Financial Review

Revenue

Total revenue for the year was £199.6 million, an increase of £10.8 million (6%) from £188.8 million in the prior year. Like-for-like store revenue (see glossary in note 33) for the year was £193.5 million, an increase of 4% from the prior year (2023: £185.6 million).

Revenue growth for the year in our London stores was 7%, our south east commuter stores 5% and our regional stores 3%.

Included in store revenue is other storage related income, from the sale of packing materials, insurance/enhanced liability service ("ELS"), and storage related charges. This amounted to £22.6 million in the year (2023: £22.6 million).

The Group changed the way it sold its contents protection cover to its customers on 1 June 2022 to an Enhanced Liability Service, which is subject to VAT at 20% and not Insurance Premium Tax ("IPT") at 12%, the latter being included in revenue. We estimate the impact of this on the total revenue and like-for-like revenue for the year is 0.2%.

The other revenue earned by the Group is tenant income on sites where we have not started development.

Operating costs

Cost of sales principally comprise the direct store operating costs, including store staff salaries, utilities, business rates, insurance, a full allocation of the central marketing budget and repairs and maintenance.

The table below shows the breakdown of our store operating costs compared to the prior year:

Category	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000	Change	% of store operating costs in 2024
Cost of sales	**1,519**	2,202	-31%	3%
Staff costs	**14,721**	14,415	2%	27%
General & admin	**1,434**	1,691	-15%	2%
Utilities	**2,670**	2,056	30%	5%
Property rates	**18,153**	15,498	17%	33%
Marketing	**6,438**	6,504	-1%	12%
Repairs & maintenance	**5,336**	4,685	14%	10%
Insurance	**3,323**	2,757	21%	6%
Computer costs	**1,031**	1,001	3%	2%
Total before one-off items	**54,625**	50,809	8%	
One-off items	**(2,795)**	(246)		
Total per portfolio summary	**51,830**	50,563	3%	

Store operating costs have increased by £1.3 million (3%). The one-off items in the current year relate to the release of a provision for property rates from the 2017 rating list (£2.3 million), and a reassessment of the Group's bad debt provision (£0.5 million). Store operating costs before these one-off items have increased by £3.8 million (8%) compared to the prior year. New stores accounted for £1.5 million of operating expense increase in the year. Cost of sales has decreased by £0.7 million following the move to selling an ELS rather than insurance (see explanation in revenue above), and also due to a decline in packing material sales during the year.

The remaining increase of £3 million represents an increase of 6%. More specifically, we would comment as follows:

- Staff costs have increased by £0.3 million (2%). The average salary review in the year was 5.6%, which has been partly offset by a reduction in staffing in stores as we continue to invest in automation, and lower bonuses in the year.
- General and admin expenses are down by £0.3 million (15%), following a reassessment of the Group's bad debt provision in the year.
- Marketing is 1% down on the prior year with continued efficiencies being achieved from our digital campaigns.
- Utilities has increased by 30%, with a new fixed rate electricity contract starting on 1 October 2023, which was at a 74% higher rate than our expiring contract. This increased rate has been partly mitigated by our investment in solar.

- Property rates have increased by £2.7 million (17%), following the Rating Revaluation published in November 2022, effective 1 April 2023.
- Insurance has increased by £0.6 million (21%). Overall buildings and loss of income insurance premiums increased from 1 April 2023 by 16%, due to market conditions and higher insured values. In addition, we now insure our customers contents for catastrophe risk, with a Lloyds underwriter, and as a result are responsible for paying for claims up to £250,000 in any one loss. During the year £348,000 was paid in claims (2023: £128,000), with higher claims this year due to the very wet winter.
- The repairs and maintenance expense has increased due to higher store numbers, and an increase in solar panel maintenance costs, with higher numbers of stores now with solar PVs.
- The Group's bad debt expense for the year was 0.2% of revenue, in line with the prior year. The Group has not seen any deterioration in its aged debtors' profile over recent months.

The table below reconciles store operating costs per the portfolio summary to cost of sales in the statement of comprehensive income:

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Direct store operating costs per portfolio summary (excluding rent)	**51,830**	50,563
Rent included in cost of sales (total rent payable is included in portfolio summary)	**1,784**	1,551
Depreciation charged to cost of sales	**569**	496
Head office and other operational management costs charged to cost of sales	**1,811**	1,697
Cost of sales per statement of comprehensive income	**55,994**	54,307

Store EBITDA

Store EBITDA for the year was £143.0 million, an increase of £9.0 million (7%) from £134.0 million for the prior year (see Portfolio Summary). The overall EBITDA margin for during the year was 72.5%, up from 71.8% in 2023.

All stores are currently trading profitably at the Store EBITDA level. Our store in Kings Cross, which opened in June 2023, reached break even after four months of trading.

Administrative expenses

Administrative expenses in the statement of comprehensive income of £15.2 million were up £0.7 million (5%) compared to the prior year, including increased legal and professional fees and COO recruitment costs. The non-cash share-based payments charge represents £4.0 million of the overall £15.2 million expense (2023: £3.7 million of £14.5 million expense).

Other income

In February 2022 the Group experienced a fire at our Cheadle store, which resulted in a total loss to the store. We have insurance cover in place for both the fit-out and four years loss of income. The loss of income received during the financial year was £1.8 million, which is included in other income (2023: £1.4 million).

The Group also received £4.7 million in the year which was the insurance proceeds for the fit-out of the Cheadle store. This amount is shown in other income but has not been included in the Group's adjusted earnings for the year.

Interest expense on bank borrowings

The gross bank interest expense for the year was £25.6 million, an increase of £7.5 million from the prior year, due to higher average debt levels in the first half of the year, coupled with the Group's higher average cost of debt following the increase in interest rates. The average cost of borrowing during the year was 5.5% compared to 4.2% in the prior year. Capitalised interest on our construction programme was £3.3 million, up from £2.8 million in the prior year.

Total finance costs in the statement of comprehensive income increased to £22.9 million from £16.9 million in the prior year.

Financial Review continued

Profit before tax

The Group made a profit before tax in the year of £241.0 million, compared to a profit of £75.3 million in the prior year. After adjusting for the gain on the revaluation of investment properties and other matters shown in the table below, the Group made an adjusted profit before tax in the year of £107.3 million, up 1% from £106.0 million in 2023.

Profit before tax analysis	**2024 £000**	2023 £000
Profit before tax	**241,035**	75,309
(Gain)/loss on revaluation of investment properties	**(131,159)**	29,861
Movement in fair value on interest rate derivatives	**2,146**	133
Cheadle fit-out insurance proceeds	**(4,723)**	–
Refinancing costs	**–**	732
Adjusted profit before tax	**107,299**	106,035

The adjustments made to the Group's profit before tax follow guidance issued by EPRA, with additional Company specific adjustments made to give readers a clearer underlying picture of the Group's performance. EPRA profit before tax is disclosed in note 10.

The movement in the adjusted profit before tax from the prior year is illustrated in the table below:

	£m
Adjusted profit before tax – year ended 31 March 2023	106.0
Increase in gross profit	9.1
Increase in administrative expenses	(0.7)
Decrease in other income	(0.4)
Increase in net interest payable	(7.2)
Increase in capitalised interest	0.5
Adjusted profit before tax – year ended 31 March 2024	**107.3**

Basic earnings per share for the year was 127.1p (2023: 40.1p) and diluted earnings per share was 126.4p (2023: 39.8p). Diluted adjusted earnings per share based on adjusted profit after tax was down 1% to 55.9p (2023: 56.5p) (see note 12).

REIT status

The Group converted to a Real Estate Investment Trust ("REIT") in January 2007. Since then, the Group has benefited from a zero tax rate on the Group's qualifying self storage earnings. The Group only pays tax on the profits attributable to our residual business, comprising primarily of the sale of packing materials and insurance.

REIT status gives the Group exemption from UK corporation tax on profits and gains from its qualifying portfolio of UK stores. Revaluation gains on developments and our existing open stores are exempt from corporation tax on chargeable gains, provided certain criteria are met. The Armadillo stores joined our REIT group on acquisition of the remaining interest, allowing us to write back the deferred tax that had been provided on previous revaluation uplifts.

The Group has a rigorous internal system in place for monitoring compliance with criteria set out in the REIT regulations. On a monthly basis, a report on compliance with these criteria is issued to the Executive. To date, the Group has complied with all REIT regulations, including forward looking tests.

Taxation

There is a £2.3 million tax charge in the residual business for the year ended 31 March 2024 (2023: £2.3 million). The current year tax charge is partly offset in the income statement by an adjustment to the prior year tax estimate.

Dividends

The Board is recommending the payment of a final dividend of 22.6 pence per share in addition to the interim dividend of 22.6 pence, giving a total dividend for the year of 45.2 pence, in line with the prior year. The Group's policy is to distribute a minimum of 80% of our adjusted earnings per share in each reporting period.

REIT regulatory requirements determine the level of Property Income Distribution ("PID") payable by the Group. On the basis of the full year distributable reserves for PID purposes, a PID of 45.2p pence per share is payable (31 March 2023: 45.2 pence). The PID for the year to 31 March 2024 accounts for all of the declared dividend. The table below summarises the declared dividend for the year:

Dividend (pence per share)	**31 March 2024**	31 March 2023
Interim dividend	**22.6p**	22.3p
Final dividend	**22.6p**	22.9p
Total dividend	**45.2p**	45.2p

Subject to approval by shareholders at the Annual General Meeting to be held on 18 July 2024, the final dividend will be paid on 26 July 2024. The ex-div date is 4 July 2024 and the record date is 5 July 2024.

Cash flow growth

The Group is strongly cash generative and draws down from its longer term committed facilities as required to meet its obligations. The Group's cash flow from operating activities pre-working capital movements for the year was £110.1 million, an increase of 1% from £109.2 million in the prior year, with the growth in line with the increase in the Group's profitability in the year.

These operating cash flows are after the ongoing maintenance costs of the stores, which were on average approximately £49,000 per store (2023: £43,000).

The Group's net debt has decreased over the year to £385.4 million (March 2023: £486.6 million).

There are distortive working capital items in the current period, and therefore the summary cash flow below sets out the free cash flow pre-working capital movements.

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Cash generated from operations pre-working capital movements	**135.1**	126.2
Net finance costs	**(24.0)**	(16.5)
Interest on obligations under lease liabilities	**(0.6)**	(0.7)
Loss of income insurance proceeds	**1.6**	2.0
Tax	**(2.0)**	(1.8)
Cash flow from operating activities pre-working capital movements	**110.1**	109.2
Working capital movements	**(5.3)**	2.8
Cash flow from operating activities	**104.8**	112.0
Capital expenditure	**(30.9)**	(106.4)
Disposal of non-current asset	**5.4**	–
Insurance proceeds on fit-out	**4.7**	–
Receipt from Capital Goods Scheme	**–**	0.2
Cash flow after investing activities	**84.0**	5.8
Ordinary dividends	**(85.2)**	(79.2)
Issue of share capital	**108.0**	1.0
Payment of lease liabilities	**(1.8)**	(1.3)
Receipt from termination of interest rate derivatives	**–**	0.4
Loan arrangement fees paid	**(3.7)**	(1.5)
(Decrease)/increase in borrowings	**(100.2)**	74.5
Net cash inflow/(outflow)	**1.1**	(0.3)
Opening cash and cash equivalents	**8.3**	8.6
Closing cash and cash equivalents	**9.4**	8.3
Closing debt	**(394.8)**	(494.9)
Closing net debt	**(385.4)**	(486.6)

The Group's interest cover for the period (expressed as the ratio of cash generated from operations pre-working capital movements against interest paid) was 5.6 times (2023: 7.7 times). This is calculated per below:

	31 March 2024 £000	31 March 2023 £000
Cash generated from operations pre working capital movements (see note 26)	**135,086**	126,195
Interest paid per cash flow statement	**(24,069)**	(16,486)
Interest cover	**5.6x**	7.7x

In the year capital expenditure outflows were £30.9 million, down from £106.4 million in the prior year. This capital expenditure was principally on the construction of new stores, and the continued roll-out of our solar retrofit programme. We expect the amount of capital expenditure to increase next year, as we build out our seven sites with planning consent and vacant possession. The disposal of non-current asset of £5.4 million relates to the proceeds from a land swap at Kings Cross.

The cash flow after investing activities was a net inflow of £84.0 million in the year, compared to a net inflow of £5.8 million in 2023.

Balance sheet

Property

The Group's open stores and stores under development owned at 31 March 2024, which are classified as investment properties, have all been valued individually by JLL.

The external valuation has resulted in an investment property asset value of £2.865 billion, comprising £2.686 billion (94%) for the freehold (including nine long leaseholds) open stores, £32.2 million (1%) for the short leasehold open stores and £146.5 million (5%) for the freehold investment properties under construction.

Financial Review continued

Investment property

The open store portfolio has increased in value by £145.4 million (5.3%). This increase in value arises from an improvement in cap rates, reflecting recent transactions in the sector, and operating cash flow growth.

The weighted average exit capitalisation rate used in the valuations was 5.4% in the current year, compared to 5.6% in the prior year.

Analysis of property portfolio	Value at 31 March 2024 £m	Revaluation movement in the year £m
Investment property	**2,718.5**	145.4
Investment property under construction	**146.5**	(14.2)
Investment property total	**2,865.0**	131.2

The table below provides a further breakdown of the open store valuations:

	Established		Developing	Armadillo	
	Freehold	**Leasehold**	**Freehold**	**Largely Freehold**	**Total**
Number of stores	71	5	9	24	109
MLA capacity (sq ft)	4,473,000	311,000	627,000	1,008,000	6,419,000
Valuation at 31 March 2024 (£m)	£2,082.6m	£27.4m	£343.1m	£173.8m	£2,626.9m
Value per sq ft	£466	£88	£547	£172	£409
Occupancy at 31 March 2024	81.7%	80.2%	59.8%	74.3%	78.3%
Stabilised occupancy assumed	88.6%	87.3%	86.1%	86.4%	87.8%
Net initial year one NOI yield	5.3%	18.2%	3.2%	6.2%	5.2%

The total store valuation in this table differs to the balance sheet due to the non-self storage investment property that the Group owns, such as the Harrow Industrial Scheme. The net initial year one NOI yield is 5.2% (2023: 5.3%). Note 15 contains more detail on the assumptions underpinning the valuations.

Investment property under construction

The Group spent £15.1 million on investment property under construction in the year, the majority of which was construction expenditure, principally on Kings Cross and Slough Farnham Road. This spend also includes the site purchase of Leicester. Kings Cross transferred to investment property during the year as the store opened, and the Harrow Industrial Scheme has also been transferred to investment property during the year, following the completion of its construction.

The revaluation deficit of £14.2 million on the investment property under construction is largely as a result of a reduction in the value of our land without self storage planning – this deficit all occurred in the first half of the year, with values stable in the second half of the year.

The projected net operating income of the increase in our total capacity of 957,000 sq ft when stabilised is £30.4 million representing an approximate 13.5% return on the incremental capital deployed. On a proforma basis at stabilisation, the projected net operating income for the 12 new stores and two replacement stores is £35.9 million, a return of approximately 8.7% on the total development cost of £412 million, including land already acquired.

Purchaser's cost adjustment

As in prior years, we have instructed an alternative valuation on our assets using a purchaser's cost assumption of 2.75% (see note 15 for further details) to be used in the calculation of our adjusted diluted net asset value. This Red Book valuation on the basis of the special assumption of 2.75% purchaser's costs, results in a higher property valuation at 31 March 2024 of £2.976 billion (£111.1 million higher than the value recorded in the financial statements). This translates to 56.2 pence per share. This revised valuation translates into an adjusted net asset value per share of 1,296.4 pence (2023: 1,237.3 pence) after the dilutive effect of outstanding share options.

Receivables

The Group's bad debt expense in the year represented 0.2% of revenue compared to 0.2% in the prior year, with 80% of our customer base paying by direct debit.

Net asset value

The adjusted net asset value is 1,296.4 pence per share (see note 13), compared to 1,218.5 pence per share at 31 March 2023 (after adjusting for the impact of the placing in October 2023). The table below reconciles the movement:

Movement in adjusted net asset value	£m	Adjusted NAV pence per share
31 March 2023	2,287.2	1,237.3
Adjusted for placing	107.0	(18.8)
31 March 2023 (adjusted)	2,394.2	1,218.5
Adjusted profit after tax	106.1	54.0
Equity dividends paid	(86.0)	(43.8)
Revaluation movements	131.2	66.8
Movement in purchaser's cost adjustment	6.5	3.3
Other movements (e.g. share schemes, insurance fit-out receipt)	9.9	(2.4)
31 March 2024	**2,561.9**	**1,296.4**

Borrowings

Our financing policy is to fund our current needs through a mix of debt, equity, and cash flow to allow us to build out, and add to, our development pipeline and achieve our strategic growth objectives, which we believe improve returns for shareholders. We aim to ensure that there are sufficient medium-term facilities in place to finance our committed development programme, secured against the freehold portfolio, with debt serviced by our strong operational cash flows. We maintain a keen watch on medium and long-term rates and the Group's policy in respect of interest rates is to maintain a balance between flexibility and hedging of interest rate risk.

The table below summarises the Group's debt facilities at 31 March 2024, with a current average cost of debt of 5.4% (March 2023: 4.7%).

Debt	Expiry	Facility	Drawn	Average interest cost
Aviva Loan	September 2028	£155.8m	£155.8m	3.3%
M&G loan (£35 million fixed at 4.5%, £85 million floating)	September 2029	£120m	£120m	6.9%
Revolving bank facility (Lloyds, HSBC, Barclays and Bank of Ireland, floating)	December 2026 (option to extend for two further years)	£300m	£119m	6.4%
Total	**Average term 4.2 years**	**£575.8m**	**£394.8m**	**5.4%**

In addition to the facilities above, the Group has a $225 million credit approved shelf facility with Pricoa Private Capital ("Pricoa"), to be drawn in fixed sterling notes. The Group can draw the debt in minimum tranches of £10 million over the next two and half years with terms of between 7 and 15 years at short notice, typically 10 days.

During the year the Group put in place a new £300 million sustainability-linked facility for an initial term of three years, with the option to extend the facility by two additional one-year terms through to December 2028, subject to lender approval. The loan is provided by Lloyds Bank plc, HSBC UK Bank plc, Bank of Ireland, and Barclays Bank plc, with Barclays joining the existing three bank syndicate. The margin of 1.25% was unchanged from the existing facility.

The Group has incorporated Sustainability-linked KPIs into the loan, which include annual pre-agreed targets and are based on:

- reductions in Scope 1 and 2 emissions;
- increase in solar generation capacity;
- total annual grants to Big Yellow Foundation charity partners; and
- the value of storage space provided free of charge to local charities in our stores.

Performance against the KPIs will be measured annually, and a margin decrease or increase will be applied to the headline margin on the basis of this performance.

The Group was comfortably in compliance with its banking covenants at 31 March 2024. Further details of the Group's covenants are provided in note 19 of the accounts.

The Group's key financial ratios are shown in the table below:

Metric	31 March 2024	31 March 2023
Net Debt / Gross Property Assets	**13%**	18%
Net Debt / Adjusted Net Assets	**15%**	21%
Net Debt / Market Capitalisation	**18%**	23%
Net debt to Group EBITDA ratio	**3.0x**	4.1x
Cash generated from operations pre-working capital movements against interest paid	**5.6x**	7.7x

At 31 March 2024, the fair value on the Group's interest rate derivatives was a liability of £1.8 million. The Group does not hedge account its interest rate derivatives. The fair value movements are eliminated from adjusted profit before tax, adjusted earnings per share, and adjusted net assets per share.

Cash deposits are only placed with approved financial institutions in accordance with the Group's Treasury policy.

Share capital

The share capital of the Company totalled £19.6 million at 31 March 2024 (2023: £18.4 million), consisting of 196,195,287 ordinary shares of 10p each (2023: 184,265,973 shares). 11.6 million shares were issued in October 2023 for a placing, raising £107 million (net of expenses). 0.3 million shares were issued for the exercise of options during the year at an average exercise price of £10.77 (2023: 0.3 million shares at an average price of £13.13).

The Group holds 1.1 million shares within an Employee Benefit Trust ("EBT"). These shares are shown as a debit in reserves and are not included in calculating net asset value per share.

Metric	2024 No.	2023 No.
Opening shares	**184,265,973**	183,967,378
Shares issued in placing	**11,640,212**	–
Shares issued for the exercise of options	**289,102**	298,595
Closing shares in issue	**196,195,287**	184,265,973
Shares held in EBT	**(1,098,686)**	(1,122,907)
Closing shares for NAV purposes	**195,096,601**	183,143,066

111.2 million shares were traded in the market during the year ended 31 March 2024 (2023: 116.3 million). The average mid-market price of shares traded during the year was £10.84 with a high of £12.39 and a low of £9.10.