m
Profit for the period	**59.8**	4.8	46.8
Other comprehensive income:			
Items that may be reclassified subsequently to profit and loss			
Cash flow hedges	**-**	(3.3)	(3.3)
Recycling of hedge reserve	**-**	3.2	6.7
Currency translation differences	**(9.3)**	(4.1)	(8.4)
Total other comprehensive income, net of tax	**(9.3)**	(4.2)	(5.0)
Total comprehensive income for the period	**50.5**	0.6	41.8

Consolidated balance sheet

as at 30 April 2015

	Note	**30 April 2015 (unaudited) £'m**	30 April 2014 (unaudited) £'m	31 October 2014 (audited) £'m
Non-current assets				
Investment properties	11	**737.6**	674.3	704.0
Interests in leasehold properties	11	**49.1**	52.8	51.0
Investment properties under construction	11	**5.9**	5.6	5.3
Property, plant and equipment		**1.5**	1.7	1.5
Derivative financial instruments	15	**0.8**	0.1	-
Deferred tax assets	8	**0.9**	2.7	2.0
Other receivables		**4.9**	6.4	4.8
		800.7	743.6	768.6
Current assets				
Inventories		**0.2**	0.2	0.2
Trade and other receivables		**22.3**	21.8	20.2
Current income tax assets		**-**	-	0.2
Derivative financial instruments	15	**0.5**	-	0.3
Cash and cash equivalents		**13.1**	6.6	15.3
		36.1	28.6	36.2
Total assets		**836.8**	772.2	804.8
Current liabilities				
Financial liabilities				
- Borrowings	14	**(10.0)**	-	(5.0)
- Derivative financial instruments	15	**-**	(0.1)	-
Trade and other payables		**(38.3)**	(36.8)	(36.7)
Current income tax liabilities		**(0.2)**	(0.1)	-
Obligations under finance leases		**(7.5)**	(8.4)	(8.0)
		(56.0)	(45.4)	(49.7)
Non-current liabilities				
Bank borrowings	14	**(251.2)**	(265.3)	(259.6)
Derivative financial instruments	15	**(3.0)**	(8.0)	(4.8)
Deferred tax liabilities	8	**(37.0)**	(38.7)	(39.7)
Obligations under finance leases		**(41.6)**	(44.4)	(43.0)
		(332.8)	(356.4)	(347.1)
Total liabilities		**(388.8)**	(401.8)	(396.8)
Net assets		**448.0**	370.4	408.0
Shareholders' equity				
Ordinary shares	16	**2.1**	2.1	2.1
Share premium		**60.0**	59.8	60.0
Other reserves		**(12.2)**	(2.1)	(2.9)
Retained earnings		**398.1**	310.6	348.8
Total equity		**448.0**	370.4	408.0

The notes set out below form an integral part of this condensed consolidated interim financial information.

Condensed consolidated statement of changes in equity

for the six months ended 30 April 2015

	Share capital £'m	Share premium £'m	Translation reserve £'m	Hedge reserve £'m	Retained earnings £'m	Total equity £'m
At 1 November 2014	2.1	60.0	(2.9)	-	348.8	408.0
Total comprehensive income for the period	-	-	(9.3)	-	59.8	50.5
Transactions with owners in their capacity as owner:						
Dividends (note 9)	-	-	-	-	(11.0)	(11.0)
Employee share options	-	-	-	-	0.5	0.5
At 30 April 2015	**2.1**	**60.0**	**(12.2)**	**-**	**398.1**	**448.0**

Condensed consolidated statement of changes in equity

for the six months ended 30 April 2014

	Share capital £'m	Share premium £'m	Translation reserve £'m	Hedge reserve £'m	Retained earnings £'m	Total equity £'m
At 1 November 2013	1.9	28.4	5.5	(3.4)	313.5	345.9
Total comprehensive income for the period	-	-	(4.1)	(0.1)	4.8	0.6
Transactions with owners in their capacity as owner:						
Issue of share capital	0.2	31.4	-	-	-	31.6
Dividends (note 9)	-	-	-	-	(8.1)	(8.1)
Employee share options	-	-	-	-	0.4	0.4
At 30 April 2014	**2.1**	**59.8**	**1.4**	**(3.5)**	**310.6**	**370.4**

Condensed consolidated statement of changes in equity

for the year ended 31 October 2014

	Share capital £'m	Share premium £'m	Translation reserve £'m	Hedge reserve £'m	Retained earnings £'m	Total equity £'m
At 1 November 2013	1.9	28.4	5.5	(3.4)	313.5	345.9
Total comprehensive income for the year	-	-	(8.4)	3.4	46.8	41.8
Transactions with owners in their capacity as owner:						
Dividends (note 9)	-	-	-	-	(12.5)	(12.5)
Increase in share capital	0.2	31.6	-	-	-	31.8
Employee share options	-	-	-	-	1.0	1.0
At 31 October 2014	**2.1**	**60.0**	**(2.9)**	**-**	**348.8**	**408.0**

Consolidated cash flow statement

for the six months ended 30 April 2015

	Six months ended 30 April 2015 (unaudited) £'m	Six months ended 30 April 2014 (unaudited) £'m	Year ended 31 October 2014 (audited) £'m
Profit before income tax	**62.2**	6.9	52.4
(Gain)/loss on the revaluation of investment properties	**(43.9)**	6.8	(24.1)
Depreciation	**0.2**	0.2	0.5
Change in fair value of derivatives	**(0.2)**	(0.7)	(1.2)
Finance income	**(3.2)**	(0.9)	(4.7)
Finance expense	**11.3**	11.8	27.9
Employee share options	**0.5**	0.4	1.0
Increase in inventories	**-**	-	(0.1)
Increase in trade and other receivables	**(2.6)**	(4.7)	(3.5)
Increase in trade and other payables	**2.3**	2.2	4.4
Cash inflows from operating activities	**26.6**	22.0	52.6
Interest paid	**(8.6)**	(11.3)	(19.4)
Interest received	**-**	-	0.1
Tax paid	**(0.2)**	(1.1)	(1.9)
Net cash inflows from operating activities	**17.8**	9.6	31.4
Investing activities			
Expenditure on investment and development properties	**(4.3)**	(1.6)	(6.2)
Proceeds in respect of Capital Goods Scheme	**-**	-	1.8
Purchase of property, plant and equipment	**(0.1)**	(0.2)	(0.3)
Proceeds from disposal of investment properties	**-**	40.5	41.6
Proceeds from sale of property, plant and equipment	**-**	0.1	0.1
Net cash (outflows)/inflows from investing activities	**(4.4)**	38.8	37.0
Financing activities			
Issue of share capital	**-**	31.6	31.8
Equity dividends paid	**(10.3)**	(6.9)	(12.5)
Proceeds from borrowings	**-**	4.0	6.8
Debt issuance costs	**-**	(2.1)	(2.1)
Hedge breakage payments	**-**	(4.9)	(4.9)
Finance lease principal payments	**(2.1)**	(2.4)	(4.9)
Repayment of borrowings	**(3.0)**	(76.8)	(82.1)
Net cash outflows from financing activities	**(15.4)**	(57.5)	(67.9)
Net (decrease)/increase in cash and cash equivalents	**(2.0)**	(9.1)	0.5
Exchange loss on cash and cash equivalents	**(0.2)**	(0.1)	(1.0)
Opening cash and cash equivalents	**15.3**	15.8	15.8
Closing cash and cash equivalents	**13.1**	6.6	15.3

Reconciliation of net cash flow to movement in net debt

for the six months ended 30 April 2015

	Six months ended 30 April 2015 (unaudited) £'m	Six months ended 30 April 2014 (unaudited) £'m	Year ended 31 October 2014 (audited) £'m
Net decrease in cash and cash equivalents (after exchange adjustments)	**(2.2)**	(9.2)	(0.5)
Decrease in debt financing	**5.3**	80.5	83.0
Decrease in net debt	**3.1**	71.3	82.5
Net debt at start of period	**(300.3)**	(382.8)	(382.8)
Net debt at end of period	**(297.2)**	(311.5)	(300.3)

Notes to the interim report

for the six months ended 30 April 2015

1 General information

The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is Brittanic House, Stirling Way, Borehamwood, WD6 2BT.

The Company has its primary listing on the London Stock Exchange.

This interim report was approved for issue on 17 June 2015.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The full accounts of Safestore Holdings plc for the year ended 31 October 2014, which received an unqualified report from the auditors, and did not contain a statement under S.498(2) or (3) of the Companies Act 2006, were filed with the Registrar of Companies on 8 April 2015.

This condensed consolidated interim financial information for 30 April 2015 and 30 April 2014 is unaudited. The interim financial information for 30 April 2015 has been reviewed by the auditors and their Independent Review report is included within this financial information.

2 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 April 2015 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority (previously the Financial Services Authority) and with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) as adopted by the European Union.

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing this condensed consolidated interim financial information.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 October 2014, which have been prepared in accordance with IFRS as adopted by the European Union.

3 Accounting policies

The condensed consolidated interim financial information has been prepared on the basis of the accounting policies expected to apply for the financial year to 31 October 2015 applicable to companies under IFRS. The IFRS and IFRIC interpretations as adopted by the European Union that will be applicable at 31 October 2015, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements. Thus the accounting policies adopted in these interim financial statements may be subject to revision to reflect further IFRS, IFRIC interpretations and pronouncements issued between 17 June 2015 and publication of the annual IFRS financial statements for the year ending 31 October 2015.

The accounting policies and presentation applied are consistent with those in the annual financial statements for the year ended 31 October 2014, as described in those financial statements. The following new and revised accounting standards and IFRIC interpretations are applicable for the first time in the year ended 31 October 2015:

- IFRS 10 Consolidated Financial Statements;
- IFRS 11 Joint Arrangements;
- IFRS 12 Disclosures of Interests in Other Entities;
- IAS 19 Employee Benefits – Amendments relating to employee contributions to defined benefit plans;
- IAS 27 Separate Financial Statements;
- IAS 28 Investments in Associates and Joint Ventures;
- IAS 32 Financial Instruments: Presentation – Amendments relating to the offsetting of Financial Assets and Financial Liabilities;
- IAS 36 Impairment of Assets – Amendments arising from Recoverable Amount Disclosure for Non-Financial Assets;
- IAS 39 Financial Instruments: Recognition and Measurement – Amendments relating to Novation of Derivatives and Continuation of Hedge Accounting;
- IFRIC 21 Levies;
- Annual Improvements to IFRSs 2010-2012 Cycle; and
- Annual Improvements to IFRSs 2011-2013 Cycle.

There has been no significant impact from the adoption of these accounting standards and IFRIC interpretations.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and fair value of derivative financial instruments.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the condensed consolidated interim financial statements are disclosed within the Group's accounting policies as disclosed in the IFRS financial statements for the year ended 31 October 2014. There have been no significant changes in accounting estimates in the period.

Notes to the interim report (continued)
for the six months ended 30 April 2015

4 Segmental information

The segmental information for the six months ended 30 April 2015 is as follows:

	United Kingdom £'m	France £'m	Total £'m
Continuing operations			
Revenue	38.2	12.2	50.4
Underlying EBITDA (operating profit before exceptional items, change in fair value of derivatives, gain/loss on investment properties, contingent rent and depreciation)	18.8	8.1	26.9
Change in fair value of derivatives	-	0.2	0.2
Depreciation and contingent rent	(0.4)	(0.3)	(0.7)
Operating profit before gain on investment properties	18.4	8.0	26.4
Gain on investment properties	43.2	0.7	43.9
Operating profit	61.6	8.7	70.3
Net finance expense	(6.8)	(1.3)	(8.1)
Profit before tax	54.8	7.4	62.2
Total assets	652.4	184.4	836.8

The segmental information for the six months ended 30 April 2014 is as follows:

	United Kingdom £'m	France £'m	Total £'m
Continuing operations			
Revenue	33.9	13.0	46.9
Underlying EBITDA (operating profit before exceptional items, change in fair value of derivatives, gain/loss on investment properties, contingent rent and depreciation)	16.6	8.5	25.1
Exceptional items	(0.6)	-	(0.6)
Change in fair value of derivatives	-	0.7	0.7
Depreciation and contingent rent	(0.3)	(0.3)	(0.6)
Operating profit before loss on investment properties	15.7	8.9	24.6
Loss on investment properties	(3.7)	(3.1)	(6.8)
Operating profit	12.0	5.8	17.8
Net finance expense	(8.6)	(2.3)	(10.9)
Profit before tax	3.4	3.5	6.9
Total assets	572.4	199.8	772.2

Notes to the interim report (continued)

for the six months ended 30 April 2015

5 Exceptional items

	Six months ended 30 April 2015 (unaudited) £'m	Six months ended 30 April 2014 (unaudited) £'m	Year ended 31 October 2014 (audited) £'m
Restructuring costs	-	(0.4)	(0.8)
Other exceptional Items	-	(0.2)	(0.2)
Total exceptional items	**-**	(0.6)	(1.0)

Restructuring costs recognised in the comparative periods relate to costs incurred primarily in respect of organisational changes, which were a fundamental element of the business' strategy.

Notes to the interim report (continued)

for the six months ended 30 April 2015

6 Finance income and costs

	Six months ended 30 April 2015 (unaudited) £'m	Six months ended 30 April 2014 (unaudited) £'m	Year ended 31 October 2014 (audited) £'m
Finance income			
Fair value movement of derivatives	**3.1**	0.7	4.5
Unwinding of discount on CGS receivable	**0.1**	0.2	0.2
Total finance income	**3.2**	0.9	4.7
Finance costs			
Interest payable on bank loans and overdrafts	**(5.7)**	(7.5)	(13.6)
Amortisation of debt issuance costs on bank loans	**(0.1)**	-	(0.1)
Underlying finance charges	**(5.8)**	(7.5)	(13.7)
Interest on obligations under finance leases	**(1.9)**	(2.2)	(4.2)
Fair value movement of derivatives	**(0.6)**	-	(0.8)
Recycling of hedge reserve	**-**	-	(3.4)
Net exchange losses	**(3.0)**	-	(3.7)
Exceptional finance expense	**-**	(2.1)	(2.1)
Total finance costs	**(11.3)**	(11.8)	(27.9)
Net finance costs	**(8.1)**	(10.9)	(23.2)

Included within interest payable of £5.7m (April 2014: £7.5m) is £0.5m (April 2014: £0.9m) of interest relating to derivative financial instruments that are economically hedging the Group's borrowings. The change in fair value of derivatives for the period is a net credit of £2.5m (April 2014: credit of £0.7m).

Exceptional finance costs of £2.1m recognised in the comparative periods were incurred in respect of the Group's debt refinancing in January 2014.

Notes to the interim report (continued)

for the six months ended 30 April 2015

7 Income tax charge

	Six months ended 30 April 2015 (unaudited) £'m	Six months ended 30 April 2014 (unaudited) £'m	Year ended 31 October 2014 (audited) £'m
Current tax	**(0.6)**	(0.5)	(0.9)
Deferred tax	**(1.8)**	(1.6)	(4.7)
	(2.4)	(2.1)	(5.6)

Income tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

The tax charge relates solely to the Group's French business. The Group is a Real Estate Investment Trust ("REIT"), and as a result is exempt from UK corporation tax on the profits and gains from its qualifying rental business in the UK provided that it meets certain conditions. Non-qualifying profits and gains of the Group remain subject to corporation tax as normal. The Group monitors its compliance with the REIT conditions. There have been no breaches of the conditions to date.

8 Deferred income tax

	As at 30 April 2015 (unaudited) £'m	As at 30 April 2014 (unaudited) £'m	As at 31 October 2014 (audited) £'m
The amounts provided in the accounts are:			
Revaluation of investment properties and tax depreciation	**36.3**	38.7	38.8
Other timing differences	**0.7**	-	0.9
Deferred tax liabilities	**37.0**	38.7	39.7
Tax losses	**(0.6)**	(2.6)	(1.7)
Interest rate swap instrument	**(0.3)**	(0.1)	(0.3)
Deferred tax assets	**(0.9)**	(2.7)	(2.0)
Deferred tax – net	**36.1**	36.0	37.7

As at 30 April 2015, the Group had trading losses of £4.1m (April 2014: £3.1m) and capital losses of £36.4m (April 2014: £36.4m) in respect of its UK operations. No deferred tax asset has been recognised in respect of these losses.

Notes to the interim report (continued)

for the six months ended 30 April 2015

9 Dividends

	Six months ended 30 April 2015 (unaudited) £'m	Six months ended 30 April 2014 (unaudited) £'m	Year ended 31 October 2014 (audited) £'m
For the year ended 31 October 2013:			
Final dividend – paid 11 April 2014 (3.90p per share)	**-**	8.1	8.1
For the year ended 31 October 2014:			
Interim dividend – paid 15 August 2014 (2.15p per share)	**-**	-	4.4
Final dividend – paid 8 April 2015 (5.30p per share)	**11.0**	-	-
Dividends in the statement of changes in equity	**11.0**	8.1	12.5
Timing difference on payment of withholding tax	**(0.7)**	(1.2)	-
Dividends in the cash flow statement	**10.3**	6.9	12.5

An interim dividend of 3.00 pence per ordinary share (April 2014: 2.15 pence) has been declared. The ex-dividend date will be 9 July 2015 and the record date 10 July 2015, with an intended payment date of 14 August 2015.

It is intended that the entire interim dividend of 3.00 pence per ordinary share (April 2014: 2.15 pence) will be paid as a REIT Property Income Distribution ("PID") net of withholding tax where appropriate.

The interim dividend, amounting to £6.2m (April 2014: £4.4m), has not been included as a liability at 30 April 2015. It will be recognised in shareholders' equity in the year to 31 October 2015.

Notes to the interim report (continued)

for the six months ended 30 April 2015

10 Earnings per ordinary share

Basic earnings per share has been calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period/year excluding ordinary shares held by the Safestore Employee Benefit Trust. Diluted earnings per share are calculated by adjusting the weighted average numbers of ordinary shares to assume conversion of all dilutive potential shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 April 2015 (unaudited)			Six months ended 30 April 2014 (unaudited)			Year ended 31 October 2014 (audited)		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic	**59.8**	**207.3**	**28.8**	4.8	197.3	2.4	46.8	202.1	23.2
Dilutive share options	-	**1.5**	**(0.2)**	-	0.1	-	-	1.5	(0.2)
Diluted	**59.8**	**208.8**	**28.6**	4.8	197.4	2.4	46.8	203.6	23.0

Notes to the interim report (continued)

for the six months ended 30 April 2015

10 Earnings per ordinary share (continued)

Adjusted earnings per share

Adjusted earnings per share represents profit after tax adjusted for the valuation movement on investment properties, exceptional items, change in fair value of derivatives and the associated tax thereon. As an industry standard measure, European Public Real Estate Association ("EPRA") earnings are presented below. Cash tax adjusted earnings are also presented by deducting all deferred taxation from the EPRA earnings. The Directors consider that these alternative measures provide useful information on the performance of the Group.

	Six months ended 30 April 2015 (unaudited)			Six months ended 30 April 2014 (unaudited)			Year ended 31 October 2014 (audited)		
	Earnings/ (loss) £'m	**Shares million**	**Pence per share**	Earnings/ (loss) £'m	Shares million	Pence per share	Earnings/ (loss) £'m	Shares million	Pence per share
Basic	**59.8**	**207.3**	**28.8**	4.8	197.3	2.4	46.8	202.1	23.2
Adjustments:									
(Gain)/loss on investment properties	**(43.9)**	**-**	**(21.1)**	6.8	-	3.4	(24.1)	-	(12.0)
Exceptional operating items	**-**	**-**	**-**	0.6	-	0.3	1.0	-	0.5
Exceptional finance costs	**-**	**-**	**-**	2.1	-	1.1	2.1	-	1.0
Unwinding of discount on CGS receivable	**(0.1)**	**-**	**-**	(0.2)	-	(0.1)	(0.2)	-	(0.1)
Net exchange losses	**3.0**	**-**	**1.4**	-	-	-	3.7	-	1.8
Change in fair value of derivatives and recycling of hedge reserve	**(2.7)**	**-**	**(1.3)**	(1.4)	-	(0.7)	(1.5)	-	(0.7)
Tax adjustments	**0.1**	**-**	**-**	(0.3)	-	(0.2)	1.4	-	0.7
Adjusted	**16.2**	**207.3**	**7.8**	12.4	197.3	6.2	29.2	202.1	14.4
EPRA Adjusted:									
Depreciation of leasehold properties	**(2.1)**	**-**	**(1.0)**	(2.4)	-	(1.2)	(4.9)	-	(2.4)
Tax on leasehold depreciation adjustment	**0.4**	**-**	**0.2**	0.5	-	0.3	0.9	-	0.5
EPRA basic	**14.5**	**207.3**	**7.0**	10.5	197.3	5.3	25.2	202.1	12.5
Adjustment for cash tax	**1.3**	**-**	**0.6**	1.4	-	0.7	2.1	-	1.0
Adjusted cash tax earnings	**15.8**	**207.3**	**7.6**	11.9	197.3	6.0	27.3	202.1	13.5

Notes to the interim report (continued)

for the six months ended 30 April 2015

11 Property portfolio

	Investment properties £'m	Investment in leasehold properties £'m	Investment properties under construction £'m	Total Investment Properties £'m
At 1 November 2014	704.0	51.0	5.3	760.3
Additions	2.4	5.0	-	7.4
Disposals	-	(2.8)	-	(2.8)
Purchase of freehold	1.8	(0.7)	-	1.1
Revaluation movement	45.4	-	0.6	46.0
Depreciation	-	(2.1)	-	(2.1)
Exchange movements	(16.0)	(1.3)	-	(17.3)
At 30 April 2015	**737.6**	**49.1**	**5.9**	**792.6**

	Investment properties £'m	Investment in leasehold properties £'m	Investment properties under construction £'m	Total Investment Properties £'m
At 1 November 2013	724.6	55.7	5.6	785.9
Additions	1.8	-	-	1.8
Disposals	(40.5)	-	-	(40.5)
Revaluation movement	(4.4)	-	-	(4.4)
Depreciation	-	(2.4)	-	(2.4)
Exchange movements	(7.2)	(0.5)	-	(7.7)
At 30 April 2014	674.3	52.8	5.6	732.7

Notes to the interim report (continued)

for the six months ended 30 April 2015

12 Valuations

A sample of the Group's largest properties, representing approximately 45% of the value of the Group's investment property portfolio at 31 October 2014, have been valued by the Group's external valuers, Cushman & Wakefield LLP ("C&W"), as at 30 April 2015. The valuation has been carried out in accordance with the current UK edition of the RICS Valuation – Professional Standards, published by The Royal Institution of Chartered Surveyors ("the Red Book"). The valuation of each of the investment properties has been prepared on the basis of fair value as a fully equipped operational entity, having regard to trading potential. The valuation has been provided for accounts purposes and, as such, is a Regulated Purpose Valuation as defined in the Red Book. In compliance with the disclosure requirements of the Red Book, C&W has confirmed that:

- of the members of the RICS who have been the signatories to the valuations provided to the Group for the same purposes as this valuation, one has done so since October 2006 and the other has done so since October 2014;
- C&W has been carrying out regular valuations for the same purpose as this valuation on behalf of the Group since October 2006;
- C&W does not provide other significant professional or agency services to the Group;
- in relation to the preceding financial year of C&W, the proportion of total fees payable by the Group to the total fee income of the firm is less than 5%; and
- the fee payable to C&W is a fixed amount per property and is not contingent on the appraised value.

Market uncertainty

C&W's valuation report comments on valuation uncertainty resulting from low liquidity in the market for self-storage property. C&W notes that in the UK since the start of 2013 there have only been four transactions involving multiple assets and eight single asset transactions. C&W states that due to the lack of comparable market information in the self-storage sector, there is greater uncertainty attached to its opinion of value than would be anticipated during more active market conditions.

Portfolio premium

C&W's valuation report further confirms that the properties have been valued individually but that if the portfolio was to be sold as a single lot or in selected groups of properties, the total value could differ significantly. C&W states that in current market conditions it is of the view that there could be a material portfolio premium.

Further details of the valuation carried out by C&W as at 31 October 2014, including the valuation method and assumptions, are set out in note 11 to the Group's annual report and financial statements for the year ended 31 October 2014. This note should be read in conjunction with note 11 of the Group's annual report, and attention is drawn to the paragraphs in respect of the value uncertainty relating to immature stores and the lotting of stores with customer transfers, which are equally relevant to the valuation performed by C&W as at 30 April 2015.

In addition, at the same date, the directors have prepared estimates of fair values for the remaining 55% of the Group's investment property portfolio, incorporating assumptions for estimated absorption, revenue growth and capitalisation rates to reflect current market conditions and trading.

Notes to the interim report (continued)

for the six months ended 30 April 2015

12 Valuations (continued)

Assumptions

The key assumptions incorporated into the above exercises, calculated on a weighted average basis across the entire portfolio, are:

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

- The net operating income in future years is calculated assuming either straight line absorption from day one actual occupancy or variable absorption over years one to four of the cash flow period, to an estimated stabilised/mature occupancy level. In the valuation the assumed stabilised occupancy level for the trading stores (both freeholds and all leaseholds) open at 30 April 2015 averages 77.66% (31 October 2014: 77.81%). The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth. The average time assumed for stores to trade at their maturity levels is 31.63 months (31 October 2014: 29.67 months).

- The capitalisation rates applied to existing and future net cash flows have been estimated by reference to underlying yields for industrial and retail warehouse property, yields for other trading property types such as student housing and hotels, bank base rates, ten year money rates, inflation and the available evidence of transactions in the sector. The valuation included in the accounts assumes rental growth in future periods. If an assumption of no rental growth is applied to the external valuation, the net initial yield pre-administration expenses for the 109 mature stores (i.e. excluding those stores categorised as “developing”) is 7.36% (31 October 2014: 7.82%), rising to stabilised net yield pre-administration expenses of 9.39% (31 October 2014: 9.73%).

- The future net cash flow projections (including revenue growth and cost inflation) have been discounted at a rate that reflects the risk associated with each asset. The weighted average annual discount rate adopted (for both freeholds and all leaseholds) is 11.11% (31 October 2014: 11.82%).

- Purchaser’s costs of 5.8% (for the UK) and 6.2% to 6.9% (for France) have been assumed initially and sales plus purchaser’s costs totalling 7.8% (UK) and 8.2% to 8.9% (France) are assumed on the notional sales in the tenth year in relation to freehold and long leasehold stores.

As a result of these exercises, as at 30 April 2015, the Group’s investment property portfolio has been valued at £737.6m (April 2014: £674.3m), and a revaluation gain of £45.4m (April 2014: £4.4m loss) has been recognised in the income statement for the period.

A full external valuation of the Group’s investment property portfolio will be performed at 31 October 2015.

Notes to the interim report (continued)

for the six months ended 30 April 2015

13 Net assets per share

Analysis of net asset value	**As at 30 April 2015 (unaudited) £'m**	As at 30 April 2014 (unaudited) £'m	As at 31 October 2014 (audited) £'m
Net assets	**448.0**	370.4	408.0
Adjustments to exclude:			
Fair value of derivative financial instruments (net of deferred tax)	**1.4**	7.9	4.2
Deferred tax liabilities on the revaluation of investment properties	**36.3**	38.7	38.8
EPRA net asset value	**485.7**	417.0	451.0
Basic net assets per share (pence)	**215.8**	179.1	197.1
EPRA basic net assets per share (pence)	**233.9**	201.6	217.9
Diluted net assets per share (pence)	**214.2**	179.0	195.7
EPRA diluted net assets per share (pence)	**232.2**	201.5	216.4
	Number	**Number**	**Number**
Shares in issue	**207,625,418**	206,797,919	206,991,414

Basic net assets per share is shareholders' funds divided by the number of shares at the period end. The number of shares in issue at the period end excludes 18,218 shares (April 2014: 142,852 shares) held by the Safestore Employee Benefit Trust. Diluted net assets per share is shareholders' funds divided by the number of shares at the period end, adjusted for dilutive share options of 1,523,363 shares (April 2014: 135,613 shares). As an industry standard measure, European Public Real Estate Association ("EPRA") net asset values are presented.

Notes to the interim report (continued)

for the six months ended 30 April 2015

14 Borrowings

Current	As at 30 April 2015 (unaudited) £'m	As at 30 April 2014 (unaudited) £'m	As at 31 October 2014 (audited) £'m
Bank loans and overdrafts due within one year or on demand:			
Secured – bank loan	**10.0**	-	5.0
	10.0	-	5.0

Non-current	As at 30 April 2015 (unaudited) £'m	As at 30 April 2014 (unaudited) £'m	As at 31 October 2014 (audited) £'m
Borrowings:			
Secured – bank loans	**178.3**	198.8	189.6
Secured - US Private placement notes	**73.4**	67.1	70.6
Debt issue costs	**(0.5)**	(0.6)	(0.6)
	251.2	265.3	259.6

The bank loans are repayable with £5.0m bi-annual instalments commencing on 31 October 2015. The bank loan facility agreement expires in June 2018.

The private placement notes have $65.6m (31 October 2014: $65.6m) due for repayment in 2019 and $47.3m (31 October 2014: $47.3m) due for repayment in 2024.

The borrowings are secured by a fixed charge over the Group's investment property portfolio.

Notes to the interim report (continued)

for the six months ended 30 April 2015

14 Borrowings (continued)

Borrowings are stated before unamortised issue costs of £0.5m (31 October 2014: £0.6m). The bank loans and private placement notes are repayable as follows:

	As at 30 April 2015 (unaudited) £'m	As at 30 April 2014 (unaudited) £'m	As at 31 October 2014 (audited) £'m
In one year or less	**10.0**	-	5.0
Between one and two years	**10.0**	10.0	10.0
Between two and five years	**210.9**	188.8	220.6
After more than five years	**30.8**	67.1	29.6
Borrowings	**261.7**	265.9	265.2
Unamortised issue costs	**(0.5)**	(0.6)	(0.6)
	261.2	265.3	264.6

The effective interest rates at the balance sheet date were as follows:

	As at 30 April 2015 (unaudited)	As at 30 April 2014 (unaudited)	As at 31 October 2014 (audited)
Bank loans	Monthly LIBOR plus 2.25%	Quarterly LIBOR plus 2.50%	Quarterly LIBOR plus 2.25%
Bank loans	Quarterly EURIBOR plus 2.25%	Quarterly EURIBOR plus 2.50%	Quarterly EURIBOR plus 2.25%
Private placement notes	Weighted average rate of 6.21%	Weighted average rate of 6.21%	Weighted average rate of 6.21%

Borrowing facilities

The Group has the following undrawn committed borrowing facilities available at the period end in respect of which all conditions precedent had been met at that date:

	Floating rate		
	As at 30 April 2015 (unaudited) £'m	As at 30 April 2014 (unaudited) £'m	As at 31 October 2014 (audited) £'m
Expiring beyond one year	**67.9**	64.8	66.6

Notes to the interim report (continued)

for the six months ended 30 April 2015

15 Financial instruments

IFRS 13 requires disclosure of fair value measurements by level of the following measurement hierarchy:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset of liability, either directly or indirectly.
Level 3 – inputs for the asset of liability that are not based on observable market data.

The table below shows the level in the fair value hierarchy into which fair value measurements have been categorised:

	As at 30 April 2015 (unaudited)	As at 30 April 2014 (unaudited)	As at 31 October 2014 (audited)
Assets per the balance sheet	**£'m**	£'m	£'m
Derivative financial instruments – Level 2	**1.3**	0.1	0.3

	As at 30 April 2015 (unaudited)	As at 30 April 2014 (unaudited)	As at 31 October 2014 (audited)
Liabilities per the balance sheet	**£'m**	£'m	£'m
Derivative financial instruments – Level 2	**3.0**	8.1	4.8

The fair value of financial instruments that are not traded in an active market, such as over-the-counter derivatives, is determined using valuation techniques. The Group obtains such valuations from counterparties who use a variety of assumptions based on market conditions existing at each balance sheet date. The valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the asset or liability is included in level 3. The Group has no disclosable level 3 financial instruments.

There have been no transfers of assets or liabilities between levels of the fair value hierarchy.

Notes to the interim report (continued)

for the six months ended 30 April 2015

16 Share capital

Called up, issued and fully paid	**As at 30 April 2015 (unaudited) £'m**	As at 30 April 2014 (unaudited) £'m	As at 31 October 2014 (audited) £'m
207,643,636 (30 April 2014: 206,940,771) ordinary shares of 1p each	**2.1**	2.1	2.1

17 Capital commitments

The Group had capital commitments of £2.6m as at 30 April 2015 (30 April 2014: £4.3m).

18 Seasonality

Self-storage revenues are subject to seasonal fluctuations, with peak sales occurring in the second and third quarters of the year. This is due to seasonal weather conditions and holiday periods leading to less demand for storage. For the six months ended April 2014, the level of self-storage revenues represented 47.9% (April 2013: 49.0%) of the annual level of self-storage revenue in the year ended 31 October 2014.

Notes to the interim report (continued)

for the six months ended 30 April 2015

Principal risks and uncertainties

The principal risks and uncertainties which could affect the Group for the remainder of the financial year are consistent with those detailed on pages 13 and 14 of the Annual Report and Financial Statements for the year ended 31 October 2014, a copy of which is available at www.safestore.com, and include:

- Strategy risk
- Finance risk
- Treasury risk
- Property investment and development risk
- Valuation risk
- Occupancy risk
- Real estate investment trust (“REIT”) risk
- Business interruption risk

The Company regularly assesses these risks together with the associated mitigating factors listed in the 2014 Annual Report. The levels of activity in the Group’s markets and the level of financial liquidity and flexibility continue to be the areas designated as appropriate for added management focus.

We continue to believe that our market leading position in the UK and Paris, our strong brand, depth of management as well as retail expertise and infrastructure helps mitigate the effects of the weaker economy and housing market. Furthermore, the UK self-storage market remains immature with little risk of supply outstripping demand in the medium term.

Our prudent approach on new stores reduces our dependence on the number of non-trading investment properties in relation to the established and mature stores that provide relatively stable and growing cash flow. The Board regularly reviews the cash requirements of the business, including the covenant position although given the nature of the product, customer base and lack of working capital requirements, liquidity is not considered to be a significant risk.

The Outlook section of this half yearly report provides a commentary concerning the remainder of the financial year.

Forward-looking statements

Certain statements in this interim results announcement are forward-looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties or assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this interim results announcement regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this interim results announcement. Except as required by law, the Company is under no obligation to update or keep current the forward-looking statements contained in this interim results announcement or to correct any inaccuracies which may become apparent in such forward-looking statements.

Statement of directors' responsibilities

for the six months ended 30 April 2015

The directors confirm that, to the best of their knowledge, this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Safestore Holdings plc are listed in the Safestore Holdings plc Annual Report for 31 October 2014. With the exception of Adrian Martin, who retired as a director on 19 March 2015, there have been no changes of director since the Annual Report. A list of current directors is maintained on the Safestore Holdings plc website, www.safestore.com.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Frederic Vecchioli	Andrew Jones
17 June 2015	17 June 2015
Chief Executive Officer	**Chief Financial Officer**

Independent review report to Safestore Holdings plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 April 2015 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 18. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting,” as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 April 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
17 June 2015

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