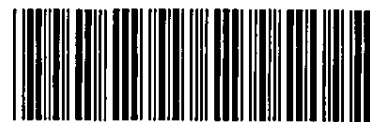


Big Yellow Group PLC
Annual Report & Accounts
2008

3625199

WEDNESDAY



LKCOG1G2

LD3

16/07/2008

138

COMPANIES HOUSE

Get some space in your life.™

20 08



Contents

ifc	Measuring Our Progress
02	Chairman's Statement
06	Business Review
12	Financial Review
16	Portfolio Summary
17	Corporate Governance
22	Audit Committee Report
24	Corporate Social Responsibility Report
31	Directors' Report
34	Remuneration Report
40	Officers and Professional Advisers
41	Biographies of Directors and Senior Management
42	Independent Auditors' Report to the Members of Big Yellow Group PLC
43	Consolidated Income Statement
44	Consolidated Balance Sheet
45	Consolidated Statement of Recognised Income and Expense
46	Consolidated Cash Flow Statement Reconciliation of Net Cash Flow to Movement in Net Debt
47	Notes to the Financial Statements
72	Independent Auditors' Report to the Members of Big Yellow Group PLC
73	Company Balance Sheet
74	Company Cash Flow Statement Statement of Recognised Income and Expense
75	Notes to the Company Accounts
79	Five Year Summary

Measuring Our Progress...

and what that means

Highlights

- > Revenue increase of 11% in the year, with same store revenue growth of 55%
- > EBITDA before non-recurring items and revaluation movements up 17% to £29.6 million
- > Adjusted profit before tax down 6% due to higher interest cost in the year
- > Full year dividend increased by 6% to 9.5p
- > Adjusted net assets per share up significantly to 520.2p
- > Occupied space of 1,817k sq ft at 31 March 2008 (December 2007 1,800k sq ft, March 2007 1,780k sq ft)
- > 48 stores open at 31 March 2008 providing 30 million sq ft of self storage space
- > Six stores opened during the year, including Fulham, our flagship store. Kennington opened since the year end
- > Ten freehold sites acquired during the year, four in London, plus sites in Birmingham, Sheffield, Edinburgh, Camberley, Reading and Guildford. Freeholds of Cheltenham and Chelmsford stores acquired in the year
- > Pipeline of 22 sites and one extension site to provide an additional 15m sq ft at an estimated total cost of £242 million, 52% by capacity in London
- > Nine planning consents obtained since 1 April 2007
- > Establishment of £150 million partnership with Pramenca to develop Big Yellow stores in the Midlands, North of England and Scotland

Financial Highlights

	Year ended 31 Mar 2008	Year ended 31 Mar 2007	%
Revenue	£56.9m	£51.2m	11
EBITDA before non-recurring items and revaluation movements ⁽¹⁾	£29.6m	£25.4m	17
Profit before tax	£101.8m	£152.8m	(33)
Adjusted profit before tax ⁽¹⁾	£13.3m	£14.2m	(6)
Basic earnings per share	89.20p	192.97p	(54)
Adjusted earnings per share ⁽²⁾	11.20p	10.01p	12
Dividend – final	5.5p	5.5p	–
– total	9.5p	9.0p	6
Adjusted NAV per share ⁽³⁾	520.2p	437.8p	19
Cash flow from operations	£30.8m	£30.2m	2
Occupied space at year end ⁽⁴⁾	1,817k sq ft	1,780k sq ft	2

⁽¹⁾ See note 10

⁽²⁾ See note 12

⁽³⁾ See notes 12 and 14

⁽⁴⁾ See Portfolio summary

- > Revenue increase of 11% in the year, with same store revenue growth of 5.5%

+11%

- > EBITDA before non-recurring items and revaluation movements up 17% to £29.6 million

£29.6m

- > Full year dividend increased by 6% to 9.5p

9.5p

- > Adjusted net assets per share up significantly to 520.2p

520.2p

- > 48 stores open at 31 March 2008 providing 3.0 million sq ft of self storage space

3.0m sq ft

- > Occupied space of 1,817k sq ft at 31 March 2008 (December 2007 1,800k sq ft; March 2007 1,780k sq ft)

**1,817k
sq ft**

Chairman's Statement

Big Yellow Group PLC, the UK's leading self storage brand, ("Big Yellow", "the Group" or "the Company"), is pleased to announce its results for the year ended 31 March 2008

Trading conditions are difficult, but in the circumstances, we believe that the Group's results are satisfactory

In spite of the difficult conditions, we were pleased to have continued our strategy of site acquisitions and store openings, and have acquired the freeholds of our stores in Cheltenham and Chelmsford

In order to further develop our expansion into the North and Midlands, in November 2007 we were pleased to announce that we formed a £150 million partnership with Pramerica Real Estate Investors

At the end of March 2008 we opened our flagship store in Fulham. This innovative store includes the first wine self storage in the UK, with 480 climate controlled cellars, with the same benefits as self storage, including accessibility, flexibility and convenience

Financial Results

Revenue for the year was £56.9 million (2007: £51.2 million), an increase of 11%. Revenue for the fourth quarter was £13.9 million up by 9% from the same quarter last year (after adjusting for £1.2 million surrender premium received in March 2007). The quarterly revenue has decreased by 3% from £14.4 million for the third quarter ended 31 December 2007. 1% of this fall is due to 1 less day in the quarter and the remainder due to increased promotions.

Earnings before non-recurring items and revaluation movements increased by 17% in the year to £29.6 million.

Profit before tax for the year was £101.8 million down from £152.8 million last year. After adjusting for the gain on the revaluation of investment properties and other matters (see note 10), the Group made an adjusted profit before tax in the period of £13.3 million, down 6% from £14.2 million in 2007. The decline was primarily due to a higher interest cost in the current financial year as a result of the increased development pipeline of £103 million.

We do not currently capitalise interest against our development pipeline, however from 2009 International Accounting Standards requires us to do this. We are therefore planning to adopt a policy of capitalising interest against our development pipeline from 1 April 2008.

The basic earnings per share for the year was 89.20 pence (2007: 192.97 pence) and the fully diluted earnings per share was 88.53 pence (2007: 190.31 pence). This reduction is due to the lower revaluation gains reported in the period and the prior year release of deferred taxation following the Group's conversion to a REIT (see note 9). Adjusted earnings per share based on adjusted profit after tax was 11.20 pence (2007: 10.01 pence) (see note 12).

Cash generated from operations rose to £30.8 million in the year (2007: £30.2 million), an increase of 2%.

Net bank debt of £282.3 million at 31 March 2008 (2007: £187.9 million) represents approximately 33% (2007: 27%) of the Group's investment property and development property assets totalling £854.3 million (2007: £686.5 million) and 48% (2007: 38%) of the adjusted net assets of £582.8 million (2007: £491.2 million).

Dividend

The Board has proposed a final dividend of 5.5 pence per share, which brings the total declared dividend in respect of the results of the financial year to 9.5 pence per share (2007: 9.0 pence per share). For further information on the dividend, see the Financial Review.

Big Yellow Limited Partnership

In November 2007 we formed a £150 million partnership with Pramerica Real Estate Investors Limited to develop stores in the Midlands, the North and Scotland. Big Yellow has made a £25 million commitment, of which £5.7 million has been contributed to date. Pramerica will contribute £50 million of equity and the balance of the initial capital required will be funded by way of a committed £75 million development loan facility provided by Royal Bank of Scotland.

In November 2007 we formed a £150 million partnership with Pramerica Real Estate Investors Limited to develop stores in the Midlands, the North and Scotland.

The Group sold five of its development sites, Edinburgh, Liverpool, Nottingham and two in Sheffield, and its existing store in Leeds to the Partnership for a cash payment of £20.3 million. Big Yellow has also entered into conditional contracts to sell two more of its development sites in Manchester and Birmingham to the Partnership.

Big Yellow has an option to buy the assets in the Partnership at 31 March 2013. The Group is entitled to various acquisition, planning and construction fees and a carried interest geared to the success of the venture.

The effect of the venture is to increase our development capability in the Midlands, the North of England and Scotland whilst releasing financial resource for further expansion in London and the South. Additionally the fees earned will reduce the initial dilutive effect of our development programme.

We are pleased to have re-established our relationship with Pramerica, who were early backers of Big Yellow in 1999.

The total number of stores open and the capacity where discussed in this report include those wholly owned stores and those operated within Big Yellow Limited Partnership. The analysis of revenue and performance of stores as shown in the Portfolio summary is for the 47 wholly owned stores, and excludes the one trading store in the Partnership.

Valuation and Net Asset Value

The value of the investment property portfolio at 31 March 2008 was £750.9 million, up £160.8 million from £590.1 million at 31 March 2007. Of the £160.8 million movement £79.2 million is capital expenditure in the year and £93.7 million is the revaluation increase in the year, and the balance is the transfer of Leeds to Big Yellow Limited Partnership for £12.1 million.

The revaluation movement in the year comprises £56.7 million in respect of the six new stores opened in the year and £37.0 million in respect of the 42 stores open and valued at 31 March 2007.

In analysing the revaluation movement of the 42 stores above, we have excluded the store being redeveloped at Sheen and the two leasehold stores where we acquired the freehold in the year. This portfolio of 39 same stores shows a 6.5% increase in the value over the year, the majority of which occurred in the first six months. Of this 6.5% increase virtually all the growth was from improved cash flow performance. Since September 2007, 25 of these 39 stores decreased in value, partially due to an increase in exit cap rates and also due to changes of assumptions on operating cash flow performance.

The net yield of the portfolio of 47 wholly owned stores based on the net operating income at store level in the first year after the projected stabilisation of each store is 7.64% pre administration expenses and 7.02% post administration expenses (March 2007: 7.40% pre admin and 6.80% post admin).

The initial yield on the open store portfolio has reduced from 5.24% to 4.21% in the year following the opening of six new London stores, which are initially loss making, and this has caused much of the increase in the reversionary yield above.

Whilst there has been a significant outward yield movement for UK real estate assets, the yields have not increased as significantly for these types of self storage assets, due to a number of key factors:

- > 4.5% average annual net storage rent increases over the last six years
- > the assets have historically been conservatively valued
- > this is an increasingly institutional asset class
- > strong demand for institutional grade freehold self storage assets from both financial and trade buyers

The increase in value of the investment portfolio results in an adjusted fully diluted net asset value of 520.2p, an increase of 19% over the prior year. See note 14 for detailed valuation assumptions and adjustment to purchasers' cost assumptions.

Chairman's Statement (continued)

92% by value of the Group's 47 wholly owned open stores are freehold (including one long leasehold). The freehold proportion will increase as we open stores in the development pipeline, all of which are freehold. We strongly believe that these assets will materially outperform our short leasehold assets due to the wasting nature of the latter. This is illustrated by the fact that the freeholds within the same store portfolio showed a valuation uplift in the year of 78%, compared to an uplift of 1.2% in respect of the seven short leasehold stores. Where opportunities present themselves in this market, we will purchase the freehold of our leasehold stores, as we did at Cheltenham and Chelmsford in the year.

Stores

At the year end, occupied space represented 1,817,000 sq ft, up 2% from 1,780,000 sq ft at the same time last year. This represents a 62% occupancy rate across all 47 stores open at the period end.

A table summarising the performance of these 47 directly owned stores over the year can be found in the portfolio summary on page 16.

The portfolio of 32 stores that were open for more than two years at the beginning of the period was 79% occupied at the end of the year, with an average occupancy during the year of 82%. In addition, these 32 stores achieved EBITDA margins of 65% (2007: 64%) and, after an allocation of central overhead, net operating income margins of 59% (2007: 58%). The 25 freehold stores within this 32 achieved EBITDA margins of 71% in the year.

Same store revenue for these 32 stores increased 5.5% year on year, 4.4% as a result of increases in average storage rents, stable average occupancy and the balance from improved insurance sales. In addition from May 2008, we have put through an annual storage rent increase of approximately 6% across the whole store portfolio.

Property

We acquired ten freehold sites in the year, four in London and six outside London at Birmingham, Camberley, Edinburgh, Reading, and second sites in Guildford and Sheffield.

We now have 22 stores in the pipeline and one extension site at our existing Richmond store, which when fully developed will represent an additional 1.5 million sq ft and when open will provide the Group with a total of 70 stores and 4.5 million sq ft. The total development programme is £242 million, of which 1.1 million sq ft is wholly owned (£187 million total cost, of which £85 million has been spent to date). 60% of our total stores and sites by area are located within the M25 and 63 are freehold or long leasehold. In the year we have opened six stores – all in London, whilst we closed our store at Sheen for redevelopment.

We have obtained planning consents on nine stores since 1 April 2007. In addition, on a further five sites applications have been submitted and three more are close to being submitted.

We have decided to dispose of our sites at Blackheath and Bow South. We were unsuccessful in obtaining planning consent at Blackheath following a lengthy appeal process. The Bow South site was acquired as a relocation for our Bow store, which formed part of the Olympic Zone and was subject to a compulsory purchase order. That order has been lifted and therefore the Bow South site is surplus to requirements. In addition, we have been able to create an additional 20,000 sq ft of storage capacity at the existing Bow store.

At 31 March 2008, there was surplus land held in the balance sheet of £29.4 million (2007: £29.7 million), £16.3 million of which we are currently marketing for sale.

These moments always provide opportunity for those well positioned. Land availability and planning barriers have always acted as a significant barrier but in addition we believe that the current environment will considerably reduce the competitive threat for sites, which we fully intend to exploit.

Our People

As we have consistently reported over the last seven years, the Big Yellow team has remained largely stable, both at Head Office and within the stores. Never complacent on this issue however, we are constantly investing in our people, which we believe is reflected in the very high customer satisfaction responses that we receive. 98% of our customers would recommend using Big Yellow to a friend.

I take this opportunity on behalf of the Board to thank David White for his significant contribution to the Group over the past eight years. David has been the senior Non Executive over his time with the Group and will be retiring at the AGM in July of this year. His long experience and measured approach will be missed by me and my colleagues.

I am pleased to report that we will shortly be welcoming two new Non Executive Directors to the Board. Tim Clark will be joining in August and Mark Richardson in July as Senior Non Executive and Chairman of the Audit Committee respectively. Tim Clark has recently retired from a long career at Slaughter and May, the last seven of which was as senior partner. Mark Richardson is a senior audit partner, working in the real estate practice at Deloitte & Touche LLP, from which he will be shortly be retiring.

I am confident that both these appointments will make a significant contribution to the Board and I look forward to working alongside them.

I would like to take the opportunity of thanking all the people who work at Big Yellow for their continued efforts, loyalty and hard work which, at the risk of repetition, really does make the difference between success and failure in our business.

Outlook

Trading conditions are likely to remain difficult for some time, however we have spent much time planning for a more testing environment. The Group has a strong brand, an unmatched portfolio of stores owned largely freehold, together with significant available financing, over £350 million of property assets uncharged, and a first class partner in our Pramenica joint venture.

These moments always provide opportunity for those well positioned. Land availability and planning barriers have always acted as a significant barrier but in addition we believe that the current environment will considerably reduce the competitive threat for sites, which we fully intend to exploit.

Nicholas Vetch
Chairman
16 May 2008

Business Review

Introduction

This has been a challenging year for the Group, particularly in the second half of the year. Nevertheless, our performance has been resilient and we have continued to grow net asset value per share. Big Yellow has achieved substantial total returns to shareholders in the last five years with revenue, operating profit and net asset value increasing every year. These arise from a combination of factors including

- > a prime portfolio of freehold self storage properties
- > successful acquisition and development of new stores
- > the strength of operational management
- > revenue growth
- > improving cash flow and margins
- > flexible and conservative financing

Business Objectives

In recent years, Big Yellow has established itself as the leading self storage brand in the UK (MORI National Survey, August 2007), a key objective set at flotation. The Group's strategy is to continue to invest in quality assets at the premium end of the self storage market and to build on our brand leadership nationally. We intend to measure our progress by commissioning quantitative research each year. We opened our first store outside our core area, in Leeds in 2005 and now have sites under development in Manchester, Liverpool, Nottingham, Birmingham, Edinburgh and two in Sheffield.

The main elements of our strategy remain

- > the roll out of new freehold stores in major urban conurbations throughout the UK
- > retaining a focus on London and the South East in the core Group
- > conservative financing using flexible bank borrowings secured against a prime freehold portfolio, and more recently the Partnership with Pramerica

- > locating stores in visible, convenient and accessible locations
- > an unwavering focus on customer service
- > excellent operational and financial management generating strong cash flow growth
- > innovative and creative marketing
- > an entrepreneurial and passionate culture, with accessible senior management encouraging innovation and dialogue throughout the business
- > recruiting and retaining quality people into the business

Financing Objectives

Big Yellow's financing policy is to fund its current needs through a mix of debt and equity in building out the existing portfolio and achieving our strategic growth objectives, which we believe improves 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.

The core business is financed by a mixture of debt and equity which improves returns to shareholders. The level of bank debt in the business is closely monitored against the Board's policy guidelines, which currently require that the ratio of net debt to gross property assets is no greater than 50% and interest cover not less than 2 times based on net operating income, comfortably ahead of its banking covenants. However, it is acknowledged that there may be limited periods where income cover temporarily falls slightly below 2 as a result of known factors, for example a number of new store openings, as new freehold stores make a loss for the first three to six months before breaking even at the net operating income level.

The Group's strategy is to continue to invest in quality assets at the premium end of the self storage market and to build on our brand leadership nationally.

Risk Management

The management of risk is a fundamental part of how we have controlled the development of Big Yellow since its formation in September 1998

Self Storage Market Risk

The economy grew satisfactorily in the first half of 2007, with consumer spending remaining strong. The credit crunch, which started in August 2007 has clearly impacted the availability of mortgages to home owners which in turn has caused a significant reduction in housing market activity. This came on top of the additional costs from increasing interest rates over the previous year, and more latterly rising energy, food and transport prices. The combination of these factors has impacted confidence and decision making, which has slowed demand. We believe however that the structural need for self storage remains. We have increased storage rents to customers by 6.1% from May 2008. Over the last six years average net storage rental growth has been 4.5%.

Approximately 50% of our customers are in some way linked to the housing market, for example with customers renting storage space between house moves or whilst moving within the rental sector. We estimate that 15% of customers rent storage space as a spare room for lifestyle purposes and approximately 20% of customers use the product because some event has occurred in their lives generating the need for storage, they may be moving abroad for a job, have inherited furniture, are getting married or divorced, are students who need storage during the holidays, or homeowners developing into their lofts or basements. The balance of 15% of our customers are businesses ranging from start ups and market traders to retailers and larger multinationals storing stock, documents, equipment, or promotional materials all requiring a convenient flexible solution to their storage either to get started or to free up more expensive space.

Self storage is an immature market with further opportunity for significant growth. Awareness of self storage and how it can be used

by domestic and business customers is relatively low throughout the UK, although higher in London. The rate of growth in branded self storage on main roads in good locations continues to be limited by the difficulty of acquiring sites at affordable prices and obtaining planning consent.

Big Yellow only invests in prime locations, developing high quality self storage centres in the large urban conurbations where the drivers in the self storage market and the barriers to competition are at their strongest.

We have a large current storage customer base of over 30,000 spread across the portfolio of open stores and many thousands more have used Big Yellow over the years. In any month customers move in and out at the margin resulting in changes in occupancy. This is a seasonal business and typically one sees growth over the spring and the summer months, with the seasonally weaker periods being the winter months. The performance in terms of occupancy, revenue and EBITDA of our stores can be seen from the Portfolio Summary on page 16.

Property Risk

We are continuing our expansion in key cities in the Midlands, the North of England and Scotland, with a target of opening a total of 25 stores in the next five years. We also retain our focus on growing the core business in London and the South of England, through the acquisition of key strategic sites. We continue to face significant competition for sites for these quality main road locations from other uses such as residential, hotel, car showroom and offices. We believe the current difficulties in the banking and capital markets clearly make access to capital required to fund growth more difficult and will slow down the growth in self storage store openings in the market generally. We believe that we are in a relatively strong position because of our strong balance sheet underpinned by our freehold property assets, with available banking facilities and an ability to access more if required.

Business Review (continued)

The planning process remains difficult with planning consents taking approximately twelve months to achieve on average. In this competitive environment, we do take planning risk as it is necessary for us to acquire sites unconditionally, with planning and other property due diligence carried out under tight timescales. A slowing property market will provide opportunities to buy certain sites on a conditional basis, as we have with two of our recent acquisitions.

Big Yellow's management has significant experience in the property industry generated over many years and in particular in acquiring property on main roads in high profile locations and obtaining planning consents.

In the year under review we were successful in acquiring 10 sites, four in London and sites in Camberley, Reading, Birmingham, Edinburgh and second sites in Guildford and Sheffield. We now have a portfolio of 70 stores and sites (and one extension site) of which 48 are currently open and a further 10 have planning consents. We have surplus land of £29.4 million. Included in this is our second site at Bow, which was acquired at a time when our existing store was subject to a compulsory purchase order for the Olympic Zone. This order has fallen away, so we have made the decision to dispose of the site. Additionally, we have decided to sell our site in Blackheath, where we were unsuccessful in achieving planning permission.

We manage the construction of our properties very tightly. The building of each site is handled through a design and build contract, with the fit out project managed in-house using an established professional team of external advisors and sub-contractors who have worked with us for many years to our Big Yellow specification.

Treasury Risk

The Group borrows in sterling at floating rates of interest and uses swaps to hedge its interest rate exposure. The Group has derivatives in place to ensure at least 40-50% of bank borrowings are hedged, the balance is left floating paying margin over LIBOR. At March 2008, we have hedging instruments in place over 67% of our outstanding bank borrowings. During the second half of the year, we have been paying over 1 month LIBOR, rather than 3 month LIBOR which has been at elevated levels due to the illiquidity in the inter bank lending market.

Our portfolio is relatively high yielding and we believe this flexible approach to our hedging is appropriate for our strategic aims, given our conservative balance sheet.

Interest Cover and Balance Sheet Risk

The Group reviews the current and forecast projections of cash flow, borrowing and interest cover as part of its monthly management accounts. In addition, an analysis of the impact of significant transactions is carried out regularly, as well as a sensitivity analysis assuming movements in interest rates and occupancy in the stores on gearing and interest cover.

Credit Risk

Our customers are required to pay a deposit when they start to rent a self storage unit and are also required to pay in advance for their four-weekly storage charges. The Group is therefore not exposed to a significant credit risk. 75% of our customers pay by direct debit. Since the commencement of the credit and liquidity issues since last August, we have not seen any increase in bad debts and arrears.

Taxation Risk

The Group is exposed to changes in the tax regime affecting the cost of corporation tax, VAT and Stamp Duty Land Tax ("SDLT"). We regularly monitor proposed and actual changes in legislation with the help of our professional advisors and through trade bodies to understand and, if possible, mitigate or benefit from their impact.

REIT Risk

The Group converted to a REIT with effect from 15 January 2007. The Group is therefore exposed to potential tax penalties or loss of its REIT status by failing to comply with the REIT legislation. The Group has internal monitoring procedures in place to ensure that the appropriate rules and legislation are complied with. To date all REIT regulations have been complied with.

Human Resources Risk

At Big Yellow we have developed a professional, lively, enjoyable and fun working environment and believe our success stems from attracting and retaining the right people. We encourage all our staff to build on their skills, through appropriate training and regular performance reviews. We believe in an accessible and open culture and everyone at all levels is encouraged to review and challenge accepted norms, so as to contribute to the performance of the Group.

Reputational Risk

Big Yellow's reputation with all its stakeholders is something we value highly and will always look to protect and enhance. We aim to communicate clearly with our customers, suppliers, local authorities and communities, employees and shareholders and to listen to and take account of their views. Big Yellow's Intranet and Website (bigyellow.co.uk) are important avenues of communication for both employees and shareholders.

We have signed two international franchise agreements in respect of the United Arab Emirates and Bahrain. We carried out due diligence on our local partners and were advised on the Development Agreement by the Eversheds Franchise Team, now part of Field Fisher Waterhouse. The Development Agreement provides the requisite controls typical of arrangements of this nature to protect our reputation and brand. We have appointed an experienced International Franchise Director with over 15 years experience in franchising, who is responsible for growing this aspect of our business.

Corporate Social Responsibility

The Board has appointed a Corporate Social Responsibility Manager during the year. We have adopted a formal corporate social responsibility (CSR) policy during the year. This is shown below.

Corporate Social Responsibility Policy

The Board recognises that high levels of corporate social responsibility (CSR) linked to clear commercial objectives, will create a more sustainable business and increase shareholder and customer value. This Policy will cover all of Big Yellow's operations, as both a self-storage developer and operator. Big Yellow is seeking to meet the demand for self-storage from businesses and private individuals providing the storage space for their commercial and / or domestic needs, whilst aiding local employment creation and contributing to local community regeneration.

The Board commits itself to

- > Complying with relevant social and environmental legislation
- > Establishing a formal integrated CSR management structure to implement "best practice"
- > Preventing pollution and the waste of resources to protect the environment
- > Consulting with stakeholders on social aspects to improve their services to the Group
- > Providing capital for sustainable development that is economically viable
- > Reporting annually on improving ethical, community and environmental performance

Operationally, Big Yellow commits to

- > **Development** – to address relevant issues on local community and climate change aiming to achieve best practice on sustainability checklists and local planning guidance
- > **Design** – to minimise its carbon footprint as far as practicable through the application of passive building principles, viable renewable energy and other sustainability criteria
- > **Construction** – to aim for build site sustainable practices by raising environmental and health and safety standards through the Considerate Constructors Scheme
- > **Estates and Facilities** – to monitor energy, waste and water provider performance in order to identify areas for operational efficiency improvements
- > **Operations** – to keep store managers and customers informed of the ethical, safety, security, energy use and waste minimisation aspects of storage and packaging
- > **Sales, Marketing and Customer Care** – to facilitate external communication of sustainability and ethical market differentiation and improve customer satisfaction
- > **Human Resources** – to integrate the Group CSR policy within all training programmes, employee communications, and benefits initiatives, whilst continuing to promote charitable giving, employment creation and staff retention
- > **Office Management and Information Technology** – to facilitate internal communication of environmental performance and cost effectiveness of energy usage, waste paper reduction, recycled paper usage, and the recycling of waste paper

The CSR Manager will facilitate the Board and Group Operations to achieve these commitments by establishing more specific objectives within the existing management structure and implementing guidance to meet agreed continuous improvement targets. The CSR Manager is also responsible for recording key performance indicators for annual reporting and review by the Board.

A detailed review of our work in corporate social responsibility is included within the CSR Report on pages 24 to 30.

Stores

During the year we opened six stores, all in London (at Sutton, Ealing, Barking Central, Balham, Merton and our flagship 139,000 sq ft store at Fulham). We also closed our store in Sheen for comprehensive redevelopment into a new 60,000 sq ft store due to reopen in November 2008. These store openings bring the number now trading in the Group and the Partnership to 48. The available net lettable space increased by 458,000 sq ft over the year to 3.0 million sq ft with the opening of these six stores.

The maturity profile across the 47 wholly owned stores open at the end of the year is set out in the Portfolio Summary on page 16 and shows a blended occupancy for the portfolio of 62% (1.8 million sq ft occupied), with the 32 stores more than two years old at an average occupancy of 82%, consistent with the prior year. The closing occupancy at 31 March 2008 was 79% against 82% in the prior year, reflecting the more difficult trading conditions experienced in the second half of the year.

Business Review (continued)

There are a further 22 freehold sites (including five sites within Big Yellow Limited Partnership) and an extension site at Richmond. These sites are at various stages of planning and construction which, when fully developed, will increase the total capacity of the portfolio to 4.5 million sq ft.

10 of the 22 sites in the development pipeline are located in Greater London, which we believe will continue to improve the quality of our store portfolio. We have continued with our stated intention to acquire sites in key Northern cities, the Midlands and Scotland and set up Big Yellow Limited Partnership in the year with Pramerica Real Estate Investors to fund this expansion. We now have seven sites in the north, which will trade in the Partnership when open in Birmingham, Edinburgh, Liverpool, Manchester, Nottingham and two in Sheffield. In addition, our 72,000 sq ft store in Leeds was acquired by the Partnership in November 2007.

We continue to work on obtaining planning consents for all future stores. We expect to open six stores in the current financial year, three within the core Group, and three within the Partnership.

During the year we moved in over 40,000 customers taking 2.4 million sq ft compared to 42,000 customers taking 2.5 million sq ft last year. This resulted in the stores increasing occupancy by 37,000 sq ft (150,000 sq ft last year), after adjusting for the sale of Leeds and the closure of Sheen. Of the 48 stores open at the year end 43 are now trading profitably with the other five being the most recent to open.

The Big Yellow store model is now well established. The "typical" store contains 60,000 sq ft and takes some 2.5 to 3.5 years to achieve 85% occupancy. The average room size is some 60 sq ft and the average net rental achieved last year across the 47 wholly owned stores was £25.38 per sq ft per annum (the average rent in London is higher at £27.93 per sq ft per annum). The store is initially run by three staff – adding a part timer once the store occupancy justifies the need for the extra administrative and sales workload. Given that the operating costs of these assets are relatively fixed, larger stores in bigger urban conurbations, particularly London, drive higher revenues and higher operating margins.

The drive to improve store operating standards and consistency across the portfolio remains a key focus for the Group. Excellent customer service is at the heart of our business objectives, as a satisfied customer is our best marketing tool. From our surveys 98% of customers would recommend Big Yellow to a friend. We measure customer service standards through a programme of mystery shoppers and ex customer surveys. We have in place a team of Area Managers who have on average been with Big Yellow for six years. They develop and support the stores to drive the growth of the business. Adrian Lee, Operations Director, is the Board member responsible for dealing with all customer issues.

The store bonus structure rewards occupancy growth, sales growth and cost control through setting quarterly targets based on occupancy and store profitability, including the contribution from ancillary sales of insurance and packing materials. Information on bonus build up is circulated monthly and stores are involved in preparing their own targets and budgets each quarter, leading to improved visibility, a better understanding of sales lines and control of operating costs.

The Group manages the construction and fit out of its stores in house, as we believe it provides both better control and quality, and we have an excellent record of building stores on time and within budget. The total construction spend in the year was £47 million. We currently have seven new stores on site, six of which will open in the financial year 2008/9.

We opened our Fulham store in March after our most complicated construction project to date, involving a six month demolition and an 18 month construction period. The new store incorporates retaining a Victorian façade and a significant element of glazing, a double basement and five floors above ground. We have also developed Big Yellow Wine Cellars, the first wine self storage in the UK, with 480 private climate controlled cellars with the same benefits as self storage, including accessibility, flexibility and convenience. The cellars were formally launched on 13 May 2008, at a wine tasting launched by Oz Clarke, the celebrity wine personality.

We believe that as a customer facing real estate business it is paramount to maintain the quality of our estate and customer offering. We therefore continue to invest in a rolling programme of store makeovers, preventative maintenance, store cleaning and the repair and replacement of essential equipment, such as lifts and gates.

Sales and Marketing

During the year we completed a strategic review of our Marketing programme and we rolled out our new Brand proposition "Get some space in your life". This involved a complete re design of our marketing materials, and was launched in April 2007 with an award winning TV, press and online advertising campaign. Our TV advertisement has won multiple awards including 'New Advertiser' and 'Best 30 second TV ad' at the British Television Advertising Awards. We have now integrated the new designs into all our marketing materials, including an updated signage package for new stores.

We are at the forefront of online innovation in the self storage industry, and during the year we launched the UK's first self storage online reservation and real time pricing system. As a result of this, online enquiries now account for the majority of our sales prospects, and an increasing number of our customers are completing their reservations online. We are constantly looking to improve our e-commerce proposition and we will continue to lead the industry in this area.

We carry out annual awareness surveys and our Brand continues to grow strongly. Highlights from this year's survey include:

- > We have achieved Brand awareness of 60% – 70% in our target groups in London & the South East, an increase of 30% over the previous year.
- > Our Brand awareness is now three times the level of our nearest competitor.
- > 80% of our customer base continues to fall within the top three ACORN customer categories.
- > Big Yellow leads the industry in terms of Brand preference, with more potential customers expecting to use Big Yellow than any other Brand.

Source: Ipsos Mori, August 2007

A thorough understanding of self storage (ie a full awareness of the service provided and its benefits) remains relatively low at approximately 30%, and educating the public about our top quality service and facilities continues to be at the centre of our Marketing programme.

We continually monitor local market conditions and review our promotions regularly. Our strategy is to offer targeted promotions to ensure we are offering the best value available to our customers, whilst ensuring that we achieve our rental yield objectives. During the year our competitors have increased discounting significantly in order to attract new customers. Big Yellow continues to operate at the quality end of the market and, in spite of the competitive environment, we have controlled our discount level from scheduled rents to an average of 9.1% for the year.

Local marketing, selling standards and customer service at store level are also critical to building the brand and achieving customer loyalty and recommendations. We invest significantly in training and have a reward structure and performance monitoring systems which focus specifically on achieving sales and customer service objectives.

During the year the Group spent approximately £2.6 million (4.6% of our turnover) on marketing, in line with the previous year. It is our intention to continue to invest 4.25% to 4.5% of our turnover to increase awareness of Big Yellow in existing and new markets, particularly as we expand into new cities across the country.

Security

The safety and security of our customers and stores remains a key priority. To achieve this we invest in state of the art access control systems, individual room alarms, digital CCTV systems, intruder and fire alarm systems and the remote monitoring of all our stores out of our trading hours.

We have implemented customer security procedures in line with advice from the Metropolitan Police and continue to work with the regulatory authorities on issues of security, reviewing our operational procedures regularly. The importance of security and the need for vigilance is communicated to all store staff and reinforced through training and we have continued to run courses to enhance the awareness and effectiveness of our procedures in relation to security, entitled "You and your customer".

People

At Big Yellow we aim to provide a lively, fun and enjoyable work environment, without losing our commitment to the best customer service and standards of performance.

As the business has grown it has been necessary to formalise the means by which ideas and policy changes are communicated and discussed with employees. We hold regular consultation meetings with employees, both formally and informally, and our Directors and senior management spend significant time in the stores and are accessible to employees at all levels. An annual Employee Attitude Survey provides the management with key feedback and guidance as to where to focus its resources in each year.

We encourage a partnership culture within the business and believe in staff participating in corporate performance through share incentives. Many employees have benefited, or continue to benefit, from share options granted in previous years and from an HMRC approved Sharesave Scheme. This provides an opportunity to invest in the future success of Big Yellow at a discount to the prevailing share price at the date of each invitation.

In addition, a stakeholder pension scheme managed by Friends Provident provides pension provision within the Group and has been taken up by 70% of employees eligible to join.

We had 248 full, part time and casual employees in the business at the year end (2007: 226 employees), and recruiting and retaining the right calibre people remains critical to the continued success of Big Yellow. We promote the individual development of staff through training and regular performance appraisals and delivered over 700 days training to employees in the last year, equating to an average of approximately 3 days training per employee. In the stores over 60% of the managerial posts have been filled by internal promotions. We have a policy on flexible working to meet individual needs where possible, without compromising corporate objectives.

Financial Review

Financial Results

Annualised revenue, the measure of store related revenue being billed (net of all discounts) at the end of the year, increased to £53.5 million, up from £49.6 million last year (excluding Leeds and Sheen), an increase of 8%. Revenue for the year was £56.9 million, up 11% from £51.2 million for 2007. Included in revenue in the prior year is a lease surrender premium received of £1.2 million, which was a one off non recurring item. The year on year revenue growth excluding this premium is 14%.

Other sales (included within the above), comprising the selling of packaging materials, insurance and storage related charges represented 17% of storage income for the year (2007: 16%) and generated revenue of £7.9 million for the year, up 22% from £6.5 million in 2007 (excluding Leeds and Sheen).

The EBITDA margin improved from 64% to 65% for the 32 stores open for more than two years, due to the growth in revenues with the increase in same store operating costs controlled at 2%.

The Group made a profit before tax in the year of £101.8 million, down from £152.8 million in the prior year. The main difference is due to the revaluation of the open store portfolio being £93.7 million against £138.3 million last 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 £13.3 million, down 6% from £14.2 million in 2007. This was principally caused by a higher interest cost in the year.

Profit before Tax Analysis	2008 £m	2007 £m
Profit before tax	101.8	152.8
Gain on revaluation of investment properties	(93.7)	(138.3)
Movement in fair value on interest rate derivatives	3.4	(0.7)
Losses on non-current assets	0.5	1.1
Tenant surrender premium	-	(1.2)
Non-recurring indirect tax costs	0.3	-
REIT conversion costs	0.2	0.5
Establishment of Big Yellow LP	0.6	-
Share of non-recurring costs in associate	0.2	-
Adjusted profit before tax	13.3	14.2

The basic earnings per share for the year was 89.20p (2007: 192.97p) and the fully diluted earnings per share was 88.53p (2007: 190.31p). The fall is due to the lower revaluation gains as described above and also because the prior year figure was inflated by the release of deferred taxation following the Group's conversion to a REIT. Adjusted earnings per share based on adjusted profit after tax was 11.20p (2007: 10.01p) (see note 12).

Administration Expenses including the cost of construction management were higher at £6.7 million compared to £5.6 million in 2007. There were additional costs in 2008 relating to the establishment of Big Yellow Limited Partnership of £0.5 million (including irrecoverable VAT), coupled with additional head office staff and inflationary increases. We also incurred additional central marketing costs in the year of £0.4 million.

Interest Expense on Bank Borrowings for the year increased to £15.8 million up from £11.1 million in 2007 reflecting the increase in net borrowing over the period, coupled with the rise in interest rates. The average cost of borrowing during the year was 6.3% against 5.7% in the prior year. £1.2 million of the increase in the interest payments is due to the rise in interest rates and £3.5 million due to the increased average borrowings.

Finance costs have increased in the income statement from £12.8 million to £20.8 million because of the increase in interest as above, but also due to the £3.4 million negative fair value adjustment on the interest rate swaps at the year end.

The interest cost to the Group is increased by the £103 million development pipeline that the Group currently has, the interest against this cost has not been capitalised. If interest had been capitalised, the Group's adjusted profit, would have been approximately £5 million higher for the year. From 1 April 2008, in accordance with changes to International Accounting Standards, we will capitalise interest against our development pipeline.

During the second half of the year, we have been paying our floating rate debt over 1 month LIBOR, rather than 3 month LIBOR which has been at elevated levels due to the illiquidity in the inter bank lending market.

The average cost of borrowing including margin at 31 March 2008 is set out below

	Amount of debt 2008 £m	Weighted average interest cost 31 March 2008	Weighted average interest cost 31 March 2007
Fixed rate debt (including callable swaps)	140	6.1%	6.0%
Variable rate debt (including £50 million collar)	144	6.4%	6.4%
Total debt	284	6.2%	6.3%

REIT Conversion

The Group converted to a Real Estate Investment Trust ("REIT") on 15 January 2007. Since then we have benefited from a zero tax rate on our qualifying self storage earnings. We only pay tax on the profits attributable to our residual business, comprising primarily of the sale of packing materials and insurance, and fees earned from Big Yellow Limited Partnership and the franchise operation.

The cost of conversion was £12.0 million which was paid in July 2007. The charge is subject to final agreement with HMRC.

REIT status gives the Group exemption from UK corporation tax on profits and gains from its qualifying portfolio of UK stores. Future revaluation gains on these developments and our existing open stores will be exempt from corporation tax on capital gains, provided certain criteria are met.

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 to the Board on compliance with these criteria is carried out. To date, the Group has complied with all REIT regulations, including forward looking tests.

Taxation

The current year tax credit for the Group of £0.8 million arises principally from a deferred tax asset arising in respect of the negative fair value adjustment from our derivatives which relates to the residual business (2007 credit of £60.4 million, arising principally from the release of deferred tax net of the conversion charge).

The Group's actual cash tax liability for the year is £0.1 million which relates to the conversion charge payable on the site acquired at New Cross by way of the purchase of a company. There is a tax loss of £0.3m arising in the residual business, mainly due to tax deductions in connection with share options exercised by employees. A deferred tax asset has been recognised on this loss.

Dividends

The Group's dividend policy is to pay a dividend based on 90% of our tax exempt recurring cash earnings, without further deduction for additional shadow capital allowances. At present our tax exempt business represents 88% of our business.

In the current year we are recommending a final dividend payment of 5.5p per share. Taken together with the interim dividend of 4p, this makes a full year declared dividend of 9.5p per share (2007 9.0p), which represents a 6% increase. Of the proposed final dividend of 5.5p, 0.15p is the property income dividend ("PID") element.

As a REIT the Group's dividend will consist of two components, the PID from the REIT qualifying activities and a dividend distribution from our non qualifying activities (non PID). The aggregate of these two components will still be known as our total dividend. We are obliged to withhold tax from certain shareholders at a 20% rate from the PID element of the dividend. Our total dividend is therefore a gross dividend.

Subject to approval by shareholders at the Annual General Meeting to be held on 9 July 2008, the final dividend will be paid on 16 July 2008 to shareholders on the Register on 13 June 2008.

Big Yellow Limited Partnership

In November 2007 we established Big Yellow Limited Partnership with Pramerica Real Estate Investors Limited ("Pramerica").

Structure

The Group is committing £25 million to the venture, and Pramerica £50 million, resulting in a one third, two thirds equity split. The Board of the Partnership comprises two representatives of both Pramerica and Big Yellow.

The Group sold five of its development sites and its existing store in Leeds to the Partnership for a cash payment of £20.3 million, which resulted in a surplus of £0.5 million arising in the Group. The Group has also entered into conditional contracts to sell two more of its development sites at Manchester and Birmingham to the Partnership. The total cost of these seven development sites in the Partnership is £55 million, providing an additional 435,000 sq ft of storage when opened.

In the case of Birmingham it is intended that Big Yellow will develop the store which will be transferred to the Partnership prior to completion at cost plus a small surplus.

In the case of Manchester, Big Yellow has previously entered into a conditional agreement with Crosby Homes (North West) Limited ("Crosby"), for the development of a significant sized mixed use scheme to include the shell of an 80,000 sq ft self storage centre to be developed at the expense of Crosby. In the event that the conditions of that agreement are satisfied, then Big Yellow will fit out the store at its own cost and prior to its completion transfer the store to the Partnership at the then open market value.

To date the Group has reinvested £5.7 million into the Partnership. The balance of our £25 million committed equity will be contributed over the development life of the Partnership.

The Group earns certain property acquisition, planning, construction and operational fees from the Partnership. For the 4 month period to 31 March 2008, these fees amounted to £138,000.

Funding

A five year term development loan of £75 million has been secured from the Royal Bank of Scotland plc to further fund the Partnership. £15 million of this loan has now been syndicated to HSBC plc. The Partnership has decided to swap out all drawdown amounts through to 30 June 2013 as each drawdown takes place, so the loan will be 100% hedged. Interest is capitalised within the Partnership. The weighted average interest cost at 31 March 2008 was 6.65% including margin.

Results

In the consolidated accounts of Big Yellow Group PLC, the Partnership is treated as an associate. We have adopted equity accounting for the Partnership, so that our share of the Partnership's results are

Financial Review (continued)

disclosed in operating profit and our net investment is shown in the balance sheet within "Investment in associate". We have provided in note 13e the balance sheet and income statement of the Partnership. During the four month period from its commencement of trading to 31 March 2008, the Partnership made a loss of £748,000, of which Big Yellow's share was £249,000. After adjusting for non recurring items, the Partnership made a recurring loss of £21,000, of which the Group's share is £7,000.

The Partnership is tax transparent, so the Limited Partners are taxed on any profits.

Big Yellow has an option to purchase the assets contained within the Partnership, or the interest in the Partnership which it does not own, exercisable from the 31 March 2013. On exit whether by way of exercise of the options or a sale to a third party, Big Yellow is entitled to certain promotes, which would result in Big Yellow sharing in the surplus created in the partnership.

Balance Sheet

The Group's 48 stores (including one store closed for redevelopment) at 31 March 2008, which are classified as investment properties, have been re valued by Cushman & Wakefield (C&W) and this has resulted in a gross property asset value of £854.3 million, comprising £692.3 million (81%) for the 41 freehold (including one long leasehold) open stores, £58.6 million (7%) for the seven short leasehold open stores and £103.4 million (12%) for development properties. The properties held for development have not been externally valued and have been included in the balance sheet at historical cost less provision for impairment.

As in the prior year, we have instructed an alternative valuation on our assets using a purchaser's cost assumption of 2.75% (see note 14 for further details) to be used in the calculation of our adjusted diluted net asset value. This Red Book valuation on the basis of 2.75% purchaser's costs, results in a higher property valuation at 31 March 2008 of £784,550,000 (£33,640,000 higher than the value recorded in the financial statements or 28.4 pence per share).

The revised valuation translates into an adjusted net asset value per share of 520.2 pence (2007: 437.8 pence) after the dilutive effect of outstanding share options (see table below).

Analysis of Net Asset Value	2008	2007
Basic net asset value (£m)	580.1	488.0
Exercise of share options (£m)	2.7	3.3
Diluted net asset value (£m)	582.8	491.3
Adjustments		
Deferred tax on fair value of interest rate swaps (£m)	-	(0.1)
Balance sheet adjusted net asset value (£m)	582.8	491.2
Basic net assets per share (pence)	505.8	428.3
Diluted net assets per share (pence)	491.8	416.0
Balance sheet adjusted net assets per share (pence)	491.8	415.8
Diluted shares used for calculation (million)	118.5	118.1
Balance sheet adjusted net asset value (as above) (£m)	582.8	491.2
Valuation methodology assumption (see note 14) (£m)	33.6	25.9
Adjusted net asset value (£m)	616.4	517.1
Adjusted net assets per share (pence)	520.2	437.8

Valuation

The value of the investment property portfolio at 31 March 2008 was £750.9 million, up £160.8 million from £590.1 million at 31 March 2007. Of the £160.8 million movement £79.2 million is capital expenditure in the year and £93.7 million is the revaluation increase in the year, and the balance is the transfer of Leeds to Big Yellow Limited Partnership for £12.1 million.

The revaluation movement in the year comprises £56.7 million in respect of the six new stores opened in the year and £37.0 million in respect of the 42 stores open and valued at 31 March 2007.

The anticipated initial yield on the portfolio in the following year, as represented by net operating income at store level, is 4.21%, rising to 7.02% in the year following stabilisation of each store. The stabilised reversionary yield has increased from 6.80% at 31 March 2007 to 7.02% at 31 March 2008, largely as a result of the opening of six new stores in the year which has depressed the initial yield and increased the reversionary yield.

In common with other real estate groups, we have calculated the total return to our equity shareholders based on the increase in fully diluted net assets per share plus dividends paid in the year. As can be seen from the table below Big Yellow achieve total returns to shareholders of 21.0% (91.9 pence per share)

	2008	2007	Movement
NAV per share	505.8p	428.3p	18%
Adjusted diluted NAV per share (see note 12)	520.2p	437.8p	19%
Dividend paid per share	9.5p	6.5p	46%
Total return per share	91.9p	147.3p	(38)%
Total return	21.0%	49.6%	

Financing and Treasury

The Group is strongly cash generative operationally and draws down from its longer term committed facilities as required to meet obligations.

A summary of the cash flow for the year is set out in the table below

	Year ended 31 March	
	2008	2007
	£'000	£'000
Cash flow from operations	30,752	30,198
Finance costs (net)	(16,364)	(13,472)
Free cash flow	14,388	16,726
Capital expenditure	(110,886)	(96,007)
Asset sales	30,827	2,165
Investment in associate	(5,703)	—
Ordinary dividends	(10,860)	(7,051)
REIT conversion charge paid	(11,997)	—
Issue of share capital	876	38,377
Purchase of own shares	(1,084)	—
Increase in borrowings	94,000	33,707
Net cash outflow	(439)	(12,083)
Opening cash and cash equivalents	2,110	14,193
Closing cash and cash equivalents	1,671	2,110

The free cash flow reduced during the year, reflecting the increased bank borrowing costs incurred by the Group.

Borrowings

We focus on improving our cash flows and we currently have healthy interest cover of two times with a relatively conservative debt structure secured principally against the freehold estate. The Group was in compliance with its bank covenants at 31 March 2008, and we forecast to be in compliance with our banking covenants in the foreseeable future.

At the end of the year, the Group had net bank borrowings of £282.3 million, an increase of £94.4 million over last year following £116.5 million of capital expenditure, £16.4 million of net interest paid (including finance lease costs), the REIT conversion charge payment of £12.0 million, dividend payments of £10.9 million, net cash outflows from changes in share capital of £0.2 million, offset by operating cash flow of £30.8 million, and land disposal proceeds of £30.8 million.

The Group has a syndicated bank facility with the Royal Bank of Scotland, Bank of Ireland, Barclays and Lloyds TSB of £325 million. This facility is secured on a portfolio of 33 freehold and leasehold assets. Net debt at the end of March was £282.3 million, leaving £42.7 million of available

facilities to fund expansion with significant balance sheet space given the low level of gearing. The Group currently has over £350 million of unsecured assets, and has a net debt to gross property assets ratio of 33%. The Group has a net debt to total equity ratio of 48.7%.

Treasury continues to be closely monitored and its policy approved by the Board. 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.

At 31 March 2008, the Group had total bank borrowings of £284 million of which 67% was hedged in the medium term. £190 million is hedged at maturities expiring between 2010 and 2012. £80 million of this relates to swaps fixed at 5.24% with a maturity of September 2012 which are callable quarterly by the counter party bank. The Group's syndicated debt facility expires in April 2010. We intend to discuss with our banks the extension of this facility during the current financial year.

The Group does not hedge account its interest rate derivatives. Therefore movements in the fair value are taken to the income statement, but as recommended by EPRA (European Public Real Estate Association), these are eliminated from adjusted profit before tax and adjusted earnings per share.

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

Share Capital

The share capital of the Company totalled £11.6 million at 31 March 2008 (2007: £11.5 million), consisting of 115,514,119 ordinary shares of 10p each (2007: 114,559,534 shares).

Shares issued for the exercise of options during the period amounted to 954,585 at an average exercise price of 93p.

During the year the Group purchased 100,000 of its own shares for Treasury at an average price of 529.1 pence per share. 100,000 shares were also purchased in the year at an average price of 549.6 pence per share and were transferred into an Employee Benefit Trust ("EBT"). 615,000 shares were purchased in 2005 at an average price of 132p, and were subsequently transferred into the EBT. These shares are shown as a debit in reserves and are not included in calculating earnings and net asset value per share.

	2008 No	2007 No
Opening shares	114,559,534	102,752,607
Shares issued by way of placing	—	9,100,000
Shares issued for the exercise of options	954,585	2,706,927
Closing shares in issue	115,514,119	114,559,534
Shares held in EBT and Treasury	(815,000)	(615,000)
Closing shares for NAV purposes	114,699,119	113,944,534

201,144,905 shares were traded in the market during the year ended 31 March 2008 (2007: 144,998,398). The average mid market price of shares traded during the year was 496p with a high of 684p and a low of 355p.

At 31 March 2008 there were 2,091,705 shares subject to share option awards to employees of the Group at an average strike price of 106p. In addition there are 1,559,914 nil paid options, granted under the Group's LTIP scheme and 157,919 share options granted under the Group's SAYE scheme at an average strike price of 294p.

Portfolio Summary

Years since opening as at 1 April 2007	March 2008 ≥ 2 years	March 2008 < 2 years	March 2008 Total	March 2007 ≥ 2 years	March 2007 < 2 years	March 2007 Total
Number of stores ⁽¹⁾	32	15	47	32	9	41
As at 31 March 2008						
Total capacity (sq ft)	1,944,000	1,002,000	2,946,000	1,944,000	544,000	2,488,000
Occupied space (sq ft)	1,537,000	280,000	1,817,000	1,597,000	183,000	1,780,000
Percentage occupied	79%	28%	62%	82%	34%	71%
	£'000	£'000	£'000	£'000	£'000	£'000
Annualised revenue	44,561	8,896	53,457	43,991	5,610	49,601
For the year						
Average occupancy	82%	25%	62%	82%	21%	68%
Average annual rent psf	£25.07	£26.07	£25.38	£24.02	£24.73	£24.30
Self storage sales	39,956	6,530	46,486	38,294	2,825	41,119
Other storage related income ⁽²⁾	6,445	1,424	7,869	5,722	759	6,481
Ancillary store rental income	93	21	114	49	89	138
Store revenue	46,494	7,975	54,469	44,065	3,673	47,738
Direct store operating costs (excluding depreciation)	(14,088)	(3,967)	(18,055)	(13,813)	(2,670)	(16,483)
Leasehold rent ⁽³⁾	(2,184)	(43)	(2,227)	(2,261)	(43)	(2,304)
Store EBITDA ⁽⁴⁾	30,222	3,965	34,187	27,991	960	28,951
EBITDA Margin ⁽⁵⁾	65%	50%	63%	64%	26%	61%
Central overhead ⁽⁶⁾	(2,790)	(479)	(3,269)	(2,643)	(220)	(2,863)
Store Net Operating Income	27,432	3,486	30,918	25,348	740	26,088
NOI Margin	59%	44%	57%	58%	20%	55%
Cumulative capital expenditure						
	£m	£m	£m			
to 31 March 2008	159.3	123.9	283.2			
to complete	-	5.2	5.2			
Total cost	159.3	129.1	288.4			

- (1) The results above for both years exclude the trading and occupancy of Leeds (sold to Big Yellow Limited Partnership in November 2007) and Sheen (closed for refurbishment in July 2007). The revenue earned from these two stores is shown in Note 3 of the financial statements.
- (2) Packing materials, insurance and other storage related fees.
- (3) Rent for 7 short and one long leasehold property accounted for as investment properties and finance leases under IFRS with total self storage capacity of 496,000 sq ft, plus rent for Chelmsford and Cheltenham until the dates that their freeholds were acquired (29 August 2007 and 15 January 2008 respectively).
- (4) Earnings before interest, tax, depreciation and amortisation.
- (5) Of stores open more than 2 years, the leaseholds achieved a store EBITDA of £6.5 million and EBITDA margin of 49%. The freeholds achieved a store EBITDA of £23.7 million and EBITDA margin of 71%.
- (6) Allocation of overhead based on 6% of store revenue.

Corporate Governance

Introduction

The Company is committed to the principles of corporate governance contained in the Combined Code on Corporate Governance that was issued in 2006 by the Financial Reporting Council ('the Code') for which the Board is accountable to shareholders

Statement of compliance with the Combined Code

Throughout the year ended 31 March 2008, the Company has been in compliance with the Code provisions set out in section 1 of the Code

Statement about applying the principles of the Code

The Company has applied the principles set out in section 1 of the Code, including both the main principles and the supporting principles, by complying with the Code as reported above. Further explanation of how the principles and supporting principles have been applied is set out below and in the Directors' remuneration report and Audit Committee report

The Board and its Principal Committees

The Directors believe it is essential for the Group to be led and controlled by an effective Board that provides entrepreneurial leadership within a framework of sound controls. The Board is responsible for setting the Group's strategic aims, its values and standards and ensuring the necessary financial and human resources are in place to achieve its goals. The Board ensures that its obligations to shareholders and other stakeholders are understood and met. The Board also regularly reviews the performance of management.

The Board currently consists of eight Directors: four Executives and four Non Executives. The Board considers David White, David Ross, and Jonathan Short to be wholly independent and free from any business or other relationship which could materially interfere with the exercise of their judgement throughout the year.

David Ross's shareholding in the Company is approximately 10%. The Board believes that Mr Ross remains independent as his interests are totally aligned with those of external shareholders.

The Board does not consider that Philip Burks is an independent Non-Executive, given that he was a co-founder of the Group and was an Executive Director from September 1998 until March 2007.

David White is the Senior Independent Non Executive Director. David is retiring at the forthcoming AGM and will be replaced by Tim Clark as the Senior Independent Non-Executive Director. Tim Clark will join the Board on 1 August 2008. He is the former Senior Partner of Slaughter and May, having retired from this position on 30 April 2008. The Board considers that Tim Clark will be an independent Non Executive Director.

David White's role as Audit Committee Chairman will be taken by Mark Richardson, who is joining the Board on 1 July 2008. Mark Richardson is a Fellow of the ICAEW and a former senior partner at Deloitte & Touche LLP. The Board considers that Mark Richardson will be an independent Non Executive Director.

Given the size of the Company, and its ownership structure, we believe the proportion of independent Non Executives to be appropriate.

All the Non Executive Directors bring considerable knowledge, judgement and experience to Board deliberations. Non Executive Directors do not participate in any of the Company's share option or bonus schemes and their service is non pensionable. The biographical details of the Directors of the Group are set out on page 41.

Chairman and Chief Executive

The division of responsibilities between the Chairman and the Chief Executive has been agreed by the Board and encompasses the following parameters:

- > the Chairman's role is to provide continuity, experience, governance and strategic advice, while the Chief Executive provides leadership, drives the day to day operations of the business, and works with the Chairman on overall strategy,
- > the Chairman, working with the Senior Independent Non-Executive Director, is viewed by investors as the ultimate steward of the business and the guardian of the interests of all the shareholders,
- > the Board believes that the Chairman and the Chief Executive work together to provide effective and complimentary stewardship,
- > the Chairman must
 - > take overall responsibility for the composition and capability of the Board, and
 - > consult regularly with the Chief Executive and be available on a flexible basis for providing advice, counsel and support to the Chief Executive
- > the Chief Executive must
 - > manage the Executive Directors and the Group's day to day activities,
 - > prepare and present to the Board strategic options for growth in shareholder value,
 - > set the operating plans and budgets required to deliver agreed strategy, and
 - > ensure that the Group has in place appropriate risk management and control mechanisms

Corporate Governance (continued)

Board of Directors

Details of the Board and its principal committees are set out below. All of the Committees are authorised to obtain legal or other professional advice as necessary, to secure where appropriate the attendance of external advisers at its meetings and to seek information required from any employee of the Company in order to perform its duties.

Nicholas Vetch	[Executive Chairman]
David White	[Non Executive Deputy Chairman, Senior Independent Director]
David Ross	[Non Executive Director]
Jonathan Short	[Non Executive Director]
Philip Burks	[Non-Executive Director]
James Gibson	[Chief Executive Officer]
Adrian Lee	[Operations Director]
John Trotman	[Chief Financial Officer]
Company Secretary Michael Cole	

Attendance at meetings of the individual Directors at the Board and its committees is shown in the table below.

Director	Board (7 meetings)	Audit committee (3 meetings)	Remuneration Committee (2 meetings)	Nominations Committee (1 meeting)
Nicholas Vetch	7	–	–	–
David White	7	3	2	1
David Ross	7	3	2	1
Jonathan Short	7	3	2	1
James Gibson	7	–	–	–
Adrian Lee	6	–	–	–
John Trotman	5*	–	–	–
Philip Burks	6	–	–	–

* There were 5 Board meetings from the date of John Trotman's appointment to the Board.

The Board meets on a regular basis approximately once every two months to discuss a whole range of significant matters including strategic decisions, major asset acquisitions and performance. A procedure to enable Directors to take independent professional advice if required has been agreed by the Board and formally confirmed by all Directors.

There is a formal schedule of matters reserved for the Board's attention including the approval of Group strategy and policies, major acquisitions and disposals, major capital projects and financing, Group budgets and material contracts entered into other than in the normal course of business. The Board also considers matters of non-financial risk.

At each Board meeting the latest available financial information is produced which consists of detailed management accounts with the relevant comparisons to budget. A current trading appraisal is given by the Executive Directors.

Each member of the Board is subject to the re-election provisions of the Articles of Association, which requires them to offer themselves for re-election at least once every three years. In the event of a proposal to appoint a new Director, this would be discussed at a full Board meeting, with each member being given the opportunity to meet the individual concerned prior to any formal decision being taken.

Performance Evaluation

Each year the Board undertakes a formal evaluation of its own performance and that of its Committee and its individual members. The Chairman evaluated the performance of the Executive Directors, and the performance of the Chairman was evaluated by the Senior Independent Non-Executive Director. It was considered that the individuals, the Committees and the Board as a whole were operating effectively, with appropriate procedures put in place for minor areas identified for improvement.

Jonathan Short is being proposed for re-election at the Annual General Meeting. Following the performance evaluation above, the Committee has determined that his performance continues to be effective, and that he has demonstrated commitment to the role.

Corporate Governance (continued)

Information and Professional Development

All Directors are provided with detailed financial information throughout the year. On a weekly basis they receive a detailed occupancy report showing the performance of each of the Group's open stores. Management accounts are circulated to the Board monthly, and a detailed Board pack is distributed a week prior to each Board meeting.

All Directors are kept informed of changes in relevant legislation and changing commercial risks with the assistance of the Company's legal advisers and auditors where appropriate. During the year under review, this has included consideration of Directors' responsibilities and the full impact of the Companies Act 2006. The professional development requirements of Executive Directors are identified and progressed as part of each individual's annual appraisal. All new Directors are provided with a full induction programme on joining the Board.

Non Executive Directors are encouraged to attend seminars and undertake external training at the Company's expense in areas they consider to be appropriate for their own professional development. Each year, the programme of senior management meetings is tailored to enable meetings to be held at the Company's properties. During the year, the senior management team made visits to all of the Group's open stores.

Remuneration Committee

David White (Chairman)

David Ross

Jonathan Short

The Committee is responsible for determining broad policy for the remuneration of the Executive Directors and the Company Secretary. Within the terms of the agreed policy the Committee will determine the total individual remuneration package of each Executive Director, including, where appropriate, bonuses, incentive payments, pension arrangements and share options. The Committee will select, appoint and set the terms of reference for any remuneration consultants who advise the Committee. The Committee will ensure that the contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is, where appropriate, fully recognised.

The fees of the Non Executive Directors are reviewed by the Board at regular intervals. The statement of remuneration policy and details of each Director's remuneration is set out in the Directors' Remuneration Report.

The terms of reference of the Committee are available on the Company's website bigyellow.co.uk

Nominations Committee

Jonathan Short (Chairman)

David White

David Ross

The Nominations Committee is responsible for regularly reviewing the structure, size and composition required of the Board and giving consideration to succession planning for Directors and other senior Executives. Where changes are required, it is also responsible for the identification, selection and proposal to the Board for approval of persons suitable for appointment or reappointment to the Board, whether as Executive or Non Executive Directors and to seek approval from the Remuneration Committee to the remuneration and terms and conditions of service of any proposed Executive Director appointment. The Chairman of the Committee presents reports to the Board as appropriate to enable the Board as a whole to agree the appointments of new Directors. The committee meets at least once a year and otherwise as required and as determined by its members.

The terms of reference of the Committee are available on the Company's website bigyellow.co.uk. The terms and conditions of appointment for the Non Executive Directors is available for inspection at the Company's Head Office during normal working hours. They are also available for inspection at the Company's AGM.

Appointments to the Board

In light of the growing complexity of the Group, and the previous combination of the roles of Chief Executive and Finance Director by James Gibson, the Board decided to split these roles. Accordingly, the Nominations Committee recommended the appointment of John Trotman as Chief Financial Officer, with James Gibson relinquishing his role as Finance Director.

In the year the Nomination Committee considered the skill set required for the Non Executive Director to replace David White, who retires from the Board at the Annual General Meeting. The Committee also considered the overall make up of the Board and decided that it was appropriate to appoint two new Non-Executive Directors, one to act as the Senior Independent Non Executive Director, and a second to become Chairman of the Audit Committee, both roles to be vacated by Mr White. The Nomination Committee appointed an external recruitment consultant to provide a shortlist of candidates to the Committee. Following a rigorous interview process, the Committee recommended to the Board that Tim Clark and Mark Richardson be appointed to the Board.

The Nominations Committee believes the Board will benefit from all of these appointments.

Corporate Governance (continued)

Shareholder Relations

The Board believes that the Annual Report and Accounts play an important part in presenting all shareholders with an assessment of the Group's position and prospects

The Board aims to achieve clear reporting of financial performance to all shareholders. The Board acknowledges the importance of an open dialogue by both Executive and Non Executive Directors with its institutional shareholders and communicates regularly with them throughout the year through both formal and informal meetings. The Board also welcomes the interest of private investors and believes that, in addition to the Annual Report and the Company's website, the Annual General Meeting is an ideal forum at which to communicate with investors and the Board encourages their participation. At each Board Meeting, the Board is updated on any shareholding meetings that have taken place, and any views expressed or issues raised by the shareholders in these meetings.

Any queries raised by a shareholder, either verbally or in writing, are answered immediately by whoever is best placed on the Board to do so. Directors are introduced to shareholders at the AGM, including the identification of Non Executive Directors and Committee Chairmen. The number of proxy votes cast in the resolution is announced at the AGM.

Risk Management and Internal Control

The Directors are responsible for the Group's system of risk management and internal control and for reviewing their effectiveness. The system of internal control was in place throughout the financial year and to the date of this report. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Group operates a rigorous system of internal control, which is designed to ensure that the possibility of misstatement or loss is kept to a minimum. There is a comprehensive system in place for financial reporting and the Board receives a number of reports to enable it to carry out these functions in the most efficient manner. These procedures include the preparation of management accounts, forecast variance analysis and other ad hoc reports. There are clearly defined authority limits throughout the Group, including those matters which are reserved specifically for the Board.

In compliance with provision C 2.1 of the Combined Code, the Board regularly reviews the effectiveness of the Group's system of internal control. The Board's monitoring covers all controls, including financial, operational and compliance controls and risk management. It is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring.

A formal risk identification and assessment exercise has been carried out resulting in a risk framework document summarising the key risks, potential impact and the mitigating factors or controls in place. The Executive have a stated policy of reviewing this risk framework at least once a year or in the event of a material change. The risk identification process also considered significant non-financial risks.

During the reviews, the Executive Directors

- > challenged the framework to ensure that the list of significant risks to business objectives is still valid and complete,
- > considered new and emerging risks to business objectives and included them in the framework if significant,
- > ensured that any changes in the impact or likelihood of the risks are reflected in the risk framework, and
- > ensured that there are appropriate action plans in place to address unacceptable risks.

The results of the exercise have been communicated to the Board and the Audit Committee. This was in the form of a summary report which included

- > a prioritised summary of the key risks and their significance,
- > any changes in the list of significant risks or their impact and likelihood since the last assessment,
- > new or emerging risks that may become significant objectives in the future,
- > progress on action plans to address significant risks, and
- > any actual or potential control failures / weaknesses during the period (including "near misses").

Internal audit

The Group does not have a formal internal audit function because the Board has concluded that the internal controls systems discussed above are sufficient for the Group at this time. However, the Group employs a Store Control Manager responsible for reviewing store operational and financial controls. He reports to the Group Financial Controller. The Store Control Manager visits each operational store twice a year to carry out a detailed store audit. These audits are unannounced and the Store Control Manager carries out detailed tests on financial management within the stores, administrative standards, and operational standards. Part of the store staff's bonus is based on the scores they achieve in these audits. The results of each audit are reviewed by senior management.

A summary of the principal risks and uncertainties within the business are set out in the Risk Assessment section of the Business Review on page 7.

Corporate Governance (continued)

Going Concern

The Directors report that based on the Group's budgets and financial projections, they have satisfied themselves that the business is a going concern. The Board has a reasonable expectation that the Company and Group have adequate resources and facilities to continue in operational existence for the foreseeable future and therefore the accounts are prepared on the going concern basis.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required by the IAS Regulation to prepare the Group financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union and have also elected to prepare the parent Company financial statements in accordance with IFRSs as adopted by the European Union. The financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, Directors are also required to

- > properly select and apply accounting policies,
- > present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- > provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Directors' responsibility statement

We confirm to the best of our knowledge

- 1 the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and
- 2 the management report, which is incorporated into the Directors' report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Michael Cole
Secretary
16 May 2008

Audit Committee Report

Summary of the role of the Audit Committee

The Audit Committee is appointed by the Board from the Non Executive Directors of the Group. The Audit Committee's terms of reference include all matters indicated by the Combined Code. The terms of reference are considered annually by the Audit Committee and are then referred to the Board for approval.

The Audit Committee is responsible for:

- > monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements contained therein,
- > reviewing the Group's internal financial controls and the Group's internal control and risk management systems,
- > making recommendations to the Board, for a resolution to be put to the shareholders for their approval in general meeting, on the appointment of the external auditors and the approval of the remuneration and terms of engagement of the external auditors,
- > reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements, and
- > developing and implementing a policy on the engagement of the external auditors to supply non audit services, taking into account relevant guidance regarding the provision of non audit services by the external audit firm.

The Audit Committee is required to report its findings to the Board, identifying any matters on which it considers that action or improvement is needed, and make recommendations on the steps to be taken.

Composition of the Audit Committee

The members of the Audit Committee are:

David White (Chairman)

David Ross

Jonathan Short

The Audit Committee structure requires the inclusion of one financially qualified member [as recognised by the Consultative Committee of Accountancy Bodies]. Currently David Ross, as a Fellow of the Institute of Chartered Accountants of England and Wales, fulfils this requirement. All Audit Committee members are expected to be financially literate.

The Group provides an induction programme for new Audit Committee members and on going training to enable all of the Committee members to carry out their duties. The induction programme covers the role of the Audit Committee, its terms of reference and expected time commitment by members and an overview of the Group's business, including the main business and financial dynamics and risks. New Committee members also meet some of the Group's staff. On going training includes attendance at formal conferences, internal company seminars and briefings by external advisers.

The Board expects the Audit Committee members to have an understanding of:

- > the principles of, contents of, and developments in financial reporting including the applicable accounting standards and statements of recommended practice,
- > key aspects of the Group's operations including corporate policies, Group financing, products and systems of internal control,
- > matters that influence or distort the presentation of accounts and key figures,
- > the principles of, and developments in, company law, sector specific laws and other relevant corporate legislation,
- > the role of external auditing and risk management,
- > the regulatory framework for the Group's businesses, and
- > environmental and social responsibility best reporting practices.

The Committee have reviewed the arrangements for "whistleblowing" by employees to ensure that there is a consistent policy in the Group to enable employees to voice concerns particularly in respect of possible financial reporting improprieties. A whistleblowing policy is included in the employee handbook.

The terms of reference of the Committee are available on the Company's website bigyellow.co.uk

Meetings

The Audit Committee is required to meet three times per year and has an agenda linked to events in the Group's financial calendar. The agenda is predominantly cyclical and is therefore approved by the Audit Committee Chairman on behalf of his or her fellow members. Each Audit Committee member has the right to require reports on matters of interest in addition to the cyclical items.

The Audit Committee invites the Group Chief Executive, Chief Financial Officer, Group Financial Controller, and senior representatives of the external auditors to attend all of its meetings in full, although it reserves the right to request any of these individuals to withdraw. Other senior management are invited to present such reports as are required for the Committee to discharge its duties.

Audit Committee Report (continued)

Overview of the actions taken by the Audit Committee to discharge its duties

Since the beginning of the financial year the Audit Committee has

- > reviewed the March 2007 report and financial statements, the September 2007 half-yearly report and the interim management statements issued in July and January. As part of this review the Committee received a report from the external auditors on their audit of the annual report and financial statements and review of the half yearly report,
- > considered the output from the Group-wide process used to identify, evaluate and mitigate risks,
- > reviewed the effectiveness of the Group's internal controls and disclosures made in the annual report and financial statements on this matter;
- > reviewed and agreed the scope of the audit work to be undertaken by the auditors,
- > considered a report from the external auditors on their review of the effectiveness of controls across the Group,
- > agreed the fees to be paid to the external auditors for their audit of the March 2008 financial statements and June half yearly report,
- > undertaken an evaluation of the performance of the external auditors, and
- > reviewed its own effectiveness

External auditors

The Audit Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit. The policy assigns oversight responsibility for monitoring the independence, objectivity and compliance with ethical and regulatory requirements to the Audit Committee, and day to day responsibility to the Chief Financial Officer. The policy states that the external auditors are jointly responsible to the Board and the Audit Committee and that the Audit Committee is the primary contact.

The Group's policy on external audit sets out the categories of non audit services which the external auditors will and will not be allowed to provide to the Group, subject to de minimis levels.

To fulfil its responsibility regarding the independence of the external auditors, the Audit Committee reviewed

- > the changes in key external audit staff in the external auditors' plan for the current year;
- > the arrangements for day to day management of the audit relationship,
- > a report from the external auditors describing their arrangements to identify, report and manage any conflicts of interest, and
- > the overall extent of non audit services provided by the external auditors, in addition to their case-by case approval of the position of non-audit services by the external auditors.

To assess the effectiveness of the external auditors, the Audit Committee reviewed

- > the arrangements for ensuring the external auditors' independence and objectivity,
- > the external auditors' fulfilment of the agreed audit plan and variations from the plan,
- > the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements, and
- > the content of the external auditors' management letter on control improvement recommendations.

Regard is paid to the nature of, and remuneration received, for other services provided by Deloitte & Touche LLP to the Group and, inter alia, confirmation is sought from them that the fee payable for the annual audit is adequate to enable them to perform their obligations in accordance with the scope of the audit.

In respect of the year ended 31 March 2008, the auditors' remuneration comprised £140,000 for audit work and £245,000 for other work, principally relating to structuring advice for the establishment of Big Yellow Limited Partnership.

As a consequence of its satisfaction with the results of the activities outlined above, the Audit Committee have recommended to the Board that the external auditors are re appointed.

Overview

As a result of its work during the year, the Audit Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditors.

The Chairman of the Audit Committee will be available at the Annual General Meeting to answer any questions about the work of the committee.

Approved by the Audit Committee and signed on its behalf by

David White

Audit Committee Chairman

16 May 2008

Corporate Social Responsibility Report

1 INTRODUCTION

Big Yellow has appointed a Corporate Social Responsibility (CSR) Manager to provide structure and responsibility to the management of social and environmental risks and opportunities across the Group. The CSR Manager reports directly to the Chief Executive Officer, James Gibson, who has overall responsibility for CSR matters. A review of social and environmental aspects of the Group's development plans and existing store operations has taken place and a CSR policy established. The policy has been communicated to all employees and is available more generally on bigyellow.co.uk

CSR Policy

The Policy commits the Group to striking the balance between its social, environmental and economic objectives. The aim of the Policy is to document Big Yellow's sustainability objectives across all activities, as both a developer and a self storage operator. In order to achieve these objectives the Board has once more committed significant resources to the environmental aspects of its store development programme, such as the requirements for energy efficiency, on site renewable energy generation and improving land value, quality and ecology.

Reporting

In the year ended 31 March 2007 Big Yellow established and reported on 14 environmental and social objectives. The Group has also established social and environmental key performance indicators (KPIs) to benchmark current performance and measure continued improvement in future years. Based on benchmark data for the year ended 31 March 2008 the Group will set targets for the year ending 31 March 2009 as indicated in the tables below. More detailed reporting for the future will be established within the CSR section of our website.

2 STAKEHOLDERS

Last year Big Yellow outlined its commitment to CSR by identifying its main stakeholders as its customers, local community, employees, suppliers, planning authorities and shareholders. In future years the Group will seek feedback from its stakeholders on its management systems and performance reporting and review its Policy accordingly. Below is a summary of the actions that have been undertaken with each of the stakeholders.

Customers

Big Yellow provides a high quality, safe, secure and convenient self storage environment for residential customers who need more space to de-clutter, extend or move home. Big Yellow also provides space for business and office based customers, to assist new start ups or existing business expansion. Big Yellow has made its customers aware of its CSR policy and has provided waste management guidance within the 'Guide to Self Storage' which is given to all new customers. During the year ending 31 March 2009 the CSR Manager will review the environmental credentials of the packaging materials we offer our customers.

Local Community

Big Yellow's stores provide services, employment and charitable support to local communities within a 5 mile radius of its stores. In accordance with the Group's evolving 'Giving' policy, some storage space is provided for local charities at a discounted rate. Where available, space and time in kind may also be donated to disaster relief causes. In the year ended 31 March 2008 the Group has committed to the establishment of modest charity budgets for each of the regional groupings of stores. During the year ending 31 March 2009 Big Yellow will review the ways in which it engages with local communities to improve its giving policy.

Employees

The CSR Manager has worked with Human Resources and Operations to raise awareness of the social and environmental impacts of their work to employees. A CSR Policy poster has been distributed to all stores and presentations have been given to Area and Store Managers. Employee inductions include an introduction to the Group's CSR objectives. In the year ending 31 March 2009 the Group's training work books will be improved to raise awareness and set tasks on CSR Policy. An intranet based employee work travel questionnaire will also be implemented to further improve the Group's carbon footprint and to highlight and encourage opportunities for alternative modes of transport, other than the car.

Stakeholder Health and Safety

The Group has Store, Head Office and Construction Health and Safety Policies that are reviewed on a quarterly basis by each relevant committee. Accident books are used to record incidents and these are recorded by a central help desk. The number of accidents, injuries and near misses in stores are documented below.

Store Customers / Staff Financial year	2006	2007	2008
Prosecutions	0	0	0
Notices	0	0	1
Near misses	4	6	1
Fatal injury	0	0	0
Total RIDDOR*	50	77	54

RIDDOR = Reporting of Injuries, Diseases and Dangerous Occurrences Regulation 1995 (RIDDOR)

Corporate Social Responsibility Report (continued)

2 STAKEHOLDERS (continued)

Customer, contractor and employee minor injuries have been predominantly through handling of goods when putting them in or taking them out of self storage. For the year ended 31 March 2008 incidents decreased but one store was served with a Fire Safety Enforcement Notice due to minor infringements of the regulation, which have now been rectified. Health and safety risks are assessed by independent consultants for Store and Head Office. About six stores per year are audited by an external consultant and feedback has helped to reduce incidents against a rising number of store openings, customers and employees. Big Yellow's head office in Bagshot has maintained its zero tolerance on employee health and safety prosecutions, injuries and fatal injuries. Head office staff are trained in first aid and all staff are retrained every three years. Business recovery training is provided for senior staff.

For construction sites an independent consultant has been instructed to conduct regular site safety audits in order to measure compliance, reduce minor injuries and near misses and maintain a zero tolerance on Construction prosecutions, notices and fatal injuries. The number of accidents, injuries and near misses are documented below.

Construction (Fit-out Stage) Financial years	2006	2007	2008
Prosecutions / Notices	0	0	0
Fatal injury	0	0	0
Total RIDDOR*	5	3	2

RIDDOR = Reporting of Injuries, Diseases and Dangerous Occurrences Regulation 1995 (RIDDOR)

Big Yellow Construction Company Limited had two notifiable injuries in the year ended 31 March 2008 and has organised a five day Construction Industry Training Board (CITB) update on health and safety for its site managing agents. Construction Design Management Regulation (CDM) training is programmed for the year ending 31 March 2009.

Suppliers

In the year ended 31 March 2008 the CSR Manager identified Big Yellow's main suppliers of materials, products and services for store development and operations. A CSR questionnaire was sent out to these stakeholders to obtain feedback on their policies, management systems and performance reporting. Initial feedback responses have been supportive in developing social and environmental initiatives to gain opportunities through innovative market developments in energy efficiency, renewable energy technologies, low environmental impact materials and supply chain waste recycling. A summary of Big Yellow's supply chain performance will be reported in the year to end of March 2009.

Considerate Constructors Scheme (CCS)

All Big Yellow Construction Limited contractors for demolition, shell and fit out have been instructed to sign up to the Considerate Constructors Scheme (CCS). This Scheme is a national initiative set up by the construction industry to improve its image. Sites that register with the Scheme are monitored against a Code of Considerate Practice, designed to encourage best practice beyond statutory requirements. The main areas of performance assessment fall into three categories: the environment, the workforce, and the general public. Site managers can gain a maximum of 5 points for each of 8 main categories and are responsible for site workers performance in the following areas: being considerate, environmental protection, maintaining cleanliness, being good neighbours, respectability, safety, responsiveness, and accountability. CCS auditors visit the sites and assess each of the eight category performances for a maximum score of 40 points. Reports are sent to the Construction Director and CSR Manager for review and actions if required.

Considerate Constructors Scheme Year	2007	2008	2009 Target
No of schemes	6	6	6
CCS Registered (%)	25%	100%	100%
Average score	26.3	31.3	33.0

In the year ended 31 March 2007 Big Yellow Construction sites averaged a score of 26.3 points which exceeded the 24 points required for compliance with the code. However, this score was below the national average score of 30 points for all sites registered on the scheme. In the year ended 31 March 2008 Big Yellow's construction sites improved their average score to 31.3 points, rising above the national average score mainly due to CCS monitoring feedback improvements. In the year ending 31 March 2009 Big Yellow's aim is to further improve our average score.

Corporate Social Responsibility Report (continued)

2 STAKEHOLDERS (continued)

Local Planning Authorities

Local Planning Authorities are beginning to recognise the sustainable benefits of self storage in densely populated urban and inner city regeneration areas. In some cases new or traditional businesses need to expand and these businesses would otherwise have moved out of the area if additional local storage space, work units or offices had not been provided at a reasonable cost. Additionally, Big Yellow is communicating its sustainable development performance through the Local Planning Authority 'Checklists' that support good practice in providing local employment, infrastructure, energy efficiency, biodiversity, water conservation and waste management.

Shareholders

In the year ended 31 March 2008 Big Yellow applied to the "Ethical Investments Research and Information Service" (EIRIS) and satisfied their stringent social and environmental standards for membership to the FTSE 4 Good index series. Ethical investors use the FTSE 4 Good to identify and invest in companies that exhibit and benefit from both good economic and corporate responsibility practices. To achieve membership Big Yellow published material information relating to its main stakeholders, human rights and environmental impacts. In the year ended 31 March 2008 Big Yellow established CSR management systems and key performance indicator benchmarks to demonstrate improvements in this and future years. Based on current carbon footprint performance data, Big Yellow will also take part in the sixth Carbon Disclosure Project (CDP6) in the year ending 31 March 2009. The Carbon Disclosure Project (CDP) is an independent not-for-profit organisation aiming to create a relationship between shareholders and companies regarding the implications for shareholder value and commercial operations presented by climate change. Its goal is to facilitate a dialogue, supported by quality information, from which a rational response to climate change will emerge. CDP provides a coordinating secretariat for institutional investors with a combined US \$57 trillion of assets under management. On their behalf it seeks information on the business risks and opportunities presented by climate change and greenhouse gas emissions data from the world's largest companies, some 3,000 companies in 2008.

3 CSR IMPACT AND KEY PERFORMANCE INDICATORS

During the review of Big Yellow's store development program and operational activities the following environmental and social aspects were identified as having the most significant direct impacts, either positive or negative, on local communities and the environment. The most significant impact was the carbon footprint of the operational stores due to the long term use of energy, compared to the shorter and smaller demands from store development and work related travel. Big Yellow has calculated its basic equivalent carbon dioxide (CO₂) emissions using DEFRA conversion data. These emissions are caused directly and indirectly by its activities, but excluding employee travel and supply chain operations.

Store Energy Consumption and Carbon Foot Print

Big Yellow stores have two types of carbon emission. Typical energy consumption is predominantly grid electricity for lighting (73%) and lifts (27%), which cause 'indirect' off-site power station carbon emissions. Eight stores with flexi-offices have additional gas heated areas which cause 'direct' on-site gas combustion carbon emissions. Work related travel emissions from private and public transport will be estimated in the year ending 31 March 2009 from an employee survey. Customer travel emissions are more difficult to measure accurately but can be based on store distance, move in or out variability and visit frequency.

Operational Stores Carbon Dioxide Emissions

The store energy consumption and carbon dioxide emissions per square metre of final storage space have decreased on average by about 3.5% per year. The table below summarises the position over the last four years.

Operational Stores (excluding flexi-offices gas usage)					
Year	2005	2006	2007	2008	2009 Target
Kg CO ₂ emissions*	4,518,291	5,049,372	5,647,457	5,865,633	N/A
Final Storage Area (m ²)	178,082	205,443	238,940	259,946	N/A
Final Storage Area (ft ²)	1,916,921	2,211,442	2,572,013	2,798,127	N/A
Kg CO₂ / m²	25.4	24.6	23.6	22.6	22.1

* From electricity bills using a conversion factor of 0.422 for Kg CO₂ emissions

This reduction has been due to the Group's new store development program moving away from refurbishing older buildings towards purpose built stores, with higher standards of insulation, air tightness and energy efficiency. Future years should see a continued improvement in this trend through the use of more energy efficient lighting and improved lift specification.

Corporate Social Responsibility Report (continued)

3 CSR IMPACT AND KEY PERFORMANCE INDICATORS (continued)

Carbon Off-setting – Energy Supplier Green Tariff (2006 – 2008)

Big Yellow purchases electricity from renewable sources through its suppliers Green Tariff, as indicated in the table below. Certification for 30 stores and the head office was guaranteed from October 2006 to October 2008.

Energy Supplier Renewable Energy Offset (EDF Green Tariff)

Year	2007	2008	2009
Emission (Kg CO ₂)	5,647,457	5,865,633	–
Offset (Kg CO ₂)*	1,739,852	3,479,703	1,739,852
Net Emission (Kg CO ₂)	3,907,605	2,385,930	–

Data from energy supplier

The supply of 'green' electricity started 6 months into the year ended 31 March 2006 therefore the year ended 31 March 2007 received the largest portion of the renewable energy offset. The scheme is independently audited to ensure that the Big Yellow stores on the Tariff are successfully matched to renewable generation. The energy supplier matched the electricity Big Yellow used by purchasing electricity generated from renewable sources such as wind turbine and hydroelectric power, rather than from the combustion of fossil fuels such as coal and natural gas.

Flexi-Office Gas Use – Carbon Dioxide Emissions

The table below shows the year ended 31 March 2008 natural gas usage from Big Yellow's seven flexi office operations. These are ancillary office services offered alongside the normal self storage service at our stores. The use of natural gas for space and water heating in flexi offices causes carbon dioxide emissions. However, these emissions are only 1.3% of the total carbon dioxide emissions, compared with electricity usage from all operating stores. This ranks the flexi office contribution to a relatively low carbon footprint impact compared to the Group's self storage and construction fit out activities.

Operational Stores Flexi-offices Gas Usage

Year	2008
Gas Energy (kW hr / year)	366,523
Kg CO ₂ emissions*	75,504
Final Storage Area (m ²)	9,420
Kg CO ₂ / m ²	8.0

* From gas bills using a conversion factor of 0.206 for Kg CO₂ emissions

Construction Fit-Out Stage – Carbon Dioxide Emissions

Annual construction 'fit out' energy usage, over which Big Yellow has direct management control, depends mainly upon the speed of the planning process, the number of stores being built in any one year, the size of the store and the local site conditions.

Construction 'fit-out' diesel and electricity usage

Year	2007	2008
Energy use (kWh)*	230,300	320,800
Final Storage area (m ²)	33,983	35,847
Emissions kg CO ₂	97,187	135,378
Emissions Kg CO ₂ / m ²	2.9	3.8

Energy usage data supplied by Countrywide Electrical Services (CES)

The annual energy usage in the table above increased because we opened the same number of stores in the year, but the projects were larger and more complex, requiring more use of energy than in the same period the year before. The energy calculation includes an average of 6 weeks diesel generator usage (for temporary lighting) followed by a mains supply until the store opening dates. The 2008 carbon dioxide emissions for construction fit out are only 2.3% of the annual carbon dioxide emissions for store operation in 2008.

Corporate Social Responsibility Report (continued)

3 CSR IMPACT AND KEY PERFORMANCE INDICATORS (continued)

Summary of Big Yellow's Carbon Footprint

Calculating our carbon footprint is the first step in a program to establish a benchmark, obtain more accurate data, reduce emissions and improve energy efficiency

Big Yellow's Carbon Foot Print (Year ended 31 March 2008)

Activity	Emissions (Kg CO ₂)
Operational Stores and Head Office Electricity*	2,385,930
Construction 'Fit-out' Electricity and Diesel	135,378
Flexi-Office Natural Gas Use	75,505
Employee Travel Estimate**	-
Total Carbon Footprint***	2,597 tCO₂e

* Data includes energy supplier renewable electricity offset

** To be surveyed in the year to the end of March 2009

*** Expressed as carbon footprint metric tonnes of carbon dioxide equivalent

The following section describes Big Yellow's initiatives to reduce its carbon footprint by increasing energy efficiency through store design, specification and the installation of renewable energy technologies

4. STORE PLANNING, DESIGN AND CONSTRUCTION

Planning authorities are increasingly requiring environmental assessments of new building designs, specifications and construction. Accordingly Big Yellow commissions Faber Maunsel Consultants to conduct Building Research Establishment Environmental Assessment Methodology (BREEAM) reports where this is required on new store developments. Big Yellow's stores are assessed using the 'Industrial' assessment category. The environmental performance of the new stores are assessed for energy efficiency, onsite renewable energy generation, alternative forms of transport (other than the car), water conservation, low impact material use, waste management and landscape biodiversity, amongst other criteria. Big Yellow stores now have the potential to score an 'Excellent' rating with the highest ratings achieved in the areas of energy efficiency, renewable energy, management, health, transport, water, land use and ecology. The following sections show how these key performance indicators are achieved.

Energy Efficiency by Design

The reception area of the store represents on average only 3% of the building area, but this is occupied during our trading hours and requires heating and cooling. New build store receptions are energy efficient compared to Building Regulations in 2002 and 2005 due to good design, with improved insulation and low air leakage rates. To reduce seasonal variations in temperature to a minimum, reception areas are oriented towards the south (where possible) to optimise natural heat gain and light in the winter. To avoid overheating, low e coated double glazing is specified on the display windows.

Thermal Mass

The thermal mass of the concrete floor slab and ground floor brick and block walls absorb heat during the day and release it during the night, equalising diurnal and seasonal temperature variations. The solid insulation and air tightness of the buildings steel cladding and roof further reduce the need for heating and cooling in the storage area. As a result 97% of the storage building by area is "passive". Electric or mechanically assisted ventilation is only required on the top floor of stores, where heat accumulates in the hottest months of the year.

Energy Efficiency by Specification

The highest usage of energy in operational stores is internal lighting and this causes the most significant environmental impact and carbon dioxide emissions. In 2007 trials of energy efficient and motion sensor lighting have confirmed significant improvements in reducing emissions as indicated in the table below.

Store Energy Efficiency Measures (2008)	Electricity Reductions (kWh / year)*	Emission Reductions (kgCO ₂ / year)	Percentage Improvement
Energy efficient lighting	(34,500)	(14,559)	19.0%
Reactive light controls	(8,050)	(3,397)	4.4%
Energy efficient lifts	(13,000)	(5,486)	7.0%

* Estimates of energy reductions provided by the Building Services Research and Information Association (BSRIA)

Corporate Social Responsibility Report (continued)

4. STORE PLANNING, DESIGN AND CONSTRUCTION (continued)

Energy Efficiency by Specification (continued)

An estimated cost pay back period of about three and a half years has initiated a commitment by the Board to install energy efficient lighting and sensors in all new stores from the year ended 31 March 2008. The Board has also agreed to start an upgrading programme for reactive light controls on older stores from the year ended 31 March 2008. The second highest energy use is lift operation and certain types of lifts can reduce electricity consumption as indicated in the table above. Construction are reviewing their specification for lifts and assessing economic viability of alternatives in the year ending 31 March 2009.

Renewable Energy Generation (FY 2009)

In the year ended 31 March 2008 four of the six new stores (listed in the table below) had renewable energy technologies installed, such as solar photo-voltaic panels and wind turbines for electricity. Heat and cooling energy is also generated from ground source heat pumps.

New Store Estimated Renewable Energy And CO₂ Emission Reductions

Store	Renewable Energy (kWh)	CO ₂ Reduction (kgCO ₂ / yr)	CO ₂ Reduction (%)
Barking	22,500	9,500	13.0
Balham	60,518	7,700	10.0
Fulham	33,307	17,400	10.0
Merton	15,708	7,600	10.0
Total	132,033	42,200	10.8

In the year ending 31 March 2009 Big Yellow will aim to report the actual renewable energy generated and the reduction in carbon dioxide emissions achieved as a percentage of the total emissions for operational stores and the effect this will have on the Groups carbon foot print. Additionally the CSR Manager will review more economically viable solutions to introduce renewable energy into our store development programme.

Transportation

Big Yellow stores are planned and designed with good pedestrian and cycle access and are often near to public transport. Previous transport plans for our stores have indicated relatively low customer and employee transport usage. Typically low numbers of car or van parking spaces (8/9 per site) are required as compared to other comparable retail premises. Big Yellow installs cycle storage shelters to encourage employees to choose alternative modes of transport other than the car. In the year ended 31 March 2009 the CSR manager will conduct a work related travel survey in the Group to estimate travel carbon dioxide emissions and will look for opportunities to raise employee awareness of lower environmental impact modes of transport and incentives for walking and cycling to work, where safe and viable.

Construction Materials

Big Yellow's construction program performs well in its selection of low impact environmental materials with a low embodied energy, durability and a high recycled content. The recycled content percentages in the table below enable higher BREEAM rating for our new buildings and hence higher local planning authority sustainability ratings.

Building Material Recycled Content (by % of building material cost)

Building Materials	Estimated (%) of build cost	Recycled Content
Steel structural framework, roof cladding, partitioning	67.0%	97%
Steel cold rolled, mezzanine decking, & roller doors		35 – 97%
Timber products Floor and wall particle board (dust)	19.0%	66 – 100%*
Concrete floor slab	7.5%	0%
Concrete crushed & recycled into foundations	0%	25 – 50%
Bricks	2.4%	0%
Blocks (pulverized fuel ash)	2.4%	Variable PFA**
Rockwool insulation (slag)	1.6%	75 – 100%***
Aluminium window frames & roof	0.1%	100%

Forestry Stewardship Council (FSC) certified

Pulverized Fuel Ash (PFA) a by product of coal burning power stations

*** Slag a by product of iron and steel manufacture

In the year ending 31 March 2009 the CSR Manager will report on Big Yellow's materials and product supply chain and look for innovative and cost effective opportunities to improve performance.

Corporate Social Responsibility Report (continued)

4. STORE PLANNING, DESIGN AND CONSTRUCTION (continued)

Construction & Operations Waste Management

Construction has established a waste management policy, site posters and a waste plan to address recent Landfill and Hazardous Waste Directives. The principles of waste segregation, reduction, reuse and recycling on site have been communicated to contractors for site clearance, shell and fit out stages. Most contractors segregate waste off site.

The operational stores have separate containers for recycling. Waste packaging paper and office supplies are recycled by the store staff. Re-lamping of fluorescent light fittings is undertaken by a company registered to handle hazardous waste. Big Yellow's waste production is inherently low, even where flexi offices are part of the operation. Customers and employees are encouraged through documented guidance on "Reduce, Reuse and Recycle" principles. The contents of our store bins are segregated and recycled off site by contractors. The CSR Manager will review off site waste recycling performance in the year ending 31 March 2009.

Water Conservation and Harvesting

Potable (drinking) water use is significantly low in self storage operations. A study of one of Big Yellow's stores revealed a domestic scale water usage of 65 m³ per annum (£146 per annum).

Potable water appliances are low flow aerated 4.6 litre taps and dual flush 6 to 4 litre WC cisterns for use by customers and staff. Rain water is collected at Big Yellow's Sutton, Barking Central and Merton stores by sustainable urban drainage systems. These systems collect rainwater from either roof or at ground level from permeable paving systems. The water is channelled to underground storage tanks for use in the stores water closet systems. In the year ending 31 March 2009 the CSR Manager will review economically viable smaller scale water systems for landscape irrigation, where required.

Land Quality and Use

To date Big Yellow has always developed new stores on brownfield land (previously developed land) and this in some cases contributes to city centre or urban regeneration. Where there is a risk from previous land use contamination, such as at our sites at Fulham and Merton, Big Yellow has remediated these sites and raised the land quality and value as a longer term investment. Where good quality derelict buildings are acquired these have been refurbished to conserve listed facades, such as at Fulham, a former power station. Where Big Yellow can offer residual land, and there is a demand for mixed use development, then work units (Balham) and flexi offices (Kennington) can be built to create more employment and support commerce in the local community.

Ecology and Biodiversity

As Big Yellow's stores are on brownfield sites, this means that the Company's developments are unlikely to impact on the Green Belt and biodiversity. At stores such as Balham, Ealing Southall, and Merton new landscaped areas surrounding the buildings have raised the ecological value of the sites by adding more native flora species. In addition stores such as Barking Central, Fulham and Sutton have had green roofs installed that replace lost wildlife habitat, reduce rainfall run off, cool upper floor levels of stores in the summer and contribute to reducing the 'heat island' effect in towns and cities.

Directors' Report

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditors' report for the year ended 31 March 2008

Principal Activity

The principal activity of the Company and its subsidiaries is the provision of self storage and related services

The subsidiary and associated undertakings principally affecting the profit of net assets of the Group in the year are listed in note C to the Company's financial statements

Review of Business

A detailed account of the Group's progress during the year and its future prospects is set out in the Chairman's statement on pages 2 to 5. A detailed Business Review and Financial Review have been prepared and are set out on pages 6 and 15, and more specifically as follows

- > the business objectives and strategy are set out on page 6,
- > the financing objectives are set out on page 6,
- > the principal risks and uncertainties within the business are set out in the Risk Management section on pages 7 to 9, and
- > the key quantitative and qualitative performance indicators are included within the Highlights [see page 1], Portfolio Summary [see page 16] and Financial Review [see pages 12 to 15]

The Chairman's statement, the Business Review, the Financial Review and the Corporate Social Responsibility Statement are incorporated by reference into the Directors' Report

Financial Instruments

The financial risk management objectives and policies of the Group, along with any details of exposure to any liquidity and cash flow risk are set out in the Business Review on page 8, and notes 2 and 17 to the financial statements

Results and Dividends

The consolidated income statement is set out on page 43 of the financial statements

The Directors recommend a final dividend of 5.5p per ordinary share (2007: 5.5p per ordinary share) to be paid on 16 July 2008 to shareholders whose name appears on the register at the close of business on 13 June 2008. An interim dividend of 4p was paid in the year (2007: 3.5p)

Share Capital

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 21. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 23.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

During the year the Company issued 954,585 shares to satisfy the exercise of share options.

The Company purchased 200,000 shares during the year. Further details are given in note 21 to the financial statements.

Directors and their Interests

The Directors of the Company who served throughout the year, except as noted, were as follows:

Philip Burks

James Gibson

Adrian Lee

David Ross

Jonathan Short

John Trotman (appointed 25 September 2007)

Nicholas Vetch

David White

Details of the interests of the Directors in the shares of the Company are set out in the Report on Directors' Remuneration on pages 34 to 39.

Biographical details of the Executive and Non-Executive Directors are set out on page 41.

Directors' Report (continued)

Reappointment of Directors

The Directors listed above constituted the Board during the year

Following a performance appraisal process, the Board has concluded that the Directors retiring by rotation are effective, committed to their roles and should continue in office

Adrian Lee and Jonathan Short (Non Executive Director) offer themselves for re election in accordance with the articles of association of the Company John Trotman, who was appointed a Director on 25 September 2007, and Mark Richardson, who will be appointed as a Director on 1 July 2008 retire at the annual general meeting, and being eligible offers themselves for re election

The biographies of all Directors standing for re election are included on page 41

Directors' and Officers' Liability Insurance

The Company purchases liability insurance covering the Directors and officers of the Company and its subsidiaries

Payment of Suppliers

The policy of the Group is to settle supplier invoices within the terms of trade agreed with individual suppliers Trade creditor days of the Group for the year ended 31 March 2008 were 29 days (2007 28 days) This represents the ratio, expressed in days, between the amounts invoiced to the Group by its suppliers in the year and the amounts due, at the year end, to trade creditors, within one year

Properties

The changes in investment and development property during the year and details of property valuations at 31 March 2008 are shown in note 14 to the financial statements Further commentary on our investment and development property portfolio is contained in the Business Review and Financial Review

Donations

Charitable donations totalling £35,000 (2007 £20,000) were made to UK residents in the year The Group encourages employee involvement in charitable giving and frequently matches any amounts raised by individuals Key management have been allocated budgets to support local charitable causes and the community

Substantial Shareholdings

On 16 May 2008, the Company had been notified, in accordance with Chapter 5 of the Disclosure and Transparency rules, of the following voting rights as a shareholder of the Company

	At 31 March 2007		Ordinary shares of 10p each			
	No	%	At 31 March 2008	%	At 16 May 2008	%
Directors	33,061,720	28.86	32,354,398	28.01	32,354,398	28.01
Thames River Capital	6,614,086	5.77	6,648,751	5.76	6,623,751	5.73
Artemis Investment Management	–	–	4,583,070	3.97	–	–
Morgan Stanley Investment Management	–	–	4,564,251	3.95	5,169,765	4.48
Legal & General Investment Management Limited	–	–	3,904,981	3.38	3,919,981	3.39
JP Morgan Asset Management	9,114,092	7.96	–	–	–	–
Henderson Global Investors and subsidiary companies	6,252,168	5.46	–	–	3,692,511	3.20
Barclays Global Investors	5,649,598	4.93	–	–	–	–
Schroder Investment Management	4,010,713	3.50	–	–	–	–

Holdings currently below 3%

Directors' Report (continued)

Employees

Adrian Lee, Operations Director, has responsibility to the Board for all employee matters

The Group seeks to ensure employee commitment to its objectives in a number of ways. Strategic changes are communicated directly to all staff who are encouraged to address queries to the Executive Directors. The Directors' executive meetings are held in stores frequently and in addition Directors and senior management visit the stores on a regular basis. Furthermore, there are regular team briefings at store level to provide employees with information about the performance of and initiatives in their store. A wide range of information is also communicated across the Group's Intranet, including the publication of the Group's financial results and all press releases, the publication of a quarterly newsletter, and the publication of an operations bulletin.

Employees are encouraged to participate in the Group's performance through Employee Share Schemes and performance related bonuses.

Customer service is a key priority of the Group and this is achieved through recruiting good people and investing in training and development leading to high levels of retention. The Group's recruitment policy is committed to promote equality, judging neither by race, nationality, religion, age, gender, disability, sexual orientation, nor political opinion and to treat all stakeholders fairly.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Annual General Meeting

The notice for the 2008 Annual General Meeting is included as a separate document. The meeting will be held at 20 Moorgate, London EC2R 6DA on 9 July 2008.

Health and Safety

The Board recognises the importance of maintaining high standards of health and safety for everyone who may be affected by our business.

The Group's Health and Safety policy is reviewed on an ongoing basis. It is applied in two distinct areas – construction and operations. The policy states that all employees have a responsibility for health and safety but that managers have special responsibilities. Additional duties are placed on Adrian Lee to keep the Board advised on health and safety issues, compliance with the policy in respect of construction activity and store operations respectively.

The Group has a Health and Safety Committee, which meets quarterly and comprises Adrian Lee and appointed managers. They meet to discuss any issues that have been reported from meetings held at head office and the stores, and any construction sites.

In addition, the Group has appointed an external consultant to review policy and perform audits of stores on a rolling programme to ensure the implementation of the Group's Health and Safety policies. Health and Safety audits are also carried out by external consultants on each construction site prior to the opening of a store.

A review of health and safety for the year is included within the Corporate Social Responsibility Report on pages 24 to 30.

Auditors

In respect of each Director of the Company, at the date when this report was approved, to the best of their knowledge and belief:

- > so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- > he has taken all the steps that he might have reasonably been expected to take as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with s234ZA of the Companies Act 1985.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



Michael Cole
Secretary
16 May 2008

Remuneration Report

Introduction

This report has been prepared in accordance with Schedule 7A to the Companies Act 1985. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

The Act requires the auditors to report to the Company's members on certain parts of the Directors' remuneration report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Companies Act 1985. The report has therefore been divided into separate sections for audited and unaudited information.

Unaudited information Remuneration Committee

The Company has established a Remuneration Committee which is constituted in accordance with the recommendations of the Combined Code. The members of the Committee during the year were David White, David Ross and Jonathan Short, who are all independent Non Executive Directors and the Committee is chaired by David White.

None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. The Committee makes recommendations to the Board. No Director plays a part in any discussion about his or her own remuneration.

In determining the Directors' remuneration, the Committee consulted the Executive Chairman Nicholas Vetch about his proposals. The Committee last year appointed Deloitte & Touche LLP to provide benchmarking advice on structuring and salary levels of the Directors' remuneration packages. Deloitte & Touche LLP are also the Group's auditors.

Remuneration policy

Executive remuneration packages are designed to attract, motivate and retain Directors of the high calibre required and to reward them for enhancing value to shareholders. The performance measurement of the Executive Directors and the determination of their annual remuneration package is undertaken by the Committee. The remuneration of the Non Executive Directors is determined by the full Board.

There are four main elements of the remuneration package for Executive Directors and senior management:

1. Basic salary is determined by the Remuneration Committee at the beginning of each year and when an individual changes position or responsibility. Appropriate salary levels are set by reference to the performance, experience and responsibilities of each individual concerned and having regard to the prevailing market conditions. Executive Directors' contracts of service which include details of remuneration will be available for inspection at the Annual General Meeting.
2. Performance related bonuses are assessed annually and determined by the Remuneration Committee and are based on a combination of individual and corporate performance during the year. The bonuses are capped at 50% of annual basic salary, and are directly linked to the Group's profit and operating cash flow performance. There is no deferrable element of the bonus, and it is non pensionable. This year's annual bonus award represents 10% of basic salary earned in the year.
3. Pension contributions of 10% of basic salary are paid into a personal pension plan for each Director.
4. Share incentives.

Share options

Share options are granted by the Remuneration Committee, and are assessed on an individual basis with a view to motivating and retaining Executive Directors in the longer term.

In accordance with the policy set by the Remuneration Committee immediately prior to the Company's flotation on AIM in May 2000, all Directors' share options granted since flotation were subject to performance conditions, all of which were met. There have been no grants under the Company's share option plans to Directors since December 2002 and the policy is that any future incentivisation of Directors will be under the Long Term Incentive Plan described below.

Long Term Incentive Plan ("LTIP")

Approval was granted by shareholders at the 2004 Annual General Meeting for a Long Term Incentive Plan (the "Plan").

The Remuneration Committee has determined that a new incentive plan using an award of nil priced options is the most appropriate way to provide a competitive and market related long term equity opportunity.

The principal reasons for the Remuneration Committee favouring the use of nil priced options are:

- > the greater alignment of executive reward with shareholder interests,
- > the reduced volatility of nil priced options to general share price movements, and
- > minimising the dilutive impact of the LTIP to the Company's shareholders.

Participation in the LTIP is only available to Executive Directors and selected senior management.

Remuneration Report (continued)

The first awards under the LTIP to Directors were made on 6 June 2005 when the market price was 195 5p. Initial awards have been designed to incentivise the executive team for the period between 2005 and 2010, although it is intended that awards under the LTIP will be made on an annual basis thereafter.

Individual grants of options to Executive Directors for the first three years of the LTIP (2005 – 2007) have been determined by the Committee (see table below) and these were disclosed in the 2004 Remuneration Report and approved by shareholders at the 2005, 2006 and 2007 Annual General Meetings.

Additionally, the Committee considered the incentive package of Nicholas Vetch, the Executive Chairman. Nicholas Vetch has taken on direct responsibility at Board level for the real estate strategy and the execution of the critical driver of the growth in the business. The Committee considered that 133,333 options should be awarded to Nicholas Vetch, the first such award to him under the LTIP scheme. This was approved at the 2007 Annual General Meeting.

Philip Burks has stepped down to the role of Non Executive Director from 30 March 2007, and has not been awarded any further options under the LTIP scheme.

In respect of the current year and in all other grants to Directors beyond those set out above, it is intended that the maximum annual grant of awards will not exceed 100% of a participant's annual base salary, except where the Committee considers there to be exceptional circumstances which justify an award above this limit. For the current year it is proposed that the Directors are awarded LTIPS at less than 100% of salary, as set out below. These awards will be voted on by Shareholders at the 2008 Annual General Meeting.

Director	Option grant 2005	Option grant 2006	Option grant 2007	Options to be granted 2008
James Gibson	166,667	166,667	166,666	60,000
Nicholas Vetch	–	–	133,333	55,000
Philip Burks	66,667	66,667	–	–
Adrian Lee	50,000	50,000	50,000	45,000
John Trotman	–	–	21,750	29,000

The number of ordinary shares issuable pursuant to awards granted under this LTIP and all other employee share schemes adopted by the Company may not be more than 10% of the ordinary share capital in any ten year period.

Awards will become exercisable subject to the satisfaction of challenging conditions ("Performance Conditions") which will determine how many (if any) of the awards will vest and become exercisable after the end of the performance period. The period over which performance will be measured shall not be less than three years. The committee has considered the performance of the 2005 option grant and determined that the criteria have been met, and the awards have therefore vested.

Performance Conditions will be determined at the sole discretion of the Committee at the time of award and will be objective and linked to the underlying financial performance of the Company.

Any award under the LTIP that does not vest at the end of the specified performance period will lapse.

The extent to which awards granted under the LTIP vest and become exercisable will be determined by reference to the Company's total shareholder return (TSR) relative to the FTSE All Share Index and the following targets will apply:

Total Shareholder Return Performance Level	Amount of Award Vesting %
Upper Quartile	Full vesting
Median to Upper Quartile	Pro rata vesting on a straight line basis
Median and below	Nil

The Committee has selected the FTSE All Share Index because it enables the Company's performance to be compared to a broad index that reflects the corporate performance of UK companies. As such it provides a comparator which demonstrates the Company's overall performance against the prevailing market conditions across the performance period.

Vesting of awards made in May 2005 under the LTIP will also be subject to the growth in the Company's adjusted earnings per share (EPS) exceeding the UK Retail Price Index (RPI) by an average of 3 per cent a year over the performance period commencing with the financial year in which the award is made.

The Committee reserve the right to vary the Performance Condition for future grants provided that in its reasonable judgment the new targets are no less challenging in the light of the Company's business circumstances and its internal forecasts.

Sharesave Scheme

The Scheme is open to all UK employees (including Directors) with a minimum of six months' service and meets UK Inland Revenue approval requirements, thus enabling all eligible employees the opportunity to acquire shares in the Company in a tax efficient manner.

Remuneration Report (continued)

Directors' Contracts

The Executive Directors' contracts do not allow them to engage in any other business outside the Group except where prior written consent from the Committee is received. It is the Company's policy that Executive Directors should have contracts with an indefinite term, providing for one year's notice. All Executive Directors have contracts in accordance with this. If a contract is terminated at short notice, the Company has not waived any right which it may have at law to require the Executive Director to mitigate his loss although the Company is entitled (at its discretion) to pay the salary to which the Executive Director would otherwise be entitled, in lieu of notice.

The dates of the Executive Directors' agreements are as follows:

Nicholas Vetch	25 September 1998
James Gibson	25 September 1998
Adrian Lee	31 March 2000
John Trotman	25 September 2007

Non-Executive Directors

The Non Executive Directors do not have service contracts with the Company. Their appointments are governed by letters of appointment which are available for inspection on request at the Company's registered office and which will be available for inspection at the Company's AGM. Each appointment is for a period of up to three years, usually to the date of the AGM at which a resolution to re-appoint the Director would next be put to shareholders, although the continued appointment of all Directors is considered on an annual basis. In addition, the appointment is terminable by either party giving notice of three months. Non Executive Directors cannot participate in any of the Company's share options schemes and are not eligible to join the Company pension scheme.

The dates of appointment of the Non Executive Directors are as follows:

David Ross	31 March 2000
David White	31 March 2000
Jonathan Short	16 February 2000
Philip Burks	30 March 2007 (previously an Executive Director)

External Appointments

With approval from the Board, Executive Directors may accept an external appointment as a Non Executive Director role elsewhere, and retain any related fees. Nicholas Vetch is a Non Executive Director of Blue Self Storage S L, a Spanish self storage business, and the Local Shopping REIT plc, a UK listed property business. James Gibson is a Non Executive Director of AnyJunk Limited. Nicholas Vetch receives a Non Executive fee of €20,000 per annum from Blue Self Storage S L and £35,000 per annum from Local Shopping REIT plc. James Gibson does not receive any fees for his services.

Nicholas Vetch, James Gibson and Adrian Lee are partners in Football Fever LLP, from which they do not receive any fees.

Non-Executive Directors' Remuneration

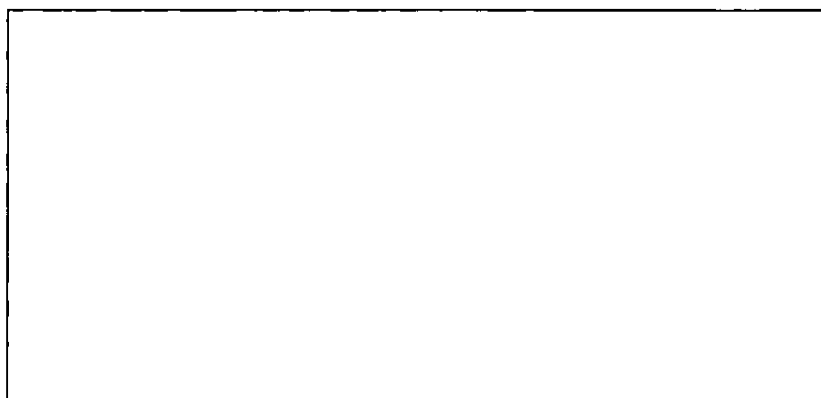
The remuneration of the Non Executive Directors is determined by the Board taking into account current practices in other similar companies. No further fees for work performed for the Group in respect of membership of the Remuneration, Nomination and Audit Committees are paid. Non Executive Directors cannot participate in any of the Group's share option schemes or Long Term Incentive Plan and are not eligible to join the Group's pension arrangements.

Remuneration Report (continued)

Performance Graph

The Total Shareholder Return ("TSR") performance graph below sets out the comparison of the Company's TSR against the FTSE All Share Index and FTSE Real Estate Index

TSR measures share price growth, with dividends deemed to be reinvested gross on the ex dividend date, and the TSR is shown as the one month average on each day



Audited Information

Aggregate Directors' Remuneration

The total amounts for Directors' remuneration were as follows

	2008 £	2007 £
Emoluments	1,006,745	897,396
Gains on exercise of share options	1,248,720	8,684,050
Money purchase pension contributions	69,560	66,338
	2,325,025	9,647,784

Directors' Remuneration

	Salary / fees £	Annual Bonus £	2008 Taxable benefits £	Sub total £	Pension £	2008 Total £	2007 Total £
Executive							
Nicholas Vetch	228,500*	21,000	2,570	252,070	21,000	273,070	241,821
James Gibson	250,500*	23,200	3,287	276,987	23,200	300,187	271,689
Adrian Lee	185,500*	17,000	2,721	205,221	17,000	222,221	208,823
John Trotman ⁽¹⁾	91,288*	10,500	707	102,495	8,360	110,855	-
Non-Executive							
David White	32,500	-	-	32,500	-	32,500	27,500
David Ross	30,000	-	-	30,000	-	30,000	25,000
Philip Burks	75,000	-	2,472	77,472	-	77,472	163,901
Jonathan Short	30,000	-	-	30,000	-	30,000	25,000
Aggregate emoluments	923,288	71,700	11,757	1,006,745	69,560	1,076,305	963,734

* Includes car allowances

(1) Joined the Group 25 June 2007 appointed to the Board on 25 September 2007

Remuneration Report (continued)

Directors' interests

The interests of the Directors in the ordinary share capital of the Company are shown below

	At 31 March 2008 No	At 31 March 2007 No
Ordinary shares of 10p each		
David Ross	11,456,140	11,354,140
Nicholas Vetch (including trusts)	9,417,000	9,417,000
Philip Burks (including trusts)	7,675,849	8,767,000
James Gibson (including trusts)	2,374,260	2,363,000
Adnan Lee (including trusts)	1,012,649	818,880
David White	325,000	250,000
Jonathan Short	91,700	91,700
John Trotman	2,000	–

None of the Directors had any direct interests in the share capital of any of the subsidiary undertakings of the Company in the year

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors. Details of the options exercised during the year are as follows

Name of Director	Date	Number of options	Exercise price	Market price at exercise date	Gains on exercise £
Adnan Lee	4 June 2007	182,589	55p*	609p	1,012,563
	25 February 2008	70,000	100p	427p	228,900
James Gibson	20 March 2008	2,411	102p	403p	7,257
					1,248,720

Weighted average

In 2007, gains of £8,684,050 were made on the exercise of share options by the Company's Directors

Remuneration Report (continued)

Options in respect of ordinary shares for Directors who served during the year are as follows

Name	Date option granted	No of shares under option at 31 March 2007*	Granted during the year	Exercised during the year	Lapsed during the year	No of shares under option at 31 March 2008	Exercise price	Market price at date of exercise	Date from which first exercisable	Expiry Date
Nicholas Vetch	5 May 2000	243,000	–	–	–	243,000	100p	–	5 May 2003	4 May 2010
	4 June 2001	300,000	–	–	–	300,000	131.5p	–	4 June 2004	3 June 2011
	15 May 2002	300,000	–	–	–	300,000	102p	–	15 May 2005	14 May 2012
	16 Dec 2002	185,000	–	–	–	185,000	81.5p	–	16 Dec 2005	15 Dec 2012
	13 July 2007	–	133,333	–	–	133,333	–	–	13 July 2010	13 July 2014
Philip Burks	6 June 2005	66,667	–	–	–	66,667	–	–	6 June 2008	6 June 2012
	9 June 2006	66,667	–	–	–	66,667	–	–	9 June 2009	9 June 2013
James Gibson	15 May 2002	2,411	–	(2,411)	–	–	102p	403p	15 May 2005	14 May 2012
	6 June 2005	166,667	–	–	–	166,667	–	–	6 June 2008	6 June 2012
	9 June 2006	166,667	–	–	–	166,667	–	–	9 June 2009	9 June 2013
	13 July 2007	–	166,666	–	–	166,666	–	–	13 July 2010	13 July 2014
Adrian Lee	5 March 1999	89,060	–	(89,060)	–	–	25p	609p	5 March 2002	4 March 2009
	5 May 2000	100,000	–	(70,000)	–	30,000	100p	427p	5 May 2003	4 May 2010
	4 June 2001	221,000	–	–	–	221,000	131.5p	–	4 June 2004	3 June 2011
	15 May 2002	194,000	–	–	–	194,000	102p	–	15 May 2005	14 May 2012
	16 Dec 2002	200,000	–	(93,529)	–	106,471	81.5p	609p	16 Dec 2005	15 Dec 2012
	6 June 2005	50,000	–	–	–	50,000	–	–	6 June 2008	6 June 2012
	9 June 2006	50,000	–	–	–	50,000	–	–	9 June 2009	9 June 2013
	13 July 2007	–	50,000	–	–	50,000	–	–	13 July 2010	13 July 2014
John Trotman	13 July 2007	–	21,750	–	–	21,750	–	–	13 July 2010	13 July 2014

* Or date of appointment if later. Options shown with a nil exercise price are LTIPs

Options granted up to and including 16 December 2002 have all been assessed by the Committee. The Committee has confirmed that these options have met the performance conditions, and may therefore be exercised.

The market price of the Company's shares at 31 March 2008 was 435p. The highest market price during the year was 684p per share, the lowest market price during the year was 355p, and the average price during the year was 496p. Pursuant to the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001, it should be noted that past performance of the Company's share price cannot be relied on as a guide to future performance.

Approval

This report was approved by the Board of Directors on 16 May 2008 and signed on its behalf by

David White
Committee Chairman
16 May 2008

Officers and Professional Advisers

Directors

Nicholas Vetch

David White

Philip Burks

David Ross

Jonathan Short

James Gibson

Adrian Lee

John Trotman

Secretary

Michael Cole

Registered office

2 The Deans

Bridge Road

Bagshot

Surrey

GU19 5AT

Bankers

The Royal Bank of Scotland plc

8th Floor

280 Bishopsgate

London

EC2M 4RB

Bank of Ireland

Eastcheap Court

11 Philpot Lane

London

EC3M 8BA

Barclays Bank PLC

5 The North Colonnade

Canary Wharf

London

E14 4BB

Lloyds TSB Bank plc

25 Gresham Street

London

EC2V 7HN

Solicitors

CMS Cameron McKenna

Mitre House

160 Aldersgate Street

London

EC1A 4DD

Financial advisors and stockbrokers

J P Morgan Cazenove

20 Moorgate

London

EC2R 6DA

Auditors

Deloitte & Touche LLP

Chartered Accountants

2 New Street Square

London

EC4A 3BZ

Biographies of Directors and Senior Management

Non-Executive Directors

David White, aged 65, Non Executive Deputy Chairman, spent 18 years of his career at Cater Allen Holdings PLC where he was from 1985 Deputy Chairman and Managing Director and from which he retired in 1997. He was Non-Executive Chairman of Edge Properties plc until its sale in 1998 and is currently Non Executive Director of Church House Trust plc.

Jonathan Short, aged 46, Non Executive Director, Founding Partner and CIO of Internos Real Investors LLP a pan european real estate investment management business. From 2000 to 2007 he was CEO Merchant Banking Europe for Pramerica Real Estate Investors running a series of pan european property opportunity funds. From 1983 to 1999 he worked in investment banking in the City for Warburgs, Barings and Lazard. He also sits on the Board of Great Portland Estates plc as a Non Executive Director and is a Trustee of the Urban Land Institute.

Philip Burks, aged 49, Non Executive Director, is a co founder of Big Yellow in September 1998. Prior to that he was joint Chief Executive of Edge Properties plc which he co-founded in 1989 which was subsequently listed on the Official List of the London Stock Exchange in 1996 and then taken over by Grantchester Properties plc in 1998. Philip was the Group's Property Director until 30 March 2007, at which date he stepped down to become a Non Executive Director.

David Ross, aged 42, Non Executive Director, qualified as a Chartered Accountant with Arthur Andersen & Co. In 1991 he co founded and is currently Deputy Chairman of The Carphone Warehouse Group plc, Europe's leading mobile communication retailer. He is currently Chairman of National Express Group plc and a Non Executive Director of Cosalt plc and is a Board Member of the Olympic Lottery Distributor. In 2006 he was appointed Trustee of the National Portrait Gallery and is the Sponsor for Havelock Academy in Grimsby.

Executive Directors

Nicholas Vetch, aged 47, Executive Chairman, is a co founder of Big Yellow in September 1998. Prior to that he was joint Chief Executive of Edge Properties plc, which he co founded in 1989 which was subsequently listed on the Official List of the London Stock Exchange in 1996 and then taken over by Grantchester Properties plc in 1998. Mr Vetch is also Non Executive Director of Blue Self Storage S L – a self storage operation in Spain.

James Gibson, aged 47, Chief Executive Officer, is a co-founder of Big Yellow in September 1998. He is a chartered accountant having trained with Arthur Andersen & Co. where he specialised in the property and construction sectors, before leaving in 1989. He was Finance Director of Heron Property Corporation Limited and then Edge Properties plc which he joined in 1994. Edge Properties was listed on the Official List of the London Stock Exchange in 1996 and then taken over by Grantchester Properties plc in 1998.

Adrian Lee, aged 42, Operations Director, was previously a senior Executive at Edge Properties plc, which he joined in 1996. Prior to that he was a corporate financier at Lazard for five years, having previously qualified as a surveyor at Knight Frank.

John Trotman, aged 30, Chief Financial Officer, is a Chartered Accountant and former Senior Manager at Deloitte & Touche LLP, where he specialised in the real estate sector and self storage. On leaving Deloitte in 2005, John worked for a subsidiary of the Kajima corporation involved in the large Silvertown Quays regeneration project. He joined Big Yellow on 25 June 2007, and was appointed to the Board on 25 September 2007.

Senior Management Biographies

Michael Cole, aged 42, Financial Controller and Company Secretary, joined Big Yellow in May 1999. Prior to that he was Finance Director at Pulse Train Technology, a market research software specialist whom he joined in 1988 and qualified with CIMA in 1992.

Paul Donnelly, aged 54, Corporate Social Responsibility Manager joined Big Yellow in August 2007 and is an Associate Member of the Institute of Environmental Management and Assessment. Paul was previously the Sustainable Development Manager at Crest Nicholson PLC. Prior to that he was also Environmental Manager at John Laing PLC.

Stuart Grinnall, aged 33, IT Manager, joined Big Yellow in July 2000. He is a systems engineer with several years experience developing IT solutions for growth companies and NHS Hospital Trusts.

Nigel Hartley, aged 44, Construction Director, joined Big Yellow in January 2000. He is a chartered surveyor with over 17 years experience in the construction industry, both overseas and in the UK, principally in the retail and industrial sectors.

Cheryl Hathaway, aged 42, Human Resources Controller, joined Big Yellow in March 2000, having previously been employed as a Human Resources Manager within the Harrods Group. Prior to this she worked for Debenhams in a variety of human resources roles, both within head offices and stores.

Chris Herbert, aged 53, Construction Manager, joined Big Yellow in September 1999, having previously worked for Leslie Clark, a Construction Consultancy, for 10 years. Prior to that he spent 10 years as a contracts / project manager with John Lelliot Building Contractors.

Nicola Jordan, aged 41, Retail Operations Manager, joined Big Yellow in March 2003, having previously been employed as an Area Manager with Superdrug for 5 years. Prior to this she has held operational roles with Little Chef & Travelodge and Victoria Wine.

David Knight, aged 44, Estates and Facilities Manager, was previously an Estates Manager at Whitbread which he joined in 1997. Prior to this he was Group Facilities Manager at Central Transport Rental Group Plc (formerly Tiphook Plc) having previously qualified as a surveyor at Edwin Hill.

Rob Strachan, aged 38, Head of Sales & Marketing, joined Big Yellow in February 2006, having previously been employed as International Marketing Manager for Upper Crust. Prior to this he was Marketing Manager for Caffè Ritazza, and is qualified with the Chartered Institute of Marketing.

Andrew Watson, aged 39, Property Director, joined Big Yellow in October 2000 having previously worked as a property acquisition surveyor for McDonald's Restaurants. Prior to that he was an acquisitions surveyor for Victoria Wine, having previously qualified as a chartered surveyor at Herring Baker Harris.

Tom Wilcockson, aged 51, International Franchise Director, joined Big Yellow in July 2007. He has over 16 years experience of international franchising, having previously played a key role in the international success of both Bhs and Early Learning Centre.

Independent Auditors' Report to the Members of Big Yellow Group PLC

We have audited the Group financial statements of Big Yellow Group PLC for the year ended 31 March 2008 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Statement of Recognised Income and Expense, the Consolidated Cash Flow Statement, and the related notes 1 to 26. These Group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the parent Company financial statements of Big Yellow Group PLC for the year ended 31 March 2008.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view, whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the Directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review and Financial Review that is cross referred from the Review of Business section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Director's remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited Group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

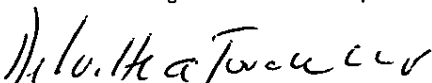
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- > the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2008 and of its profit for the year then ended,
- > the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation,
- > the part of the Directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985, and
- > the information given in the Directors' Report is consistent with the Group financial statements.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

16 May 2008

Consolidated Income Statement

Year ended 31 March 2008

	Note	2008 £'000	2007 £'000
Revenue	3	56,870	51,248
Cost of sales		(20,792)	(18,536)
Gross profit		36,078	32,712
Administrative expenses		(6,736)	(5,645)
Operating profit before gains and losses on property assets	5	29,342	27,067
Gain on the revaluation of investment properties	13a	93,687	138,349
Loss on non-current assets	10	(463)	(1,078)
Operating profit		122,566	164,338
Share of loss of associate	13e	(249)	-
Investment income	7	289	1,250
Finance costs	8	(20,769)	(12,751)
Profit before taxation		101,837	152,837
Taxation	9	770	60,391
Profit for the year (attributable to equity shareholders)		102,607	213,228
Basic earnings per share	12	89 20p	192 97p
Diluted earnings per share	12	88 53p	190 31p

Adjusted earnings per share are shown in Note 12

All items in the income statement relate to continuing operations

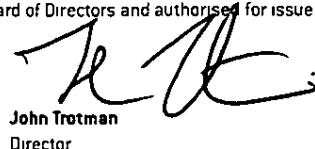
Consolidated Balance Sheet

31 March 2008

	Note	2008 £'000	2007 £'000
Non-current assets			
Investment property	13a	750,910	590,060
Development property	13a	103,358	96,393
Interests in leasehold properties	13a	22,274	27,038
Plant, equipment and owner-occupied property	13b	3,256	3,170
Goodwill	13c	1,433	1,433
Investment in associate	13e	5,454	–
Deferred tax asset	19	1,535	650
		888,220	718,744
Current assets			
Inventories		331	437
Trade and other receivables	15	7,465	6,982
Cash and cash equivalents		1,671	2,110
Derivative financial instruments	17	–	512
Assets classified as held for sale	13d	16,336	18,227
		25,803	28,268
Total assets		914,023	747,012
Current liabilities			
Trade and other payables	16	(21,898)	(25,586)
Current tax liabilities – REIT conversion charge	9	(90)	(11,997)
– Corporation tax liability		–	(71)
Obligations under finance leases	20	(1,958)	(2,306)
Derivative financial instruments	17	(2,870)	–
		(26,816)	(39,960)
Non-current liabilities			
Bank borrowings	18	(282,897)	(189,225)
Obligations under finance leases	20	(20,316)	(24,732)
Other payables	16	(3,889)	(5,116)
		(307,102)	(219,073)
Total liabilities		(333,918)	(259,033)
Net assets		580,105	487,979
Equity			
Called up share capital	21	11,551	11,456
Share premium account	22	41,645	40,864
Reserves	22	526,909	435,659
Equity shareholders' funds		580,105	487,979

The financial statements were approved by the Board of Directors and authorised for issue on 16 May 2008. They were signed on its behalf by


James Gibson
Director


John Trotman
Director

Consolidated Statement of Recognised Income and Expense

Year ended 31 March 2008

	2008 £'000	2007 £'000
Current and deferred tax recognised in equity	96	(1,230)
Net income / (expense) recognised directly in equity for the year	96	(1,230)
Profit for the year	102,607	213,228
Total recognised income and expense for the period attributable to equity shareholders	102,703	211,998

Consolidated Cash Flow Statement

Year ended 31 March 2008

	2008 £'000	2007 £'000
Operating profit	122,566	164,338
Gain on the revaluation of investment properties	(93,687)	(138,349)
Loss on non-current assets	463	1,078
Depreciation	1,369	1,349
Employee share options	491	336
Decrease / (increase) in inventories	106	(99)
Increase in receivables	(433)	(978)
(Decrease) / increase in payables	(123)	2,523
Cash generated from operations	30,752	30,198
Interest paid	(16,604)	(14,073)
Interest received	240	601
REIT conversion charge	(11,997)	-
Cash flows from operating activities	2,391	16,726
Investing activities		
Sale of non-current assets	10,500	2,165
Purchase of non-current assets	(110,886)	(96,007)
Sale of assets to associate	20,327	-
Investment in associate	(5,703)	-
Cash flows from investing activities	(85,762)	(93,842)
Financing activities		
Issue of share capital	876	38,377
Purchase of own shares	(1,084)	-
Equity dividends paid	(10,860)	(7,051)
Increase in borrowings	94,000	33,707
Cash flows from financing activities	82,932	65,033
Net decrease in cash and cash equivalents	(439)	(12,083)
Opening cash and cash equivalents	2,110	14,193
Closing cash and cash equivalents	1,671	2,110

Reconciliation of Net Cash Flow to Movement in Net Debt

Year ended 31 March 2008

	2008 £'000	2007 £'000
Net decrease in cash and cash equivalents in the year	(439)	(12,083)
Cash inflow from increase in debt financing	(94,000)	(33,707)
Change in net debt resulting from cash flows	(94,439)	(45,790)
Movement in net debt in the year	(94,439)	(45,790)
Net debt at the start of the year	(187,890)	(142,100)
Net debt at the end of the year	(282,329)	(187,890)

Notes to the Financial Statements

Year ended 31 March 2008

1 GENERAL INFORMATION

Big Yellow Group PLC is a Company incorporated in Great Britain under the Companies Act 1985. The address of the registered office is 2 The Deans, Bridge Road, Bagshot, Surrey, GU19 5AT. The nature of the Group's operations and its principal activities are set out in note 4 and in the Business Review on pages 6 to 11.

These financial statements are presented in pounds sterling because that is the currency of the economic environment in which the Group operates.

2 SIGNIFICANT ACCOUNTING POLICIES

Adoption of new and revised standards

In the current year, the Group has adopted IFRS 7 Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after 1 January 2007, and the related amendment to IAS 1 Presentation of Financial Statements. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital (see note 17). Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies, IFRIC 8 Scope of IFRS 2, IFRIC 9 Reassessment of Embedded Derivatives, and IFRIC 10 Interim Financial Reporting and Impairment. These Interpretations have not led to any changes in the Group's accounting policies.

The Group has adopted IFRIC 11, which made certain amendments to IFRS 2 – Group and Treasury Share Transactions. There is no effect on the Group of this standard, however the Company accounts are affected. See note C of the Company only accounts for details of this change.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 8 *Operating segments*,

IFRIC 12 *Service Concession Arrangements*,

IFRIC 13 *Customer Loyalty Programmes* (effective for accounting periods beginning on or after 1 July 2008), and

IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*.

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

The Group has considered the impact of IAS 23 (Revised) *Borrowing Costs* (effective for accounting periods beginning on or after 1 January 2009). The principal change to the Standard, is to eliminate the previously available option to expense all borrowing costs as incurred. The Group does not currently capitalise interest on its development properties, which will become compulsory under the standard. The Group intends to adopt this accounting policy early for the year ended 31 March 2009.

Basis of accounting

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation and with those parts of the Companies Act 1985 that are applicable to companies reporting under IFRS.

The Group has applied all accounting standards and interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretation Committee relevant to its operations and effective for accounting periods beginning on or after 1 April 2007.

The financial statements have been prepared on the historic cost basis except that investment properties and derivative financial instruments are stated at fair value. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The principal accounting policies have been applied consistently, to the results, other gains and losses, assets, liabilities and cash flows of entities included in the consolidated financial statements in the current and preceding year.

The Group accounts consolidate the accounts of Big Yellow Group PLC and all its subsidiaries at the year end using acquisition accounting principles. All intra Group transactions, balances, income and expenses are eliminated on consolidation. On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

Notes to the Financial Statements (continued)

Year ended 31 March 2008

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in subsidiaries

These are recognised at cost less provision for any impairment

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting except when classified as held for sale (see below). Investments in associates are carried in the balance sheet at cost as adjusted by post acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Where a Group Company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

Non current assets held for sale

Non current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Revenue recognition

Revenue represents amounts derived from the provision of services which fall within the Group's ordinary activities after deduction of trade discounts and any applicable value added tax. Income is recognised over the period for which the storage unit is occupied by the customer. The Group recognises non storage income over the period in which it is earned. The Group recognises investment income over the period in which it is earned. Fees earned from Big Yellow Limited Partnership are recognised over the period for which the services are provided. Franchises fees are recognised in the income statement as they fall contractually due to the Group.

Finance leases

Assets held under finance leases, disclosed within interest in leasehold properties, are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Operating leases

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs are accounted for on an accrual basis in the income statement using the effective interest rate method and are added to the carrying value amount of the instrument to the extent that they are not settled in the period in which they arise.

Finance Costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

Notes to the Financial Statements (continued)

Year ended 31 March 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating profit

Operating profit is stated after gains on revaluation of investment properties and after the share of results of associates and before gains and losses on non current assets, investment income and finance costs

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates substantively enacted at the balance sheet date that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Plant, equipment & owner occupied property

All property, plant and equipment, not classified as investment or development property, are carried at historic cost less depreciation and any recognised impairment loss.

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets.

The useful economic lives of the assets are as follows:

Freehold property	50 years
Freehold improvements	20 years
Leasehold improvements	Over period of the lease
Plant and machinery	10 years
Fixtures and fittings	5 years
Computer equipment	3 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Investment property

Investment properties are properties owned or leased by the Group which are held for rental income and for capital appreciation. Investment property is initially recognised at cost and revalued at the balance sheet date to fair value as determined by professionally qualified external valuers. In accordance with IAS40, investment property held leasehold is stated gross of the recognised finance lease liability.

Gains or losses arising from the changes in fair value of investment property are included in the income statement of the period in which they arise. In accordance with IAS40, as the Group uses the fair value model, no depreciation is provided in respect of investment properties including integral plant.

Development property

Properties and land under development are recognised at historic cost less any provision for impairment. The assets are transferred to investment properties once the store has opened to customers. Any gains and losses on development property are recognised through the income statement.

Notes to the Financial Statements (continued)

Year ended 31 March 2008

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of an asset's net selling price and its value in use (i.e. the NPV of its future cash flows discounted at a pre-tax interest rate that reflects the borrowing costs and risk for the asset).

Inventories

Inventories are stated at the lower of cost and net realisable value.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

A – Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of interest rates. The Group uses interest rate swap and interest rate collar contracts to hedge these exposures. The Group does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors. The policy in respect of interest rates is to maintain a balance between flexibility and the hedging of interest rate risk.

Derivatives are initially recognised at fair value and are subsequently reviewed at each balance sheet date. The fair value of interest rate derivatives at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract.

Changes in the fair value of derivative financial instruments are recognised in the income statement as they arise. The Group has not adopted hedge accounting. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

B – Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

C – Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

D – Cash and cash equivalents

Cash and cash equivalents comprises cash and short-term deposits. The carrying amounts of these assets approximate to the fair value.

E – Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

F – Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

G – Trade Receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

H – Trade payables

Trade payables are not interest-bearing and are stated at their nominal value.

Notes to the Financial Statements (continued)

Year ended 31 March 2008

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

Pension costs represent contributions payable to defined contribution schemes and are charged to as an expense to the income statement as they fall due. The assets of which are held separately from those of the Group.

Share-based payments

The Group has applied the requirements of IFRS 2 Share based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 April 2005.

The Group issues equity settled share based payments to certain employees. These are measured at fair value at the date of grant. The fair value determined at the grant date of the share based payment is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of an option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions, and behavioural considerations.

Critical Accounting Estimates and Judgements

The preparation of consolidated financial statements under IFRS requires management to make estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual outcomes may therefore differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Estimate of Fair Value of Investment Properties

The Group values its self storage centres using a discounted cash flow methodology which is based on projections of net operating income. Principal assumptions underlying management's estimation of the fair value are those related to stabilised occupancy levels, expected future growth in storage rents and operating costs, maintenance requirements, capitalisation rates and discount rates. A more detailed explanation of the background and methodology adopted in the valuation of the Group's investment properties is set out in note 14 to the accounts.

b) Development Property

The Group's development properties are held in the balance sheet at historic cost and are not valued externally. In acquiring sites for redevelopment into self storage facilities, the Group estimates and makes judgements on the potential net lettable storage space that it can achieve in its planning negotiations, together with the time it will take to achieve maturity occupancy level. In addition, assumptions are made on the storage rent that can be achieved at the store by comparing with other stores within the portfolio and within the local area. These judgements taken together with estimates of operating costs and the projected construction cost, allow the Group to calculate the potential net operating income at maturity, projected returns on capital invested and hence to support the purchase price of the site at acquisition. Following the acquisition, regular reviews are carried out taking into account the status of planning negotiations, revised construction costs or capacity of the new facility, for example, to make an assessment of the carrying value of the development property at historic cost. Once a store is opened, then it is valued as an investment property in the Group's balance sheet and transferred from development properties. The Group reviews all development property assets for impairment at each balance sheet date.

Notes to the Financial Statements (continued)

Year ended 31 March 2008

3 REVENUE

Analysis of the Group's operating revenue and costs can be found below and in the Portfolio Summary on page 16

	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Open stores				
Self storage income	46,486		41,119	
Other storage related income	7,869		6,481	
Ancillary store rental income	114		138	
Income from stores transferred to associate or closed for redevelopment	690		1,316	
		55,159		49,054
Stores under development				
Non-storage income	1,473		922	
Surrender premiums received	-		1,172	
		1,473		2,094
Fee income				
Fees earned from Big Yellow Limited Partnership	138		-	
		138		-
Franchise income				
Franchise fee received	100		100	
		100		100
Revenue per income statement		56,870		51,248

The Group also received investment income of £289,000 in the year ended 31 March 2008 (2007: £1,250,000)

4 SEGMENTAL INFORMATION

Revenue represents amounts derived from the provision of self storage accommodation and related services which fall within the Group's ordinary activities after deduction of trade discounts and value added tax. The Group's net assets, revenue and profit before tax are attributable to one activity, the provision of self storage accommodation and related services. These all arise in the United Kingdom, with the exception of £100,000 of income which arose in the Kingdom of Bahrain (2007: £100,000 of income which arose in the Emirate of Dubai)

5 PROFIT FOR THE YEAR

a) Profit for the year has been arrived at after

	2008 £'000	2007 £'000
Depreciation of plant and equipment	650	652
Finance lease depreciation	719	697
Increase in fair value of investment property	(93,687)	(138,349)
Cost of inventories recognised as an expense	921	897
Employee costs (see note 6)	7,562	6,460
Operating lease rentals	75	57
Auditors' remuneration for audit services (see below)	140	138

Notes to the Financial Statements (continued)

Year ended 31 March 2008

5 PROFIT FOR THE YEAR (continued)

b) Analysis of auditors' remuneration.

	2008 £'000	2007 £'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	133	128
Other services – audit of the Company's subsidiaries' annual accounts	7	10
Total audit fees	140	138
Tax services – advisory	46	–
Other services – establishment of Big Yellow LP	169	–
– REIT conversion	–	50
– independent review of interim report	27	25
– other	3	3
Total non-audit fees	245	78

6 EMPLOYEE COSTS

The average monthly number of employees (including Executive Directors) was

	2008 Number	2007 Number
Sales	176	157
Administration	42	34
	218	191

At 31 March 2008 the total number of Group employees was 226 (2007: 208)

	£'000	£'000
Their aggregate remuneration comprised		
Wages and salaries	6,102	5,266
Social security costs	707	638
Other pension costs	262	220
Share-based payments	491	336
	7,562	6,460

Details of Directors' Remuneration is given on pages 34 to 39

7 INVESTMENT INCOME

	2008 £'000	2007 £'000
Interest receivable on bank deposits	289	596
Change in fair value of interest rate derivatives	–	654
	289	1,250

8 FINANCE COSTS

	2008 £'000	2007 £'000
Interest on bank borrowings	15,846	11,124
Interest on obligations under finance leases	1,508	1,607
Change in fair value of interest rate derivatives	3,382	–
Other interest payable	33	20
	20,769	12,751

Notes to the Financial Statements (continued)

Year ended 31 March 2008

9 TAXATION

UK current tax	2008 £'000	2007 £'000
Current tax		
– Current year	302	2,739
– Adjustment in respect of prior year	(71)	–
– REIT conversion charge	90	11,997
Deferred tax (see note 19)		
– Current year	(1,322)	(75,127)
– Adjustment in respect of prior year	154	–
– Adjustment in respect of change in tax rate	77	–
	(770)	(60,391)

A reconciliation of the tax credit is shown below

	2008 £'000	2007 £'000
Profit before tax	101,837	152,837
Tax charge at 30% thereon	30,551	45,851
Effects of		
Adjustment in respect of prior year	83	–
REIT conversion charge	90	11,997
Revaluation of investment properties post-REIT	(28,106)	(18,596)
Revaluation of investment properties pre-REIT	–	(22,908)
Permanent differences	303	(306)
Profits from the tax exempt business	(3,615)	(1,002)
Losses utilised in the year	(153)	–
Adjustment in respect of change in tax rate	77	–
REIT conversion release of deferred tax	–	(75,427)
Total tax credit	(770)	(60,391)

Analysis of deferred tax credit	2008 £'000	2007 £'000
Accelerated capital allowances	–	(3,068)
On revaluations and disposals	–	(72,059)
On losses and interest rate derivatives	(1,091)	–
Deferred tax credit	(1,091)	(75,127)

In addition to the current year income statement tax charge of £0.3 million, there is a debit to reserves of £0.2 million in respect of the current tax deduction and the deferred tax arising on potential future deductions under Schedule 23, in respect of the exercise of employee share options.

On 15 January 2007, the Group converted to a REIT. As a result the Group no longer pays UK corporation tax on the profits and gains from qualifying rental business in the UK provided that it meets certain conditions. Non-qualifying profits and gains of the Group continue to be subject to corporation tax as normal. On entering the REIT regime a conversion charge equal to 2% of the aggregate market value of the properties associated with the qualifying rental business was paid. The Group monitors its compliance with the REIT conditions. There have been no breaches of the conditions to date.

Notes to the Financial Statements (continued)

Year ended 31 March 2008

10 ADJUSTED PROFIT BEFORE TAX

	2008 £'000	2007 £'000
Profit before tax	101,837	152,837
(Gain) / loss on revaluation of investment properties – wholly owned	(93,687)	(138,349)
– in associate	187	–
Change in fair value of interest rate derivatives – Group	3,382	(654)
– in associate	55	–
Loss on non-current assets	463	1,078
Tenant surrender premium	–	(1,172)
Non-recurring indirect tax cost	303	–
REIT conversion costs	209	493
Set up costs for Big Yellow Partnership	566	–
Adjusted profit before tax	13,315	14,233
Net bank and other interest	15,590	10,548
Depreciation	650	652
EBITDA pre non-recurring items and valuation movements	29,555	25,433

Adjusted profit before tax which excludes gains on revaluation of investment properties, changes in fair value of interest rate derivatives, losses on non current assets and non recurring items of income and expenditure have been disclosed to give a clearer understanding of the Group's underlying trading performance

The loss on non current assets in 2008 is £463,000, comprised of a provision against non current assets of £1.0 million offset by a £537,000 profit on disposal of other development assets (2007 provision against non current assets held for sale of £1.1 million and a £22,000 profit on disposal of other development sites)

11 DIVIDENDS

	2008 £'000	2007 £'000
Amounts recognised as distributions to equity holders in the period		
Final dividend for the year ended 31 March 2007 of 5.5p (2006 3.0p) per share	6,278	3,065
Interim dividend for the year ended 31 March 2008 of 4p (2007 3.5p) per share	4,582	3,986
	10,860	7,051
Proposed final dividend for the year ended 31 March 2008 of 5.5p (2007 5.5p) per share	6,308	6,267

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The ex dividend date will be 11 June, the record date 13 June, with an intended payment date of 16 July.

Notes to the Financial Statements (continued)

Year ended 31 March 2008

12 EARNINGS AND NET ASSETS PER SHARE

Earnings per ordinary share

	Year ended 31 March 2008			Year ended 31 March 2007		
	Earnings £m	Shares Million	Pence per share	Earnings £m	Shares Million	Pence per share
Basic	102 61	115 03	89 20	213 23	110 50	192 97
Adjustments						
Dilutive share options	–	0 87	(0 67)	–	1 54	(2 66)
Diluted	102 61	115 90	88 53	213 23	112 04	190 31
Adjustments						
Gain on revaluation of investment properties	(93 69)	–	(80 84)	(138 35)	–	(123 48)
Change in fair value of interest rate swaps	3 38	–	2 92	(0 65)	–	(0 58)
Loss on non-current assets	0 46	–	0 40	1 08	–	0 96
Non-recurring indirect tax cost	0 30	–	0 26	–	–	–
Tenant surrender premium	–	–	–	(1 17)	–	(1 04)
Set-up costs of Big Yellow Partnership	0 57	–	0 49	–	–	–
Share of associate non-recurring costs	0 24	–	0 21	–	–	–
REIT conversion costs	0 21	–	0 18	0 49	–	0 44
REIT conversion charge	0 09	–	0 08	12 00	–	10 71
Deferred tax	–	–	–	(75 13)	–	(67 06)
Tax effect of non-recurring items*	(1 19)	–	(1 03)	(0 28)	–	(0 25)
Adjusted	12 98	115 90	11 20	11 22	112 04	10 01

* This takes into account the tax effect of the change in fair value of derivatives, the losses on non-current assets, the non-recurring indirect tax cost and the set up costs of Big Yellow Limited Partnership.

The calculation of basic earnings is based on profit after tax for the year. The weighted average number of shares used to calculate diluted earnings per share has been adjusted for the conversion of share options.

Adjusted earnings per ordinary share before non-recurring items, gains on revaluation of investment properties and on change in fair value of interest rate swaps and associated deferred tax balances, have been disclosed to give a clearer understanding of the Group's underlying trading performance.

Notes to the Financial Statements (continued)

Year ended 31 March 2008

12. EARNINGS AND NET ASSETS PER SHARE (CONTINUED)

	As at 31 March 2008 £'000	As at 31 March 2007 £'000
Analysis of net asset value		
Basic net asset value	580,105	487,979
Exercise of share options	2,692	3,345
Diluted net asset value	582,797	491,324
Adjustments		
Tax on fair value of interest rate swaps	–	(154)
Balance sheet adjusted net asset value	582,797	491,170
Basic net assets per share (pence)	505.8	428.3
Diluted net assets per share (pence)	491.8	416.0
Balance sheet adjusted net assets per share (pence)	491.8	415.8
Balance sheet adjusted net asset value (as above) (£'000)	582,797	491,170
Valuation methodology assumption (see below) (£'000)	33,640	25,890
Adjusted net asset value (£'000)	616,437	517,060
Adjusted net assets per share (pence)	520.2	437.8
Shares in issue	115,514,119	114,559,534
Own shares held	(815,000)	(615,000)
Basic shares in issue used for calculation	114,699,119	113,944,534
Exercise of share options	3,808,591	4,167,888
Diluted shares used for calculation	118,507,710	118,112,422

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

Adjusted net assets per share include:

- > the effect of those shares issuable under employee share option schemes,
- > the effect of alternative valuation methodology assumptions (see note 14), and
- > tax on the fair value adjustment on interest rate swaps.

Notes to the Financial Statements (continued)

Year ended 31 March 2008

13 NON-CURRENT ASSETS

a) Investment property, development property and interests in leasehold properties

	Investment property £'000	Development property £'000	Interests in leasehold properties £'000
At 31 March 2006	410,470	57,988	26,647
Additions	2,115	73,231	–
Adjustment to present value	–	–	1,088
Reclassifications	39,126	(39,126)	–
Transfer from assets held for sale	–	4,300	–
Revaluation	138,349	–	–
Depreciation	–	–	(697)
At 31 March 2007	590,060	96,393	27,038
Additions	6,952	87,350	–
Purchase of freeholds	8,128	–	(3,753)
Adjustment to present value	–	–	(292)
Reclassifications	64,183	(64,183)	–
Transfer to assets held for sale	–	(8,506)	–
Revaluation (see note 14)	93,687	–	–
Disposals	(12,100)	(7,696)	–
Depreciation	–	–	(719)
At 31 March 2008	750,910	103,358	22,274

The income from self storage accommodation earned by the Group from its investment property is disclosed in note 3. Direct operating expenses arising on the investment property in the year are disclosed in the Portfolio Summary on page 16.

b) Plant, equipment and owner occupied property

	Freehold Property £'000	Leasehold improvements £'000	Plant and machinery £'000	Fixtures, fittings & office equipment £'000	Total £'000
Cost					
At 31 March 2006	1,770	17	451	3,396	5,634
Additions	26	–	112	648	786
At 31 March 2007	1,796	17	563	4,044	6,420
Additions	62	27	44	647	780
Disposal to associate	–	–	–	(78)	(78)
At 31 March 2008	1,858	44	607	4,613	7,122
Depreciation					
At 31 March 2006	(6)	(17)	(158)	(2,417)	(2,598)
Charge for the year	(44)	–	(57)	(551)	(652)
At 31 March 2007	(50)	(17)	(215)	(2,968)	(3,250)
Charge for the year	(40)	(15)	(61)	(534)	(650)
Disposal to associate	–	–	–	34	34
At 31 March 2008	(90)	(32)	(276)	(3,468)	(3,866)
Net book value					
At 31 March 2008	1,768	12	331	1,145	3,256
At 31 March 2007	1,746	–	348	1,076	3,170

c) Goodwill

Goodwill relates to the purchase of Big Yellow Self Storage Company Limited in 1999. The asset is tested bi-annually for impairment. The carrying value of £1,433,000 remains unchanged from the prior year as there is considered to be no impairment in the value of the asset.

Notes to the Financial Statements (continued)

Year ended 31 March 2008

13 NON-CURRENT ASSETS (continued)

d) Assets classified as held for sale

The Group has land at five sites with a total historic cost of £18.0 million, which is carried at £16.3 million, after a provision for impairment of £1.7 million against two sites. Land at these five sites is surplus to requirements and the Group is currently marketing these assets for sale, they are ready for sale and completion is expected within the next 12 months. The balance at 31 March 2007 was £19.3 million cost and £18.2 million carrying value.

e) Investment in associate

The Group has a 33.3% interest in Big Yellow Limited Partnership. This interest is accounted for as an associate, using the equity method of consolidation. The Partnership commenced trading on 1 December 2007.

	31 March 2008 £'000	31 March 2007 £'000
At the beginning of the year	–	–
Subscription for partnership capital and advances	5,703	–
Share of results (see below)	(249)	–
	5,454	–

The figures below show the trading results of Big Yellow Limited Partnership, and the Group's share of the results and the net assets.

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Big Yellow Limited Partnership		
Income statement (100%)		
Revenue	252	–
Cost of sales	(190)	–
Administrative expenses	(24)	–
Operating profit	38	–
Loss on the revaluation of investment properties	(562)	–
Interest payable	(59)	–
Fair value movement of interest rate derivatives	(165)	–
Loss before and after tax	(748)	–
Balance sheet (100%)		
Investment property	11,830	–
Development property (including land held for resale)	10,909	–
Other fixed assets	50	–
Current assets	3,531	–
Current liabilities	(1,317)	–
Non-current liabilities	(8,642)	–
Net assets (100%)	16,361	–
Group share of (33.3%)		
Operating profit	13	–
Interest payable	(20)	–
Loss on the revaluation of investment properties	(187)	–
Fair value movement of interest rate derivatives	(55)	–
Loss for the period	(249)	–
Associate net assets	5,454	–

The Partnership has in place a loan of £75 million, secured from Royal Bank of Scotland plc. The loan has a five year term and expires in 2013. The loan drawn down to date has been swapped to 30 June 2013, and has a weighted average interest cost of 6.64%.

Notes to the Financial Statements (continued)

Year ended 31 March 2008

14. VALUATIONS

	Deemed cost £'000	Valuation £'000	Revaluation on deemed cost £'000
Freehold Stores*			
As at 31 March 2007	192,951	521,420	328,469
Movement in period	79,080	172,250	93,170
Sale to associate	(6,067)	(12,100)	(6,033)
Transfer on purchase of freeholds	3,584	10,700	7,116
As at 31 March 2008	269,548	692,270	422,722
Leasehold Stores			
As at 31 March 2007	18,563	68,640	50,077
Movement in period	183	700	517
Transfer on purchase of freeholds	(3,584)	(10,700)	(7,116)
As at 31 March 2008	15,162	58,640	43,478
All Stores			
As at 31 March 2007	211,514	590,060	378,546
Movement in period	79,263	172,950	93,687
Sale to associate	(6,067)	(12,100)	(6,033)
As at 31 March 2008	284,710	750,910	466,200

* Includes one long leasehold property

The freehold and leasehold investment properties have been valued as at 31 March 2008 by external valuers, Cushman & Wakefield LLP, ("C&W"). The valuation has been carried out in accordance with the RICS Valuation Standards, 6th Edition as amended published by The Royal Institution of Chartered Surveyors ("the Red Book"). The valuation of each of the trading properties has been prepared on the basis of Market Value as a fully equipped operational entity, having regard to trading potential.

The valuation has been provided for accounts purposes and as such, is a Regulated Purpose Valuation as defined in the Red Book. In compliance with the disclosure requirements of the Red Book, C&W have confirmed that:

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

Notes to the Financial Statements (continued)

Year ended 31 March 2008

14. VALUATIONS (continued)

Valuation methodology

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

Freehold

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

Assumptions

- A Net operating income is based on projected revenue received less projected operating costs together with a central administration charge representing 6% of the estimated annual revenue. The initial net operating income is calculated by estimating the net operating income in the first 12 months following the valuation date
- B The net operating income in future years is calculated assuming straight line absorption from day one actual occupancy to an estimated stabilised / mature occupancy level. In the valuation the assumed stabilised occupancy level for the 48 stores (both freeholds and leaseholds) averages 85.80% (2007: 86.06%). The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth
- C The capitalisation rates applied to existing and future net cash flow have been estimated by reference to underlying yields for industrial and retail warehouse property, bank base rates, ten year money rates, inflation and the available evidence of transactions in the sector. On average, for all 48 stores, the yield (net of purchaser's costs) arising from the first year of the projected cash flow is 4.21% (2007: 5.24%). This rises to 7.02% (2007: 6.80%) based on the projected cash flow for the first year following estimated stabilisation in respect of each property
- D The future net cash flow projections (including revenue growth and cost inflation) have been discounted at a rate that reflects the risk associated with each asset. The weighted average annual discount rate adopted (for both freeholds and leaseholds) is 10.36% (2007: 10.19%)
- E Purchaser's costs of 5.75% (see below) have been assumed initially and sale plus purchaser's costs totalling 6.75% are assumed on the notional sales in the tenth year in relation to the freehold stores

Leasehold

The same methodology has been used as for freeholds, except that no sale of the assets in the tenth year is assumed but the discounted cash flow is extended to the expiry of the lease. The average unexpired term of the Group's seven short leaseholds is 17.7 years (March 2007: nine short leaseholds, 18.8 years)

Valuation assumption for purchaser's costs

The Group's investment property assets have been valued for the purposes of the financial statements after deducting notional purchaser's cost of 5.75% of gross value, as if they were sold directly as property assets. The valuation is an asset valuation which is entirely linked to the operating performance of the business. They would have to be sold with the benefit of operational contracts, employment contracts and customer contracts, which would be very difficult to achieve except in a corporate structure. We believe therefore that the valuation assumptions should be adjusted to reflect the reality.

This approach follows the logic of the valuation methodology in that the valuation is based on a capitalisation of the net operating income after allowing a deduction for operational cost and an allowance for central administration costs. Sale in a corporate structure would result in a reduction in the assumed Stamp Duty Land Tax but an increase in other transaction costs reflecting additional due diligence resulting in a reduced notional purchaser's cost of 2.75% of gross value. All the significant sized transactions that have been concluded in the UK in recent years were completed in a corporate structure. We therefore instructed C&W to carry out a Red Book valuation on the above basis, and this results in a higher property valuation at 31 March 2008 of £784,550,000 (£33,640,000 higher than the value recorded in the financial statements or 28.4 pence per share). We have included this revised valuation in the adjusted diluted net asset calculation (see note 12).

15. TRADE AND OTHER RECEIVABLES

	31 March 2008 £'000	31 March 2007 £'000
Trade receivables	1,604	1,449
Other receivables	483	267
Prepayments and accrued income	5,378	5,266
	7,465	6,982

Trade receivables are net of a bad debt provision of £4,000 (2007: £33,000)

The Directors consider that the carrying amount of trade and other receivables approximates their fair value

Notes to the Financial Statements (continued)

Year ended 31 March 2008

15. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables

The Group does not typically offer credit terms to its customers and hence the Group is not exposed to significant credit risk. All customers are required to pay in advance of the storage period. A late charge of 10% is applied to a customers' account if they are greater than 10 days overdue in their payment. The Group provides for receivables on a specific basis. There is a right of lien over the customers' goods, so if they have not paid within a certain time frame, we have the right to sell the items they store to recoup the debt owed by the customer. Trade receivables that are overdue are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

For individual storage customers, the Group does not perform credit checks, however this is mitigated by the fact that all customers are required to pay in advance, and also to pay a deposit ranging from between 1 week's to 4 weeks' storage income. Before accepting a new business customer who wishes to use a number of the Group's stores, the Group uses an external credit rating to assess the potential customer's credit quality and defines credit limits by customer. There are no customers who represent more than 5 per cent of the total balance of trade receivables.

Included in the Group's trade receivable balance are debtors with a carrying amount of £167,000 (2007: £132,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group holds a right of lien over the customers' goods if these debts are not paid. The average age of these receivables is 29 days past due (2007: 34 days past due).

Ageing of past due but not impaired receivables

	2008 £'000	2007 £'000
0 – 30 days	112	73
30 – 60 days	26	30
60 + days	29	29
Total	167	132

Movement in the allowance for doubtful debts

	2008 £'000	2007 £'000
Balance at the beginning of the period	33	4
Impairment losses recognised	–	29
Amounts written off as uncollectible	(29)	–
Balance at the end of the period	4	33

The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Ageing of impaired trade receivables

	2008 £'000	2007 £'000
0 – 30 days	–	–
30 – 60 days	2	3
60 + days	2	30
Total	4	33

Notes to the Financial Statements (continued)

Year ended 31 March 2008

16 TRADE AND OTHER PAYABLES

	31 March 2008 £'000	31 March 2007 £'000
Current		
Trade payables	8,738	5,283
Other payables	2,241	2,584
Accruals and deferred income	9,614	15,162
Amounts owed to associate	77	–
VAT repayable under Capital Goods Scheme	1,228	2,557
	21,898	25,586
Non current		
VAT repayable under Capital Goods Scheme	3,889	5,116

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The Directors consider the carrying amount of trade and other payables and accruals and deferred income approximates fair value. See note 18 for details of VAT repayable under Capital Goods Scheme.

17 FINANCIAL INSTRUMENTS

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 22. The Group's banking facilities require hedging of 40% of the funds drawn. The Group has complied with this during the year.

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business. Derivative financial instruments are used to manage exposure to fluctuations in interest rates, but are not employed for speculative purposes.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

A. Balance sheet management

The Group's Board reviews the capital structure on an ongoing basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. The Group seeks to have a conservative gearing ratio (the proportion of net debt to equity). The Board considers at each review the appropriateness of the current ratio in light of the above. The Board is currently satisfied with the Group's gearing ratio.

The gearing ratio at the year end is as follows:

	2008 £'000	2007 £'000
Debt	(284,000)	(190,000)
Cash and cash equivalents	1,671	2,110
Net Debt	(282,329)	(187,890)
Balance sheet equity	580,105	487,979
Net debt to equity ratio	48.7%	38.5%

Debt is defined as long and short term borrowings, as detailed in note 18. Equity includes all capital and reserves of the Group attributable to equity holders of the parent. The Group is not subject to externally imposed capital requirements.

B. Debt management

The Group borrows through a senior term loan, secured on its existing store portfolio. Borrowings are arranged to ensure an appropriate maturity profile and to maintain short term liquidity. Funding is arranged through a syndicate of blue chip banks and financial institutions, with whom the Group has a strong working relationship.

Notes to the Financial Statements (continued)

Year ended 31 March 2008

17 FINANCIAL INSTRUMENTS (continued)

C Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

The Group has the following interest rate derivatives in place (rate shown excludes margin)

- > £10 million vanilla swap fixed at 5.11%, expiring in January 2010
- > £50 million expiring in 2010. This is subject to a structured collar which links to the variable rate, providing LIBOR is between 3.95% and 5.68%. The rate payable is capped if LIBOR is outside that range.
- > £80 million fixed at 5.24% until September 2012. These swaps are callable quarterly by the bank.
- > £50 million vanilla swap fixed at 5.4% until December 2012.

The Group does not hedge account for its interest rate swaps and states them at fair value, with changes in fair value included in the income statement. The loss in the income statement for the year of these interest rate swaps was £3,382,000 (2007 profit of £654,000). The fair value of the above derivatives was a liability of £2,870,000 (2007 asset of £512,000).

D Interest rate sensitivity analysis

In managing interest rate risks the Group aims to reduce the impact of short term fluctuations on the Group's earnings, without jeopardising its flexibility. Over the longer term, permanent changes in interest rates may have an impact on consolidated earnings.

At 31 March 2008, it is estimated that an increase of one percentage point in interest rates would have decreased the Group's annual profit before tax by £947,000 (2007 £1.33 million) and a decrease of one percentage point in interest rates would have increased the Group's annual profit before tax by £1,440,000 (2007 £1.7 million). There would have been no effect on amounts recognised directly in equity. The sensitivity has been calculated by applying the interest rate change to the variable rate borrowings, net of interest rate swaps, at the year end.

E Cash management and liquidity

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 18 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Short term money market deposits are used to manage liquidity whilst maximising the rate of return on cash resources, giving due consideration to risk.

F Foreign currency management

The Group does not have any foreign currency exposure.

G Credit risk

The credit risk management policies of the Group with respect to trade receivables are discussed in note 15. The Group has no significant concentration of credit risk, with exposure spread over 30,000 customers in our stores.

The credit risk on liquid funds and derivatives is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies, in line with the Group's policy which is to borrow from major institutional banks when arranging finance.

H Financial maturity analysis

In respect of interest-bearing financial liabilities, the following table provides a maturity analysis for individual elements.

2008 Maturity

	Total £'000	Less than one year £'000	One to two years £'000	Two to five years £'000	More than five years £'000
<i>Debt</i>					
Bank loan payable at variable rate	144,000	—	—	144,000	—
Debt fixed by interest rate derivatives	140,000	—	—	140,000	—
Total	284,000	—	—	284,000	—

Notes to the Financial Statements (continued)

Year ended 31 March 2008

17 FINANCIAL INSTRUMENTS (continued)

H. Financial maturity analysis (continued)

2007 Maturity

	Total £'000	Less than one year £'000	One to two years £'000	Two to five years £'000	More than five years £'000
<i>Debt</i>					
Bank loan payable at variable rate	170,000	–	170,000	–	–
Debt fixed by interest rate derivatives	20,000	–	20,000	–	–
Total	190,000	–	190,000	–	–

The interest rate collar referred to in note 17c was paying on the variable rate at 31 March 2008 and 31 March 2007

The Group's sensitivity to interest rates has decreased during the current period mainly due to the reduction in variable rate debt instruments and the increase in interest rate swaps

I. Fair values of financial instruments

The fair values of the Group's cash and short term deposits and those of other financial assets equate to their book values. Details of the Group's receivables at amortised cost are set out in note 16. The amounts are presented net of provisions for doubtful receivables and allowances for impairment are made where appropriate. Trade and other payables, including bank borrowings, are carried at amortised cost. Finance lease liabilities are included at the fair value of their minimum lease payments. Derivatives are carried at fair value.

J. Maturity analysis of financial liabilities

The contractual maturities are as follows

	Trade and other payables £'000	Interest rate swaps £'000	Borrowings and interest £'000	Finance leases £'000	Total £'000
2008					
From five to twenty years	15	–	–	29,116	29,131
From two to five years	2,645	1,306	284,193	6,007	294,151
From one to two years	1,227	1,146	17,608	2,002	21,983
Due after more than one year	3,887	2,452	301,801	37,125	345,265
Due within one year	12,207	(93)	17,608	2,002	31,724
Total	16,094	2,359	319,409	39,127	376,989
2007					
From five to twenty years	156	–	–	35,796	35,952
From two to five years	3,732	–	–	7,101	10,833
From one to two years	1,228	–	191,115	2,367	194,710
Due after more than one year	5,116	–	191,115	45,264	241,495
Due within one year	10,424	–	11,970	2,357	24,751
Total	15,540	–	203,085	47,621	266,246

Notes to the Financial Statements (continued)

Year ended 31 March 2008

17 FINANCIAL INSTRUMENTS (continued)

K. Reconciliation of maturity analyses

The maturity analysis in note 17J shows contractual non discounted cash flows for all financial liabilities including interest payments. The table below reconciles the borrowings column in note 18 with the maturity analysis presented in note 17J

	Borrowings £'000	Interest £'000	Unamortised borrowing costs £'000	Borrowings and interest £'000
2008				
From two to five years	282,897	193	1,103	284,193
From one to two years	–	17,608	–	17,608
Due after more than one year	282,897	17,801	1,103	301,801
Due within one year	–	17,608	–	17,608
Total	282,897	35,409	1,103	319,409
2007				
From two to five years	–	–	–	–
From one to two years	189,225	1,115	775	191,115
Due after more than one year	189,225	1,115	775	191,115
Due within one year	–	11,970	–	11,970
Total	189,225	13,085	775	203,085

18. BANK BORROWINGS

	31 March 2008 £'000	31 March 2007 £'000
Secured borrowings at amortised cost		
Bank borrowings	284,000	190,000
Unamortised loan arrangement costs	(1,103)	(775)
	282,897	189,225

The bank borrowings relates to a syndicated senior debt facility, which is secured on a first charge of 33 of the Group's properties and are subject to certain covenants. The loan carries interest rate at 0.8% above LIBOR.

The weighted average interest rate paid on the bank borrowings during the year was 6.3% (2007: 5.7%).

The Group has £41,000,000 in undrawn committed borrowing facilities at 31 March 2008 which expire between two and three years (2007: £35,000,000 expiring between one and two years).

Interest rate profile of financial liabilities

	Total £'000	Floating rate £'000	Fixed rate £'000	Weighted average interest rate	Period for which the rate is fixed	Weighted average period until maturity
At 31 March 2008						
Gross financial liabilities	284,000	144,000	140,000	6.2%	4.5 years	3.2 years
At 31 March 2007						
Gross financial liabilities	190,000	170,000	20,000	6.3%	4.1 years	2.0 years

The floating rate at 31 March 2008 was 0.8% above one month LIBOR. All monetary liabilities, including short term receivables and payables are denominated in sterling.

Notes to the Financial Statements (continued)

Year ended 31 March 2008

18. BANK BORROWINGS (CONTINUED)

The Director's estimate the fair value of the Group's borrowings and VAT payable under capital goods scheme as follows

	2008		2007	
	Carrying amount £'000	Estimated fair value £'000	Carrying amount £'000	Estimated fair value £'000
Bank borrowings	284,000	286,870	190,000	189,488
VAT payable under capital goods scheme	5,117	4,331	7,673	6,680

The fair values have been calculated by discounting expected cash flows at interest rates prevailing at the year end

Narrative disclosures on the Group's policy for financial instruments are included within the Business Review and note 17

19 DEFERRED TAX

The movement and major deferred tax items are set out below

	Revaluation of investment properties £'000	Accelerated capital allowances £'000	Deduction for share options £'000	Other £'000	Total £'000
At 31 March 2006	72,059	3,674	(4,547)	(606)	70,580
Recognised in income	22,908	127	—	439	23,474
Release of deferred tax provision	(94,967)	(3,801)	—	167	(98,601)
Recognised in equity	—	—	3,897	—	3,897
At 31 March 2007	—	—	(650)	—	(650)
Recognised in income	—	—	—	(1,091)	(1,091)
Recognised in equity	—	—	206	—	206
At 31 March 2008	—	—	(444)	(1,091)	(1,535)

Other deferred tax relates to an asset in relation to the fair value of derivatives of £804,000 (2007: £nil) and losses carried forward within the residual business of £287,000 (2007: £nil)

Temporary differences arising in connection with interests in associate are insignificant

20 OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value minimum of lease payments	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Amounts payable under finance leases				
Within one year	2,002	2,357	1,958	2,306
Within two to five years inclusive	8,009	9,468	6,753	8,025
Greater than five years	29,116	35,796	13,583	16,707
	39,127	47,621	22,274	27,038
Less: Future finance charges	(16,853)	(20,583)		
Present value of lease obligations	22,274	27,038		

All lease obligations are denominated in sterling

The fair value of the Group's lease obligations approximates their carrying amount

Notes to the Financial Statements (continued)

Year ended 31 March 2008

21 SHARE CAPITAL

	Authorised		Called up, allotted and fully paid	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Ordinary shares at 10 pence each	20,000	20,000	11,551	11,456
				No
Movement in issued share capital				
Number of shares at 1 April 2006			102,752,607	
Exercise of share options – Share option scheme			2,706,927	
Issue of shares			9,100,000	
Number of shares at 31 March 2007			114,559,534	
Exercise of share options – Share option scheme			954,585	
Number of shares at 31 March 2008			115,514,119	

The Company has one class of ordinary shares which carry no right to fixed income

At 31 March 2008 options in issue to Directors and employees were as follows

Date option granted	Option price per ordinary share	Date first exercisable	Date on which the exercise period expires	Number of ordinary shares
5 May 2000	100p	5 May 2003	4 May 2010	278,400
30 November 2000	137 5p	30 November 2003	29 November 2010	2,500
1 June 2001	125 5p	1 June 2004	31 May 2011	165,000
4 June 2001	131 5p	4 June 2004	4 June 2011	521,000
8 November 2001	98p	8 November 2004	7 November 2011	125,492
15 May 2002	102p	15 May 2005	14 May 2012	511,789
16 December 2002	81 5p	16 December 2005	15 December 2012	356,381
2 July 2003	82 5p	2 July 2006	1 July 2013	110,512
11 November 2003	96p	11 November 2006	10 November 2013	20,000
27 September 2004	nil p**	27 September 2007	26 September 2014	138,000
6 June 2005	nil p**	6 June 2008	5 June 2015	443,332
21 July 2005	156p*	21 July 2008	20 January 2009	16,326
21 December 2005	225p*	21 December 2008	20 June 2009	12,796
9 June 2006	nil p**	9 June 2009	8 June 2016	470,832
18 August 2006	347p*	18 August 2009	17 February 2010	6,191
12 March 2007	554p*	12 March 2010	11 September 2011	317
13 July 2007	nil p**	13 July 2010	13 July 2017	507,750
30 August 2007	409p*	30 August 2010	28 February 2011	7,066
6 March 2008	310p*	6 March 2011	5 September 2011	115,224
				3,808,908

SAYE (see note 23)

LTIP (see note 23)

Own Shares

	£'000
Balance at 1 April 2007	812
Purchase of shares	1,084
Balance at 31 March 2008	1,896

The own shares reserve represents the cost of shares in Big Yellow Group PLC purchased in the market and held by the Big Yellow Group PLC Employee Benefit Trust to satisfy options under the Group's share options schemes. 715,000 shares are held in the Employee Benefit Trust (2007: 615,000) and 100,000 are held in Treasury (2007: nil).

Notes to the Financial Statements (continued)

Year ended 31 March 2008

22. MOVEMENTS IN EQUITY

Group	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Own shares £'000	Total £'000
At 31 March 2006	10,275	3,668	1,653	229,535	(812)	244,319
Profit for the financial year	–	–	–	213,228	–	213,228
Taxation	–	–	–	(1,230)	–	(1,230)
Dividends	–	–	–	(7,051)	–	(7,051)
Issue of shares	1,181	37,196	–	–	–	38,377
Share options	–	–	–	336	–	336
At 31 March 2007	11,456	40,864	1,653	434,818	(812)	487,979
Profit for the financial year	–	–	–	102,607	–	102,607
Taxation	–	–	–	96	–	96
Dividends	–	–	–	(10,860)	–	(10,860)
Purchase of own shares	–	–	–	–	(1,084)	(1,084)
Issue of shares	95	781	–	–	–	876
Share options	–	–	–	491	–	491
At 31 March 2008	11,551	41,645	1,653	527,152	(1,896)	580,105

The capital redemption reserve arose on the buy back of the Company's shares in the years ended 31 March 2003 and 31 March 2004

The own shares balance is amounts held by the Employee Benefit Trust and in Treasury (see note 21)

23 SHARE BASED PAYMENTS

The Company has three equity share based payment arrangements, namely approved and unapproved share option schemes, an LTIP scheme, and an Employee Share Save Scheme ("SAYE"). The Group recognised a total expense in the year related to equity settled share based payment transactions since 7 November 2002 of £491,000 (2007: £336,000)

Equity-settled share option plans

The Group granted options to employees under Approved and Unapproved Inland Revenue Share option schemes between 16 November 1999 and 11 November 2003. The Group's schemes provided for a grant price equal to the average quoted market price of the Group shares on the date of grant. The vesting period is three to ten years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest.

Since 3 September 2004 the Group has operated an Employee Share Save Scheme ("SAYE") which allows any employee who has more than six months service to purchase shares at a 20% discount to the average quoted market price of the Group shares at the date of grant. The associated savings contracts are 3 years at which point the employee can exercise their option to purchase the shares or take the amount saved, including interest, in cash. The scheme is administered by Yorkshire Building Society.

On 27 September 2004, 6 June 2005, 9 June 2006 and 13 July 2007 the Group awarded nil paid options to senior management under the Group's Long Term Incentive Plan ("LTIP"). The awards are conditional on the achievement of challenging performance targets as described on page 35 of the remuneration report. The awards granted on 27 September 2004 vested in full.

Notes to the Financial Statements (continued)

Year ended 31 March 2008

23. SHARE BASED PAYMENTS (continued)

Share option scheme "ESO"	2008 No. of Options	2008 Weighted average exercise price (in £)	2007 No. of Options	2007 Weighted average exercise price (in £)
Outstanding at beginning of year	2,880,867	1 02	5,592,936	1 00
Granted during the year	-	-	-	-
Forfeited during the year	-	-	(14,861)	0 87
Exercised during the year	(789,792)	0 88	(2,697,208)	0 98
Outstanding at the end of the year	2,091,075	1 06	2,880,867	1 02
Exercisable at the end of the year	2,091,075	1 06	2,880,867	1 02

Options outstanding at 31 March 2008 had a weighted average contractual life of 3.7 (2007: 4.7) years

LTIP scheme	2008 No. of Options	2007 No. of Options
Outstanding at beginning of year	1,052,164	591,054
Granted during the year	507,750	470,832
Forfeited during the year	-	-
Exercised during the year	-	(9,722)
Outstanding at the end of the year	1,559,914	1,052,164
Exercisable at the end of the year	138,000	-

Options outstanding at 31 March 2008 had a weighted average contractual life of 8.1 years (2007: 8.5 years)

Employee Share Save Scheme ("SAYE")	2008 No. of Options	2008 Weighted average exercise price (in £)	2007 No. of Options	2007 Weighted average exercise price (in £)
Outstanding at beginning of year	234,858	1 65	206,237	1 24
Granted during the year	187,976	3 31	40,943	4 29
Forfeited during the year	(100,122)	4 16	(11,072)	1 31
Exercised during the year	(164,793)	1 13	(1,250)	1 07
Outstanding at the end of the year	157,919	2 94	234,858	1 65
Exercisable at the end of the year	-	-	-	-

Options outstanding at 31 March 2008 had a weighted average contractual life of 2.9 years (2007: 1.3 years)

The inputs into the Black Scholes model are as follows:

	ESO	LTIP	SAYE
Expected volatility	24%	26%	28%
Expected life	3 years	3 years	3 years
Risk-free rate	4.7%	4.8%	4.9%
Expected dividends	3.2%	3.7%	3.7%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the year prior to grant

Notes to the Financial Statements (continued)

Year ended 31 March 2008

24. CAPITAL COMMITMENTS

Amounts contracted but not provided in respect of the Group's properties as at 31 March 2008 were £20.7 million (2007: £17.2 million)

25. EVENTS AFTER THE BALANCE SHEET DATE

There are no reportable events after the balance sheet date

26. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note

Transactions with Big Yellow Limited Partnership

As described in note 13, the Group has a 33% interest in Big Yellow Limited Partnership, and entered into transactions with the Partnership during the year on normal commercial terms

During the year, the Group sold property with a book value of £19.8 million to Big Yellow Limited Partnership, a related party of the Group, for a total profit of £0.5m. The Group earned fees from Big Yellow Limited Partnership of £138,000. At 31 March 2008, the Group owed £77,000 to Big Yellow Limited Partnership.

No other related party transactions took place during the years ended 31 March 2008 and 31 March 2007

The remuneration of the Executive Directors, who are the key management personnel of the Group, is set out below in aggregate. Further information on the remuneration of individual Directors is found in the audited part of the Directors' Remuneration Report on pages 37 to 39.

	31 March 2008 £'000	31 March 2007 £'000
Short term employee benefits	837	820
Post employment benefits	70	66
Share based payments	1,249	8,684
	2,156	9,570

Independent Auditors' Report to the Members of Big Yellow Group PLC

We have audited the parent Company financial statements of Big Yellow Group PLC for the year ended 31 March 2008 which comprise the Company Balance Sheet, the Company Cash Flow Statement and the related notes A to H. These parent Company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Big Yellow Group PLC for the year ended 31 March 2008 and on the information in the Directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the parent Company financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent Company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent Company financial statements give a true and fair view and whether the parent Company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the parent Company financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review and Financial Review that is cross referred from the Review of Business section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited parent Company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent Company financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

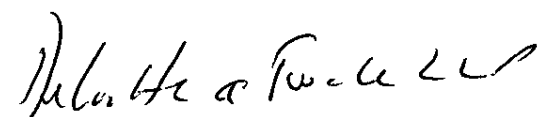
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent Company financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the parent Company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent Company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent Company financial statements.

Opinion

In our opinion:

- > the parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 31 March 2008,
- > the parent Company financial statements have been properly prepared in accordance with the Companies Act 1985, and
- > the information given in the Directors' Report is consistent with the parent Company financial statements.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

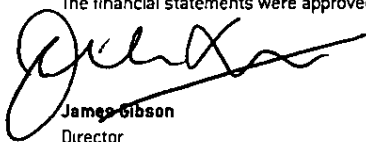
16 May 2008

Company Balance Sheet

31 March 2008

	Note	2008 £'000	2007 £'000 (restated)
Non-current assets			
Plant, equipment and owner-occupied property	C	1,631	2,215
Investment in subsidiary companies	C	2,857	2,366
		4,488	4,581
Current assets			
Trade and other receivables	D	365,504	285,559
Cash and cash equivalents		1,633	695
Derivative financial instruments	F	-	512
		367,137	286,766
Total assets		371,625	291,347
Current liabilities			
Trade and other payables	E	(1,692)	(5,869)
Derivative financial instruments	F	(2,870)	-
		(4,562)	(5,869)
Non-current liabilities			
Bank borrowings	F	(282,897)	(189,225)
Total liabilities		(287,459)	(195,094)
Net assets		84,166	96,253
Equity			
Called up share capital	G	11,551	11,456
Share premium account	G	41,645	40,864
Reserves	G	30,970	43,933
Equity shareholders' funds		84,166	96,253

The financial statements were approved by the Board of Directors and authorised for issue on 16 May 2008. They were signed on its behalf by


James Gibson
Director


John Trotman
Director

Company Cash Flow Statement

Year ended 31 March 2008

	2008 £'000	2007 £'000
Operating loss	(700)	(1,508)
Depreciation	39	211
Increase in receivables	(54,436)	(81,228)
(Decrease) / increase in payables	(77)	1,147
Cash generated from operations	(55,174)	(81,378)
Interest paid	(15,063)	(11,877)
Interest received	240	601
Taxation	(11,997)	–
Cash flows from operating activities	(81,994)	(92,654)
Investing activities		
Purchase of non-current assets	–	(305)
Cash flows from investing activities	–	(305)
Financing activities		
Issue of share capital	876	38,377
Purchase of own shares	(1,084)	–
Equity dividends paid	(10,860)	(7,051)
Increase in borrowings	94,000	50,000
Cash flows from financing activities	82,932	81,326
Net increase / (decrease) in cash and cash equivalents	938	(11,633)
Opening cash and cash equivalents	695	12,328
Closing cash and cash equivalents	1,633	695

Statement of Recognised Income and Expense

Year ended 31 March 2008

	2008 £'000	2007 £'000
(Loss) / profit for the year	(1,510)	1,903
Total recognised income and expense for the period attributable to equity shareholders	(1,510)	1,903

Notes to the Company Accounts

A. LOSS FOR THE YEAR

As permitted by section 230 of the Companies Act 1985, the income statement of the Company is not presented as part of these financial statements. The loss for the year attributable to equity shareholders dealt with in the financial statements of the Company was £1,510,000 (2007 profit of £1,903,000). The loss for the year arose due to the revaluation of interest rate derivatives (see Note 17C). The Company had no employees during the current or prior year.

B. ACCOUNTING POLICIES

Basis of accounting

The Big Yellow Group PLC Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation and with those parts of the Companies Act 1985 that are applicable to companies reporting under IFRS.

The Company has applied all accounting standards and interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretation Committee relevant to its operations and effective for accounting periods beginning on or after 1 April 2006. IFRS 8 Operating Segments was in issue at the date of authorisation of the financial statements but not yet effective. IFRS 8 affects only disclosures and therefore has no material impact of the financial statements of the Company.

The financial statements have been prepared on the historic cost basis except that investment properties and derivative financial instruments are stated at fair value.

The Company's principal accounting policies are the same as those applied in the Group financial statements. See note 22 of the Group financial statements for details of share based payments affecting the Company.

Adoption of IFRIC 11, IFRS 2 Group and Treasury Share Transactions

The Company makes equity settled share based payments to certain employees of certain subsidiary undertakings. Equity settled share based payments that are made to the employees of the Company's subsidiaries are treated as increases in equity over the vesting period of the award, with a corresponding increase in the Company's investments in subsidiaries, based on an estimate of the number of shares that will eventually vest.

C. NON CURRENT ASSETS

Investments in subsidiary companies

	Investment in subsidiary undertakings £'000
Cost	
At 31 March 2007	2,030
Prior year adjustment – capital contributions	336
At 31 March 2007 – restated	2,366
Movement in year due to capital contributions	491
At 31 March 2008	2,857

The prior year adjustment relates to the adoption of IFRIC 11, IFRS 2 Group and Treasury Share Transactions. The effect of the adjustment is to increase prior year investments in subsidiary undertakings by £336,000 and retained earnings by £336,000. The current year effect of the adjustment is to increase both captions by £491,000.

Notes to the Company Accounts (continued)

C NON CURRENT ASSETS (continued)

Details of the Company's principal subsidiary and associated companies at 31 March 2008 are as follows

Name of subsidiary	Place of incorporation ownership (or registration) and operation	Proportion of voting interest %	Proportion of for power held %	Principal activity
Big Yellow Self Storage Company Limited	UK	100	100	Self storage
Big Yellow Self Storage Company 6 Limited	UK	100	100	Self storage
Big Yellow Self Storage Company 7 Limited	UK	100	100	Self storage
Big Yellow Self Storage Company 8 Limited	UK	100	100	Self storage
BYSSCo Limited	UK	100	100	Self storage
BYRCo Limited	UK	100	100	Property management
Big Yellow Construction Company Limited	UK	100	100	Construction
Big Yellow Self Storage (GP) Limited	UK	51	51	General Partner
Big Yellow Limited Partnership	UK	33	33	Self storage

Plant, equipment and owner occupied property

	Freehold Property £'000	Leasehold improvements £'000	Plant and machinery £'000	Fixtures, fittings & office equipment £'000	Total £'000
Cost					
At 31 March 2007	1 796	17	54	1,353	3,220
Transfer to other Group Companies	(76)	–	(54)	(1 353)	(1 483)
At 31 March 2008	1,720	17	–	–	1,737
Accumulated Depreciation					
At 31 March 2007	(50)	(17)	(8)	(930)	(1 005)
Charge for the year	(39)	–	–	–	(39)
Transfer to other Group Companies	–	–	8	930	938
At 31 March 2008	(89)	(17)	–	–	(106)
Net book value					
At 31 March 2008	1,631	–	–	–	1,631
At 31 March 2007	1,746	–	46	423	2,215

D TRADE AND OTHER RECEIVABLES

	31 March 2008 £'000	31 March 2007 £'000
Amounts owed by Group undertakings	364,520	284,914
Other receivables	–	4
Prepayments and accrued income	180	641
Deferred tax asset	804	–
	365,504	285,559

Notes to the Company Accounts (continued)

E TRADE AND OTHER PAYABLES

	31 March 2008 £'000	31 March 2007 £'000
Current		
Trade payables	-	5,283
Other payables	20	-
Accruals and deferred income	1,672	586
	1,692	5,869

F BANK BORROWINGS AND FINANCIAL INSTRUMENTS

Interest rate swaps

The Company has the following interest rate swaps in place (rate shown excludes margin)

- > £10 million vanilla swap fixed at 5.11%, expiring in January 2010
- > £50 million expiring in 2010. This is subject to a structured collar which links to the variable rate, providing LIBOR is between 3.95% and 5.68%. The rate payable is capped if LIBOR is outside that range.
- > £80 million fixed at 5.24% until September 2012. These swaps are callable quarterly by the bank.
- > £50 million vanilla swap fixed at 5.4% until December 2012.

The floating rate at 31 March 2008 on the Group's variable debt was 0.8% above three month LIBOR.

The Group's policy on risk management is set out in the Business Review on page 7.

	31 March 2008 £'000	31 March 2007 £'000
Bank borrowings	284,000	190,000
Unamortised loan arrangement costs	(1,103)	(775)
	282,897	189,225

The bank loans are secured on 33 of the Group's properties.

Maturity profile of financial liabilities

	2008 Financial liabilities £'000	2007 Financial liabilities £'000
Within one year or on demand	-	-
Between one and two years	-	190,000
Between two and five years	284,000	-
Gross financial liabilities	284,000	190,000

The fair value of interest rate derivatives at 31 March 2008 was a liability of £2,870,000 [2007 asset of £512,000]. See note 17 in the Group accounts for detail of the interest rate profile of financial liabilities.

Notes to the Company Accounts (continued)

G RESERVES

Company	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Own shares £'000	Total £'000
Balance at 31 March 2007	11,456	40,864	1,653	42,756	(812)	95,917
Restatement (see note C)	–	–	–	336	–	336
Balance at 31 March 2007 – restated	11,456	40,864	1,653	43,092	(812)	96,253
Loss for the financial year	–	–	–	(1,510)	–	(1,510)
Dividends	–	–	–	(10,860)	–	(10,860)
Purchase of own shares	–	–	–	–	(1,084)	(1,084)
Share options	–	–	–	491	–	491
Issue of shares	95	781	–	–	–	876
Balance at 31 March 2008	11,551	41,645	1,653	31,213	(1,896)	84,166

The Company's share capital is disclosed in note 21 to the consolidated financial statements

The own shares balance is amounts held by the Employee Benefit Trust and in Treasury [see note 21 of the Group financial statements]

H. FINANCIAL INSTRUMENTS

The disclosure relating to the Company's financial instruments are disclosed in note 17 to the Group financial statements. These disclosures are relevant to the Company's bank borrowings and derivative financial instruments. In addition, the Company has other payables of £20,000 in the current year, which are held at amortised cost in the financial statements

Five Year Summary

	2008 £'000	2007 £'000	IFRS 2006 £'000	2005 £'000	UK GAAP 2004 £'000
Results					
Revenue	56,870	51,248	41,889	33,375	23,830
Operating profit before gains and losses on property assets	29,342	27,067	21,645	15,030	4,719
Profit before taxation	101,837	152,837	118,547	42,836	1,243
Adjusted profit before taxation	13,315	14,233	12,601	7,791	N/A
Declared total dividend per share	9 5p	9 0p	5 0p	2 0p	1 05p
Key statistics					
Number of stores open*	48	43	37	32	29
Square footage occupied*	1,850,000	1,835,000	1 672 000	1,470,000	1 268,000
Number of customers*	30,500	30,100	27,800	24,600	20,400
Average number of employees during the year	218	191	178	160	140

* Includes stores trading in Big Yellow Limited Partnership

The amounts disclosed for 2004 are stated on the basis of UK GAAP because it is not practicable to restate amounts for the period prior to the date of transition to IFRS

Some people might not think they need storage.

But everyone wants space.

Some people think of self storage as large, damp, cold buildings in the middle of nowhere. They have no idea of the clean, secure, welcoming customer experience that Big Yellow offers.

They think that self storage is only needed by businesses. Yes, we do provide a solution for businesses, both big and small. But self storage can also be invaluable to the general public, for all kinds of different reasons, throughout their lives.

The paper in this report is produced with 100% ECF (Elemental Chlorine Free) ecological pulp which is fully recyclable biodegradable, pH Neutral, heavy metal absence and acid free. It is manufactured within a mill which complies with the international environmental ISO 14001 standard.

This has been printed using an alcohol free process and the printing inks are made from vegetable oil and are non hazardous from renewable sources. Over 90% of solvents and developers are recycled for further use and recycling initiatives are in place for all other waste associated with this production. The printers are FSC and ISO 14001 certified with strict procedures in place to safeguard the environment through all our processes. They have also registered and had audits done by the Carbon Trust to reduce their Carbon Footprint.

Designed and produced by **MAGEE**
www.magee.co.uk

Printed by CTD

Big Yellow Group PLC

2 The Deans, Bridge Road,
Bagshot, Surrey GU19 5AT

Tel 01276 470190
Fax 01276 470191
e-mail info@bigyellow.co.uk

to be continued...

bigyellow.co.uk

