

**Big Yellow Group PLC**  
Annual Report & Accounts 2012



**Get some space in your life.™**

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# Welcome

**We are the strongest and most innovative brand in UK self storage, providing home and business storage in the best locations.**

Our modern stores provide unrivalled security and convenience and our staff ensure our customers receive the best possible service.

We encourage a culture of partnership in the business rewarding our people for their contribution.

**“** We have delivered a strong performance in 2012, **another year of revenue, cash flow, earnings and dividend growth.**”

# Why **Big Yellow?**

Our robust  
**BUSINESS  
MODEL**

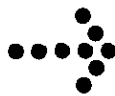
Our  
**SECURITY**

Our  
**LOCATIONS**

Our  
**SERVICE**

Our  
**INNOVATION**

and our unwavering focus on customer service



Over the following pages  
we outline the core qualities  
of our business.

**We invite you to take a  
closer look and learn  
exactly why we are  
recognised as the  
innovative leaders in the  
UK self storage industry.**

**Awareness and demand for self storage in the UK is growing year on year.** Our focus on London and key metropolitan areas means we are best placed to capitalise on this growth from domestic and business customers

- **High barriers to entry**
- **Strong cash flow**
- **Growing demand** and awareness
- **Low obsolescence** and low ongoing maintenance capex
- **Very low bad debt** record (2012: 0.06% of revenue)
- **19 months** average length of stay for existing customers
- **Diversified** tenant risk
- **High operating margins**
- **London and south east** represents 89% of revenue
- **Freehold** portfolio
- **Growing earnings each year** (12% annual compound growth over the last 5 years)

Our robust

# **BUSINESS MODEL**

**We provide the highest levels of security in the self storage industry in the UK.** We have invested significantly to ensure our customers have peace of mind.

**We are the only major UK operator where every room is individually alarmed. Secure perimeter fencing, electronic coded gates, intruder alarms and PIN code entry restricts access to the storage areas for our customers only.**

Our digital CCTV systems are externally monitored 24 hours a day, providing an additional level of security especially for customers with extended hours access.

The importance of security and the need for vigilance is communicated to all store staff and reinforced through regular training.

"I have been really impressed with the service provided at Big Yellow, and the storage facilities. I was particularly impressed with the security on site.

**I feel confident in leaving my belongings in their care."**

Kathryn customer at  
Big Yellow Bristol Central

The best stores  
offering the best

# SECURITY

**Whatever the storage requirement, we will find the best solution with unrivalled customer service.** Our friendly and helpful staff are one of the main reasons why customers choose Big Yellow

6,400 online reviews, with an average customer service score of 4.7 out of 5, are testament to this.

**Our staff are our most important asset. Our recruiting and training programmes help us maintain and develop the right calibre of people to ensure success.**

We recognise the importance of regular communication and consultation with all staff and encourage a culture of partnership within the business, through bonus and incentive schemes.

In 2012, Big Yellow was named as one of The Sunday Times Best 100 Companies to work for.

"For a first time using a storage facility, this was a fantastic experience. It was really easy to set-up, and I liked the online check-in to save time. It was fantastic customer service from front-of-house staff which is a true rarity these days. **I would recommend it to others.**"

Thomas customer at  
Big Yellow Kennington

The best product  
with unrivalled customer

**SERVICE**

**At Big Yellow, we are always looking for innovative ways to improve the customer experience** and make the business more environmentally sustainable

**We continually analyse and improve the web journey for online visitors and launched a mobile website in 2011. This development ensures the rapidly growing number of mobile web users have a better online experience of Big Yellow.**

The use of video store tours on the website has helped to show our web visitors what they can expect from a Big Yellow store, without leaving home. Additionally, our customers like our online check-in which speeds up their move in process.

Innovative building design is part of our commitment to a more sustainable business. We look to incorporate the latest technologies such as energy efficient lighting and solar panels to reduce our carbon foot print and produce our own renewable energy.

"Online quotes and check-in, as well as the website tips and advice, **helped streamline the whole process.**"

Kim, customer at  
Big Yellow Liverpool

Customer focussed  
with an eye on pioneering

# INNOVATION

**With 66 easy to find, high profile locations around the UK,**  
we have an unrivalled portfolio of stores across London, the South East and large metropolitan cities.

**Our customers like our modern,  
highly visible, purpose built stores  
which are situated in safe and easily  
accessible locations.**

Since last year end we have opened four new stores in Eltham, Stockport, New Cross and Chiswick, situated next to the M4 flyover leading into London. These great locations also contribute to our growing awareness for our service and brand.

"Very helpful staff who were happy to look at our requirements in terms of accessibility, price and offer advice on what we needed.

**We would not hesitate to recommend to others. Great locations, clean and well lit."**

Joseph customer at Big Yellow Leeds

A portfolio of convenient

# LOCATIONS

“66 easy to find, high profile locations provide convenience **for customers and unmissable exposure for the Big Yellow brand.**”

◊ **Outside London**  
– 32 stores and sites

◊ **London**  
– 38 stores and sites

# Delivering **RESULTS**

**Continued growth** in occupancy, revenue, cash flow, adjusted earnings and dividend.

## **Financial Highlights**

- Occupancy growth of 328,000 sq ft across all stores (2011 growth of 215,000 sq ft)
- The 51 wholly owned stores open at 1 April 2011 have grown in occupancy from 59.3% to 64.9% at 31 March 2012
- ↳ Store revenue for the year up 8% to £643 million (2011 £596 million)
- ↳ Store revenue for the fourth quarter increased by 10% to £16.1 million from £14.6 million for the same quarter last year
- ↳ Store revenue for the second half of the year of £324 million up 9% compared to the second half of the prior year of £297 million
- Revenue of £657 million, an increase of £38 million (6%) compared to £619 million for the prior year
- ↳ Store REVPAF<sup>1</sup> up 5% to £19.43 (2011 £18.47)
- ↳ Store EBITDA up 10% to £408 million (2011 £371 million)
- ↳ Adjusted profit before tax<sup>2</sup> of £236 million up 17% (2011 £202 million)
- Adjusted EPRA earnings per share<sup>3</sup> up 18% to 18.22 pence (2011 15.49 pence)
- ↳ Cash flows from operating activities (post interest) increased by 17% to £27.4 million (2011 £23.5 million)
- ↳ Group net debt increased by £7.9 million to £273.9 million (31 March 2011 £266.0 million)
- Final dividend of 5.5 pence per share declared (2011 5 pence per share), full year dividend of 10 pence per share (2011 9 pence per share)
- ↳ New £100 million 15 year loan facility secured with Aviva Commercial Finance Limited
- ↳ In August 2011, we acquired 1.4 million shares in the Company at an average price of 260p. These are currently being held in treasury

**There has been a £51.4 million (6%) fall in the valuation of our store portfolio compared to 31 March 2011, principally caused by the impact of the proposed introduction of VAT on self storage from 1 October 2012. The following results reflect this valuation fall**

- Loss before tax for the year of £35.6 million (2011 profit of £6.9 million)
- ↳ Basic loss per share of 27.68 pence (2011 earnings per share of 5.34 pence)
- ↳ Adjusted net assets per share<sup>4</sup> down 4.6% to 429.2 pence (31 March 2011 449.8 pence)

<sup>1</sup> See Portfolio Summary   <sup>2</sup> See note 10   <sup>3</sup> See note 12   <sup>4</sup> See notes 12 and 14

**“ The Group's occupancy, revenue and cash flow growth measures well against the weak macroeconomic background.”**

› Occupancy growth of 328,000 sq ft across all stores (2011: growth of 215,000 sq ft)

328,000 sq ft

› Store revenue for the year up 8% to £64.3 million (2011: £59.6 million)

£64.3m

› Adjusted profit before tax of £23.6 million up 17% (2011: £20.2 million)

£23.6m

› Diluted EPRA earnings per share up 18% to 18.22 pence (2011: 15.49 pence)

+18%

→ Full year dividend of 10 pence per share declared (2011: 9 pence per share)

10p

→ Cash inflows from operating activities increased by 17% to £27.4 million (2011: £23.5 million)

£27.4m

# Revenue and Earnings GROWTH

Over the last five years the Group has reported a 12% compound annual adjusted eps growth.

## Chairman's Statement

Big Yellow Group PLC ("Big Yellow", "the Group" or "the Company"), the UK's leading self storage brand, is pleased to announce results for the fourth quarter and the year ended 31 March 2012

The Group's occupancy, revenue and cash flow growth measures well against the weak macroeconomic background. Occupancy across all of our 65 stores increased by 328,000 sq ft during the financial year, compared to an increase of 215,000 sq ft across 62 stores in the prior year. The occupancy of the 51 wholly owned stores that were open at 31 March 2011 has grown to 64.9% from 59.3% at the same time last year.

The average net rent per sq ft achieved during the year, after all discounts and promotional offers, was in line with the prior year at £26.81. Since the year end the Group's net rent has grown by 1.5%.

The Big Yellow Self Storage business model has proved to be relatively resilient during the downturn, in line with the experience in the more established US self storage market. Over the last five years the Group has reported a 12% compound annual adjusted eps growth. The free cash flow pre capital expenditure reported in the current year of £27.4 million is almost double that reported in the year to 31 March 2008 of £14.4 million, an annual compound increase of 17%. This performance is a reflection of the growing awareness of, and demand for, self storage at a time when new openings have slowed to a trickle. We are also seeing the benefits of our leading brand, strong online market share and our focus on London and the South East and other large metropolitan cities.

### Financial results

Revenue for the year was £65.7 million (2011: £61.9 million), an increase of 6%, store revenue increased by 8% to £64.3 million (2011: £59.6 million). The lower % increase in total revenue reflects a fall in construction fees earned from Big Yellow Limited Partnership and a reduction in tenant income on sites where we have started development. EBITDA for the 53 wholly owned stores increased by £3.7 million (10%) to £40.8 million.

Store revenue for the fourth quarter increased by 10% to £16.1 million from £14.6 million for the same quarter last year. Store revenue in the second half of the year was £32.4 million, up 9% from £29.7 million for the second half of the year ended 31 March 2011.

Cash inflows from operating activities (after finance costs) increased by £3.9 million (17%) to £27.4 million for the year (2011: £23.5 million).

The Group made an adjusted profit before tax in the year of £23.6 million (2011: £20.2 million). This translated into an 18% increase in adjusted earnings per share to 18.22p (2011: 15.49p).

The Group made a statutory loss before tax for the year of £35.6 million, compared to a profit of £6.9 million last year. This reduction reflects the decrease in the valuation of the Group's open stores, partially offset by the improved adjusted profit. The Financial Review contains more detail on the operating assumptions underpinning the ten year cash flow which have led to a 6% valuation fall of the store portfolio from the same time last year, principally caused by the valuer's assessment of the impact of the proposed imposition of VAT on self storage from 1 October 2012.

The Group remains relatively conservatively geared with net bank debt of £273.9 million at 31 March 2012 (2011: £266.0 million). This represents approximately 35% (2011: 33%) of the Group's gross property assets totalling £778.3 million (2011: £809.7 million) and 49% (2011: 45%) of the adjusted net assets of £561.0 million (2011: £591.4 million).

The Group's income cover for the year expressed as the ratio of Group's adjusted EBITDA post administrative expenses to net interest payable was 3.1 times (2011: 2.8 times).

### Property

Our landmark store on the A4 in Chiswick, West London opened shortly after the year end. We have a pipeline of four wholly owned development sites, all bar our site in Central Manchester have planning consent.

The three development sites with planning consent at Enfield, Guildford Central and Gypsy Corner have an estimated cost to complete of £14.3 million excluding VAT. At this stage we have not committed to their construction, but we will keep this under review, particularly in light of the potential change to the Group's VAT status.

During the year we sold our surplus land at Blackheath to a social housing developer for £4.5 million. As we have previously reported, the Premier Inn hotel we are developing at Richmond is due for completion this summer with further consideration of £7.4 million to be received on the sale of the building. At 31 March 2012 there was a further £2.8 million of costs to complete the development. During the year we have exchanged contracts on the sale of the surplus one acre site adjacent to our new flagship Chiswick store for £4.75 million, with completion expected in July 2012.

At 31 March 2012, the Group owned approximately a further £76 million of land surplus to our requirements across three further sites. We aim to sell this remaining surplus land once we have maximised its value through planning.

We continue to monitor site acquisition opportunities, principally focussed on London.

“ The proposition for investors is therefore a defensive income flow, with long term earnings growth potential, **from a branded, London-centric, high margin, asset backed, internet dominant business with a conservative capital structure.**”

#### **VAT change**

The rental of self storage units is currently exempt from VAT as a licence to occupy land in the same way as the rental of commercial property. The March 2012 Budget included a proposed change of legislation which would require VAT to be applied to storage rent from 1 October 2012.

HMRC have invited consultation on this proposed change and we, with the help of our tax advisors are actively engaged in discussions with them. This is an industry wide issue, and affects around 70% of the total self storage market, including all of our major competitors.

Should the change come into force we would be able to recover VAT on our ongoing operating expenses, and would be entitled to a refund of previously irrecoverable VAT on capital expenditure under the Capital Goods Scheme, amounting to approximately £18 million across the Group and our Partnership with Pramerica. Our business customers would be largely unaffected by the proposed change as the majority are able to recover VAT. In addition, we would be passing on a minimum of half of the VAT to our domestic customers. We have a flexible yield management system and our licence agreement allows us to move customers' rents at 28 days' notice. Notice of the VAT change would be sent out to all customers at the beginning of September, and take effect from 1 October.

Self evidently, the precise impact will not be clear until after the event, but we anticipate that the combination of these factors will substantially mitigate the impact of the VAT change on the Group's cash flow in the second half of the year.

#### **Delivering growth**

73% of our current revenue derives from within the M25, for London and the South East, the proportion of current revenue rises to 89%. We would expect the proportion of revenue from London to increase over time as 74% of the current available vacant capacity in the wholly owned stores is in London, where the average net rent per sq ft is also higher.

We believe that the value creation opportunity in this business for shareholders in the medium term will be driven mainly from leasing up stores to drive revenue, the majority of which flows through to the bottom line given that our operating costs are already largely embedded. We have increased occupancy of the wholly owned stores that were open at 1 April 2011 from 59.3% to 64.9% in the year. Store revenue has increased by £4.7 million in the year and the Group's operating cash flow after finance costs has increased by £3.9 million.

#### **Share buy back**

During the year, we acquired 1.4 million shares in the Company at an average price of 260 pence. These shares are currently being held as treasury shares. This was a tactical, not strategic decision. We will keep this under review as we have the flexibility to either sell them back into the market in due course, use them for share based remuneration or cancel them.

#### **Dividend**

The Board is recommending the payment of a final dividend of 5.5 pence per share, taking the total dividend declared for the year to 10 pence per share (31 March 2011: 9 pence per share).

The cash dividend payment is over two times covered by our free cash flow.

#### **Financing strategy**

We were delighted to complete the ground breaking 15 year £100 million loan with Aviva in April 2012 at a fixed cost of 4.9%, which provides a stable core of long term financing for the Group from a new debt provider to the business. This is Aviva's first loan to a self storage company, reflecting their confidence in the Big Yellow business model. Importantly, it opens up a new source of medium and long term finance for the Group and is the first step in diversifying away from a reliance on the senior bank debt market.

We will now enter into discussions with our banking group, who continue to be supportive, and other potential insurance debt providers, with a view to refinancing the remaining £225 million bank debt facility in this calendar year. Once complete, this will inform the total blended interest rate on the drawn debt, which in turn will define the amount of debt the Board is confident carrying on the Balance Sheet. The Board's ambition is that the interest paid on the debt should be at least 4 times covered by pre interest cash flow within a 2 to 3 year period. To achieve this will require a reduction in the level of debt held on the balance sheet to between £245 million and £260 million, from the current net debt of £283 million.

Following the opening of our new Chiswick store, capital expenditure has largely stopped and therefore we can achieve that debt reduction by the retention of undistributed cash flow and the proceeds of the sale of surplus land. It is anticipated that the desired level of debt will be achieved by 2014-15.

Thereafter, subject to no material factors changing, the Board would intend to move to a higher dividend payout ratio. This ratio would be calculated by reference to maintaining 125% earnings cover to dividend payout.

## **Chairman's Statement** (continued)

The remainder of the cash flow will be retained in the business for future investment, including the possibility of a modest store expansion programme and/or further debt amortisation

### **Quality of earnings**

Given Big Yellow's status as a REIT, inevitably some third party commentary centres around the characteristics relevant to property companies. The Group however is profoundly different in that it is not a recycler of assets, but rather owns its property principally to give it operational advantage and to allow it to enjoy high operating margins

The Board and management's principal financial aims therefore centre around cash flow, earnings and dividend growth. As well as the quantum of those metrics the nature of the income is also important. We believe that self storage income is essentially evergreen income with highly defensive characteristics driven from buildings with very low obsolescence risk. Although its form of contract with its customers is in theory as short as a week, it does not need to rely on contract for its income security. At 31 March 2012 the average length of stay for existing customers was 19 months. For all customers, including those who have moved out of the business, the average length of stay has remained at 8.5 months. In our established store portfolio, 37% of our customers by occupied space have been storing with us for over three years, and a further 15% of customers in these stores have been in the business for between one and three years.

The location of its stores, brand, security and most importantly customer service together with the diversity of its 36,000 customers will serve better than any contract. It is for these reasons that self storage income is so highly prized in the US where the industry has enjoyed a near 50 year growth track record.

It is instructive that the Group has secured 15 year term financing recently, a testament to the resilience of our cash flows.

### **Our people**

The continued efforts and loyalty of the Big Yellow team, both at head office and in the stores, have delivered this performance and they remain pivotal to the achievement of our key medium term objectives of driving occupancy, revenue, and cash flow growth.

### **Board**

Jonathan Short has announced that he is stepping down as a Non Executive Director at the Group's next AGM. He joined the Company in 2000 and over the ensuing 12 years has been a source of excellent advice and sound judgement. I and the Board will miss his good humour and good counsel. I have no doubt however that we will remain in regular contact. He will be replaced by Richard Cotton, formerly at JP Morgan Cazenove, which he left in April 2009. Richard is currently a Managing Director of Forum Partners, a Non Executive Director of Hansteen Holdings plc, and has an unparalleled track record in advising publically quoted real estate orientated companies and I look forward to his presence on the Board.

### **Outlook**

Financial headlines continue to be dominated by ongoing difficulties in the Eurozone. The core issue however is the deleveraging by sovereigns, banks and individuals which will continue for some years to come. This will have a depressing effect on UK macroeconomic performance and may of course have an impact on the trading of Big Yellow. There is however nothing new in this as this is the environment we have operated in for approaching five years now.

From time to time and at moments of heightened economic fear, we can expect to see fluctuations in demand, but we have considerable confidence in the long term resilience of our income. The proposition for investors is therefore a defensive income flow, with long term earnings growth potential, from a branded, London centric, high margin, asset backed, internet dominant business with a conservative capital structure. UK economic activity as measured by GDP, although recovering from its low point in 2009, remains some 4% below its peak, whilst Big Yellow's cash flow has nearly doubled from that reported for the year ended 31 March 2008.

### **Nicholas Vetch**

Chairman  
21 May 2012

# Continued Growth in OCCUPANCY

Store revenue for the year grew by 8%, feeding through to a 17% improvement in recurring profit and a **17% increase in operating cash flow.**

## Business Review

We have seen another year of steady occupancy growth against a backdrop of muted economic growth. Store revenue for the year grew by 8%, feeding through to a 17% improvement in adjusted profit and a 17% increase in operating cash flow.

### Store performance

In all Big Yellow stores, the occupancy growth in the current year was 328,000 sq ft, against an increase of 215,000 sq ft in the prior year. This growth across the 53 wholly owned and 12 stores in the Partnership represents an average of 5,046 sq ft per store (2011 3,468 sq ft per store).

During the year we opened three stores, two wholly owned stores in New Cross and Eltham, both in South East London and a store in Stockport within Big Yellow Limited Partnership. Since the year end, we have opened a wholly owned flagship store in Chiswick, West London. These openings bring the number now trading in the Group and the Partnership to 66 stores.

### Store occupancy summary

|                                   | Occupancy<br>31 March<br>2012<br>000 sq ft | Occupancy<br>31 March<br>2011<br>000 sq ft | Occupancy<br>growth for<br>year to<br>31 March<br>2012<br>000 sq ft | Occupancy<br>growth for<br>year to<br>31 March<br>2011<br>000 sq ft |
|-----------------------------------|--|--|---|---|
| 32 established stores             | 1,442                                      | 1,381                                      | 61  | 31  |
| 21 lease-up stores                | 691  | 534  | 157   | 86  |
| 53 wholly<br>owned stores         | 2,133                                      | 1,915                                      | 218   | 117   |
| 12 Partnership<br>lease-up stores | 325  | 215  | 110   | 98  |
| <b>All 65 stores</b>              | <b>2,458</b>                               | <b>2,130</b>                               | <b>328</b>  | <b>215</b>  |

The 53 wholly owned stores had a net gain in occupancy of 218,000 sq ft, representing an average of 4,113 sq ft per store. This compares to an overall gain in the wholly owned stores of 117,000 sq ft in the year to 31 March 2011, and a gain of 66,000 sq ft in the year to 31 March 2010. The 12 stores in the Partnership, which are at an earlier stage of lease-up, increased their occupancy by 110,000 sq ft, representing average growth of 9,167 sq ft per store.

The 32 established stores are 74.3% occupied compared to 71.1% at the same time last year. The 21 lease-up stores have grown in occupancy from 41.5% to 48.8%, and overall store occupancy has increased in the year from 59.3% to 63.5%. Like-for-like occupancy, excluding Eltham and New Cross which opened in the year, increased from 59.3% to 64.9%.

For the first time since the onset of the economic downturn in 2007, the occupancy in the Group's wholly owned store portfolio at March was above the high enjoyed in the previous September, thus recouping all the normal seasonal occupancy losses incurred in the December quarter.

We saw an increase in move-in activity during the year, moving in over 54,000 customers into all stores (including those in the Partnership) taking 3.43 million sq ft compared to 47,000 customers taking 2.95 million sq ft last year. Move-out activity also increased in the year, reflecting a higher level of churn in the business, with 51,000 customers moving out from 3.10 million sq ft compared to 45,000 customers moving out from 2.73 million sq ft last year.

The table below illustrates the seasonality of the business with move-ins to the like-for-like portfolio of 51 wholly owned stores, which were up 9% on the prior year.

| Move-ins            | Year ended<br>31 March<br>2012 | Year ended<br>31 March<br>2011 | Increase  |
|---------------------|--------------------------------|--------------------------------|-----------|
| April to June       | 11,081                         | 10,991                         | 1%        |
| July to September   | 12,661                         | 11,981                         | 6%        |
| October to December | 10,195                         | 8,845                          | 15%       |
| January to March    | 10,149                         | 8,685                          | 17%       |
| <b>Total</b>        | <b>44,086</b>                  | <b>40,502</b>                  | <b>9%</b> |

Move-ins in April 2012 were up 17% on April 2011.

Of the 53 wholly owned stores open at the year end all are trading profitably at the EBITDA level, with the exception of New Cross, which opened in February 2012. Eleven of the twelve stores within Big Yellow Limited Partnership are trading profitably at the EBITDA level, with the exception of Stockport, which opened in September 2011.

73% of our current revenue derives from within the M25, for London and the South East, the proportion of current revenue rises to 89%. The performance of our stores in London has been more resilient over the past five years than those outside London.

The average net rental achieved across the 53 wholly owned stores was £26.81 per sq ft per annum (the average rent in London is higher at £28.80 per sq ft per annum). The stores in lease-up achieved a higher average rental (£27.49 per sq ft) than the 32 established stores (£26.52 per sq ft), reflecting the greater London weighting of the lease-up store portfolio.

“Our key focus over the next two to three years is to drive occupancy and hence revenue in the stores.”

## Business Review (continued)

Our key focus over the next two to three years is to drive occupancy and hence revenue in the stores. During the downturn we increased the level of promotional offers in the business, resulting in more muted rental growth over the past couple of years. As the stores lease up, and the number of vacant rooms in particular sizes reduce, our pricing model will automatically reduce the level of discounts offered, leading to an increase in net achieved rents. In our higher occupancy stores within the established portfolio, we have seen net rental growth of 4.5% in the current year. We have a rolling programme of price increases to existing storage customers, in most cases providing an annual increase in storage rents of 6%.

### Store operations

The Big Yellow store model is well established. The “typical” store has 60,000 sq ft of net lettable storage area and takes some 3 to 5 years to achieve 75% to 80% plus occupancy in the current macroeconomic environment. Some stores have taken longer than this given they opened just before or during the downturn. The average room size occupied in the portfolio is currently 66 sq ft, an increase from 65 sq ft in the prior year.

The store is open seven days a week and is initially run by three staff, adding a part time member of staff 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 table below illustrates the average key metrics across the store portfolio for the year ended 31 March 2012.

|   | Established stores | Lease-up stores |
|---|--------------------|-----------------|
| Number of stores                          | 32                 | 21              |
| Store capacity                            | 60,656             | 67,476          |
| Sq ft occupied per store at 31 March 2012 | 45,063             | 32,905          |
| % occupancy                               | 74.3%              | 48.8%           |
| Revenue per store                         | £1,369,000         | £975,000        |
| EBITDA per store                          | £887,000           | £589,000        |
| EBITDA margin                             | 65%                | 60%             |

Revenue per available square foot (REVPAF) across the wholly owned portfolio, including the 69,000 sq ft store at Etham, London, which opened in April 2011, and the 60,000 sq ft store at New Cross, London, which opened in February 2012, increased from the last year by 5.2% to £19.43 (2011: £18.47).

The average store size in the UK market is approximately 40,000 sq ft according to the 2012 Self Storage Association Survey. The upside from filling our larger than average sized stores is, in our view, only possible in large metropolitan markets, where self storage drivers from domestic and business customers are highest.

Of the customers moving into the business in the last year, our surveys indicate approximately 58% are linked to the housing market, of which 18% are customers renting storage space whilst using the rental sector, and 40% moving within the owner occupied sector. During the year 11% of our customers who moved in took storage space as a spare room for decluttering and approximately 22% of our customers used 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 9% of our customer demand in the year came from businesses. These proportions of demand are in line with last year.

Our business customers range across a number of industry types, such as retailers, professional service companies, hospitality companies and importers/exporters. These businesses store 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.

We have a dedicated national accounts team for business customers who wish to occupy space in multiple stores. These accounts are billed and managed centrally. We have three full time members of staff working on growing and managing our national account customers. The national accounts team can arrange storage at short notice at any location for our customers.

Business customers typically stay longer than domestic customers, and also on average occupy larger rooms. Whilst only representing 9% of new customers during the year, businesses represent 19% of our overall customer numbers, occupying 35% of the space in our stores. The average room size occupied by business customers is 123 sq ft, against 53 sq ft for domestic customers.

The demand from business customers has been relatively robust, as they seek a cost effective, flexible solution to their storage requirements, preferring self storage to the commitment of a long lease.

# 45,063

Occupied sq ft per established store

# £1.37m

Revenue per established store

# £0.89m

EBITDA per established store

The split between business and domestic customers for the 53 wholly owned stores is as follows

|                 | Sq ft occupied at 31 March 2012 | %   | No of customers at 31 March 2012 | %   | % of storage revenue for the year |
|-----------------|---------------------------------|-----|----------------------------------|-----|-----------------------------------|
| <b>Business</b> |                                 |     |                                  |     |                                   |
| customers       | 752,000                         | 35% | 6,116                            | 19% | 30%                               |
| <b>Domestic</b> |                                 |     |                                  |     |                                   |
| customers       | 1,381,000                       | 65% | 26,220                           | 81% | 70%                               |
| <b>Total</b>    | <b>2,133,000</b>                |     | <b>32,336</b>                    |     | <b>100%</b>                       |

The net rent per sq ft for domestic customers is approximately 46% higher than for business customers, reflecting the smaller average unit size occupied for domestic customers

For the 32 established stores, the average split between business and domestic customers is shown in the table below

|                                      | Domestic | Business | Total      |
|--------------------------------------|----------|----------|------------|
| % of occupied space                  | 64.9%    | 35.1%    | 100%       |
| Sq ft occupied per store at 31 March | 29,246   | 15,817   | 45,063     |
| Revenue per store for the year       | £958,000 | £411,000 | £1,369,000 |

At 31 March 2012 the average length of stay for existing customers was 18.9 months in line with the prior year. For the stores that have been open more than five years, the average length of stay increases to 21.7 months. For all customers, including those who have moved out of the business, the average length of stay has remained at 8.5 months. This translates into a loyal customer base. In our 32 established store portfolio, 37% of our customers by occupied space have been staying with us for over three years. A further 15% of customers in these stores have been in the business for between one and three years.

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. We measure customer service standards through a programme of mystery shoppers and online customer reviews, which give an average customer service score of 4.7 out of 5. We have in place a team of Area Managers who have on average worked for Big Yellow for nine 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 consulted in preparing their own targets and budgets each quarter, leading to improved visibility, a better understanding of sales lines and control of operating costs.

We believe that as a customer facing branded 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. The ongoing annual expenditure is approximately £30,000 per store, which is included within cost of sales. This excludes makeovers, which typically take place every four years, at a cost of approximately £15,000 to £20,000 per store.

We have continued to manage the ten freehold stores branded as Armadillo Self Storage alongside our Big Yellow stores using the same operating model. The management contract expires in February 2014 and our key objective within the Armadillo portfolio remains driving occupancy, revenue and cash flow.

### Sales and marketing

This year our strategy has focussed on driving customer response through our online platforms. Our YouGov surveys conducted in recent years show our national brand awareness remaining at three times the level of our nearest competitor, and awareness levels of 80% in London and 42% outside of London. Although Big Yellow leads the industry in terms of brand preference, there is still an opportunity to improve our brand awareness, in particular in regional cities outside London where we have recently opened stores.

(Source YouGov September 2011)

### Online

The website continues to grow in strength, with online prospects now accounting for 80% of all sales leads where details are first recorded on our operating system. Telephone is the first point of contact for 12% of prospects and walk in enquiries, where we have had no previous contact with a prospect, represent 8%.

The Big Yellow website continues to evolve and we are constantly improving the user journey and prospect conversion throughout the site. Web analytics allow us to remove barriers to conversion in the web journey and to test new web page design to help increase conversion.

## Business Review (continued)

### Mobile

With the huge growth in the use of smart phones and web browsing on mobile devices, we launched a dedicated mobile site in October 2011. This site is optimised for mobile phone use and presents the user with a simpler version of the main website. The mobile site accounted for 23% of our total web traffic in April 2012.

### Online customer reviews

Consistent with our strategy of putting the customer at the heart of our business, our online customer reviews continue to generate real time feedback from customers as well as providing positive word of mouth to prospective customers. We ask our new customers to rate our product and service. These reviews are published on the website.

The reviews published indicate we are consistently delivering a very high standard of service.

- > Over 6,400 reviews have been published
- > Over 60% have awarded a score of 5 out of 5
- > Our average overall rating is 4.6 out of 5
- > Our average customer service score is 4.7 out of 5

In our view, real time customer reviews which have been independently and externally obtained are much more persuasive to prospects than scripted testimonials. We also gain real time insight from customers publishing Google reviews and from monitoring mentions of Big Yellow with the social mediums of Twitter and general online forums.

### Driving online traffic

Search engines continue to be the most important acquisition tool for us, accounting for nearly 70% of all traffic to the website. We continue to make ongoing investment into search engine optimisation ("SEO") techniques both on and off the site. This helps us maintain the number one position for the popular and high volume search terms "storage" and "self storage" in the organic listings on Google. We have also been optimising our business pages and now appear high on Google's listings for the most popular business storage related search terms providing a good source of business prospects into the site at low cost.

The sponsored search listings remain the largest source of paid for traffic and we ensure our prominence in these listings is balanced with effective landing pages to maximise site conversion.

This year, we have also continued with online display advertising on websites which are contextually and geographically targeted to our core audience groups. This activity performs both a direct response and branding role.

Efficiencies in all online spend are continuing into 2012/13, ensuring return on investment is maximised from all our different online traffic sources.

Online marketing budgets will continue to remain fluid and be directed towards the media with the best return on investment.

### Social media

Social media continues to be complementary to our existing marketing channels.

With over 24,000 'likes', our Facebook channel allows us to keep engaged with our target audiences, keeping the brand front of mind and allowing a forum for their feedback and dialogue. The Big Yellow YouTube channel is being used to showcase our stores to web prospects through a video store tour. We use both domestic and business versions to help prospects experience the quality of the product without the need for them to visit the store in person.

We also continue to develop a substantial amount of online blog content. Advice and tips for packing, storage and de-cluttering are published weekly on the site and posted through our Facebook and Twitter channels. This provides useful and engaging content for visitors.

### Sales promotion

We have continued our sales promotion offer throughout the year of "50% off for up to your first 8 weeks storage" across all stores, coupled with a Price Promise for comparable local competition. We continue to manage pricing dynamically, taking account of customer demand and local competition.

### Budget

During the year the Group spent approximately £2.8 million (4.3% of revenue) on marketing, the same as the previous year. We have held the budget for the year ended 31 March 2013 at £2.8 million with a focus on driving our revenue through delivering more prospects to the website.

### People

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

We encourage a culture of partnership within the business and believe in staff participating in corporate performance through bonus schemes and share incentives. Many employees benefit from an HMRC approved Sharesave Scheme, which 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. Our stakeholder pension scheme has been taken up by over two thirds of employees eligible to join and a voucher awards scheme is used extensively across the business to recognise and reward our staff's efforts and achievements.

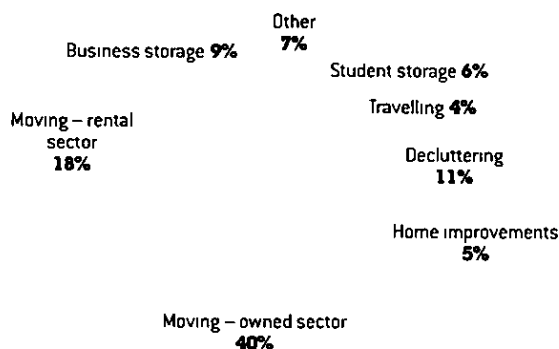
We aim to promote employee wellbeing through a range of flexible working options which include flexitime, staggered hours, home working and sabbaticals. We provide a comprehensive range of medical support and advice through our occupational health providers and have arranged corporate gym membership on a national basis, as well as a Cycle to Work Scheme.

We continue to recognise the importance of communication and consultation with an annual spring conference, regular formal and informal meetings, quarterly newsletters and weekly operational updates. In addition, the Directors and senior management spend a significant amount of time in the stores and are accessible to employees at all levels. A bi-annual Employee Attitude Survey provides management with key feedback and guidance as to where to focus their attention to further improve the working environment.

In March of this year we were delighted to have been recognised as one of the Sunday Times 100 Best Companies to Work For 2012 and also to have achieved "Two Star Status" for the Best Companies Accreditation.

We had 310 full-time, part-time and casual employees in the business at the year end (2011: 301 employees) and recruiting and retaining the right calibre people remains critical to the continued success of the Company.

**Big Yellow's demand profile in the year ended 31 March 2012**



**Proportion of current customers in the established stores by length of stay**



We promote the individual development of staff through training and regular performance appraisals and delivered just over 745 days training to employees in the last year, equating to an average of approximately 2.4 days training per employee. In the stores, two thirds of the managerial posts have been filled by internal promotions.

**Property and development**

During the year our property team has focussed on building out selected sites within our development pipeline, and selling surplus land held in our balance sheet.

**Development pipeline**

There are three freehold sites with planning for Big Yellow stores to be developed. We also own a 4.5 acre development site in central Manchester where we are in planning discussions for a mixed use scheme incorporating a new Big Yellow store. The status of the development pipeline is summarised in the table below.

| Store                     | Location  | Status                     | Anticipated capacity         |
|---------------------------|---|----------------------------|------------------------------|
| Gypsy Corner, West London | Highly visible site on A40 in Acton West London             | Consent granted            | 70,000 sq ft                 |
| Enfield, North London     | Prominent site on the A10 Great Cambridge Road, London      | Consent granted            | 60,000 sq ft                 |
| Guildford Central         | Prime location in centre of Guildford on Woodbridge Meadows | Consent granted            | 56,000 sq ft                 |
| Manchester Central        | Prime location on Water Street in central Manchester        | Planning under negotiation | 50,000 sq ft to 70,000 sq ft |

Our landmark wholly owned store at Chiswick, with strong visibility from the M4 flyover, opened in April. Chiswick is our only planned store opening for the financial year ending 31 March 2013.

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 £23.3 million, of which £20.1 million was in the wholly owned Group, including £4.4 million in relation to the Richmond hotel development.

**Corporate Social Responsibility**

The Board employs a Corporate Social Responsibility Manager, who reports to the Board through the Operations Director. Our detailed Corporate Social Responsibility report is on page 34. Our policy on Corporate Social Responsibility is set out on our website [bigyellow.co.uk/csr](http://bigyellow.co.uk/csr).

Our CSR programme for 2012 committed to focus on our most significant environmental challenge of energy efficiency and carbon reduction. In order to achieve these twin objectives we:

- > Continued our lighting efficiency programmes to gain an absolute carbon [CO<sub>2</sub>] emission reduction of 5.5%,
- > Reduced carbon intensity emissions by 10.1% per store gross internal area and by 18.6% per customer occupied space, with three new stores opening and an increase of 16.1% in occupied space,
- > Increased our annual solar electricity generation by 15.3% to 123,489 kWh and saved carbon emissions equivalent to 64.4 tCO<sub>2</sub> in the year ended 31 March 2012,
- > Generated cumulative solar PV electricity of 374 MWh since the first installation in March 2008, an increase of 49.4% on last year's cumulative total, and
- > Generated total Feed in Tariff income, displaced electricity costs and carbon tax reductions of £90,000 since 1 April 2010.

During the year we were awarded a Queen's Award for Enterprise in Sustainable Development, and also obtained a place in the Sunday Times Best 60 Green Companies to Work for.

# Running a Sustainable **BUSINESS**

Our lasting commitment to CSR has been established through 'green' building design and investment.  
**Our future is in sustainably managed operations.**

## **Our Commitment to CSR**

### **Our CSR policy**

Big Yellow leads the way in sustainable real estate. Big Yellow's CSR policy aims to strike the balance between its social, economic and environmental responsibilities as an owner, operator and developer of self storage buildings. In order to maintain a sustainable business for its customers, staff and investors, the Board has committed significant resources to the social and environmental aspects of its operations.

### **Climate**

Climate change is a global impact that we are all responsible for and must act upon locally. From the early Earth Summits to more recent UK environmental legislation, international control measures have been set in place to change behaviour. The aim of this legislation is to reduce the impact of man's activities on the planet's life support

systems. These delicate and complex systems include the finite resources of our land, atmosphere, oceans, soils and biodiversity. One of the most significant impacts is the exploitation of fossil fuels and their emissions into the atmosphere. Consensus of opinion is that our global climate is changing due to the accumulation of carbon dioxide and other 'greenhouse' gas emissions in the earth's atmosphere. This is also known as 'global warming' and is one of the main environmental and social drivers for Corporate Social Responsibility and Sustainable Development as addressed in our CSR Policy.

### **Stakeholders**

Big Yellow, as a developer and operator of self storage, sees CSR as a belief that we should take a precautionary principal on the social and environmental impacts of our operations on our customers,

### **Green Investment**

Our commitment to CSR has been established through green building design, specification and operational management.

### **Packaging**

Our packaging is manufactured with a high recycled content.

### **CSR in the Workplace**

Our policy on Corporate Social Responsibility is established across the whole of the Big Yellow Group.

“The Board has committed significant resources to the social and environmental aspects of its operations.”

employees and local communities. Other like minded stakeholders who have similar policies include our supply chain, investors and local planning authorities. Therefore our stakeholders are also drivers for change to establish and improve CSR policies and sustainable development. Historically, most companies have been changing from a 'single minded' financial strategy to a more integrated business model which accounts for risks and opportunities in such aspects as safety, reputation and the growing 'green' consumer markets. As such, we report annually on how we improve our social and environmental key performance indicators.

**Carbon reduction**

From an environmental perspective, our store operations and construction energy emissions, also known as our 'carbon footprint' has been identified as our most significant impact. Carbon reduction has benefited from our building portfolio progressively changing from refurbished to purpose built, well insulated stores. These buildings do not require heating and cooling in over 97% of their area. Energy efficient design and specifications and onsite renewable energy generation through solar photovoltaic panels and ground source heat pumps reduced energy grid supply and carbon emissions.

**Environmental supply chain management**

During construction, some of the greatest building material costs are for steel, timber particle board, breeze blocks and rock wool insulation. These components have a high recycled content and environmental life cycle impact. During operations our merchandise suppliers are reviewed for eco labelled packaging materials. Cardboard boxes and wrapping paper have high levels of recycled content. Our plastic storage boxes can also be recycled.

**Adding value**

Brownfield sites, also known as 'previously developed land' are developed by Big Yellow and the risk of historical contamination, if present, is always reduced to a minimum.

5.5%  
reduction in our  
carbon emissions footprint

18.6%  
reduction in carbon emissions  
for occupied space

£90,000  
solar electricity saving since 2008

15%  
increase in solar  
electricity generation

# Delivering RESULTS

There was an increase in revenue of 3% for the **32 established stores** and **20% for the 21 lease-up stores.**

## Financial Review

### Financial results

Revenue for the year was £65.7 million, an increase of £3.8 million (6%) from £61.9 million in the prior year. Store revenue increased by 8% in the year to £64.3 million (2011: £59.6 million). The overall increase in revenue was lower due to a fall in construction fees earned from Big Yellow Limited Partnership and a reduction in tenant income on sites where we have started development. Other sales (included within the above), comprising the selling of packing materials, insurance and storage related charges, represented 17.1% of storage income for the year (2011: 17.4%) and generated revenue of £9.4 million for the year, up 7% from £8.8 million in 2011.

Store revenue for the fourth quarter increased by 10% to £16.1 million from £14.6 million for the same quarter last year. Store revenue in the seasonally weaker second half of the year was £32.4 million, compared to £31.9 million for the first half of the year, and up 9% from £29.7 million for the second half of the year ended 31 March 2011. Annualised store revenue at 31 March 2012 was £66.1 million, an increase of 10% from £60.0 million at 31 March 2011.

There was an increase in revenue of 3% for the 32 established stores and 20% for the 21 lease-up stores. The EBITDA margin for the 32 established stores was 65% (2011: 65%), the EBITDA margin for the 21 lease-up stores grew from 56% to 60%. The table below illustrates the performance of the 32 established stores and the lease-up stores during the year.

| Wholly owned store performance | Capacity<br>000 sq ft | Occupancy                |                          | Revenue                  |                          | EBITDA                   |                          |
|--------------------------------|-----------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                                |                       | 31 March 12<br>000 sq ft | 31 March 11<br>000 sq ft | 31 March 12<br>000 sq ft | 31 March 11<br>000 sq ft | 31 March 12<br>000 sq ft | 31 March 11<br>000 sq ft |
| 32 established stores          | 1,941                 | <b>1,442</b>             | 1,381                    | <b>43,793</b>            | 42,558                   | <b>28,388</b>            | 27,522                   |
| 21 lease-up stores             | 1,417                 | <b>691</b>               | 534                      | <b>20,480</b>            | 17,064                   | <b>12,371</b>            | 9,604                    |
| Total                          | 3,358                 | <b>2,133</b>             | 1,915                    | <b>64,273</b>            | 59,622                   | <b>40,759</b>            | 37,126                   |

The Group made a loss before tax in the year of £35.6 million, compared to a profit of £6.9 million in the prior year. This reduction in Group profitability reflects the decrease in the valuation of the Group's open stores following the valuer's assessment of the impact of VAT, partially offset by the improved adjusted profit.

After adjusting for the loss 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 £23.6 million, up 17% from £20.2 million in 2011.

| (Loss)/profit before tax analysis                   | 2012<br>£m    | 2011<br>£m |
|---|---------------|------------|
| (Loss)/profit before tax                            | <b>(35.6)</b> | 6.9        |
| Loss on revaluation of investment properties        | <b>51.4</b>   | 16.0       |
| Movement in fair value on interest rate derivatives | <b>8.0</b>    | (0.2)      |
| Gains on surplus land                               | <b>(0.5)</b>  | (0.1)      |
| Share of non-recurring losses/(gains) in associate  | <b>0.3</b>    | (2.4)      |
| Adjusted profit before tax                          | <b>23.6</b>   | 20.2       |

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

|   | £m           |
|---|--------------|
| Adjusted profit before tax – year ended 31 March 2011 | <b>20.2</b>  |
| Increase in gross profit                              | <b>3.0</b>   |
| Increase in net interest payable                      | <b>(0.1)</b> |
| Reduction in share of recurring loss of associate     | <b>0.3</b>   |
| Increase in capitalised interest                      | <b>0.2</b>   |
| Adjusted profit before tax – year ended 31 March 2012 | <b>23.6</b>  |

Diluted EPRA earnings per share based on adjusted profit after tax was up 18% to 18.22p (2011: 15.49p) (see note 12). Basic loss per share for the year was 27.68p (2011: earnings per share of 5.34p) and fully diluted loss per share was 27.40p (2011: earnings per share of 5.29p).

### Operating costs

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

maintenance. We have continued with our programme of cost control in the Group. Administrative expenses were held flat in the year. £1.5 million of the £7.1 million administrative expense is non-cash IFRS 2 share based payment charges.

Direct store operating costs for the established portfolio, including leasehold rent, have increased by 2% reflecting general inflationary pressures, notably from business rates. The operating costs in the lease up stores have increased mainly due to the additional operating costs of Eltham and New Cross, both of which opened in the current financial year.

#### Interest expense on bank borrowings

The gross bank interest expense for the year was in line with the prior year at £11.1 million reflecting a broadly consistent level of average drawn debt in the year. The average cost of borrowing during the year was 3.7%, in line with the prior year.

Total interest payable has decreased in the statement of comprehensive income from £11.3 million to £11.2 million following a £0.2 million increase in the level of capitalised interest in the year, with construction taking place on three sites during the year. The capitalised interest in the forthcoming financial year will be minimal, with no planned construction projects beyond Chiswick, which opened in April 2012. This will increase the interest payable in the statement of comprehensive income, which will flow through to the Group's adjusted earnings.

#### VAT impact

In addition to the commentary contained in the Chairman's Statement about the impact of the proposed introduction of VAT on self storage and the actions we would take to mitigate it, we have provided further details on the capital goods scheme repayment due to us below.

Over the last ten years we have not been recovering VAT on our capital expenditure given that self storage is exempt. Any future implementation of this change would require the reimbursement of a significant sum to the Group under the Capital Goods Scheme which would be subject to agreement with HMRC. We estimate that this amounts to £12.3 million in the Group and a total of £5.3 million in Big Yellow Limited Partnership. The reimbursement would be spread over ten years, however the majority of the amount would be received within five years. This has not been recognised as an asset at the balance sheet date as the legislation to introduce VAT had not been substantially enacted at 31 March 2012, but has been included in our calculation of adjusted net assets per share (see note 12).

#### REIT status

The Group converted to a Real Estate Investment Trust ("REIT") in January 2007. Since then the Group has benefited from a zero corporation tax rate on the Group's qualifying self storage earnings. The Group only pays corporation 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 from the management of the Armadillo portfolio.

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

There is no cash tax payable for the year due to tax relief arising from the restructuring of interest rate derivatives in 2009. There is no tax charge for the year ended 31 March 2012 (2011: £nil).

#### Dividends

REIT regulatory requirements determine the level of Property Income Dividend ("PID") payable by the Group. On the basis of the full year distributable reserves for PID purposes, a PID of 9 pence per share is payable (31 March 2011: 4 pence per share PID).

The Board is recommending the payment of a final dividend of 5.5 pence per share. The table below summarises the declared dividend for the year.

| Dividend (pence per share) | 31 March 2012 | 31 March 2011 |
|----------------------------|---------------|---------------|
| Interim dividend – PID     | 4.5p          | 2p            |
| – discretionary            | nil p         | 2p            |
| – total                    | 4.5p          | 4p            |
| Final dividend – PID       | 4.5p          | 2p            |
| – discretionary            | 1p            | 3p            |
| – total                    | 5.5p          | 5p            |
| Total dividend – PID       | 9p            | 4p            |
| – discretionary            | 1p            | 5p            |
| – total                    | 10p           | 9p            |

## Financial Review (continued)

Subject to approval by shareholders at the Annual General Meeting to be held on 10 July 2012, the final dividend will be paid on 20 July 2012 to shareholders on the Register on 8 June 2012

### Cash flow growth

The Group is strongly cash generative 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<br>31 March<br>2012<br>£000 | Year ended<br>31 March<br>2011<br>£000 |
|---|--|--|
| Cash generated from operations              | 38,877                                 | 34,925                                 |
| Finance costs (net)                         | (11,489)                               | (11,391)                               |
| <b>Free cash flow</b>                       | <b>27,388</b>                          | 23,534                                 |
| Capital expenditure                         | (23,630)                               | (13,395)                               |
| Asset sales                                 | 5,404                                  | 4,497                                  |
| Investment in associate                     | (1,167)                                | (1,000)                                |
| <b>Cash flow after investing activities</b> | <b>7,995</b>                           | 13,636                                 |
| Ordinary dividends                          | (12,223)                               | (10,328)                               |
| Share buy back                              | (3,727)                                | -                                      |
| Issue of share capital                      | 61                                     | 27                                     |
| Increase/(decrease) in borrowings           | 9,000                                  | (25,000)                               |
| <b>Net cash inflow/(outflow)</b>            | <b>1,106</b>                           | (21,665)                               |
| Opening cash and cash equivalents           | 8,954                                  | 30,619                                 |
| Closing cash and cash equivalents           | 10,060                                 | 8,954                                  |
| Debt  | (284,000)                              | (275,000)                              |
| Net debt                                    | (273,940)                              | (266,046)                              |

Free cash flow pre capital expenditure increased by 17% to £27.4 million for the year (2011 £23.5 million). In the year capital expenditure outflows were £23.6 million, up from £13.4 million in the prior year, with the construction of Chiswick, New Cross (combined expenditure of £15.5 million) and the Richmond hotel (£4.4 million) the significant amounts. The cash flow after investing activities was a net inflow of £8.0 million in the year, compared to an inflow of £13.6 million in 2011.

## Balance sheet

### Property

The Group's 53 wholly owned stores and five stores under development at 31 March 2012, which are classified as investment properties, have been revalued by Cushman & Wakefield ("C&W") and this has resulted in an investment property asset value of £760.3 million, comprising £682.9 million (90%) for the 46 freehold (including one long leasehold) open stores, £43.5 million (6%) for the seven short leasehold open stores and £33.9 million (4%) for the five investment properties under construction, including Chiswick.

| Analysis of property portfolio            | No of locations | Value at<br>31 March<br>2012<br>£m | Revaluation<br>movement<br>in year<br>£m |
|---|-----------------|------------------------------------|--|
| Investment property                       | 53              | 726.4                              | (49.5)                                   |
| Investment property<br>under construction | 5               | 33.9                               | (1.9)                                    |
| Investment property total                 | 58              | 760.3                              | (51.4)                                   |
| Surplus land                              | 5               | 18.0                               | -  |
| <b>Total</b>                              | <b>64</b>       | <b>778.3</b>                       | <b>(51.4)</b>                            |

### Investment property

Each store is reviewed and valued individually by Cushman & Wakefield LLP, who are the valuers to a significant proportion of the UK and European self storage market.

The valuer has taken into account its estimate of the proposed introduction of VAT from 1 October 2012 on the asset valuation. This has led to a revaluation fall of the investment property portfolio in the year of £51.4 million.

The valuer also reported to us on the valuation of the portfolio assuming the VAT change was not implemented. The valuation of the 53 wholly owned open stores under this valuation is £773.0 million, £46.6 million higher than the value recorded in the financial statements, which would represent a revaluation deficit of only £2.9 million in the year.

As can be seen above the majority of the 6% fall is following adjustments made due to VAT. The movement in the valuations before the impact of VAT is largely due to the net effect of the following operational factors:

- > an increase in operating costs assumed in the cash flows, principally down to business rates,
- > a reduction in the long term rental growth assumptions to reflect the current trading patterns,
- > a reduction in the stabilised occupancy level assumed in the valuations from 83.1% to 82.4%, and
- > improved current cash flow following the occupancy growth recorded in the year.

The valuation is based on an average occupancy over the 10 year cash flow period of 78.9% across the whole portfolio. Between April 2004 and March 2008, the 32 established stores had an average occupancy of 83%.

|  | Established store portfolio | Lease-up store portfolio | All wholly owned stores |
|--|-----------------------------|--------------------------|-------------------------|
| Valuation at 31 March 2012                 | £401.8m                     | £324.6m                  | £726.4m                 |
| Occupancy at 31 March 2012                 | 74.3%                       | 48.8%                    | 63.5%                   |
| Stabilised occupancy assumed in valuations | 83.0%                       | 81.6%                    | 82.4%                   |
| Net initial yield pre admin expenses       | 6.8%                        | 4.4%                     | 5.7%                    |
| Stabilised yield assuming no rental growth | 8.1%                        | 8.6%                     | 8.3%                    |

The initial yield pre administration expenses assuming no rental growth is 5.7% rising to a stabilised yield of 8.3% (2011 8.4%). The 32 established stores that were mature in 2007 are assumed to return to stabilised occupancy in 32 months on average (2011 36 months). The 21 lease up stores, the majority of which have opened in the past four years, are assumed to reach stabilised occupancy in 44 months on average from 1 April 2012 (2011 49 months). Note 14 contains more detail on the assumptions underpinning the valuations.

#### Investment property under construction

The five wholly owned development sites have increased in value by £8.3 million, £10.2 million relating to capital expenditure incurred (principally on Chiswick), with the balance of £1.9 million a revaluation deficit. C&W's forecast valuations for when the Group assets have reached stabilised occupancy, including assumptions in relation to revenue and operating cost growth within these assets, are currently pointing to a revaluation surplus on total development cost of £45 million on the four wholly owned development sites with planning consent, including Chiswick, which opened in April 2012.

In their report to us, our valuers, Cushman and Wakefield have drawn attention to valuation uncertainty resulting from a lack of transactions in the self storage investment market. Please see note 14 for further details.

#### Purchaser's cost adjustment

As in prior years, we have instructed an alternative valuation on our assets using a purchaser's cost assumption of 2.75% (see note 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 2012 of £794.2 million (£33.9 million higher than the value recorded in the financial statements). The valuations in Big Yellow Limited Partnership are £4.9 million higher than the value recorded in the financial statements, of which the Group's share is £1.6 million. The sum of these is £35.5 million and translates to 27.2 pence per share.

The adjusted net asset per share calculation has also been adjusted for the Group's estimate of capital goods scheme repayments due to it following the proposed introduction of VAT on self storage from 1 October 2012. As described in note 14, the investment property valuations have been adjusted to reflect the impact of VAT being introduced and the Board consider it appropriate to reflect the estimated amounts due back to the Group from HMRC following the introduction of VAT in the calculation of adjusted net assets per share. This cannot be recognised as an asset at the balance sheet date as the legislation to introduce VAT had not been substantially enacted at 31 March 2012.

The revised valuation translates into an adjusted net asset value per share of 429.2 pence (2011 449.8 pence) after the dilutive effect of outstanding share options.

#### Surplus land

These are sites which the Directors do not intend to develop into self storage centres. The sites are held at the lower of cost and net realisable value and have not been externally valued. The Directors have assessed the carrying value of these sites. The Group received £5.5 million gross sales proceeds during the year from the disposal of surplus land, £4.5 million from the disposal of our surplus site in Blackheath, and £1 million initial consideration on the disposal of our surplus land at Richmond.

#### Movement in adjusted NAV

The year on year movement is illustrated in the table below.

|   | Equity shareholders funds<br>£m | EPRA adjusted NAV per share |
|---|---------------------------------|-----------------------------|
| Movement in adjusted net asset value                      |                                 |                             |
| 1 April 2011  | 591.4                           | 449.8                       |
| Adjusted profit   | 23.6                            | 18.1                        |
| Equity dividends paid                                     | (12.2)                          | (9.3)                       |
| Revaluation movements (including share of BYLP)           | (51.9)                          | (39.7)                      |
| Share buy back  | (3.7)                           | 2.0                         |
| Capital goods scheme adjustment (including share of BYLP) | 14.0                            | 10.7                        |
| Movement in purchaser's cost adjustment                   | (2.0)                           | (1.5)                       |
| Other movements (eg share options)                        | 1.8                             | (0.9)                       |
| <b>31 March 2012</b>                                      | <b>561.0</b>                    | <b>429.2</b>                |

#### Borrowings

We focus on improving our cash flows and we currently have healthy Group interest cover of 3.1 times (2011 2.8 times) based on adjusted Group EBITDA against existing interest costs, allied to a relatively conservative debt structure secured principally against the freehold estate.

On 26 April 2012, we announced the completion of a £100 million 15 year fixed rate loan with Aviva Commercial Finance Limited. The loan is secured over a portfolio of 15 freehold self storage centres which were valued at £242.1 million at 29 February 2012 for the purposes of the drawdown. The annual fixed interest rate on the loan is 4.90%.

## Financial Review (continued)

The loan amortises to £60 million over the course of the 15 years, consistent with the Group's medium term debt reduction strategy. The debt service is payable monthly based on fixed annual amounts. The loan outstanding on the fifth anniversary will be £89.8 million, £76.7 million outstanding on the tenth anniversary, with £60 million remaining at expiry in April 2027.

The new 15 year term loan has been deployed to repay and cancel £100 million of the Group's core bank debt facility, reducing it to £225 million, of which £190 million is currently drawn. At the same time as repaying the bank debt, we cancelled £100 million of interest rate derivatives at a cost of £9.2 million. In addition to the Aviva fixed rate loan, there is a residual £90 million interest rate swap in the core bank debt facility at 2.99% plus margin to September 2015, with the remaining £100 million of the core bank debt paying at floating rates plus margin. As a result of this transaction, we have repaid £100 million of bank debt which was costing 4.8% per annum, with a 15 year loan fixed at 4.9% per annum. The Group's proforma average cost of debt is 3.7%.

The Group's existing bank facility, which is secured on the remainder of the Group's self storage centres, carries a margin of 1.125%, and expires in September 2013. The £100 million repayment and cancellation has been disproportionately applied against HSH Nordbank's commitment which has been reduced from £150 million to £65 million. The remainder of the loan is held by Lloyds TBS Bank plc, HSBC Bank plc and Santander. We intend to enter into discussions with our banking group, who continue to be supportive, with a view to refinancing the core bank debt facility in the current year.

The Group was comfortably in compliance with its banking covenants at 31 March 2012, see note 19 for details.

The Group wide covenants on the Aviva loan are in line with the covenants on the existing loan. There is also a minimum income cover covenant of 1.5x on the charged assets and a minimum debt service cover of 1.2x, and a loan to value covenant of 65% based on the valuation of the 15 assets charged to Aviva.

The Group has £51 million of cash and undrawn bank facilities and relatively conservative levels of gearing. The Group currently has a net debt to gross property assets ratio of 35%, and a net debt to adjusted net assets ratio of 49%.

Following the drawdown of the Aviva fixed rate loan, £90 million of the Group's debt is hedged by way of interest rate swaps fixed at 2.99% (excluding margin), to September 2015, two years beyond the expiry of the current debt facility. The Group also has floating rate debt of £100 million, on which we are paying one month LIBOR plus applicable margin. The interest rate profile of the Group's debt following the drawdown of the Aviva loan is shown in the table below.

|                    | Proforma amount of debt £m | Proforma weighted average interest cost | Weighted average interest cost at 31 March 2011 |
|--------------------|----------------------------|---|---|
| Aviva loan         | 100                        | 4.9%                                    | –   |
| Fixed bank debt    | 90                         | 4.1%                                    | 4.5%  |
| Variable bank debt | 100                        | 1.9%                                    | 1.7%  |
| <b>Total</b>       | <b>290</b>                 | <b>3.7%</b>                             | <b>3.6%</b>                                     |

At 31 March 2012, the fair value on the Group's interest rate derivatives was a liability of £15.7 million. A loss of £8.0 million has been charged to the statement of comprehensive income to reflect the movement from the prior year. On a proforma basis, the liability has fallen to £6.5 million following the cancellation of the interest rate derivatives referred to above. The Group does not hedge account its interest rate derivatives. As recommended by EPRA (European Public Real Estate Association), the fair value movements are eliminated from adjusted profit before tax, diluted EPRA earnings per share, and adjusted net assets per share.

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.

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

### Share capital

The share capital of the Company totalled £13.1 million at 31 March 2012 (2011 £13.1 million), consisting of 131,393,041 ordinary shares of 10p each (2011 131,060,522 shares).

Shares issued for the exercise of options during the year amounted to 332,519 at an average exercise price of 287p.

During the year, we acquired 1,418,750 shares in the Company at an average price of 260 pence. The Group holds these shares in treasury and 1,885,117 of its shares within an Employee Benefit Trust ("EBT"). These shares are shown as a debit in reserves and are not included in calculating net asset value per share.

|   | 2012<br>No         | 2011<br>No  |
|---|--------------------|-------------|
| Opening shares                            | <b>131,060,522</b> | 130,990,837 |
| Shares issued for the exercise of options | <b>332,519</b>     | 69,685      |
| Closing shares in issue                   | <b>131,393,041</b> | 131,060,522 |
| Shares held in EBT                        | <b>(1,885,117)</b> | (1,905,000) |
| Shares held in treasury                   | <b>(1,418,750)</b> | -           |
| Closing shares for NAV purposes           | <b>128,089,174</b> | 129,155,522 |

63,054,535 shares were traded in the market during the year ended 31 March 2012 (2011 71,869,364). The average mid market price of shares traded during the year was 284.9p with a high of 344.4p and a low of 218.0p.

#### Big Yellow Limited Partnership

Big Yellow Limited Partnership, a joint venture with Pramerica Real Estate Investors Limited, owns self storage centres and development sites in the Midlands, the North, Scotland and four locations in the South. 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 disclosed in operating profit and our net investment is shown in the balance sheet within "Investment in Associate". We have provided in note 13d the balance sheet and income statement of the Partnership, along with the Group's share of the income statement captions.

#### Structure

The Group and Pramerica have committed equity in a one third, two thirds split respectively. The Board of the Partnership comprises two representatives of both Pramerica and Big Yellow. Pramerica have the casting vote over the approval of the Partnership's annual business plan.

The Partners have resolved not to develop any further stores. Our total further commitment required to fund both the capital expenditure required for Phase II developments is estimated at £1.5 million.

The Group earns certain property acquisition, planning, construction and operational fees from the Partnership. For the year to 31 March 2012, these fees amounted to £0.7 million (2011 £0.9 million).

#### Funding

A five year term development loan of £62.7 million is in place from the Royal Bank of Scotland plc and HSBC Bank plc to further fund the Partnership.

The Partnership's policy is to fix the interest rate on at least 50% of drawn amounts to 30 June 2013 (as required in its facility agreement), and to leave the balance benefiting from the currently low levels of short term interest rates. £31.8 million of the £62.7 million drawn down at 31 March 2012 has been fixed to 30 June 2013 at a weighted average interest cost post margin of 5.5%. The weighted average interest cost of the overall facility at 31 March 2012 was 3.9% including margin. Following the year end the partners reduced the outstanding debt drawn to £60 million, through repaying and cancelling £2.7 million of the facility.

#### Results

For the year ended 31 March 2012, the Partnership made a loss of £1.8 million (2011 profit of £5.5 million). This loss arose following the valuer's assessment of the impact of the proposed imposition of VAT on self storage. Big Yellow's share of this loss was £0.6 million (2011 share of profit of £1.8 million).

The operating profit of the Partnership was £1.8 million (2011 £0.2 million), with the majority of the stores being profitable at the operating level. After adjusting for non-recurring items (revaluation losses of £1.4 million, and fair value gain on interest rate derivatives of £0.4 million), the Partnership made an adjusted loss of £0.8 million (2011 adjusted loss of £1.9 million), of which the Group's share is £0.3 million (2011 share of loss of £0.6 million). The Group earned management fees from the Partnership of £0.7 million in the year (2011 £0.9 million). 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 31 March 2013. On exit, whether by way of exercise of the option or a sale to a third party, Big Yellow is entitled to certain promotes, which could result in Big Yellow sharing in the surplus created in the Partnership ahead of its equity participation.

## Portfolio Summary – Wholly Owned Stores

| Wholly owned stores                                   | March 2012<br>Established <sup>(1)</sup> | March 2012<br>Lease-up | March 2012<br>Total | March 2011<br>Established | March 2011<br>Lease-up | March 2011<br>Total |
|---|--|------------------------|---------------------|---------------------------|------------------------|---------------------|
| Number of stores                                      | 32                                       | 21                     | 53                  | 32                        | 19                     | 51                  |
| <b>At 31 March</b>                                    |  |                        |                     |                           |                        |                     |
| Total capacity (sq ft)                                | 1,941,000                                | 1,417,000              | 3,358,000           | 1,941,000                 | 1,288,000              | 3,229,000           |
| Occupied space (sq ft)                                | 1,442,000                                | 691,000                | 2,133,000           | 1,381,000                 | 534,000                | 1,915,000           |
| Percentage occupied                                   | 74.3%                                    | 48.8%                  | 63.5%               | 71.1%                     | 41.5%                  | 59.3%               |
| Net rent per sq ft                                    | £26.44                                   | £26.78                 | £26.49              | £26.34                    | £27.92                 | £26.78              |
| Annualised revenue (£000)                             | 44,062                                   | 22,077                 | 66,139              | 42,154                    | 17,801                 | 59,955              |
| <b>For the year</b>                                   |  |                        |                     |                           |                        |                     |
| REVPAF <sup>(2)</sup>                                 | £22.56                                   | £14.99                 | £19.43              | £21.93                    | £13.26                 | £18.47              |
| Average occupancy                                     | 73.3%                                    | 43.7%                  | 60.8%               | 71.6%                     | 38.8%                  | 58.5%               |
| Average annual rent psf                               | £26.52                                   | £27.49                 | £26.81              | £26.32                    | £28.22                 | £26.82              |
|   | £000                                     | £000                   | £000                | £000                      | £000                   | £000                |
| Self storage income                                   | 37,729                                   | 17,005                 | 54,734              | 36,589                    | 14,101                 | 50,690              |
| Other storage related income <sup>(3)</sup>           | 5,995                                    | 3,368                  | 9,363               | 5,908                     | 2,936                  | 8,844               |
| Ancillary store rental income                         | 69                                       | 107                    | 176                 | 61                        | 27                     | 88                  |
| Total store revenue                                   | 43,793                                   | 20,480                 | 64,273              | 42,558                    | 17,064                 | 59,622              |
| Direct store operating costs (excluding depreciation) | (13,366)                                 | (8,064)                | (21,430)            | (13,046)                  | (7,415)                | (20,461)            |
| Short and long leasehold rent <sup>(4)</sup>          | (2,039)                                  | (45)                   | (2,084)             | (1,990)                   | (45)                   | (2,035)             |
| Store EBITDA <sup>(5)</sup>                           | 28,388                                   | 12,371                 | 40,759              | 27,522                    | 9,604                  | 37,126              |
| Store EBITDA margin <sup>(6)</sup>                    | 64.8%                                    | 60.4%                  | 63.4%               | 64.7%                     | 56.3%                  | 62.3%               |
| <b>Cumulative capital expenditure</b>                 |  |                        |                     |                           |                        |                     |
|   | £m                                       | £m                     | £m                  |                           |                        |                     |
| To 31 March 2012                                      | 164.5                                    | 217.1                  | 381.6               |                           |                        |                     |
| To complete   | -  | 3.7                    | 3.7                 |                           |                        |                     |
| Total capital expenditure                             | 164.5                                    | 220.8                  | 385.3               |                           |                        |                     |

(1) The 32 established stores are those that had reached stabilisation as a portfolio in 2007 prior to the economic downturn. The lease-up stores have yet to trade at their stabilised occupancy levels. Of the 21 lease-up stores, three stores opened before 31 March 2006, six stores opened in the year ended 31 March 2007, six stores opened in the year ended 31 March 2008 and six have opened since 1 April 2008.

(2) Total store revenue divided by the average maximum lettable area in the year.

(3) Packing materials, insurance and other storage related fees.

(4) Rent for seven established short leasehold properties accounted for as investment properties and finance leases under IFRS with total self storage capacity of 431,000 sq ft and a long leasehold lease-up store with a capacity of 64,000 sq ft.

(5) Earnings before interest, tax, depreciation and amortisation.

(6) Of the established stores, the seven leasehold stores achieved a store EBITDA of £4.5 million and EBITDA margin of 44%. The 25 freehold stores achieved a store EBITDA of £23.9 million and EBITDA margin of 71%.

Our Unrivalled  
**PORTFOLIO**

**Chiswick, April 2012**  
MLA - 75,000 sq ft

**New Cross, February 2012**  
MLA - 60,000 sq ft

**Stockport, September 2011**  
MLA - 60,000 sq ft

**Eltham, April 2011**  
MLA - 70,000 sq ft

**Camberley, January 2011**  
MLA - 63,000 sq ft

**High Wycombe, June 2010**  
MLA - 60,000 sq ft

## Our Portfolio (continued)

**Reading, December 2009**  
MLA - 60,000 sq ft

**Sheffield Bramall Lane,  
September 2009** MLA - 60,000 sq ft

**Poole, August 2009**  
MLA - 53,000 sq ft

**Nottingham, August 2009**  
MLA - 65,000 sq ft

**Edinburgh, July 2009**  
MLA - 60,000 sq ft

**Twickenham, May 2009**  
MLA - 76,000 sq ft

**Liverpool, March 2009**  
MLA - 60,000 sq ft

**Bromley, March 2009**  
MLA - 71,000 sq ft

**Birmingham, February 2009**  
MLA - 60,000 sq ft

**Sheen, December 2008**  
MLA - 64,000 sq ft

**Sheffield Hillsborough,  
October 2008** MLA - 60,000 sq ft

**Kennington, May 2008**  
MLA - 66,000 sq ft

**Merton, March 2008**  
MLA - 70,000 sq ft

**Fulham, March 2008**  
MLA - 139,000 sq ft

**Balham, March 2008**  
MLA - 60,000 sq ft

**Barking, November 2007**  
MLA - 60,000 sq ft

**Ealing Southall, November 2007**  
MLA - 57,000 sq ft

**Sutton, July 2007**  
MLA - 70,000 sq ft

**Gloucester, December 2006**  
MLA - 50,000 sq ft

**Edmonton, October 2006**  
MLA - 80,000 sq ft

**Kingston, August 2006**  
MLA - 61,000 sq ft

**Bristol Ashton Gate, July 2006**  
MLA - 61,000 sq ft

**Finchley East, May 2006**  
MLA - 54,000 sq ft

**Tunbridge Wells, April 2006**  
MLA - 57,000 sq ft

**Bristol Central, March 2006**  
MLA - 64,000 sq ft

**North Kensington,  
December 2005** MLA - 51,000 sq ft

**Leeds, July 2005**  
MLA - 76,000 sq ft

**Beckenham, May 2005**  
MLA - 71,000 sq ft

**Totworth, November 2004**  
MLA - 56,000 sq ft

**Watford, August 2004**  
MLA - 64,000 sq ft

**Swindon, April 2004**  
MLA - 64,000 sq ft

**Orpington, December 2003**  
MLA - 64,000 sq ft

**Byfleet, November 2003**  
MLA - 48,000 sq ft

**Chelmsford, April 2003**  
MLA - 54,000 sq ft

**Finchley North, March 2003**  
MLA - 63,000 sq ft

**West Norwood, January 2003**  
MLA - 57,000 sq ft

**Colchester, December 2002**  
MLA - 55,000 sq ft

**Bow, November 2002**  
MLA - 55,000 sq ft

**Brighton, October 2002**  
MLA - 59,000 sq ft

**Guildford, June 2002**  
MLA - 55,000 sq ft

## Our Portfolio (continued)

**New Malden, May 2002**  
MLA - 81,000 sq ft

**Hounslow, December 2001**  
MLA - 54,000 sq ft

**Battersea, December 2001**  
MLA - 34,000 sq ft

**Ilford, November 2001**  
MLA - 58,000 sq ft

**Cardiff, October 2001**  
MLA - 75,000 sq ft

**Portsmouth, October 2001**  
MLA - 61,000 sq ft

**Norwich, September 2001**  
MLA - 48,000 sq ft

**Dagenham, July 2001**  
MLA - 50,000 sq ft

**Wandsworth, April 2001**  
MLA - 57,000 sq ft

**Luton, March 2001**  
MLA - 41,000 sq ft

**Southend, March 2001**  
MLA - 57,000 sq ft

**Staples Corner, March 2001**  
MLA - 111,000 sq ft

**Romford, November 2000**  
MLA - 70,000 sq ft

**Milton Keynes, September 2000**  
MLA - 61,000 sq ft

**Cheltenham, April 2000**  
MLA - 50,000 sq ft

**Slough, February 2000**  
MLA - 67,000 sq ft

**Hanger Lane, October 1999**  
MLA - 65,000 sq ft

**Oxford, August 1999**  
MLA - 33,000 sq ft

**Croydon, July 1999**  
MLA - 81,000 sq ft

**Richmond, May 1999**  
MLA - 35,000 sq ft

## Portfolio Summary – Big Yellow Limited Partnership Stores

|   | March 2012 | March 2011 |
|---|------------|------------|
| Number of stores                                      | 12         | 11         |
| <b>At 31 March</b>                                    |            |            |
| Total capacity (sq ft)                                | 743,000    | 683,000    |
| Occupied space (sq ft)                                | 325,000    | 215,000    |
| Percentage occupied                                   | 43.7%      | 31.5%      |
| Net rent per sq ft                                    | £18.12     | £18.70     |
| Annualised revenue (£000)                             | 7,308      | 5,066      |
| <b>For the year</b>                                   |            |            |
| REVPAF  | £9.11      | £6.64      |
| Average occupancy                                     | 38%        | 25%        |
| Average annual rent psf                               | £18.42     | £19.01     |
|   | £000       | £000       |
| Self storage income                                   | 5,189      | 3,211      |
| Other storage related income                          | 1,315      | 919        |
| Ancillary store rental income                         | 35         | 4          |
| Total store revenue                                   | 6,539      | 4,134      |
| Direct store operating costs (excluding depreciation) | (3,937)    | (3,181)    |
| Store EBITDA  | 2,602      | 953        |
| Store EBITDA Margin                                   | 39.8%      | 23.1%      |
| <b>Cumulative capital expenditure <sup>(1)</sup></b>  |            |            |
| To 31 March 2012                                      | 102.3      |            |
| To complete   | 3.7        |            |
| Total capital expenditure                             | 106.0      |            |

(1) This cost includes Leeds which was acquired by the Partnership as an open store in November 2007

## Report on Corporate Governance

### Introduction

The Company is committed to the principles of corporate governance contained in the UK Corporate Governance Code that was issued in 2010 by the Financial Reporting Council (the Code) for which the Board is accountable to shareholders. The Board also takes account of the corporate governance guidelines of institutional shareholders and their representative bodies.

### Statement of compliance with the Code

Throughout the year ended 31 March 2012, the Company has been in compliance with the Code provisions set out in section 1 of the 2010 UK Corporate Governance Code.

### Statement about applying the principles of the Code

The Company has applied the principles set out in 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 of Directors

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 which enables risk to be assessed and managed. 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 nine Directors: four Executives and five Non-Executives. The Board considers Tim Clark, Mark Richardson, Steve Johnson 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.

Jonathan Short is considered an independent Non-Executive, even though he has served on the Board for twelve years, exceeding the Code recommended limit. This was concluded after considering his integrity and the effectiveness with which he carries out his responsibilities to the Company. Jonathan Short is retiring as a Director at the Company's AGM in July.

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

Tim Clark is the Senior Independent Non-Executive Director.

All of 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. Philip Burks has legacy LTIPs from his time as an Executive Director. The Non-Executive Directors are encouraged to communicate directly with Executive Directors between formal Board meetings. The Non-Executive Directors meet at least once a year without the Executive Directors being present.

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.

Attendance at meetings of the individual Directors at the Board and for the members of the Committees that they were eligible to attend is shown in the table below.

| Director        | Position                | Board | Audit | Remuneration | Nominations |
|-----------------|-------------------------|-------|-------|--------------|-------------|
| Philip Burks    | Non-Executive Director  | 6/6   | -     | -            | -           |
| Tim Clark       | Non-Executive Director  | 6/6   | 3/3   | 4/4          | 1/1         |
| James Gibson    | Chief Executive Officer | 6/6   | -     | -            | -           |
| Steve Johnson   | Non-Executive Director  | 6/6   | 3/3   | 4/4          | 1/1         |
| Adrian Lee      | Operations Director     | 6/6   | -     | -            | -           |
| Mark Richardson | Non-Executive Director  | 6/6   | 3/3   | 4/4          | 1/1         |
| Jonathan Short  | Non-Executive Director  | 6/6   | 3/3   | 4/4          | 1/1         |
| John Trotman    | Chief Financial Officer | 6/6   | -     | -            | -           |
| Nicholas Vetch  | Executive Chairman      | 6/6   | -     | -            | -           |

The Board meets 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 as part of its review of the Group's risk register.

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.

### **Re-election of Directors**

In accordance with the UK Corporate Governance Code, all Directors are submitting themselves for re election at the 2012 Annual General Meeting, with the exception of Jonathan Short who is retiring at the Annual General Meeting. The biographical details of the Directors of the Group are set out on page 57. 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.

### **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 complementary 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

### **Non-Executive Directors**

The Non Executive Directors scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They are required to satisfy themselves on the integrity of the financial information and that financial controls and systems of risk management are robust and defensible. They are responsible for determining appropriate levels of remuneration for Executive Directors and have a prime role in appointing and, where necessary, removing Executive Directors, and in succession planning.

### **Performance evaluation**

Each year the Board undertakes a formal evaluation of its own performance and that of its Committee and its individual members. During the year, 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.

The Board has noted the recommendations of the new Code, and intends to appoint a facilitator during the year ending 31 March 2013 to perform an external evaluation of the Board's effectiveness and procedures, and those of its Committees. Given Jonathan Short is retiring from the Board in July 2012, and will be replaced by Richard Cotton as an independent Non Executive Director, the Board decided to delay the external evaluation until these changes had occurred.

With the exception of Jonathan Short, all of the Non Executive Directors are being proposed for election at the Annual General Meeting. Following the performance evaluation above, the Committee has determined that their performance is effective, and that they demonstrated commitment to the role.

### **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 an update on developments in the Code. 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.

### **Standing committees of the Board**

The Board has Audit, Remuneration and Nomination Committees, each of which has written terms of reference. They deal clearly with the authorities and duties of each Committee and are formally reviewed annually. Copies of these terms of reference are available on the Company's website. Each of these Committees is comprised of Independent Non Executive Directors of the Company who are appointed by the Board on the recommendation of the Nominations Committee.

The Chairman of each Committee reports the outcome of the meetings to the Board. The Company Secretary is secretary to each Committee.

## Report on Corporate Governance (continued)

### Remuneration Committee

Tim Clark (Chairman)  
Steve Johnson  
Mark Richardson  
Jonathan Short

Richard Cotton will join the Committee upon his appointment to the Board, replacing 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.

### Nominations Committee

Tim Clark (Chairman)  
Steve Johnson  
Mark Richardson  
Jonathan Short

Richard Cotton will join the Committee upon his appointment to the Board, replacing Jonathan Short

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 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.

### Appointment to the Board

During the year the Nominations Committee considered the skill sets of the existing Non Executive Directors. The Committee also considered the overall make up of the Board following Jonathan Short's decision to retire at the forthcoming AGM, and decided that it was appropriate to appoint a new Non Executive Director to replace Jonathan Short.

The Nominations 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 Richard Cotton be appointed to the Board. Richard Cotton will join the Board as an independent Non Executive Director in July 2012. The Nominations Committee believes the Board benefits from this appointment.

### Shareholder relations

The Board aims to achieve clear reporting of financial performance to all shareholders and acknowledges the importance of an open dialogue by both Executive and Non Executive Directors with its institutional shareholders. 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 Company has an active dialogue with its shareholders through a programme of investor meetings which include formal presentation of the full and half year results. The Executive Directors have participated in investor conferences and meetings during the year, throughout the United Kingdom, and also in the United States and the Netherlands.

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 Group operates a rigorous system of risk management and 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.

The Board has applied principle C 2 of the UK Corporate Governance Code by establishing a continuous process for identifying, evaluating and managing the significant risks the Group faces and for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board regularly reviews the process, which has been in place from the start of the year to the date of approval of this report and which is in accordance with revised guidance on internal control published in October 2005 (the Turnbull Guidance). The Board is also responsible for the Group's system of internal control and for reviewing its effectiveness. 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.

In compliance with provision C 2 1 of the Code, the Board regularly reviews the effectiveness of the Group's risk management and internal control systems. 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. The Board has also performed a specific assessment for the purpose of this annual report. This assessment considers all significant aspects of risk management and internal control arising during the period covered by the report, including the work carried out by the Group's Store Compliance team. The Audit Committee assists the Board in discharging its review responsibilities.

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 Board 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 Directors

- > challenged the framework to ensure that the list of significant risks to business objectives were 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 were reflected in the risk framework, and
- > ensured that there were 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 or weaknesses during the period (including "near misses").

During the course of its review of the risk management and internal control systems, the Board has not identified, nor been advised of any failings or weaknesses which it has determined to be significant. Therefore, a confirmation in respect of necessary actions has not been considered appropriate.

The principal areas of risk that the Group faces are considered below.

### **Self storage market risk**

The UK economy has continued its slow recovery from the recession. The demand for self storage has slowed since the liquidity crisis began in August 2007, however we believe that the structural need for self storage remains. We saw an increase in demand in the financial year, with move ins in our wholly owned portfolio up 9% on the prior year.

Self storage is a relatively immature market in the UK compared to other self storage markets such as the United States and Australia, and we believe has further opportunity for 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 of branded self storage on main roads in good locations has historically been limited by the difficulty of acquiring sites at affordable prices and obtaining planning consent. The lack of availability of credit within the economy has further reduced this rate of growth since the start of the downturn, and over the last couple of years new store openings within the sector have slowed to a trickle.

Our performance during the downturn has been relatively resilient, although not immune. We believe that the resilience of our performance is due to a combination of factors including

- > a prime portfolio of freehold self storage properties,
- > a focus on London and the South East, which has proved more resilient during the downturn and where the drivers in the self storage market are at their strongest and the barriers to competition are at their highest,
- > the strength of operational and sales management,
- > continuing innovation to deliver the highest levels of customer service,
- > the UK's leading self storage brand, with high public awareness and online strength, and
- > strong cash flow generation and high operating margins.

## Report on Corporate Governance (continued)

We have a large current storage customer base of over 36,000 spread across the portfolio of open stores and many thousands more who have used Big Yellow over the years. In any month, customers move in and out at the margin resulting in changes in occupancy. Despite the current economic environment, this has remained a seasonal business and typically we see 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 22.

### Property risk

Our 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. We do take planning risk where necessary, although the current property market will in our view provide more opportunities to buy sites on a conditional basis. The planning process remains difficult with some planning consents taking in excess of twelve months to achieve, although given we have planning consent on all but one site, the risk to the Group has reduced significantly from prior years.

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

Our financing policy is to fund our current needs through a mix of debt, equity and cash flow to allow us to selectively build out the remaining development pipeline and achieve our strategic growth objectives, which we believe improve returns for shareholders.

We aim to ensure that there are sufficient medium term facilities in place to finance our committed development programme, secured against the freehold portfolio, with debt serviced by our strong operational cash flows.

We have a 15 year fixed rate loan in place from Aviva Commercial Finance Limited. For our bank debt, we borrow at floating rates of interest and use swaps to hedge our interest rate exposure. Our policy is to have at least 60% of our total borrowings fixed, with the balance floating paying margin over LIBOR. At the date of this report we have fixed rate swaps in place over 47% of our outstanding bank borrowings, coupled with the £100 million fixed rate loan from Aviva, resulting in 66% of the Group's total borrowings being fixed.

The Group does not hedge account its interest rate derivatives, all movements in fair value are taken through the statement of comprehensive income. The Group regularly monitors its counterparty risk. The Group monitors compliance with its banking covenants closely. During the year it complied with all its covenants and is forecast to do so for the foreseeable future.

### Interest cover and balance sheet risk

The Group reviews its 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 room 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. 79% of our current customers pay by direct debit, however of new customers moving into the business in the last year 85% have paid by direct debit. Businesses often prefer to pay by cheque or BACS. Since the start of the downturn in economic activity, we have not seen an increase in the level of bad debts and arrears. Indeed, we have seen an improvement in the current year, with our bad debt expense representing 0.06% of revenue in the year (2011: 0.12%).

### 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, through direct liaison with HMRC, and through trade bodies to understand and, if possible, mitigate or benefit from their impact. We are currently in consultation with HMRC over the proposed change to the VAT status of self storage.

### Real Estate Investment Trust ("REIT") risk

The Group converted to a REIT in 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

Our staff are key to our success and we are exposed to a risk of high staff turnover, and a risk of the loss of key personnel. We have developed a professional, lively and enjoyable 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 are important avenues of communication for both employees and shareholders.

**Security risk**

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 are the only major operator in the UK self storage industry that has every room in every store individually alarmed.

We have implemented customer security procedures in line with advice from the 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 routine operational procedures. We have continued to run courses for all our staff to enhance the awareness and effectiveness of our procedures in relation to security.

**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 Compliance Manager responsible for reviewing store operational and financial controls. He reports to the Chief Financial Officer. The Store Compliance Manager visits each operational store twice a year to carry out a detailed store audit. These audits are unannounced and the Store Compliance Manager carries out detailed tests on financial management within the stores, administrative standards, and operational standards. This role is supported by an Assistant Store Compliance Manager, enabling additional work and support to be carried out across the Group's store portfolio. 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 the Chief Financial Officer and the Head of Store Operations.

**Going concern**

A review of the Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 9 to 21 of the Business and Financial Reviews. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are shown in the balance sheet, cash flow statement and accompanying notes in the financial statements. Further information concerning the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk can be found in this Report and in the Directors' Report.

After reviewing Group and Company cash balances, borrowing facilities, forecast valuation movements and projected cash flows, the Directors believe that the Group and Company have adequate resources to continue operations for the foreseeable future. In reaching this conclusion the Directors have had regard to the Group's operating plan and budget for the year ending 31 March 2013 and projections contained in the longer term business plan which covers the period to March 2016. The Directors have considered carefully the Group's trading performance and cash flows as a result of the uncertain global economic environment and the other principal risks to the Group's performance and are satisfied with the Group's positioning. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

## Report on Corporate Governance (continued)

### Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent Company financial statements under IFRSs as adopted by the European Union. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that the Directors

- > properly select and apply accounting policies,
- > present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- > 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, and
- > make an assessment of the Company's ability to continue as a going concern

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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 that to the best of our knowledge

- 1 the financial statements, prepared in accordance with International Financial Reporting Standards 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 Business Review, 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 that they face

By order of the Board

**Shauna Beavis**  
Secretary  
21 May 2012

## 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 Disclosure and Transparency Rule 7.1 and the UK Corporate Governance 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, including consideration of the need for an internal audit function,
- > making recommendations to the Board for a resolution to be put to the shareholders for their approval in general meetings, on the appointment of the external auditor and the approval of the remuneration and terms of engagement of the external auditor;
- > reviewing and monitoring the external auditor's 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 auditor 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:

Mark Richardson (Chairman)  
Tim Clark  
Steve Johnson  
Jonathan Short

Richard Cotton will join the Committee upon his appointment to the Board, replacing Jonathan Short.

Membership of the Committee is reviewed by the Chairman of the Committee and the Executive Chairman, who is not a member of the Audit Committee, at regular intervals and they recommend new appointments to the Nominations Committee for onward recommendation to the Board. Appointments to the Audit Committee are for an initial period of three years, and are extendable by additional three year periods.

The Audit Committee structure requires the inclusion of one financially qualified member (as recognised by the Consultative Committee of Accountancy Bodies). Currently Mark Richardson, 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 Committee is comprised of four Non Executive Directors, a majority of whom have to be deemed independent, with a minimum of three members at any time. Two members constitute a quorum.

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.

## **Audit Committee Report (continued)**

### **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 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 Chief Executive, Chief Financial Officer, 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.

### **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 2011 report and financial statements, the September 2011 half yearly report and the trading updates 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 auditor,
- > agreed the fees to be paid to the external auditors for their audit of the March 2012 financial statements and September half-yearly report,
- > undertaken an assessment of the qualification, expertise and resources, and independence of the external auditors and the effectiveness of the audit process. This included consideration of a report on the audit firm's own quality control procedures and the audit firm's annual transparency report, and the report produced by the Audit Inspection Unit on the audit firm,
- > assessed the risks associated with the possible withdrawal of the external auditor from the market,
- > met the Group's external valuers,
- > undertaken an evaluation of the performance of the external auditors, and
- > reviewed its own effectiveness.

### **External auditor**

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 auditor is 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, including those that are pre-approved by the Audit Committee and those which require specific approval before they are contracted for, subject to de minimis levels. They may not provide a service which places them in a position where they may be required to audit their own work. Specifically, they are precluded from providing services relating to bookkeeping, financial information system design and implementation, appraisal or evaluation services, actuarial services, any management functions, investment banking services, legal services unrelated to the audit or advocacy services.

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

- > The external auditor's plan for the current year, noting the role of the senior statutory audit partner, who signs the audit report and who, in accordance with professional rules, has not held office for more than five years, and any changes in the key audit staff,
- > the arrangements for day to day management of the audit relationship,
- > a report identifying the number of former external audit staff now employed by the Group and their positions within the Group,
- > a report from the external auditors describing their arrangements to identify, report and manage any conflicts of interest,
- > the overall extent of non-audit services provided by the external auditors, in addition to its case by case approval of the position of non-audit services by the external auditors, and
- > the past service of the auditor who was first appointed in 2000.

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

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

Regard is paid to the nature of, and remuneration received, for other services provided by Deloitte 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. Where non audit services are provided, the fees are based on the work undertaken and are not success related.

In respect of the year ended 31 March 2012, the auditors' remuneration comprised £167,000 for audit work and £152,000 for other work, principally relating to corporation tax work.

As part of this year's decision to recommend the re-appointment of the auditors, the Audit Committee has taken into account the tenure of the auditors and the audit partner and the need to consider at least every five years whether there should be a full tender process. The auditors, Deloitte LLP, have been in tenure since 2000 and the current audit partner has been in place since the audit of the 2009 financial statements. There are no contractual obligations that act to restrict the Audit Committee's choice of external auditors.

As a consequence of its satisfaction with the results of the activities outlined above, the Audit Committee has 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

**Mark Richardson**  
Audit Committee Chairman  
21 May 2012

# Corporate Social Responsibility Report

## 1. INTRODUCTION

Our Corporate Social Responsibility ("CSR") policy documents how we can best manage the impact of our business on society and the environment and control risks and opportunities in our business in a sustainable way. To continue to deliver our CSR policy for our main Stakeholders, the Board has continued to commit significant resources to environmental and social aspects of its operations and new developments. These are consistently measured by key performance indicators ("KPIs"), the most significant of which are highlighted in this report and identified below.

A limited level of assurance of selected CSR data is undertaken by Deloitte in accordance with ISAE 3000. This standard provides evaluation of both quantitative and qualitative aspects of CSR management and reporting.

## 2 EXECUTIVE SUMMARY

### Highlights

Our CSR programme for the year ended 31 March 2012 committed us to focus on our most significant environmental challenge of energy efficiency and carbon reduction. In order to achieve these twin objectives we:

- 1 Continued our lighting efficiency programmes to gain an absolute carbon (CO<sub>2</sub>) emission reduction of 5.5%.
- 2 Reduced carbon intensity emissions by 10.1% per store gross internal area and by 18.6% per customer occupied space, with three new stores opening and an increase of 16.1% in occupied space.
- 3 Increased our annual solar electricity generation by 15.3% to 123,489 kWh and saved carbon emissions equivalent to 64.4 tCO<sub>2</sub> in the year ended 31 March 2012.
- 4 Generated cumulative solar PV electricity of 374 MWh since the first installation in March 2008, an increase of 49.4% on last year's solar cumulative total, and
- 5 Generated total Feed in Tariff income, displaced electricity costs and carbon tax reductions of £90,000 since 1 April 2010.

Our carbon footprint is the carbon dioxide emissions resulting from store electricity use (97.5%), flexi office gas use (1.4%) and Construction Fit out diesel and electricity use (1.1%). This can be summarised as follows:

#### Total carbon footprint emissions

| Year   | 2011  | 2012         | Change  |
|--|-------|--------------|---------|
| Store electricity emissions (tCO <sub>2</sub> )                            | 7,542 | <b>7,127</b> | (5.5%)  |
| Construction 'fit-out' gas oil & electricity emissions (tCO <sub>2</sub> ) | 74    | <b>82</b>    | 10.8%   |
| Flexi-office gas emissions (tCO <sub>2</sub> )                             | 121   | <b>102</b>   | (15.7%) |
| Absolute carbon dioxide emissions (tCO <sub>2</sub> )                      | 7,737 | <b>7,311</b> | (5.5%)  |

#### Store electricity use and CO<sub>2</sub> emissions

| Year   | 2011       | 2012              | Change  |
|--|------------|-------------------|---------|
| Electricity use (kWh)  | 13,925,217 | <b>13,674,944</b> | (1.8%)  |
| Absolute carbon emissions (tCO <sub>2</sub> )                            | 7,542      | <b>7,127</b>      | (5.5%)  |
| Carbon intensity (kgCO <sub>2</sub> /m <sup>2</sup> gross internal area) | 13.8       | <b>12.4</b>       | (10.1%) |
| Carbon intensity (kg CO <sub>2</sub> /m <sup>2</sup> occupied space)     | 38.1       | <b>31.0</b>       | (18.6%) |

#### Solar electricity generation and carbon savings

| Year  | 2011    | 2012           | Change |
|---|---------|----------------|--------|
| Cumulative solar PV generation kWh (since 2008)               | 249,991 | <b>373,479</b> | 49.4%  |
| Annual solar PV generation (kWh)                              | 107,071 | <b>123,489</b> | 15.3%  |
| Carbon dioxide saved by solar electricity (tCO <sub>2</sub> ) | 58.0    | <b>64.4</b>    | 11.0%  |
| Solar electricity (%) of stores with solar PV                 | 4.8     | <b>5.4</b>     | 12.5%  |
| Solar electricity (%) of whole portfolio electricity use      | 0.8     | <b>0.9</b>     | 12.5%  |

#### Store non-hazardous bulk waste tonnage

| Year  | 2011 | 2012       | Change |
|---|------|------------|--------|
| Tonnage of store waste (t)                  | 266  | <b>263</b> | (1.1%) |
| Percentage further sorting and landfill (%) | 28%  | <b>28%</b> | -      |
| Percentage for direct recycling (%)         | 72%  | <b>72%</b> | -      |
| Number of stores                            | 62   | <b>65</b>  | 4.8%   |
| Tonnage of waste per store                  | 4.3  | <b>4.1</b> | (4.7%) |

### 3. STAKEHOLDERS

Big Yellow engages with its main stakeholders to provide information and gain useful feedback from a variety of groups, as described below

#### 3.1 The media, staff and customers

##### Industry awards

###### *The Sunday Times Best Green Companies Survey*

We achieved a 65% response rate from our staff for this survey. The aim was to gather staff opinions on our green policies and to help us recognise where we need to improve. Big Yellow was listed in the Top 60 Best Green Companies, on our first attempt at the benchmark. In the staff survey we scored highest in the areas of our staff awareness of our CSR policy, our carbon reduction achievements and our waste recycling policies.

###### *Built Environment Best Practice Award*

Big Yellow was selected for this Award by a South East Counties Business Network Enterprise. Companies are judged in a unique way for this award, as no company can put themselves forward or be nominated. The sponsors track some 5,000 companies in the south of England and liaise with twelve representative organisations and academics to identify pro-active, environmental leaders. They researched Big Yellow's background and talked to people who know us, to get personal as well as business validation. The environmental attributes of Big Yellow were featured in a report in Decision Magazine.

##### Government awards & standards

###### *The Queen's Award for Enterprise in 'Sustainable Development'*

This award was presented to Big Yellow for recognising our outstanding achievement in Innovation and Sustainable Development. The Award is only presented to a limited number of companies each year, and in 2012 we were very proud to have been one of them. To achieve this recognition, we described our approach to how we managed customer relationships over a five-year period. We explained how we contributed to the environmental dimension of sustainable development through operational energy efficiency, increased waste recycling and enhanced biodiversity.

###### *The Government's Carbon Reduction Commitment ("CRC")*

Big Yellow achieved a position in the top 3.7% of over 2,000 UK companies that participated in the Government's CRC and Energy Efficiency Scheme League table. The league table details the relative performance of all participants against their absolute carbon emissions, their early action on the Carbon Trust Standard (see below) and their use of smart meters.

###### *The Carbon Trust Standard ("CTS")*

During the year Big Yellow was able to extend its participating in the CTS to 31 March 2013 and to strengthen our position in the CRC League table. The aim is to reduce CO<sub>2</sub> emissions over the longer term. Big Yellow is now able to consistently demonstrate carbon reductions over a five-year period (2007 to 2011). For the financial years 2007 to 2009, we achieved an absolute carbon emission reduction of 4.8% and a turnover reduction of 7.8%. From 2009 to 2011, we can report a relative benchmark, 'improvement of 7.5% per square metre of occupied space in carbon efficiency' as follows:

###### Carbon reduction efficiency increases (customer occupied space)

| Year   | 2009  | 2010  | 2011  |
|--|-------|-------|-------|
| tCO <sub>2</sub> / Customer Occupied Space (m <sup>2</sup> ) | 0.043 | 0.040 | 0.039 |

##### The Investment Community Recognition

###### *Global Real Estate Sustainability Benchmark ("GRESB")*

During the past year Big Yellow entered the second GRESB survey, managed by Maastricht University, on behalf of pension fund investors. Over 340 real estate funds and companies participated, representing a total property value of \$928 billion and 21,000 assets globally. The results are published on the GRESB website and they announced that we demonstrated "leadership in sustainability performance" and were ranked within the top 10% globally, and within the top 5% in Europe.

During the next year we will continue to participate in Government programmes and industry awards to measure our CSR performance against our peer group and to provide our Stakeholders with an "independent measurement" of our activities.

### 4. KEY PERFORMANCE INDICATORS

Big Yellow's most significant environmental impact is its carbon emissions from electric lighting use in operational stores. Approximately 97% of the store area does not require either heating or cooling due to adequate insulation, air tightness and top floor ventilation. Only the public reception area requires heating and cooling for staff and customer comfort levels. We have calculated carbon dioxide (CO<sub>2</sub>) emissions using the latest Department of Energy and Climate Change ("DECC") conversion factors. 2011 DEFRA / DECC's GHG Conversion Factors for Company Reporting Version 1.2, 19/08/2011. We have also included total electricity cost including VAT and the Climate Change Levy ("CCL"), where appropriate, to assess the reduction of kWh consumption in terms of total savings from energy use.

## Corporate Social Responsibility Report (continued)

### 4. KEY PERFORMANCE INDICATORS (continued)

#### 4.1 Store energy use – carbon dioxide emissions

Independent energy statements estimate that about 60% of our store electricity is consumed by lighting. Approximately 30% of our total electricity use is by lifts. Approximately 3% of our store electricity is used in external signage, security and parking. The remainder is used for reception area heating and cooling. Carbon emissions from these power station sources are known as 'Scope 2, indirect offsite emissions'. The table below summarises the Group's store electricity usage, costs and emissions over the last three years.

| Store electricity use & CO <sub>2</sub> emissions<br>Year | 2010       | 2011       | 2012              | Change  | 2013 target |
|---|------------|------------|-------------------|---------|-------------|
| Electricity use (kWh)                                     | 12,730,855 | 13,925,217 | <b>13,674,944</b> | (1.8%)  | (1.5%)      |
| Total electricity cost (£)                                | 1,567,270  | 1,476,755  | <b>1,277,131</b>  | (13.5%) | -           |
| Pence per kWh   | 13.57      | 10.28      | <b>10.16</b>      | (1.2%)  | -           |
| Carbon emissions (kgCO <sub>2</sub> )                     | 6,913,236  | 7,541,898  | <b>7,126,560</b>  | (5.5%)  | -           |
| Store occupied space (m <sup>2</sup> )                    | 177,904    | 198,063    | <b>229,869</b>    | 16.1%   | -           |
| KgCO <sub>2</sub> /m <sup>2</sup> occupied space          | 38.9       | 38.1       | <b>31.0</b>       | (18.6%) | (10.0%)     |
| GIA (m <sup>2</sup> )                                     | 528,604    | 545,884    | <b>573,857</b>    | 5.1%    | -           |
| Kg CO <sub>2</sub> /m <sup>2</sup> GIA                    | 13.1       | 13.8       | <b>12.42</b>      | (10.1%) | -           |

We are reporting an absolute electricity reduction (1.8%), carbon emission reduction (5.5%) and a carbon intensity reduction for self storage customer occupied space (18.6%). Electricity consumption reduced by 250,273 kWh, due to the continued effects of our investment in more energy efficient management, lighting systems and increased generation of carbon free solar electricity. Electricity cost savings at an average cost of 10.16p per kWh amounted to £25,000, against rising customer occupied space and three new store openings in the year.

CRC tax savings of £1,000 (£12/tCO<sub>2</sub>) will be achieved from this electricity reduction. The reporting of electricity use estimates has now been reduced to a minimum by the use of automatic meter reading ("AMR") devices. 'DEFRA Conversion Factors for Company Reporting 2011' states that the increased import of overseas electricity included more renewable and nuclear energy. This has contributed to our lower carbon emissions, through the use of the lower electricity to carbon conversion factor compared to last financial year.

Carbon intensity emissions for self storage occupied space reduced significantly (18.6%), against increasing customer numbers. The carbon intensity measure for gross internal area ("GIA") takes into account our new store portfolio growth [we opened three new stores at Eltham, Stockport and New Cross]. In the new financial year our targets will be to continue absolute carbon reduction and carbon intensity reduction through our continued energy efficient re-lamping programmes and our increasing investments in solar electricity generation.

#### 4.2 Store lighting – energy efficiency programmes

Our three new stores at Eltham, Stockport and New Cross have energy saving motion sensor lighting, T5 energy efficient lamps and external LED lighting, installed by Big Yellow Construction Facilities Management. Facilities Management installed zoning of the existing motion sensor lighting ("MSL") at eight stores: Cheltenham, Croydon, Leeds, New Malden, Portsmouth, Slough, Staples Corner, and Twickenham, to increase the efficient use of electricity and reduce carbon emissions. We now have nine stores upgraded to MSL, including Bow. A further four stores were re-lamped by Facilities Management with 'Power Saver' lamps at Beckenham, Bylet, Milton Keynes and Staples Corner. This brings the total number of stores with energy efficient T5 or Power Saver Lamps, in the whole portfolio to 30 stores. Our strategy for the store portfolio has been progressed by Facilities Management who are currently trialling LED lighting for internal storage and reception use at our Slough store. Initial performance monitoring shows energy savings of around 60% efficiency compared to conventional T8 switched start fittings. With the possible installation of LEDs during 2012, the Power Saver re-lamping programme will potentially be replaced with the more efficient LED investment.

#### 4.3 Stores gas use – carbon dioxide emissions

Flexi office services are provided alongside self storage in twelve of our sixty five stores. Gas heating, which involves direct 'on site' combustion and on site carbon emissions, are known as 'Scope 1' type emissions.

| Stores flexi-offices gas use & CO <sub>2</sub> emissions<br>Year     | 2010    | 2011    | 2012           | Change  |
|--|---------|---------|----------------|---------|
| Total gas use (kWh/year)   | 482,229 | 656,017 | <b>553,922</b> | (15.6%) |
| Total gas cost (£ incl VAT & CCL)                                    | 17,228  | 20,134  | <b>18,014</b>  | (10.5%) |
| Carbon dioxide emissions (tCO <sub>2</sub> )                         | 88.5    | 121.3   | <b>101.5</b>   | (16.3%) |
| Flexi-office occupied space (m <sup>2</sup> )                        | 2,264   | 2,310   | <b>2,407</b>   | 4.2%    |
| Carbon intensity (kg CO <sub>2</sub> /m <sup>2</sup> occupied space) | 31.2    | 41.6    | <b>42.6</b>    | 2.4%    |
| Final office area (m <sup>2</sup> )                                  | 2,811   | 2,811   | <b>2,806</b>   | (0.2%)  |
| Carbon intensity (Kg CO <sub>2</sub> /m <sup>2</sup> final area)     | 41.3    | 53.2    | <b>42.6</b>    | (19.9%) |

#### 4 KEY PERFORMANCE INDICATORS (continued)

##### 4.3 Stores gas use – carbon dioxide emissions (continued)

Flexi offices using electricity (four) and ground source heat pumps (two at Kennington and Bromley) have been excluded from the data above. The table includes flexi offices using gas heating only. Gas use decreased by 15.6% due to a milder winter and more frequent meter readings from stores, which in turn has reduced over estimations resulting in more accurate data, and cost savings against a 4.2% increase in flexi-office customer occupancy. Gas costs including VAT and the Climate Change levy ("CCL") reduced by 10.5%. Automatic meter reading (AMR) installations are planned for July 2012 to reduce further over estimations in gas use and payments.

##### 4.4 Construction 'fit-out' carbon dioxide emissions

'Store fit out' is the final stage of the development of a store that Big Yellow Construction manages. This stage uses gas oil for on site electricity generation before grid electricity is supplied. Stockport, New Cross and Chiswick account for these energy uses and carbon emissions in the year ended 31 March 2012. Gas oil use reduced due to a reduced new store development programme and an early availability of on site electricity supply at Chiswick.

| Construction 'fit-out' energy use & CO <sub>2</sub> emissions |         |        |                |         |
|---|---------|--------|----------------|---------|
| Year  | 2010    | 2011   | 2012           | Change  |
| Total gas oil use (litres)                                    | 50,571  | 13,481 | <b>8,033</b>   | (40.4%) |
| Gas oil generator (tCO <sub>2</sub> )                         | 133.5   | 35.6   | <b>22.2</b>    | (37.6%) |
| Total electricity supplied (kWh)                              | 127,643 | 69,933 | <b>114,395</b> | 63.6%   |
| Electricity emissions (tCO <sub>2</sub> )                     | 69.3    | 37.9   | <b>59.6</b>    | 57.3%   |
| Number of stores fit-outs                                     | 6       | 3      | <b>3</b>       | -       |
| Total metric tons (tCO <sub>2</sub> )                         | 203     | 74     | <b>82</b>      | 10.8%   |

As Chiswick is a larger than average store, electricity use was higher than average, and so total carbon emissions increased by 10.8%. However, construction gas oil and grid electricity use amounted to a residual 1.1% of our total carbon emissions.

##### 4.5 Big Yellow's carbon footprint

In summary, Big Yellow's carbon footprint is set out in the table below.

| Big Yellow – absolute carbon footprint                       |       |       |              |         |             |
|--|-------|-------|--------------|---------|-------------|
| Year   | 2010  | 2011  | 2012         | Change  | 2013 target |
| Store electricity (tCO <sub>2</sub> ) emissions              | 6,913 | 7,542 | <b>7,127</b> | (5.5%)  | (2.0%)      |
| 'Fit-out' diesel & electricity (tCO <sub>2</sub> ) emissions | 203   | 74    | <b>82</b>    | 10.8%   | (5.5%)      |
| Flexi-office (tCO <sub>2</sub> ) emissions                   | 89    | 121   | <b>102</b>   | (15.7%) | (2.0%)      |
| Total (tCO <sub>2</sub> ) emissions (metric tonnes)          | 7,205 | 7,737 | <b>7,311</b> | (5.5%)  | (6.0%)      |

The total carbon dioxide footprint for operational stores, flexi offices and new store construction fit out emissions has been reduced in absolute terms by 5.5%, exceeding our 5% target and was delivered against increased customer occupancy. This achievement continues the longer term trend, only reversed in 2011, from 2008, for year on year absolute carbon reductions. Operational store energy use accounts for 97.5% of our carbon emission footprint with flexi office gas accounting for 1.4% and fit out construction 1.1%. In the year ending 31 March 2013, Big Yellow will continue its energy efficiency and carbon reduction commitment programmes for store lighting and increased capacity for solar PV installations on new stores. We also aim to reduce absolute carbon emissions and carbon intensity emissions per square metre of occupied space.

##### 4.6 Renewable energy generation

In the year ended 31 March 2012, Big Yellow added one large (50 kWp) solar photo voltaic installation at our new store in New Cross. Our renewable energy assets now consist of twelve solar installations, five ground source heat pumps and two wind turbines. Renewable energy generation data has been restated this year to focus on the higher performance of solar generation based on more accurate quarterly meter readings, for claiming solar Feed in Tariff ("FIT") payments and off Grid savings. Micro wind turbine generation in the urban environment has not proved to be viable and ground source heat pumps have under performed and proved difficult to monitor.

| Solar PV electricity generation                |         |         |                |        |             |
|--|---------|---------|----------------|--------|-------------|
| Year   | 2010    | 2011    | 2012           | Change | 2013 target |
| Annual cumulative solar electricity (kWh)      | 142,917 | 249,991 | <b>373,479</b> | 49.4%  | 40.0%       |
| Annual solar electricity generation (kWh)      | 95,517  | 107,071 | <b>123,489</b> | 15.3%  | 15.0%       |
| Big Yellow average electricity cost (p/kWh)    | 13.57   | 10.28   | <b>10.16</b>   | (1.2%) | -           |
| National Grid displaced kWh savings (£)        | 12,962  | 11,007  | <b>12,547</b>  | 14.0%  | -           |
| Carbon emission reduction (tCO <sub>2</sub> )  | 51.9    | 58.0    | <b>64.4</b>    | 11.0%  | 10.0%       |
| CRC carbon tax savings (£12 / tonne)           | 622.8   | 696.0   | <b>772.8</b>   | 11.0%  | -           |
| Solar kWh FIT & ROC payments (£)               | 1,683   | 33,751  | <b>15,837</b>  | -      | -           |
| Total solar electricity income and savings (£) | 15,268  | 45,454  | <b>29,157</b>  | -      | -           |
| Solar electricity % of solar store use         | 5%      | 4.8%    | <b>5.4%</b>    | 12.5%  | 6.0%        |
| Solar electricity % of whole portfolio use     | 0.7%    | 0.8%    | <b>0.9%</b>    | 12.5%  | 1.0%        |

## Corporate Social Responsibility Report (continued)

### 4 KEY PERFORMANCE INDICATORS (continued)

#### 4.6 Renewable energy generation (continued)

The cumulative solar PV electricity generated since our first installation at Balham in March 2008 is now 374 MWh, increasing by 49.4% from the prior year. Annual solar electricity generation increased by 15.3% to 123,489 kWh and a carbon reduction of 11.0% will help reduce carbon tax emissions in the year ended 31 March 2013. The first Feed in Tariff revenues for solar electricity generation were backdated to the start of the scheme on 1 April 2010 and up to 30 June 2011 (15 months) and amounted to £34,000. Payments in the year ended 31 March 2012 were £16,000 for 9 months, as the first three months were included in the first payment for FY 2011. Total solar store income and savings over the last three years amount to £90,000 for displaced grid electricity, carbon tax savings and Feed in Tariff revenues. Currently our 12 solar stores are generating 5.4% of their electricity use and nearly 1% of the total store portfolio electricity use.

#### 4.7 Store waste management

In May 2011 we changed our waste contractor to one that recycles and manufactures cardboard in addition to providing standard waste collection services. In the year ended 31 March 2010, the waste volume was estimated from the number of bin lifts and volume of bins. The volume in 2010 was 4,380 m<sup>3</sup>.

| Store non-hazardous bulk waste tonnage      |      |      |            |        |
|---|------|------|------------|--------|
| Year  | 2010 | 2011 | 2012       | Change |
| Tonnage of store waste (t)                  | –    | 266  | <b>263</b> | (1.1%) |
| Percentage further sorting and landfill (%) | –    | 28%  | <b>28%</b> | –      |
| Percentage for direct recycling (%)         | –    | 72%  | <b>72%</b> | –      |
| Number of stores                            | 60   | 62   | <b>65</b>  | 4.8%   |
| Tonnage of waste per store                  | –    | 4.3  | <b>4.1</b> | (4.7%) |

From May 2010, store waste sorting on site was introduced with mixed dry recyclables, 'mixed papers' and 'general waste'. During the last 12 months the total tonnage of waste has reduced by 1.1% and by 4.7% per store, against an increase of 3 store openings. 72% of the total tonnage was sent directly for recycling including mixed papers. A further 28% was sent for further sorting and/or landfill. The change in store waste policy and procedure has resulted in a raised awareness of waste recycling and performance improvement.

#### 4.8 Store water use

In preparation for future commercial building Water Performance Certificates we aim to improve our metering and monitoring of water use. New stores have low flow aerated taps and dual flush WCs. Six stores have rainwater harvesting systems (Sutton, Barking, Merton, Liverpool, Sheffield and Chiswick) and these supply rainwater for WC flushing and irrigation for enhanced landscape or green walls.

## 5 STORE DESIGN AND CONSTRUCTION

Our Eltham store opened at the start of the financial year and has a Green Travel Plan for our store staff, to encourage more active modes of transport other than the car. It also has an enhanced landscape, including trees, shrubs and a 'Green' wall to encourage wildlife habitat and local biodiversity. Our Stockport store also has an enhanced landscape with hundreds of new plant species. Our New Cross store has our largest solar PV roof panel capable of generating about 17% of the store's annual energy use. All new stores since December 2009 have about 60% more energy efficient external signage LED lighting. The tables below summarise the eco-efficient specifications, installations and environmental improvement features of our most recent store developments.

### Improvements in sustainable development & eco-efficient store designs 2007 – 2012

| Store                           | Motion sensor lighting | Energy efficient lighting | LED external signage | Solar GHSP energy | Green travel plans | Rain water harvest | Green roofs/walls | Improved ecology |
|---------------------------------|------------------------|---------------------------|----------------------|-------------------|--------------------|--------------------|-------------------|------------------|
| 1 Sutton <sup>(1)</sup>         | ✓                      | -                         | -                    | -                 | -                  | ✓                  | ✓                 | ✓                |
| 2 Barking <sup>(2)</sup>        | ✓                      | -                         | -                    | ✓                 | -                  | ✓                  | ✓                 | ✓                |
| 3 Ealing                        | ✓                      | -                         | -                    | -                 | -                  | -                  | -                 | ✓                |
| 4 Balham <sup>(3)</sup>         | ✓                      | -                         | -                    | ✓                 | ✓                  | -                  | -                 | ✓                |
| 5 Fulham <sup>(3)</sup>         | ✓                      | -                         | -                    | ✓                 | ✓                  | -                  | ✓                 | ✓                |
| 6 Merton <sup>(4)</sup>         | ✓                      | -                         | -                    | ✓                 | -                  | ✓                  | -                 | ✓                |
| 7 Kennington <sup>(5)</sup>     | ✓                      | ✓                         | -                    | ✓                 | -                  | -                  | -                 | ✓                |
| 8 Sheffield (H)                 | ✓                      | ✓                         | -                    | -                 | -                  | -                  | ✓                 | ✓                |
| 9 Sheen <sup>(5)</sup>          | ✓                      | ✓                         | -                    | ✓                 | ✓                  | -                  | -                 | ✓                |
| 10 Bromley <sup>(3)</sup>       | ✓                      | ✓                         | -                    | ✓                 | -                  | -                  | -                 | ✓                |
| 11 Birmingham                   | ✓                      | ✓                         | -                    | -                 | ✓                  | -                  | -                 | ✓                |
| 12 Liverpool                    | ✓                      | ✓                         | -                    | -                 | -                  | ✓                  | -                 | ✓                |
| 13 Twickenham <sup>(6, 7)</sup> | ✓                      | ✓                         | -                    | ✓                 | -                  | -                  | -                 | ✓                |
| 14 Edinburgh <sup>(6)</sup>     | ✓                      | ✓                         | -                    | ✓                 | -                  | -                  | -                 | ✓                |
| 15 Nottingham <sup>(6)</sup>    | ✓                      | ✓                         | -                    | ✓                 | -                  | -                  | -                 | ✓                |
| 16 Poole                        | ✓                      | ✓                         | -                    | -                 | -                  | -                  | -                 | ✓                |
| 17 Sheffield (BL)               | ✓                      | ✓                         | -                    | -                 | -                  | ✓                  | -                 | ✓                |
| 18 Reading <sup>(5, 6)</sup>    | ✓                      | ✓                         | ✓                    | ✓                 | -                  | -                  | -                 | ✓                |
| 19 High Wycombe                 | ✓                      | ✓                         | ✓                    | -                 | -                  | -                  | ✓                 | ✓                |
| 20 Camberley <sup>(6)</sup>     | ✓                      | ✓                         | ✓                    | ✓                 | ✓                  | -                  | -                 | ✓                |
| 21 Eltham <sup>(1)</sup>        | ✓                      | ✓                         | ✓                    | -                 | ✓                  | -                  | ✓                 | ✓                |
| 22 Stockport                    | ✓                      | ✓                         | ✓                    | -                 | ✓                  | -                  | -                 | ✓                |
| 23 New Cross                    | ✓                      | ✓                         | ✓                    | ✓                 | ✓                  | -                  | -                 | ✓                |

(1) Green wall

(2) Wind turbine

(3) Solar panels and Ground Source Heat Pumps

(4) Solar panels and wind turbine

(5) Excellent' Building Research Establishment Environmental Assessment Methodology (BREEAM) Rating

(6) Solar panels only

(7) Net zero carbon Energy Performance Certificate

### 5.1 Energy Performance Certificates ("EPCs")

Since October 2008, EPCs are required for all commercial buildings in England and Scotland, whether newly built, rented or sold. They are an asset rating of seven levels of how energy efficient the property design is in terms of reducing kgCO<sub>2</sub>/m<sup>2</sup> emissions from levels A to G. This rating allows investors, property buyers and customers to assess their predicted portfolio carbon emissions (kg CO<sub>2</sub>/m<sup>2</sup>) so they can consider future energy bills and recommended energy efficiency improvements. All of our new stores from October 2008 have been certified at or above the energy efficiency benchmarks for new buildings, and all exceed the expected 'D' rating for Government renewable energy Feed in Tariff or future Green Deal cash back.

#### New store – EPC ratings

| EPC rating | 31 March 2009 openings | KgCO <sub>2</sub> /m <sup>2</sup> | 31 March 2010 openings | kgCO <sub>2</sub> /m <sup>2</sup> | 31 March 2011 openings | kgCO <sub>2</sub> /m <sup>2</sup> | 31 March 2012 openings | kgCO <sub>2</sub> /m <sup>2</sup> |
|------------|------------------------|-----------------------------------|------------------------|-----------------------------------|------------------------|-----------------------------------|------------------------|-----------------------------------|
| A+         | -                      | -                                 | Twickenham             | -5                                | -                      | -                                 | -                      | -                                 |
| A          | -                      | -                                 | Reading                | 17                                | Camberley              | 20                                | -                      | -                                 |
| B          | Sheen                  | 47                                | Edinburgh              | 49                                | H Wycombe              | 50                                | New Cross              | 40                                |
| B          | Sheffield H            | 48                                | Sheffield BL           | 49                                | -                      | -                                 | Stockport              | 45                                |
| C          | Birmingham             | 61                                | Nottingham             | 66                                | -                      | -                                 | Eltham                 | 52                                |
| C          | Liverpool              | 75                                | Poole                  | 71                                | -                      | -                                 | -                      | -                                 |
| D          | -                      | -                                 | -                      | -                                 | -                      | -                                 | -                      | -                                 |
| E          | -                      | -                                 | -                      | -                                 | -                      | -                                 | -                      | -                                 |
| F          | -                      | -                                 | -                      | -                                 | -                      | -                                 | -                      | -                                 |
| G          | -                      | -                                 | -                      | -                                 | -                      | -                                 | -                      | -                                 |

## Corporate Social Responsibility Report (continued)

### 5. STORE DESIGN AND CONSTRUCTION (continued)

#### 5.1 Energy Performance Certificates ("EPCs") (continued)

In the case of our Twickenham store it achieved a net zero carbon emission rating. This means that the predicted electricity use, carbon emissions, bills and carbon tax would be low due to the energy saved by increased building energy efficiency in design and the supply of on site solar energy in the building specification.

#### 5.2 The Considerate Constructors Scheme ("CCS")

Our CCS performance continued to improve in the areas of construction site environmental protection, workforce safety and our responsibility to local communities, beyond regulatory requirements. We improved in areas such as being considerate, site appearance, and accountability. CCS auditors visited our construction sites and assessed performances out of a maximum score of 40 points. Site reports were sent to the Construction Director and CSR Manager for review and actions, if required.

| Considerate Constructors Scheme performance<br>Year | 2010  | 2011  | 2012 | 2013 target |
|---|-------|-------|------|-------------|
| Number of construction projects on site             | 7     | 6     | 3    | -           |
| Percentage of registered sites > UK average         | 81.8% | 88.8% | 100% | 100%        |
| Average points score for all sites / phases         | 32.1  | 31.3  | 33.9 | 32.0        |

All of our sites under construction (Stockport, New Cross and Chiswick) exceeded compliance with the schemes code by achieving over 24 points on each monitoring visit. Our average score of 33.9 exceeded the CCS UK average score of 31 and so all sites were awarded at least one Certificate of Performance 'Beyond Compliance' and ranked within the top 10% of the schemes sites to be reviewed for CCS National Awards. Our target set for 2011 (31.5 points) was exceeded by 7.6%.

#### 5.3 Construction waste management

This financial year Big Yellow Construction continued to use the Building Research Establishment's Environmental Assessment Methodology ("BREEAM") for assessing its fit out waste tonnage (excluding demolition and shell), recycling percentages and SMART Waste Benchmarks for resource efficiency.

| Big Yellow Construction 'fit-out' waste management performance<br>Year | 2010  | 2011  | 2012  | 2013 Target |
|--|-------|-------|-------|-------------|
| Total tonnage (t)  | 175.4 | 147.5 | 152.3 | -           |
| Percentage of waste recycled (%)                                       | 82    | 93.2  | 96%   | 95%         |
| BRE resource efficiency (t/100 m <sup>2</sup> GIA)                     | 3.0   | 2.9   | 3.3   | <9.2        |
| BREEAM SMART waste benchmark   | 3     | 3     | 3     | 3           |
| Plaster board 100% recycled volume (m <sup>3</sup> )                   | 216   | 104   | 34    | 100%        |

Big Yellow Construction achieved high percentages of waste recycling for new store construction with minimal waste taken to landfill. Timber, top soil, cardboard, plasterboard, plastics and smaller amounts of metals (<1%) are in demand for recycling or supplier 'take back'. Big Yellow Construction has also sourced a specialised recycling contractor with a large scale recycling plant for earlier demolition stages of construction which was introduced at our Chiswick site.

### 6.0 HEALTH AND SAFETY

Our Health and Safety Policy covers all of our stores, our head office, distribution warehouse and all our construction sites. Incidents are recorded on staff, customers, contractors and visitors. A Health and Safety Committee meets on a quarterly basis and consists of Directors and Managers from Operations, Facilities Management and Construction. The Board receives bi-monthly reports which monitor health and safety performance. Annual store health & safety meetings take place for all stores and Maidenhead, our distribution warehouse. Agendas are provided for these meetings via the Intranet from Facilities Management files and the minutes are reviewed by Area Managers to raise any issues with Facilities Management or Human Resources where necessary. Health and safety performance and incidents are reported as recorded in the table below.

#### 6.1 Big Yellow Self Storage customers, contractors and visitors

| Store customer, contractor and visitor health and safety<br>Year | 2010   | 2011   | 2012   |
|--|--------|--------|--------|
| Total number of customers (move-ins during the year)             | 41,781 | 51,049 | 57,604 |
| Minor injuries   | 53     | 41     | 43     |
| Reportable injuries  | 1      | -      | -      |
| RIDDOR* per 100,000 customers                                    | 2.39   | -      | -      |

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

## 6.0 HEALTH AND SAFETY (continued)

### 6.1 Big Yellow Self Storage customers, contractors and visitors (continued)

There were no 'fatal injuries', 'notices' or 'prosecutions' and no 'reportable injuries' Minor injuries increased by two, following a reduction of 12 in the previous financial year Minor injuries were set against a 12.8% increase in the total number of customer by move ins Minor injuries were predominantly related to the handling of personal or business possessions by customers An improved induction manual raised awareness for our staff of safely handling packaging materials, room clearances and in assisting customers

### 6.2 Big Yellow Self Storage staff

#### Store and head office staff health and safety

| Year   | 2010 | 2011 | 2012 |
|--|------|------|------|
| Average number of staff                                | 252  | 273  | 279  |
| Minor injuries   | 16   | 19   | 12   |
| Reportable injuries ("RIDDOR")                         | 1    | 1    | -    |
| Annual injury incidence rate ("AIR") per 100,000 staff | 397  | 366  | -    |

There were no 'fatal injuries', 'notices' or 'prosecutions' and no 'reportable injuries' for Big Yellow staff Minor injuries reduced by 7 against an increase in staff numbers of 2.2% Our staff were given additional 'Manual Handling' training in the year

### 6.3 Big Yellow Construction Company Limited

#### Construction fit-out contractors and visitor health and safety

| Year                           | 2010   | 2011  | 2012  |
|--------------------------------|--------|-------|-------|
| Total man days                 | 12,071 | 6,431 | 6,511 |
| Minor injuries                 | 2      | 1     | 1     |
| Reportable injuries ("RIDDOR") | -      | 1     | -     |

No 'fatal injuries', 'notices', 'reportable injuries' or 'prosecutions' occurred indicating a well controlled environment for staff, contractors and visitors on site Only one 'minor injury' occurred to a contractor Health and safety performance continues to be raised by induction training, weekly reporting and the Considerate Constructors Scheme where near maximum points (4 or 4.5 out of 5) were scored on all sites for safety

## CSR PROGRAMME FOR 2012/13

The CSR programme will continue to focus on energy efficiency, carbon reduction, renewable energy generation and waste reduction Last year we completed registration to the Carbon Reduction Commitment, installed 22 Smart Meters to monitor real time energy use on non half hourly meters and started the process of renewing our Carbon Trust Standard certification This year our strategy, programmes, objectives and targets are highlighted in the table below

| Strategy                                      | Programmes   | Objectives / targets   |
|---|--|--|
| The Carbon Reduction Commitment ("CRC")       | Submit the CRC Annual report to the Environment Agency by July 2012  | To achieve a position in the upper 5% of the UK CRC league table   |
| The Carbon Trust Standard ("CTS")             | Maintain CTS certification to measure and improve energy efficiency initiatives and performance over the longer term | Absolute carbon and carbon intensity reduction targets of 5% and 10% respectively and certification by September 2013          |
| Energy efficiency                             | To continue store energy efficient motion sensor improvements and internal LED re-lamping                            | Progress to more energy efficient LED internal lighting increasing efficiency by 60%   |
| Increase solar energy generation and revenues | Increase solar PV electricity generation percentages of the whole store portfolio                                    | Increase solar PV percentage to >1% for the portfolio and > 6% for the solar stores<br>Increase Feed in Tariff revenues by 10% |
| Store waste recycling                         | Improve on waste tonnage reduction and maintain recycling rates  | A reduction in waste tonnage and increases in recycling of 1.5%  |
| Store water use                               | Acquire more accurate water volume monitoring and measurement from our suppliers                                     | Establish the significance of our water use on the environment   |

More details of CSR policies, previous reports and awards can be found on our investor relations web site at <http://bigyellow.hemscottir.com/csr>

## **Independent assurance statement by Deloitte LLP ('Deloitte') to Big Yellow Group PLC ('Big Yellow') on their Corporate Social Responsibility Report 2012 ('Report')**

### **What we looked at scope of our work**

Big Yellow engaged us to perform limited assurance procedures for the year ended 31 March 2012 on the following subject matters

#### **Carbon footprint indicators**

- > Absolute carbon dioxide emissions (tCO<sub>2</sub>)
- > Store electricity emissions (tCO<sub>2</sub>)
- > 'Fit out' diesel and electricity emissions (tCO<sub>2</sub>)
- > Store flexi office gas emissions (tCO<sub>2</sub>)
- > Carbon intensity (Kg CO<sub>2</sub>/m<sup>2</sup> gross internal area)
- > Carbon intensity (Kg CO<sub>2</sub>/m<sup>2</sup> occupied space)
- > Carbon dioxide saved by renewable energy (tCO<sub>2</sub>)

#### **Electricity use and renewable energy generation**

- > Electricity use (kWh)
- > Total renewable energy (kWh)
- > Renewable energy percentage of total energy use

#### **Considerate Constructors Scheme**

- > Number of construction projects
- > Percentage of registered sites > UK average
- > Average points score for all sites

#### **Staff health and safety**

- > Average number of staff
- > Minor Injuries
- > Reportable injuries (RIDDOR)
- > Annual Injury Incidence rate (AIIR) per 100,000 staff
- > Notices

### **What we found our assurance opinion**

Based on the assurance work we performed, nothing has come to our attention that causes us to believe that the selected corporate social responsibility (CSR) performance indicators are materially misstated

### **What standards we used basis of our work and level of assurance**

We carried out limited assurance in accordance with the International Standards on Assurance Engagements 3000 (ISAE 3000). To achieve limited assurance ISAE 3000 requires that we review the processes and systems used to compile the areas on which we provide assurance. It does not include detailed testing of source data or the operating effectiveness of processes and internal controls. This is designed to give a similar level of assurance to that obtained in the review of interim financial information.

The evaluation criteria used for our assurance are the Big Yellow Group definitions and basis of reporting as described at [bigyellow.hemscottir.com/csr](http://bigyellow.hemscottir.com/csr)

### **What we did our key assurance procedures**

Considering the risk of material error, our multi-disciplinary team of CSR assurance specialists planned and performed our work to obtain all the information and explanations we considered necessary to provide sufficient evidence to support our assurance conclusion. Our work was planned to mirror Big Yellow's own group level compilation processes, tracing how data for each indicator within our assurance scope was collected, collated and validated by corporate head office and included in the Report.

Key procedures we carried out included

- > Gaining an understanding of Big Yellow's systems through interview with management responsible for CSR management and reporting systems at corporate head office
- > Reviewing the systems and procedures to capture, collate, aggregate, validate and process source data for the assured performance data included in the Report

**Big Yellow's responsibilities**

The Directors are responsible for the preparation of the Report and for the information and statements contained within it. They are responsible for determining the CSR goals, performance and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.

**Deloitte's responsibilities, independence and team competencies**

Our responsibility is to independently express a conclusion on the performance data for the year ended 31 March 2012. We performed the engagement in accordance with Deloitte's independence policies, which cover all of the requirements of the International Federation of Accountants Code of Ethics and in some cases are more restrictive. We confirm to Big Yellow that we have maintained our independence and objectivity throughout the year, including the fact that there were no events or prohibited services provided which could impair that independence and objectivity in the provision of this engagement.

This report is made solely to Big Yellow in accordance with our engagement letter. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an assurance report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Big Yellow for our work, for this report, or for the conclusions we have formed.

**Deloitte LLP**

London, United Kingdom

16 May 2012

## Directors' Report

The Directors present their annual report on the affairs of the Group, together with the audited financial statements and auditors' report for the year ended 31 March 2012. The Report on Corporate Governance on pages 24 to 29 forms part of this report.

### 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 and net assets of the Group in the year are listed in note 29 of the 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 6 to 8. A detailed Business Review and Financial Review have been prepared and are set out on pages 9 and 16, and more specifically as follows:

- > the business objectives and strategy are set out in the Chairman's Statement on pages 6 to 8,
- > the financing objectives are set out on page 28,
- > the Group's going concern review as set out on page 29,
- > the principal risks and uncertainties within the business are set out in the Risk Management section from page 27, and
- > the key quantitative and qualitative performance indicators are included within the Highlights (see page 4), Portfolio Summary (see page 22) and Financial Review (see page 16).

The Chairman's statement, the Business Review, the Financial Review, the Report on Corporate Governance and the Corporate Social Responsibility Report 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 9, and notes 2 and 18 to the financial statements.

### Results and dividends

The consolidated statement of comprehensive income is set out on page 59 of the financial statements.

The Directors are recommending the payment of a final dividend of 5.5 pence per share for the year (2011: 5 pence per ordinary share). An interim dividend of 4.5 pence per share was paid in the year (2011: 4 pence per share). A property income dividend of 9 pence is payable for the year, of which 4.5 pence per share was paid with the interim dividend, and 4.5 pence per share was proposed for the final dividend.

Subject to approval by shareholders at the Annual General Meeting to be held on 10 July 2012, the final dividend will be paid on 20 July 2012 to shareholders on the Register on 8 June 2012.

### 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 22. 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, and details of shares held in treasury and by the Company's Employee Benefit Trust are set out in note 22.

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

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Code, the Companies Acts and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Report on Corporate Governance on page 24.

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company such as commercial contracts, bank loan agreements, property lease arrangements and employees' share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Furthermore, the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

During the year the Company issued 332,519 shares to satisfy the exercise of share options (2011: 69,685).

### Directors and their interests

The Directors of the Company who served throughout the year and to the date of approval of the financial statements were as follows

Philip Burks  
Tim Clark  
James Gibson  
Steve Johnson  
Adrian Lee  
Mark Richardson  
Jonathan Short  
John Trotman  
Nicholas Vetch

Details of the interests of the Directors in the shares of the Company (including share options) are set out in the Report on Directors' Remuneration on pages 47 to 55. No changes took place in the interests of the Directors between 31 March 2012 and 23 May 2012.

Biographical details of the Executive and Non-Executive Directors are set out on page 57.

### 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.

All of the Directors will retire in accordance with the UK Corporate Governance Code and with the exception of Jonathan Short, will offer themselves for re-election at the Annual General Meeting.

The biographies of all Directors standing for re-election are included on page 57.

### 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 2012 were 21 days (2011: 24 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 2012 are shown in notes 13a and 14 to the financial statements. Further commentary on our investment property portfolio is contained in the Business Review and Financial Review.

### Donations

Charitable donations totalling £20,000 (2011: £25,000) were made to UK resident charities in the year. The Group also provided free storage to charities during the year worth £526,000 (2011: £400,000).

No political donations were made in either 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 21 May 2012, 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:

|                              | No of<br>ordinary<br>shares | Percentage<br>of voting<br>rights and<br>issued share<br>capital |
|------------------------------|-----------------------------|--|
| Directors                    | 18,475,775                  | 14.2%  |
| FMR LLC                      | 15,231,095                  | 11.7%  |
| Axa SA                       | 6,578,222                   | 5.1%   |
| Blackrock Inc                | 6,466,171                   | 4.9%   |
| Morgan Stanley Invs Mgmt Ltd | 6,248,875                   | 4.8%   |

## 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 frequently held in stores 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 a weekly operations bulletin. The Group carries out annual surveys of employee satisfaction.

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.

### 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, Operations Director, 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 34 to 41.

### Annual General Meeting

The notice for the 2012 Annual General Meeting is distributed as a separate document. The meeting will be held at Holborn Bars, 138-142 Holborn, EC1N 2NQ on 10 July 2012.

### Auditors and disclosure of information to 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 each Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- > each Director 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.

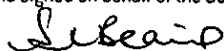
This confirmation is given and should be interpreted in accordance with s418 of the Companies Act 2006.

### Auditors

The auditors, Deloitte 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



Shauna Beavis

Secretary

21 May 2012

## Remuneration Report

### Introduction

This report has been prepared in accordance with Schedule 8 to the Accounting Regulations under the Companies Act 2006. 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 relating to Directors' remuneration in the UK Corporate Governance Code. 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 Accounting Regulations. 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 Code. The members of the Committee at the year end were Tim Clark, Steve Johnson, Mark Richardson and Jonathan Short, who are all independent Non Executive Directors. The Committee is chaired by Tim Clark.

None of the Committee members have 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. In making these recommendations, the Committee consults with the Executive Chairman, Nicholas Vetch, about his proposals, on a range of matters relating to the remuneration of the Executive Directors including the levels of overall remuneration, salary and bonus, and awards and distributions under the share incentive and bonus plans.

#### 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. Individual remuneration packages are structured to align rewards with the performance of the Company and the interests of the shareholders. The main principles are to:

- > ensure that salaries are set at a market competitive level by benchmarking against appropriate external comparators,
- > support a high performance culture by rewarding upper quartile performance with upper quartile reward,
- > maintain a balance of fixed and performance related pay which delivers appropriate rewards over the short, medium and longer term, with an increasing emphasis on longer term rewards based on shares,
- > align long term rewards with shareholder returns by expecting Directors to hold at least 50% of the shares vesting under these plans until a minimum shareholding has been achieved. The shareholding is expected to be at least 1 times salary for Executive Directors, and
- > ensure that the overall package reflects relevant market practice and takes account of levels of remuneration elsewhere in the Group.

The performance measurement of the Executive Directors and the determination of their annual remuneration package is undertaken by the Committee in consultation with the Executive Chairman, save for discussions on his remuneration package. The Committee also considers pay and conditions elsewhere in the Group, environmental, social and governance issues and risk when reviewing executive pay quantum and structure. No Director is involved in setting his own remuneration. The remuneration of the Non Executive Directors is determined by the full Board.

The 2012 remuneration package is not considered to be above market levels for comparable companies.

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

| Element                          | Purpose  | Operation  |
|----------------------------------|--|--|
| Salary                           | To provide competitive fixed remuneration that will attract and retain key employees and reflect their experience and position in the Company  | Reviewed every twelve months and benchmarked against appropriate market comparators<br><br>Linked to individual performance and contribution                       |
| Annual head office bonus         | To incentivise achievement of annual objectives which support the short to medium term strategy of the Company and applies across the head office team   | The bonus is based on the Company's key performance indicators   |
| Long term incentive plan         | To incentivise Executives to achieve superior returns to shareholders over a three year period<br><br>To retain key individuals in the medium term and align rewards with shareholder returns  | Share awards are made annually to senior executives and other senior management and are based on a combination of TSR and EPS targets over a three year period     |
| Long term bonus performance plan | To ensure that the total remuneration package is more competitive and supports the Company's strategy and its ability to react to changing economic circumstances<br><br>To retain key individuals in the medium term and align rewards with shareholder returns | Three year award, based on a series of financial and non-financial targets aligned with the annual business plan to bring salaries more in line with market levels |
| Pension                          | Provide competitive post-retirement benefits   | All executives receive a fixed contribution to their personal pension plans  |

## Remuneration Report (continued)

Executive Directors' contracts of service which include details of remuneration will be available for inspection at the Annual General Meeting

Each component of Executive remuneration is explained below

### 1 Basic salary

Basic salary is determined by the Remuneration Committee at the beginning of each financial 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. Salaries are reviewed annually with changes taking effect on 1 April each year, taking into account individual performance, market data and levels of increases applicable to other employees in the Company.

The salaries for the Executive Directors for the financial years beginning on 1 April 2011 and 2012 were as follows

| Director       | 1 April 2012 | 1 April 2011 | % increase |
|----------------|--------------|--------------|------------|
| James Gibson   | £273,300     | £267,900     | 2%         |
| Nicholas Vetch | £249,200     | £244,300     | 2%         |
| Adrian Lee     | £202,300     | £198,300     | 2%         |
| John Trotman   | £165,000     | £150,000     | 10%        |

The average salary increase across the Group in the year was 2%. The salary increase for John Trotman reflects his progress in his role, although it should be noted that his salary is still, in the view of the Committee, below market levels.

### 2 Annual head office bonuses

Executive Directors participate in the Company's annual head office bonus arrangements which were originally established in 2000. There is no separate annual bonus plan for Executive Directors. Bonuses are discretionary and are performance related. They are assessed annually and determined by the Remuneration Committee and based on corporate performance during the year. The bonus arrangements are structured so as not to encourage inappropriate risk taking. The bonuses 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. The maximum bonus potential is 25% of annual basic salary.

The Committee approved the payment of a head office bonus of 10% of basic salary for the head office staff, including the Executive Directors, for the year ended 31 March 2012. The bonus paid to the Executive Directors for the last 5 financial years are shown in the table below.

| Year ended    | Bonus payment                 |
|---------------|-------------------------------|
| 31 March 2012 | 10%                           |
| 31 March 2011 | 10%                           |
| 31 March 2010 | 10%                           |
| 31 March 2009 | Bonus waived by the Directors |
| 31 March 2008 | 10%                           |

### 3 Pension arrangements

Pension contributions of 10% of basic salary are paid into a personal pension plan for each Director.

### 4 Share incentives

#### Long Term Incentive Plan (the "LTIP")

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

The Remuneration Committee has determined that an 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, and
- > the reduced volatility of nil priced options to general share price movements.

Awards are made under the LTIP on an annual basis. Individual grants of options to Executive Directors since the inception of the LTIP scheme have been determined by the Committee. All awards to date have been approved by shareholders, through approval of the Company's Remuneration Report.

In respect of the current year and in all future grants to Executive Directors, 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 2012, it is proposed that the awards made to Nicholas Vetch and James Gibson will be equal to 100% of their individual salaries. The awards for Adrian Lee and John Trotman will be apportioned equally between them to an aggregate value of 100% of their combined salaries. This remains at the lower end of the market, particularly in light of salary levels for the Executive Directors.

#### 4 Share incentives (continued)

The most recent awards are shown in the table below

| Director       | 2011 grant | 2010 grant | 2009 grant | 2008 grant | 2007 grant |
|----------------|------------|------------|------------|------------|------------|
| James Gibson   | 87,807     | 86,419     | 76,200     | 60,000     | 166,666    |
| Nicholas Vetch | 80,072     | 78,801     | 69,500     | 55,000     | 133,333    |
| Adrian Lee     | 57,080     | 63,975     | 42,300     | 45,000     | 50,000     |
| John Trotman   | 57,080     | 44,427     | 27,800     | 29,000     | 21,750     |

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

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 is determined by reference to the Company's total shareholder return ("TSR") relative to a comparator group. The level of vesting is set out below

| Total shareholder return performance level | Amount of award vesting %                             |
|--|---|
| Upper Quartile                             | Full vesting (100%)                                   |
| Lower Quartile to Upper Quartile           | Pro rata vesting on a straight line basis (0 to 100%) |
| Lower Quartile and below                   | Nil   |

In previous years, median performance was the starting point for zero vesting. However the Committee has been advised that this is below the market average for comparable companies and has therefore amended the zero vesting point to lower quartile performance

The LTIP vesting is also subject to the adjusted earnings per share ("EPS") growth over three years exceeding inflation. This EPS underpin target must be satisfied before any part of the LTIP award can vest

The Committee uses the performance of companies in the FTSE Real Estate Index as the relevant benchmark of the Company's performance. The Committee employs a third party to report to it on whether the performance targets in respect of TSR have been met

The Committee has considered the report on the performance of the 2008 LTIP awards. This report showed that the awards had partially vested to 85% of their value

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

#### Sharesave scheme

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

#### The Long Term Bonus Performance Plan

##### Background

The Committee believes a key strength of the Executive team has been its ability to react quickly to changing market conditions, revising business strategy and direction as needed. This can be illustrated by the Pramerica joint venture at the end of 2007, the successful early refinancing in 2008 of facilities due to expire in 2010, and securing in April 2012, through the new loan from Aviva, the first ever long term loan by an insurance company to self storage in Europe

The Committee received external benchmarking advice from Pricewaterhouse Coopers in 2009. The benchmarking advice led the Committee to be concerned that the overall remuneration of the Executive Directors was ceasing to be competitive and, in particular, that salaries were at the lower end of a range of comparable companies. Therefore, rather than increase base salaries and annual bonus potential, the Committee agreed that the most appropriate way to reflect the Group strategy in Executive incentives, was to introduce a new performance based plan, the Long Term Bonus Performance Plan ("the LTBP") The LTBP was subsequently approved by shareholders at the Company's AGM in July 2009 and Initial Awards were made to the four Executive Directors in August 2009. The structure of the LTBP is set out below. Only limited changes have been made to base salaries since 2009 and annual bonus potential/payments remain well below the market median

The plan involved the making of one award covering a three year period. The first award is therefore due to vest in August 2012

##### Mechanics

###### 1) Summary

The Plan is structured as a share plan and operates in a similar way to a deferred bonus. Awards are subject to performance over a three year period during which the value accruing to participants can be clawed back. Participants will be partly or wholly rewarded in shares with any shortfall delivered in cash. Cash shortfall payments under the Plan cannot exceed 50% of any total payout due. At least 50% of any payout will be in shares and will be subject to a further lock in

## Remuneration Report (continued)

### 2) Nature of interests and performance conditions

Under the Plan, the Executive Directors have been awarded restricted interests in ordinary shares in the Company. The interest entitles a participant to benefit from the growth in the value (if any) of a number of ordinary shares in the Company over which the interest is acquired. The participant's interest is capped at growth in value of £2.00 per share measured from the share price at the date of award. Vesting of interests is subject to performance conditions. The Committee sets a range of performance conditions each year, both financial and non-financial, which are based on the business plan. Total shareholder return is not used, this remains the measure for LTIP awards. The Committee annually identifies suitable indicators of future performance against which Executive Directors should be measured. The Committee then sets the performance targets for the Plan, on the basis of business needs and priorities it has identified. At the end of each year, the Committee indicates the extent to which interests have provisionally vested under the Plan on the basis of the performance targets which have been set. The Committee has the right to adjust targets and, where appropriate, introduce new targets if the business plan is changed.

Where appropriate, the Committee may claw back any awards that have already provisionally vested if subsequent performance during the three year period is below the targets. Interests under the Plan will not actually vest until the end of the three year performance period and nothing will be paid out within this three year period other than in exceptional circumstances (eg a good leaver).

The Committee feels the flexibility in the Plan allows it to adapt to a rapidly changing environment. It will also ensure that any gain made by the Executive Directors is commensurate with their performance over the period and the financial and other performance of the Company. The Plan should avoid the disadvantage inherent in many longer term incentive arrangements, namely being constrained by performance measures set at the outset which subsequently can prove to be out of step with the objectives of the business.

### 3) Vesting

If the performance conditions are satisfied and the awards vest, shares will be transferred to the Executive Directors equal to the growth in value of the shares under award (subject to the £2.00 cap on growth in value). If there is insufficient value in these share interests to deliver the required payout, the Executive Directors will first be entitled to exercise an option to acquire further shares to make up the shortfall, and if this is still insufficient to deliver the required payout, a top up cash payment will be made. However, any cash payment cannot exceed 50% of the overall payment due to the Executive Directors.

The maximum payout in shares and cash to the Executive Directors as a whole at the end of the three year period will be up to a total of £3 million. Based on current salary levels, this represents a maximum potential reward for each Executive Director of circa 110% of current salary for each performance year.

The awards that were approved at the Annual General Meeting in July 2009 were as follows:

| Director       | Number of shares in which Director has an interest | Maximum value of award after three years |
|----------------|--|--|
| James Gibson   | 500,000  | £1,000,000                               |
| Nicholas Vetch | 500,000  | £1,000,000                               |
| Adrian Lee     | 250,000  | £500,000                                 |
| John Trotman   | 250,000  | £500,000                                 |

As noted above, any payout will be delivered in shares as far as possible. Shares equal to 50% of the value of any payout (after permitted sales to meet tax liabilities) will be subject to further restrictions. The Executive Directors will be required to hold half of these shares for a further year following vesting and the other half for a further two years, less those sold to pay tax. During this holding period, the Executive Directors will not be entitled to sell their shares. This ensures that the interests of the Executive Directors and shareholders remain aligned for up to five years.

The performance targets for the LTBP are not disclosed for the year ahead given the commercially sensitive nature of a number of the targets. Each year, the Committee reports on their assessment of the key prior year targets, excluding any that are still commercially sensitive, and whether or not management has been able to meet these targets. The report on the targets for the year ended 31 March 2011 was included in the annual report for that year. The report on the targets for the year ended 31 March 2012, which were not amended during the financial year, is summarised in the table overleaf.

| Objective   | Committee Comment   |
|---|---|
| Grow the Group's annualised free cash flow from £25 million at 31 March 2011 to £29 million at 31 March 2012  | The Group's annualised cash flow at 31 March 2012 is £29.2 million  |
| Explore options for refinancing the Group's core debt, including private placement, debt from the UK insurance market and senior debt. The intention is to execute the refinancing in 2012/13 | The Group completed on £100 million loan from Aviva in April 2012. This was the first-ever loan from an insurance company to a self-storage company in Europe.<br><br>The Group's banks continue to be supportive and the Board intends to refinance the remaining debt in the current year.      |
| Grow established store occupancy over the summer to 75% and recover it to ahead of this level at March following the normal winter slowdown   | Same store occupancy peaked at 75.8% during the summer. It finished March at 74.3%, compared to 71.1% at this time last year.   |
| Grow the occupancy of all wholly-owned stores from 59.3% at 31 March 2011 to 64% by 31 March 2012   | The occupancy of the wholly owned stores (excluding Eltham and New Cross which opened in the year) at March was 64.9%.  |
| Grow the average net rent per square foot across the wholly owned stores from £26.82 per square foot to in excess of £27.35 per square foot over the course of the financial year             | The average net rent per sq ft for the year to date is £26.81. Over 2011/12, aggressive offers and promotions were used to support occupancy growth.  |
| Meet budgeted revenue and profit targets  | Profit for the year ended 31 March 2012 was £23.6 million, slightly behind the budget of £24.0 million. Revenue was £65.7 million, slightly behind the budget of £66.8 million.   |
| Meet or exceed the adjusted profit before tax targets of the average consensus of the analyst community   | The average consensus of the analyst community was £23.5 million. Adjusted profit for the year is £23.6 million.  |
| Comply with all banking covenants and maintain income cover in excess of two and a half, and maintain a net worth in excess of £540 million   | All covenants have been met throughout the year. Group income cover at 31 March 2012 was 3.1 times. Net worth is £494.5 million, following the impact of VAT on the valuations.   |
| Secure planning consent at Blackheath   | Planning consent was issued in January 2012. The Group also completed the sale of the site in March 2012 for £4.5 million, ahead of book value.   |
| Secure a sale for the hotel in Richmond and construct the hotel within budget   | A sale has been agreed with Total Pension Trustees Limited for £8.4 million. £1.0 million of the consideration has been received to date, with the balance due on completion in Summer 2012. The construction of the hotel is currently within budget.  |
| Obtain a place in the Sunday Times Top 60 Green Companies to Work for and a top 50 place in the Sunday Times Best 100 Companies to Work for   | The Group was ranked 60th in the Sunday Times Top 60 Green Companies to Work for. The Group was also awarded a Queens Award for Sustainable Development in April 2012.<br><br>The Group was placed 67th in the Best 100 Companies to Work for, with over 1,000 companies having applied to enter. |

**The other targets were met in all material respects**

The assessments made at 31 March 2011 and 31 March 2010 were that the award for each of those years had vested to 85% of its potential amount. The Committee considered the performance of the Group and the Executive Directors against the current year targets, and also given this is the final performance year of the plan, the overall performance between 2009 and 2012. The Committee considers that the targets set in each of the three years have very largely been met and, most importantly, that all of the key targets critical to the performance of the Group have either been met in full or within a reasonable margin. These key targets include the placing in May 2009, the Group's growth in occupancy, cash flow and earnings over the past three years, and the recent 15 year loan with Aviva. Looking at the overall performance of the Group and the Executive Directors over the three year period as a whole, the Committee concluded that the objectives of the Group as set out in its business plans had substantially been met.

Following this careful consideration of the performance targets and actual performance of the Group and the Executive Directors, the Committee concluded that the award in respect of the three year period ended 31 March 2012 has therefore vested as to 90% of its total potential amount representing £2.7 million out of a maximum amount of £3 million (subject to the restrictions in place).

## Remuneration Report (continued)

### 2012-15 plans

The Committee received external benchmarking advice from Pricewaterhouse Coopers in the year, which indicated total Executive remuneration was still significantly below market levels. The Committee therefore proposes that new awards covering the three year period to 2015 are made to the Executive Directors in 2012 after the Company's AGM to be held in July.

The Committee has given careful consideration to the operation of the LTBP and its support for the Company's strategy through its focus on achieving a range of KPIs. The Committee remains of the view that the most appropriate way to ensure that Executive remuneration remains competitive, provides incentive and lock in and minimises cost to the Company is to make a further round of awards under the LTBP. The new awards will be over the same total number of shares as in 2009 (1,500,000 shares) and again will cover a three year period with vesting in 2015. The 2009 LTBP awards involved a loan from the Company's employee benefit trust to fund the acquisition price. Due to legislative changes, these loans will now be provided by the Company requiring shareholder approval, which is being sought at the AGM. The loans will be repaid to the Company at vesting.

The proposed awards for 2012 to 2015 are as follows

| Executive Director | Number of shares in which Director has an interest | Maximum value of award after three years |
|--------------------|--|--|
| James Gibson       | 487,500  | £975,000                                 |
| Nicholas Vetch     | 337,500  | £675,000                                 |
| Adrian Lee         | 337,500  | £675,000                                 |
| John Trotman       | 337,500  | £675,000                                 |
|                    | 1,500,000  | £3,000,000                               |

### Directors' contracts

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 which reflect this policy. 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 Directors' contracts were amended in the year to bring them up to date with latest changes in practice and legislation.

The dates of the Executive Directors' agreements are as follows

|                |             |
|----------------|-------------|
| Nicholas Vetch | 31 May 2011 |
| James Gibson   | 31 May 2011 |
| Adrian Lee     | 31 May 2011 |
| John Trotman   | 31 May 2011 |

### 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.

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

|                 |  |
|-----------------|--|
| Philip Burks    | 30 March 2007 (previously an Executive Director) |
| Tim Clark       | 1 August 2008                                    |
| Mark Richardson | 1 July 2008                                      |
| Jonathan Short  | 16 February 2000                                 |
| Steve Johnson   | 24 September 2010                                |

### External appointments

The Executive Directors' contracts do not allow them to engage in any other business outside the Group except where prior written consent from the Remuneration Committee is received. The Company recognises that Executive Directors may be invited to become Non Executive Directors of other companies and that this can help broaden the skills and experience of a Director. Executive Directors are normally permitted to accept external appointments with the approval of the Board and may retain the fees for this appointment.

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. He receives a Non Executive fee of €38,000 per annum from Blue Self Storage S L and £30,000 per annum from The Local Shopping REIT plc. James Gibson is a Non Executive Director of AnyJunk Limited, he does not receive any fees for his services.

### Non-Executive Directors' remuneration

The remuneration of the Non Executive Directors is determined by the Board taking into account independent surveys of fees paid to Non Executive Directors of 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. Philip Burks has legacy LTIPs from his time as an Executive Director.

### 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:

|                                      | 2012<br>£        | 2011<br>£        |
|--------------------------------------|------------------|------------------|
| Emoluments                           | 1,154,944        | 1,102,561        |
| Gains on exercise of share options   | 464,049          | –                |
| Money purchase pension contributions | 86,050           | 83,145           |
|                                      | <b>1,705,043</b> | <b>1,185,706</b> |

#### Directors' remuneration

|                      | Salary/<br>fees<br>£ | Annual<br>Bonus<br>£ | 2012<br>Taxable<br>benefits<br>£ | Sub total<br>£ | Pension<br>£ | 2012<br>Total<br>£ | 2011<br>Total<br>£ |
|----------------------|----------------------|----------------------|----------------------------------|----------------|--------------|--------------------|--------------------|
| <b>Executive</b>     |                      |                      |                                  |                |              |                    |                    |
| Nicholas Vetch       | 244,300              | 24,430               | 10,229                           | 278,959        | 24,430       | 303,389            | 297,667            |
| James Gibson         | 267,900              | 26,790               | 10,874                           | 305,564        | 26,790       | 332,354            | 325,968            |
| Adrian Lee           | 198,300              | 19,830               | 7,596                            | 225,726        | 19,830       | 245,556            | 239,991            |
| John Trotman         | 150,000              | 15,000               | 5,420                            | 170,420        | 15,000       | 185,420            | 167,167            |
| <b>Non-Executive</b> |                      |                      |                                  |                |              |                    |                    |
| Tim Clark            | 39,015               | –                    | –                                | 39,015         | –            | 39,015             | 38,250             |
| Philip Burks         | 33,815               | –                    | –                                | 33,815         | –            | 33,815             | 33,150             |
| Mark Richardson      | 33,815               | –                    | –                                | 33,815         | –            | 33,815             | 33,150             |
| Jonathan Short       | 33,815               | –                    | –                                | 33,815         | –            | 33,815             | 33,150             |
| Steve Johnson        | 33,815               | –                    | –                                | 33,815         | –            | 33,815             | 17,213             |
| Aggregate emoluments | 1,034,775            | 86,050               | 34,119                           | 1,154,944      | 86,050       | 1,240,994          | 1,185,706          |

## Remuneration Report (continued)

### Directors' remuneration (continued)

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

|                                   | At 31 March<br>2012<br>No | At 31 March<br>2011<br>No |
|-----------------------------------|---------------------------|---------------------------|
| Ordinary shares of 10p each       |                           |                           |
| Nicholas Vetch (including trusts) | 8,817,920                 | 8,767,524                 |
| Philip Burks (including trusts)   | 6,120,849                 | 6,120,849                 |
| James Gibson (including trusts)   | 2,469,719                 | 2,418,119                 |
| Adrian Lee (including trusts)     | 905,092                   | 889,267                   |
| Jonathan Short                    | 100,471                   | 100,471                   |
| Mark Richardson                   | 19,263                    | 15,263                    |
| John Trotman                      | 17,461                    | 7,263                     |
| Tim Clark                         | 15,000                    | 15,000                    |
| Steve Johnson                     | 10,000                    | —                         |

None of the Directors had any direct interests in the share capital of any of the subsidiary undertakings of the Company in the year. The interests shown above exclude those shares over which the Directors have a partial interest in as part of the Group's Long Term Bonus Performance Plan as follows

|                             | At 31 March<br>2012<br>No | At 31 March<br>2011<br>No |
|-----------------------------|---------------------------|---------------------------|
| Ordinary shares of 10p each |                           |                           |
| Nicholas Vetch              | 500,000                   | 500,000                   |
| James Gibson                | 500,000                   | 500,000                   |
| Adrian Lee                  | 250,000                   | 250,000                   |
| John Trotman                | 250,000                   | 250,000                   |
| Total                       | 1,500,000                 | 1,500,000                 |

### 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. During the year there were gains of £0.5 million made on the exercise of share options by the Company's Directors. There were no share option exercises by Directors during the course of the prior year.

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 2011 | Granted during the year | Exercised during the year | Lapsed during the year | No of shares under option at 31 March 2012 | Exercise price | Market price at date of exercise | Date from which first exercisable | Expiry date   |
|-----------------------|---------------------|--|-------------------------|---------------------------|------------------------|--|----------------|----------------------------------|-----------------------------------|---------------|
| <b>Nicholas Vetch</b> | 9 July 2008         | 55,000                                     | -                       | (47,300)                  | (7,700)                | -  | nil p          | 247.0p                           | 9 July 2011                       | 9 July 2018   |
|                       | 3 August 2009       | 69,500                                     | -                       | -                         | -                      | 69,500                                     | nil p          | -                                | 3 August 2012                     | 3 August 2019 |
|                       | 12 July 2010        | 78,801                                     | -                       | -                         | -                      | 78,801                                     | nil p          | -                                | 12 July 2013                      | 12 July 2020  |
|                       | 19 July 2011        | -  | 80,072                  | -                         | -                      | 80,072                                     | nil p          | -                                | 19 July 2014                      | 18 July 2021  |
| <b>Philip Burks</b>   | 6 June 2005         | 66,667                                     | -                       | -                         | -                      | 66,667                                     | nil p          | -                                | 6 June 2008                       | 6 June 2015   |
|                       | 9 June 2006         | 66,667                                     | -                       | -                         | -                      | 66,667                                     | nil p          | -                                | 9 June 2009                       | 9 June 2016   |
| <b>James Gibson</b>   | 9 July 2008         | 60,000                                     | -                       | (51,600)                  | (8,400)                | -  | nil p          | 301.3p                           | 9 July 2011                       | 9 July 2018   |
|                       | 3 August 2009       | 76,200                                     | -                       | -                         | -                      | 76,200                                     | nil p          | -                                | 3 August 2012                     | 3 August 2019 |
|                       | 12 July 2010        | 86,419                                     | -                       | -                         | -                      | 86,419                                     | nil p          | -                                | 12 July 2013                      | 12 July 2020  |
|                       | 19 July 2011        | -  | 87,807                  | -                         | -                      | 87,807                                     | nil p          | -                                | 19 July 2014                      | 18 July 2021  |
| <b>Adrian Lee</b>     | 9 July 2008         | 45,000                                     | -                       | (38,700)                  | (6,300)                | -  | nil p          | 301.3p                           | 9 July 2011                       | 9 July 2018   |
|                       | 3 August 2009       | 42,300                                     | -                       | -                         | -                      | 42,300                                     | nil p          | -                                | 3 August 2012                     | 3 August 2019 |
|                       | 12 July 2010        | 63,975                                     | -                       | -                         | -                      | 63,975                                     | nil p          | -                                | 12 July 2013                      | 12 July 2020  |
|                       | 19 July 2011        | -  | 57,080                  | -                         | -                      | 57,080                                     | nil p          | -                                | 19 July 2014                      | 18 July 2021  |
| <b>John Trotman</b>   | 9 July 2008         | 29,000                                     | -                       | (24,940)                  | (4,060)                | -  | nil p          | 301.3p                           | 9 July 2011                       | 9 July 2018   |
|                       | 3 August 2009       | 27,800                                     | -                       | -                         | -                      | 27,800                                     | nil p          | -                                | 3 August 2012                     | 3 August 2019 |
|                       | 12 July 2010        | 44,427                                     | -                       | -                         | -                      | 44,427                                     | nil p          | -                                | 12 July 2013                      | 12 July 2020  |
|                       | 19 July 2011        | -  | 57,080                  | -                         | -                      | 57,080                                     | nil p          | -                                | 19 July 2014                      | 18 July 2021  |

The Committee has considered the performance of the 2008 LTIP options grants and determined that the criteria have been partially met, therefore 86% of the award vested during the year, with 14% lapsing.

The market price of the Company's shares at 31 March 2012 was 284p. The highest market price during the year was 344.4p per share, the lowest market price during the year was 218.0p, and the average price during the year was 284.9p. 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 21 May 2012 and signed on its behalf by

**Tim Clark**

Committee Chairman

## Officers and Professional Advisers

### Directors

Philip Burks  
Tim Clark  
James Gibson  
Steve Johnson  
Adrian Lee  
Mark Richardson  
Jonathan Short  
John Trotman  
Nicholas Vetch

### Secretary

Sauna Beavis

### Registered office

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### Bankers

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HSH Nordbank AG  
155 Moorgate  
London  
EC2M 6UJ

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2 Triton Square  
Regent's Place  
London  
NW1 3AN

Aviva Commercial Finance Limited  
Sentinel House  
37 Surrey Street  
Norwich  
NR1 3UY

HSBC Bank plc  
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London  
E14 5HD

The Royal Bank of Scotland plc  
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280 Bishopsgate  
London  
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### Solicitors

CMS Cameron McKenna LLP  
Mitre House  
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London  
EC1A 4DD

### Financial advisors and stockbrokers

J P Morgan Cazenove  
20 Moorgate  
London  
EC2R 6DA

Peel Hunt LLP  
Moor House  
120 London Wall  
London  
EC2Y 5ET

### Auditors

Deloitte LLP  
Chartered Accountants  
2 New Street Square  
London  
EC4A 3BZ

## Biographies of Directors and Senior Management

### Non-Executive Directors

**Tim Clark**, aged 61, Non Executive Director. He was a partner in Slaughter and May, one of the leading international law firms in the world, for 25 years, initially working as a corporate and M&A adviser to a range of companies and institutions and then for the last seven years as senior partner (before retiring in April 2008). He is also Deputy Chairman of G3, and a Director/trustee of the COIF charitable funds. He is also a Senior Adviser to Chatham House and a member of the International Chamber of Commerce UK Governing Body, the Advisory Board of Una Menendez, the Board of the Royal National Theatre and the Development Committee of the National Gallery. He is Chairman of the trustees of the Economist Trust and a member of the Audit Committee of the Wellcome Trust. He was appointed to the Board in August 2008.

**Jonathan Short**, aged 50, Non Executive Director, Founding Partner and Executive Chairman of Internos Real Investors LLP, a pan European real estate investment management business. Non Executive Director of Great Portland Estates plc, Independent Director to the Grosvenor Shopping Centre Fund and Trustee and UK Chairman of the Urban Land Institute. He was appointed to the Board in February 2000.

**Phillip Burks**, aged 53, 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. He was appointed a Non Executive Director of Goals Soccer Centres plc in December 2010.

**Mark Richardson**, aged 55, Non-Executive Director, retired from Deloitte in 2008 after a career there of 29 years, the last 19 as an audit partner specialising in clients in the Real Estate and Construction sectors. Mark is a co opted member of the Audit and Risk Committee of the Natural History Museum and he is also a trustee of the children's communication charity ICAN. He was appointed to the Board in July 2008 and is chairman of the Audit Committee.

**Steve Johnson**, aged 48, Non Executive Director, started his career at Bain in the 1980s before joining Asda in 1993, where he carried out a number of roles, culminating in Marketing Director. He left Asda in 2000, to join GUS as a Sales & Marketing Director, departing in 2002 to take up his first CEO role at Focus DIY, where he remained until 2007. He joined Woolworths as part of the final turnaround team in late 2008. He has most recently been working as an operating executive for Texas Pacific Group, and was appointed as the Executive Chairman of Dreams in July 2011. He joined the Board in September 2010.

### Executive Directors

**Nicholas Vetch**, aged 51, 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. He is also a Non-Executive Director of Blue Self Storage S L – a self storage operation in Spain, and a Non Executive Director of Local Shopping REIT plc.

**James Gibson**, aged 51, 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. He is also a Non-Executive Director and shareholder of AnyJunk Limited.

**Adrian Lee**, aged 46, 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. He was appointed to the Board in May 2000.

**John Trotman**, aged 34, Chief Financial Officer, is a Chartered Accountant having trained with Deloitte 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. He joined Big Yellow in June 2007, and was appointed to the Board in September 2007.

### Senior Management Biographies

**Shauna Beavis**, aged 37, Financial Controller and Company Secretary, joined Big Yellow in March 2000, qualifying with CIMA in 2003. Prior to that she was a Project Manager within the IT industry.

**Anthony Chenery**, aged 40, Head of Marketing and E Commerce, joined Big Yellow in February 2011, having previously been employed as Head of Online Marketing with Teletext Holidays for seven years. Prior to this, he has held marketing roles within the gaming and publishing industries and with the marketing agency Proximity London (previously BHWG Proximity).

**Paul Donnelly**, aged 58, 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 37, 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 48, Construction Director, joined Big Yellow in January 2000. He is a chartered surveyor with over 20 years' experience in the construction industry, both overseas and in the UK, principally in the retail and industrial sectors.

**Cheryl Hathaway**, aged 46, Head of Human Resources, 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 in stores.

**Chris Herbert**, aged 57, 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 45, Head of Store Operations, 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 48, Head of Facilities, joined Big Yellow in June 2000. He 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.

**Andrew Watson**, aged 43, 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 55, Head of New Business Development, joined Big Yellow in July 2007. He has significant experience of developing new business channels including international franchising, BTB and direct selling through key roles at Bhs and Early Learning Centre.

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

We have audited the financial statements of Big Yellow Group PLC for the year ended 31 March 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Cash Flow Statements, the Reconciliation of Net Cash Flow to Movement in Net Debt and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion:

- > the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2012 and of the Group's loss for the year then ended,
- > the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- > the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- > the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- > the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- > the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following:

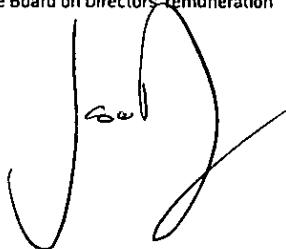
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- > adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- > the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- > certain disclosures of Directors' remuneration specified by law are not made, or
- > we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- > the Directors' statement contained within the business review in relation to going concern,
- > the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review, and
- > certain elements of the report to shareholders by the Board on Directors' remuneration.

**Jason Davies ACA (Senior Statutory Auditor)**  
For and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Reading, United Kingdom  
21 May 2012



## Consolidated Statement of Comprehensive Income

Year ended 31 March 2012

|   | Note   | 2012<br>£000    | 2011<br>£000 |
|---|--------|-----------------|--------------|
| <b>Revenue</b>  | 3      | <b>65,663</b>   | 61,885       |
| Cost of sales   |        | <b>(23,436)</b> | (22,669)     |
| <b>Gross profit</b>   |        | <b>42,227</b>   | 39,216       |
| Administrative expenses   |        | <b>(7,148)</b>  | (7,158)      |
| <b>Operating profit before gains and losses on property assets</b>                        |        | <b>35,079</b>   | 32,058       |
| Loss on the revaluation of investment properties  | 13a,14 | <b>(51,381)</b> | (16,039)     |
| Gains on surplus land   | 15     | <b>497</b>      | 71           |
| <b>Operating (loss)/profit</b>  |        | <b>(15,805)</b> | 16,090       |
| Share of (loss)/profit of associate   | 13d    | <b>(602)</b>    | 1,826        |
| Investment income – interest receivable   | 7      | <b>20</b>       | 114          |
| – fair value movement of derivatives  | 7,18   | <b>–</b>        | 197          |
| Finance costs – interest payable  | 8      | <b>(11,199)</b> | (11,326)     |
| – fair value movement of derivatives  | 8, 18  | <b>(7,965)</b>  | –            |
| <b>(Loss)/profit before taxation</b>  |        | <b>(35,551)</b> | 6,901        |
| Taxation  | 9      | <b>–</b>        | –            |
| <b>(Loss)/profit for the year (attributable to equity shareholders)</b>                   | 5      | <b>(35,551)</b> | 6,901        |
| <b>Total comprehensive (loss)/income for the year attributable to equity shareholders</b> |        | <b>(35,551)</b> | 6,901        |
| <b>Basic (loss)/earnings per share</b>  | 12     | <b>(27.68)p</b> | 5.34p        |
| <b>Diluted (loss)/earnings per share</b>  | 12     | <b>(27.40)p</b> | 5.29p        |

EPRA earnings per share are shown in Note 12

All items in the consolidated statement of comprehensive income relate to continuing operations

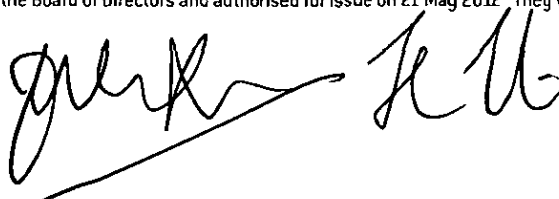
## Consolidated Balance Sheet

31 March 2012

|  | Note | 2012<br>£000     | 2011<br>£000     |
|--|------|------------------|------------------|
| <b>Non-current assets</b>                    |      |                  |                  |
| Investment property                          | 13a  | 726,390          | 745,840          |
| Investment property under construction       | 13a  | 33,905           | 46,310           |
| Interests in leasehold property              | 13a  | 22,394           | 21,244           |
| Plant, equipment and owner-occupied property | 13b  | 2,637            | 2,674            |
| Goodwill                                     | 13c  | 1,433            | 1,433            |
| Investment in associate                      | 13d  | 15,496           | 14,931           |
|  |      | <b>802,255</b>   | <b>832,432</b>   |
| <b>Current assets</b>                        |      |                  |                  |
| Surplus land                                 | 15   | 18,035           | 17,633           |
| Inventories                                  |      | 299              | 319              |
| Trade and other receivables                  | 16   | 10,943           | 11,540           |
| Cash and cash equivalents                    |      | 10,060           | 8,954            |
|  |      | <b>39,337</b>    | <b>38,446</b>    |
| <b>Total assets</b>                          |      | <b>841,592</b>   | <b>870,878</b>   |
| <b>Current liabilities</b>                   |      |                  |                  |
| Trade and other payables                     | 17   | (25,675)         | (22,718)         |
| Obligations under finance leases             | 21   | (1,946)          | (1,947)          |
|  |      | <b>(27,621)</b>  | <b>(24,665)</b>  |
| <b>Net current assets</b>                    |      | <b>11,716</b>    | <b>13,781</b>    |
| <b>Non-current liabilities</b>               |      |                  |                  |
| Derivative financial instruments             | 18   | (15,748)         | (7,783)          |
| Bank borrowings                              | 19   | (282,960)        | (273,230)        |
| Obligations under finance leases             | 21   | (20,448)         | (19,297)         |
| Other payables                               | 17   | (315)            | (954)            |
|  |      | <b>(319,471)</b> | <b>(301,264)</b> |
| <b>Total liabilities</b>                     |      | <b>(347,092)</b> | <b>(325,929)</b> |
| <b>Net assets</b>                            |      | <b>494,500</b>   | <b>544,949</b>   |
| <b>Equity</b>                                |      |                  |                  |
| Called up share capital                      | 22   | 13,139           | 13,106           |
| Share premium account                        |      | 43,432           | 43,404           |
| Reserves                                     |      | 437,929          | 488,439          |
| <b>Equity shareholders' funds</b>            |      | <b>494,500</b>   | <b>544,949</b>   |

The financial statements were approved by the Board of Directors and authorised for issue on 21 May 2012. They were signed on its behalf by

James Gibson      John Trotman  
Director              Director  
Company Registration No 03625199



## Consolidated Statement of Changes in Equity

Year ended 31 March 2012

|  | Share capital<br>£000 | Share premium account<br>£000 | Capital redemption reserve<br>£000 | Retained earnings<br>£000 | Own shares<br>£000 | Total<br>£000  |
|--|-----------------------|-------------------------------|------------------------------------|---------------------------|--------------------|----------------|
| At 1 April 2011  | 13,106                | 43,404                        | 1,653                              | 488,682                   | (1,896)            | 544,949        |
| Total comprehensive loss for the year                    | -                     | -                             | -                                  | (35,551)                  | -                  | (35,551)       |
| Issue of share capital                                   | 33                    | 28                            | -                                  | -                         | -                  | 61             |
| Dividend   | -                     | -                             | -                                  | (12,223)                  | -                  | (12,223)       |
| Purchase of own shares                                   | -                     | -                             | -                                  | -                         | (3,727)            | (3,727)        |
| Credit to equity for equity-settled share based payments | -                     | -                             | -                                  | 991                       | -                  | 991            |
| <b>At 31 March 2012</b>                                  | <b>13,139</b>         | <b>43,432</b>                 | <b>1,653</b>                       | <b>441,899</b>            | <b>(5,623)</b>     | <b>494,500</b> |

Year ended 31 March 2011

|  | Share capital<br>£000 | Share premium account<br>£000 | Capital redemption reserve<br>£000 | Retained earnings<br>£000 | Own shares<br>£000 | Total<br>£000 |
|--|-----------------------|-------------------------------|------------------------------------|---------------------------|--------------------|---------------|
| At 1 April 2010  | 13,099                | 43,384                        | 1,653                              | 491,045                   | (1,896)            | 547,285       |
| Total comprehensive income for the year                  | -                     | -                             | -                                  | 6,901                     | -                  | 6,901         |
| Issue of share capital                                   | 7                     | 20                            | -                                  | -                         | -                  | 27            |
| Dividend   | -                     | -                             | -                                  | (10,328)                  | -                  | (10,328)      |
| Credit to equity for equity-settled share based payments | -                     | -                             | -                                  | 1,064                     | -                  | 1,064         |
| At 31 March 2011   | 13,106                | 43,404                        | 1,653                              | 488,682                   | (1,896)            | 544,949       |

## Consolidated Cash Flow Statement

Year ended 31 March 2012

|   | Note    | 2012<br>£000    | 2011<br>£000 |
|---|---------|-----------------|--------------|
| Operating (loss)/profit                                     |         | <b>(15,805)</b> | 16,090       |
| Loss on the revaluation of investment properties            | 13a, 14 | <b>51,381</b>   | 16,039       |
| Gains on surplus land                                       | 15      | <b>(497)</b>    | (71)         |
| Depreciation  | 13b     | <b>550</b>      | 611          |
| Depreciation of finance lease capital obligations           | 13a     | <b>853</b>      | 910          |
| Employee share options                                      | 6       | <b>1,532</b>    | 1,641        |
| Decrease/(increase) in inventories                          |         | <b>20</b>       | (24)         |
| Decrease/(increase) in receivables                          |         | <b>887</b>      | (1,945)      |
| (Decrease)/increase in payables                             |         | <b>(44)</b>     | 1,674        |
| <b>Cash generated from operations</b>                       |         | <b>38,877</b>   | 34,925       |
| Interest paid   |         | <b>(11,508)</b> | (11,806)     |
| Interest received   |         | <b>19</b>       | 415          |
| <b>Cash flows from operating activities</b>                 |         | <b>27,388</b>   | 23,534       |
| <b>Investing activities</b>                                 |         |                 |              |
| Sale of surplus land  |         | <b>5,404</b>    | 4,497        |
| Purchase of non-current assets                              |         | <b>(18,130)</b> | (11,864)     |
| Additions to surplus land                                   |         | <b>(4,647)</b>  | (621)        |
| Investment in associate                                     | 13d     | <b>(1,167)</b>  | (1,000)      |
| <b>Cash flows from investing activities</b>                 |         | <b>(18,540)</b> | (8,988)      |
| <b>Financing activities</b>                                 |         |                 |              |
| Issue of share capital                                      |         | <b>61</b>       | 27           |
| Purchase of own shares                                      |         | <b>(3,727)</b>  | -            |
| Payment of finance lease liabilities                        | 13a     | <b>(853)</b>    | (910)        |
| Equity dividends paid                                       | 11      | <b>(12,223)</b> | (10,328)     |
| Increase/(reduction) in borrowings                          |         | <b>9,000</b>    | (25,000)     |
| <b>Cash flows from financing activities</b>                 |         | <b>(7,742)</b>  | (36,211)     |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |         | <b>1,106</b>    | (21,665)     |
| <b>Opening cash and cash equivalents</b>                    |         | <b>8,954</b>    | 30,619       |
| <b>Closing cash and cash equivalents</b>                    |         | <b>10,060</b>   | 8,954        |

## Reconciliation of Net Cash Flow to Movement in Net Debt

Year ended 31 March 2012

|  | Note | 2012<br>£000     | 2011<br>£000 |
|--|------|------------------|--------------|
| Net increase/(decrease) in cash and cash equivalents in the year |      | <b>1,106</b>     | (21,665)     |
| Cash (inflow)/outflow from (increase)/decrease in debt financing |      | <b>(9,000)</b>   | 25,000       |
| Change in net debt resulting from cash flows                     |      | <b>(7,894)</b>   | 3,335        |
| <b>Movement in net debt in the year</b>                          |      | <b>(7,894)</b>   | 3,335        |
| Net debt at the start of the year                                |      | <b>(266,046)</b> | (269,381)    |
| Net debt at the end of the year                                  | 18   | <b>(273,940)</b> | (266,046)    |

# Notes to the Financial Statements

Year ended 31 March 2012

## 1. GENERAL INFORMATION

Big Yellow Group PLC is a Company incorporated in Great Britain under the Companies Act 2006. 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 9 to 13.

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, there were no new or revised Standards or Interpretations that have been adopted that have affected the amounts reported in these financial statements.

### Standards not affecting the reported results nor the financial position

The following new and revised Standards and Interpretations have been adopted in the current year:

- > Revised IAS 24 Related party disclosures, effective for accounting periods beginning on or after 1 January 2011
- > Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement, effective for accounting periods beginning on or after 1 January 2011
- > IFRS 2010 Improvements, effective for accounting periods beginning on or after 1 January 2011
- > Amendments to IFRS 7 Financial Instruments Disclosures, effective for accounting periods beginning on or after 1 January 2011

Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

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 (and in some cases had not yet been adopted by the EU):

- > Amendments to IAS 12 Deferred Tax Recovery of Underlying Assets, effective for accounting periods beginning on or after 1 January 2012
- > Amendments to IAS 1 Presentation of items of other comprehensive income, effective for accounting periods beginning on or after 1 July 2012
- > Amendments to IAS 19 Employee benefits, effective for accounting periods beginning on or after 1 January 2013
- > IFRS 9 Financial Instruments, effective for accounting periods beginning on or after 1 January 2015
- > IFRS 10 Consolidated financial statements, effective for accounting periods beginning on or after 1 January 2013
- > IFRS 11 Joint Arrangements, effective for accounting periods beginning on or after 1 January 2013
- > IFRS 12 Disclosure of interests in other entities, effective for accounting periods beginning on or after 1 January 2013
- > IFRS 13 Fair value measurement, effective for accounting periods beginning on or after 1 January 2013
- > IAS 27 Separate financial statements (2011), effective for accounting periods beginning on or after 1 January 2013
- > IAS 28 Investments in associates and joint ventures (2011), effective for accounting periods beginning on or after 1 January 2013
- > Improvements 2011 Improvements to IFRSs 2011, effective for accounting periods beginning on or after 1 January 2013
- > Amendments to IFRS 7 Disclosures – Offsetting financial assets and financial liabilities, effective for accounting periods beginning on or after 1 January 2013
- > Amendments to IAS 32 Offsetting financial assets and financial liabilities, effective for accounting periods beginning on or after 1 January 2014
- > Amendments to IFRS 1 Government Loans, effective for accounting periods beginning on or after 1 January 2013

With the exception of IFRS 9, IFRS 10, IFRS 11, IFRS 12, IFRS 13, IAS 27 and IAS 28 which the Group is currently evaluating, we do not expect there to be a material impact from the adoption of these standards.

### Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted, which 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, are set out below.

### Going concern

A review of the Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 9 to 21 of the Business and Financial Reviews. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are shown in the balance sheet, cash flow statement and accompanying notes to the financial statements. Further information concerning the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk can be found in the Business and Financial Reviews, and in the Report on Corporate Governance.

## Notes to the Financial Statements (continued)

Year ended 31 March 2012

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Going concern (continued)

After reviewing Group and Company cash balances, borrowing facilities and projected cash flows, the Directors believe that the Group and Company have adequate resources to continue operations for the foreseeable future. In reaching this conclusion the Directors have had regard to the Group's operating plan and budget for the year ended 31 March 2013 and projections contained in the longer term business plan which covers the period to March 2016. The Directors have considered carefully the Group's trading performance and cash flows as a result of the uncertain global economic environment and the other principal risks to the Group's performance. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

#### 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 Group accounts consolidate the accounts of Big Yellow Group PLC and all of its subsidiaries at the year end using acquisition accounting principles. All intra Group transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

#### Investment in subsidiaries

These are recognised at cost less provision for any impairment.

#### Investment 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. 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.

#### 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 statement of comprehensive income 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 room is occupied by the customer. The Group recognises non-storage income over the period in which it is earned.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Management fees earned are recognised over the period for which the services are provided.

## **2 SIGNIFICANT ACCOUNTING POLICIES** (continued)

### **Operating leases**

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight line basis over the term of the relevant lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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. Premiums payable on settlement or redemption and direct issue costs are accounted for on an accruals basis in the statement of comprehensive income 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 statement of comprehensive income in the period in which they are incurred, unless the costs are incurred as part of the development of a qualifying asset, when they will be capitalised. Commencement of capitalisation is the date when the Group incurs expenditure for the qualifying asset, incurs borrowing costs and undertakes activities that are necessary to prepare the assets for their intended use when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. In the case of suspension of activities during extended periods, the Group suspends capitalisation. The Group ceases capitalisation of borrowing costs when substantially all of the activities necessary to prepare the asset for use are complete.

### **Operating profit**

Operating profit is stated after gains and losses on surplus land, movements on the revaluation of investment properties and before the share of results of associates, 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 statement of comprehensive income 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 or substantively 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 statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## Notes to the Financial Statements (continued)

Year ended 31 March 2012

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Plant, equipment & owner occupied property

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

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight line method, on the following bases

|                        |                          |
|------------------------|--------------------------|
| 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                  |
| Motor vehicles         | 4 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

The criterion used to distinguish investment property from owner occupied property is to consider whether the property is held for rental income and for capital appreciation. Where this is the case, the Group recognises these owned or leased properties as investment properties. 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 IAS 40 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 statement of comprehensive income of the period in which they arise. In accordance with IAS 40, as the Group uses the fair value model, no depreciation is provided in respect of investment properties including integral plant.

Leasehold properties that are leased under operating leases are classified as investment properties and included in the balance sheet at fair value. The obligation to the lessor for the buildings element of the leasehold is included in the balance sheet at the present value of the minimum lease payments at inception, and is shown within note 13a. Lease payments are apportioned between finance charges and a reduction of the outstanding lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

#### Investment property under construction

Investment property under construction is initially recognised at cost and revalued at the balance sheet date to fair value as determined by professionally qualified external valuers.

Gains or losses arising from the changes in fair value of investment property under construction are included in the statement of comprehensive income in the period in which they arise.

#### Surplus land

Surplus land is recognised at the lower of cost and net realisable value. Any gains and losses on surplus land are recognised through the statement of comprehensive income.

#### 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 (ie the net present value of its future cash flows discounted at the Group's average pre tax interest rate that reflects the borrowing costs and risk for the asset).

#### Inventories

Inventories, representing the cost of packing materials, 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 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.

## **2 SIGNIFICANT ACCOUNTING POLICIES** (continued)

### **A – Derivative financial instruments and hedge accounting** (continued)

Changes in the fair value of derivative financial instruments are recognised in the statement of comprehensive income 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 statement of comprehensive income.

### **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 on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. 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 payables**

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

### **Retirement benefit costs**

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

### **Share-based payments**

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 the Black Scholes 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.

For cash settled share based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

### **Critical accounting estimates and judgements**

In the application of the Group's accounting policies, which are described above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## Notes to the Financial Statements (continued)

Year ended 31 March 2012

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Critical accounting estimates and judgements (continued)

##### a) Estimate of fair value of Investment Properties and Investment Property Under Construction

The Group's self storage centres and stores under development are valued using a discounted cash flow methodology which is based on projections of net operating income. The Group employs expert external valuers, Cushman & Wakefield LLP, who report on the values of the Group's stores on a biannual basis. Principal assumptions underlying management's estimation of the fair value are those related to stabilised occupancy levels, the absorption period to these stabilised 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, including the valuer's assessment of the impact of the proposed introduction of VAT self storage, is set out in note 14 to the accounts.

##### b) Surplus land

The Group's surplus land is held in the balance sheet at cost less provisions for impairment and is not valued externally. The Directors review all surplus land assets for impairment at each balance sheet date, considering all available evidence as to the likely proceeds receivable from the sale of the surplus land.

### 3 REVENUE

Analysis of the Group's operating revenue can be found below and in the Portfolio Summary on page 22

|  | 2012<br>£000 | 2012<br>£000 | 2011<br>£000 | 2011<br>£000 |
|--|--------------|--------------|--------------|--------------|
| <b>Open stores</b>                                   |              |              |              |              |
| Self storage income                                  | 54,734       |              | 50,690       |              |
| Other storage related income                         | 9,363        |              | 8,844        |              |
| Ancillary store rental income                        | 176          |              | 88           |              |
|  |              | 64,273       |              | 59,622       |
| <b>Stores under development</b>                      |              |              |              |              |
| Non-storage income                                   | 270          |              | 937          |              |
|  |              | 270          |              | 937          |
| <b>Fee income</b>                                    |              |              |              |              |
| Fees earned from Big Yellow Limited Partnership      | 714          |              | 920          |              |
| Other management fees earned                         | 406          |              | 406          |              |
|  |              | 1,120        |              | 1,326        |
| <b>Revenue per statement of comprehensive income</b> |              | 65,663       |              | 61,885       |
| Interest receivable on bank deposits (see note 7)    |              | 20           |              | 114          |
| <b>Total revenue per IAS 18</b>                      |              | 65,683       |              | 61,999       |

Non storage income derives principally from rental income earned from tenants of properties awaiting development

### 4 SEGMENTAL INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. Given the nature of the Group's business, there is one segment, which is the provision of self storage and related services.

Revenue represents amounts derived from the provision of self storage 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 and related services. These all arise in the United Kingdom in the current year and prior year.

## 5 (LOSS)/PROFIT FOR THE YEAR

### a) (Loss)/profit for the year has been arrived at after charging/(crediting)

|  | 2012<br>£000 | 2011<br>£000 |
|--|--------------|--------------|
| Depreciation of plant, equipment and owner-occupied property | 550          | 611          |
| Leasehold property depreciation                              | 853          | 910          |
| Decrease in fair value of investment property                | 51,381       | 16,039       |
| Gains on surplus land  | (497)        | (71)         |
| Cost of inventories recognised as an expense                 | 914          | 822          |
| Employee costs (see note 6)                                  | 10,255       | 9,867        |
| Operating lease rentals                                      | 164          | 162          |
| Auditors' remuneration for audit services (see below)        | 167          | 165          |

### b) Analysis of auditors' remuneration

|   | 2012<br>£000 | 2011<br>£000 |
|---|--------------|--------------|
| Fees payable to the Company's auditors for the audit of the Company's annual accounts | 160          | 158          |
| Other services – audit of the Company's subsidiaries' annual accounts                 | 7            | 7            |
| Total audit fees  | 167          | 165          |
| Tax services – compliance   | 30           | 30           |
| Tax services – advisory   | 60           | 62           |
| Other services  | 50           | 50           |
| Drivers Jonas Deloitte real estate advice   | 12           | 16           |
| Total non-audit fees  | 152          | 158          |

Fees payable to Deloitte LLP and their associates for non audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis

## 6 EMPLOYEE COSTS

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

|                | 2012<br>Number | 2011<br>Number |
|----------------|----------------|----------------|
| Sales          | 235            | 229            |
| Administration | 44             | 44             |
|                | 279            | 273            |

At 31 March 2012 the total number of Group employees was 310 (2011 301)

|  | 2012<br>£000 | 2011<br>£000 |
|--|--------------|--------------|
| Their aggregate remuneration comprised |              |              |
| Wages and salaries                     | 7,605        | 7,133        |
| Social security costs                  | 791          | 768          |
| Other pension costs                    | 327          | 325          |
| Share-based payments                   | 1,532        | 1,641        |
|  | 10,255       | 9,867        |

Details of Directors' Remuneration is given on pages 47 to 55

## Notes to the Financial Statements (continued)

Year ended 31 March 2012

### 7 INVESTMENT INCOME

|   | 2012<br>£000 | 2011<br>£000 |
|---|--------------|--------------|
| Interest receivable on bank deposits                  | 20           | 114          |
| Change in the fair value of interest rate derivatives | –            | 197          |
|   | <b>20</b>    | <b>311</b>   |

### 8 FINANCE COSTS

|   | 2012<br>£000  | 2011<br>£000  |
|---|---------------|---------------|
| Interest on bank borrowings                       | 11,097        | 11,074        |
| Capitalised interest                              | (1,035)       | (878)         |
| Interest on obligations under finance leases      | 1,130         | 1,123         |
| Other interest payable                            | 7             | 7             |
| Total interest payable                            | <b>11,199</b> | <b>11,326</b> |
| Change in fair value of interest rate derivatives | <b>7,965</b>  | –             |
| Total finance costs                               | <b>19,164</b> | <b>11,326</b> |

### 9 TAXATION

The Group converted to a REIT in January 2007. As a result the Group does not pay 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 are subject to corporation tax as normal. The Group monitors its compliance with the REIT conditions. There have been no breaches of the conditions to date.

| UK tax                     | 2012<br>£000 | 2011<br>£000 |
|----------------------------|--------------|--------------|
| Current tax                |              |              |
| – Current year             | –            | –            |
| Deferred tax (see note 20) |              |              |
| – Current year             | –            | –            |
|                            | <b>–</b>     | <b>–</b>     |

A reconciliation of the tax charge is shown below

|   | 2012<br>£000    | 2011<br>£000 |
|---|-----------------|--------------|
| (Loss)/profit before tax                        | <b>(35,551)</b> | 6,901        |
| Tax (credit)/charge at 26% (2011 – 28%) thereon | <b>(9,243)</b>  | 1,932        |
| Effects of                                      |                 |              |
| Revaluation of investment properties            | <b>13,484</b>   | 4,491        |
| Share of results of associate                   | –               | (48)         |
| Permanent differences                           | <b>37</b>       | (1,511)      |
| Profits from the tax exempt business            | <b>(5,759)</b>  | (5,294)      |
| Losses not utilised in the year                 | <b>685</b>      | 387          |
| Utilisation of brought forward losses           | <b>(370)</b>    | –            |
| Temporary timing differences                    | <b>1,166</b>    | 43           |
| <b>Total tax charge</b>                         | <b>–</b>        | <b>–</b>     |

## 10 ADJUSTED PROFIT BEFORE TAX AND ADJUSTED EBITDA

|  | 2012<br>£000  | 2011<br>£000  |
|--|---------------|---------------|
| (Loss)/profit before tax   | (35,551)      | 6,901         |
| Loss/(gain) on revaluation of investment properties – wholly owned | 51,381        | 16,039        |
| – in associate   | 480           | (2,241)       |
| Change in fair value of interest rate derivatives – Group          | 7,965         | (197)         |
| – in associate   | (135)         | (191)         |
| Gains on surplus land – wholly owned                               | (497)         | (71)          |
| – in associate   | –             | (33)          |
| <b>Adjusted profit before tax</b>                                  | <b>23,643</b> | <b>20,207</b> |
| Net bank and other interest  | 10,049        | 10,089        |
| Depreciation   | 550           | 611           |
| <b>Adjusted EBITDA</b>   | <b>34,242</b> | <b>30,907</b> |

Adjusted profit before tax which excludes gains and losses on the revaluation of investment properties, changes in fair value of interest rate derivatives, net gains and losses on surplus land, and non recurring items of income and expenditure have been disclosed to give a clearer understanding of the Group's underlying trading performance. The adjusted profit before tax of £23,643,000 (2011: £20,207,000) equates to EPRA earnings, as there is no tax charge in the year.

## 11 DIVIDENDS

|   | 2012<br>£000  | 2011<br>£000  |
|---|---------------|---------------|
| Amounts recognised as distributions to equity holders in the year                     |               |               |
| Final dividend for the year ended 31 March 2011 of 5p (2010: 4p) per share            | 6,460         | 5,163         |
| Interim dividend for the year ended 31 March 2012 of 4.5p (2011: 4p) per share        | 5,763         | 5,165         |
|   | <b>12,223</b> | <b>10,328</b> |
| Proposed final dividend for the year ended 31 March 2012 of 5.5p (2011: 5p) per share | 7,057         | 6,460         |

Subject to approval by shareholders at the Annual General Meeting to be held on 10 July 2012, the final dividend will be paid on 20 July 2012 to shareholders on the Register on 8 June 2012.

The Property Income Dividend ("PID") payable for the current year is 9 pence per share.

## 12 (LOSS)/EARNINGS AND NET ASSETS PER SHARE

(Loss)/earnings per ordinary share

|   | Year ended 31 March 2012 |                   |                    | Year ended 31 March 2011 |                   |                    |
|---|--------------------------|-------------------|--------------------|--------------------------|-------------------|--------------------|
|   | Earnings<br>£m           | Shares<br>million | Pence<br>per share | Earnings<br>£m           | Shares<br>million | Pence<br>per share |
| <b>Basic</b>                                      | (35.55)                  | 128.44            | (27.68)            | 6.90                     | 129.11            | 5.34               |
| Dilutive share options                            | –                        | 1.29              | 0.28               | –                        | 1.38              | (0.05)             |
| <b>Diluted</b>                                    | <b>(35.55)</b>           | <b>129.73</b>     | <b>(27.40)</b>     | 6.90                     | 130.49            | 5.29               |
| <i>Adjustments</i>                                |                          |                   |                    |                          |                   |                    |
| Loss on revaluation of investment properties      | 51.38                    | –                 | 39.61              | 16.04                    | –                 | 12.29              |
| Change in fair value of interest rate derivatives | 7.97                     | –                 | 6.14               | (0.20)                   | –                 | (0.15)             |
| Gains on surplus land                             | (0.50)                   | –                 | (0.39)             | (0.07)                   | –                 | (0.05)             |
| Share of associate non-recurring losses/(gains)   | 0.34                     | –                 | 0.26               | (2.46)                   | –                 | (1.89)             |
| <b>EPRA – diluted</b>                             | <b>23.64</b>             | <b>129.73</b>     | <b>18.22</b>       | 20.21                    | 130.49            | 15.49              |
| <b>EPRA – basic</b>                               | <b>23.64</b>             | <b>128.44</b>     | <b>18.41</b>       | 20.21                    | 129.11            | 15.65              |

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

EPRA earnings and earnings per ordinary share before non recurring items, movements on revaluation of investment properties, gains and losses on surplus land, the change in fair value of interest rate swaps, and share of associate non-recurring gains 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 2012

### 12. (LOSS)/EARNINGS AND NET ASSETS PER SHARE (continued)

The European Public Real Estate Association ("EPRA") has issued recommended bases for the calculation of net assets per share information and this is shown in the table below

|   | As at<br>31 March<br>2012<br>£000 | As at<br>31 March<br>2011<br>£000 |
|---|-----------------------------------|-----------------------------------|
| Basic net asset value                                       | 494,500                           | 544,949                           |
| Exercise of share options                                   | 748                               | 603                               |
| EPRA NNNAV  | 495,246                           | 545,552                           |
| Adjustments   |                                   |                                   |
| Fair value of derivatives                                   | 15,748                            | 7,783                             |
| Fair value of derivatives – share of associate              | 443                               | 579                               |
| EPRA NAV  | 511,437                           | 553,914                           |
| Basic net assets per share (pence)                          | 386.1                             | 421.9                             |
| EPRA NNNAV per share (pence)                                | 378.9                             | 415.0                             |
| EPRA NAV per share (pence)                                  | 391.3                             | 421.3                             |
| EPRA NAV (as above) (£000)                                  | 511,437                           | 553,914                           |
| Valuation methodology assumption (see note 14) (£000)       | 35,514                            | 37,483                            |
| Capital goods scheme adjustment – group (£000)              | 12,282                            | –                                 |
| Capital goods scheme adjustment – share of associate (£000) | 1,765                             | –                                 |
| Adjusted net asset value (£000)                             | 560,998                           | 591,397                           |
| Adjusted net assets per share (pence)                       | 429.2                             | 449.8                             |
|   | No of shares                      | No of shares                      |
| Shares in issue   | 131,393,041                       | 131,060,522                       |
| Own shares held in treasury                                 | (1,418,750)                       | –                                 |
| Own shares held in EBT                                      | (1,885,117)                       | (1,905,000)                       |
| Basic shares in issue used for calculation                  | 128,089,174                       | 129,155,522                       |
| Exercise of share options                                   | 2,623,172                         | 2,312,475                         |
| Diluted shares used for calculation                         | 130,712,346                       | 131,467,997                       |

Net assets per share are shareholders' funds divided by the number of shares at the year end. The shares currently held in the Group's Employee Benefit Trust and in treasury 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 and the effect of alternative valuation methodology assumptions [see note 14]. It has also been adjusted for the Group's estimate of capital goods scheme repayments due to it following the proposed introduction of VAT on self storage from 1 October 2012. As described in note 14, the investment property valuations have been adjusted to reflect the impact of VAT being introduced, and the Board considers it appropriate to reflect the estimated amounts due back to the Group from HMRC following the introduction of VAT in the calculation of adjusted net assets per share. This amount, which is subject to agreement with HMRC, cannot be recognised as an asset at the balance sheet date as the legislation to introduce VAT had not been substantially enacted at 31 March 2012.

### 13 NON-CURRENT ASSETS

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

|  | Investment property<br>£000 | Investment property under construction<br>£000 | Interests in leasehold property<br>£000 | Total<br>£000  |
|--|-----------------------------|--|---|----------------|
| <b>At 31 March 2010</b>                                      | 761,570                     | 33,960   | 21,998                                  | 817,528        |
| Additions  | 1,617                       | 11,037   | -                                       | 12,654         |
| Adjustment to present value                                  | -                           | -  | 156                                     | 156            |
| Reclassification from plant, equipment and freehold property | 5                           | -  | -                                       | 5              |
| Revaluation (see note 14)                                    | (17,352)                    | 1,313  | -                                       | (16,039)       |
| Depreciation   | -                           | -  | (910)                                   | (910)          |
| <b>At 31 March 2011</b>                                      | 745,840                     | 46,310   | 21,244                                  | 813,394        |
| Additions  | 2,723                       | 16,803   | -                                       | 19,526         |
| Reclassification   | 27,371                      | (27,371)                                       | -                                       | -              |
| Adjustment to present value                                  | -                           | -  | 2,003                                   | 2,003          |
| Revaluation (see note 14)                                    | (49,544)                    | (1,837)  | -                                       | (51,381)       |
| Depreciation   | -                           | -  | (853)                                   | (853)          |
| <b>At 31 March 2012</b>                                      | <b>726,390</b>              | <b>33,905</b>                                  | <b>22,394</b>                           | <b>782,689</b> |

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 22.

Included within additions is £1.0 million of capitalised interest, calculated at the Group's average borrowing cost of 3.7%.

#### b) Plant, equipment and owner occupied property

|                         | Freehold property<br>£000 | Leasehold improvements<br>£000 | Plant and machinery<br>£000 | Motor vehicles<br>£000 | Fixtures fittings & office equipment<br>£000 | Total<br>£000  |
|-------------------------|---------------------------|--------------------------------|-----------------------------|------------------------|--|----------------|
| <b>Cost</b>             |                           |                                |                             |                        |  |                |
| At 31 March 2010        | 1,875                     | 44                             | 683                         | -                      | 5,457  | 8,059          |
| Reclassifications       | (8)                       | -                              | 3                           | -                      | -  | (5)            |
| Additions               | -                         | -                              | 58                          | 25                     | 374  | 457            |
| <b>At 31 March 2011</b> | <b>1,867</b>              | <b>44</b>                      | <b>744</b>                  | <b>25</b>              | <b>5,831</b>                                 | <b>8,511</b>   |
| Additions               | -                         | -                              | 36                          | -                      | 477  | 513            |
| <b>At 31 March 2012</b> | <b>1,867</b>              | <b>44</b>                      | <b>780</b>                  | <b>25</b>              | <b>6,308</b>                                 | <b>9,024</b>   |
| <b>Depreciation</b>     |                           |                                |                             |                        |  |                |
| At 31 March 2010        | (159)                     | (37)                           | (455)                       | -                      | (4,575)                                      | (5,226)        |
| Charge for the year     | (32)                      | (4)                            | (60)                        | (3)                    | (512)  | (611)          |
| <b>At 31 March 2011</b> | <b>(191)</b>              | <b>(41)</b>                    | <b>(515)</b>                | <b>(3)</b>             | <b>(5,087)</b>                               | <b>(5,837)</b> |
| Charge for the year     | (35)                      | (3)                            | (48)                        | (6)                    | (458)  | (550)          |
| <b>At 31 March 2012</b> | <b>(226)</b>              | <b>(44)</b>                    | <b>(563)</b>                | <b>(9)</b>             | <b>(5,545)</b>                               | <b>(6,387)</b> |
| <b>Net book value</b>   |                           |                                |                             |                        |  |                |
| <b>At 31 March 2012</b> | <b>1,641</b>              | <b>-</b>                       | <b>217</b>                  | <b>16</b>              | <b>763</b>                                   | <b>2,637</b>   |
| At 31 March 2011        | 1,676                     | 3                              | 229                         | 22                     | 744  | 2,674          |

#### 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 2012

### 13. NON-CURRENT ASSETS (continued)

#### d) Investment in associate

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

|   | 31 March<br>2012<br>£000 | 31 March<br>2011<br>£000 |
|---|--------------------------|--------------------------|
| At the beginning of the year                      | 14,931                   | 12,105                   |
| Subscription for partnership capital and advances | 1,167                    | 1,000                    |
| Share of results (see below)                      | (602)                    | 1,826                    |
|   | <b>15,496</b>            | 14,931                   |

The Group has subscribed for cumulative partnership capital and advances of £14,799,000 to 31 March 2012 (2011 £13,632,000).

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

|   | Year ended<br>31 March<br>2012<br>£000 | Year ended<br>31 March<br>2011<br>£000 |
|---|--|--|
| <b>Big Yellow Limited Partnership</b>                   |  |  |
| <b>Income statement (100%)</b>                          |  |  |
| Revenue   | 6,539                                  | 4,134                                  |
| Cost of sales   | (4,660)                                | (3,836)                                |
| Administrative expenses                                 | (77)                                   | (75)                                   |
| Operating profit  | 1,802                                  | 223                                    |
| (Loss)/gain on the revaluation of investment properties | (1,441)                                | 6,725                                  |
| Gain on the disposal of surplus land                    | -                                      | 99                                     |
| Net interest payable                                    | (2,572)                                | (2,141)                                |
| Fair value movement of interest rate derivatives        | 406                                    | 574                                    |
| (Loss)/profit before and after tax                      | (1,805)                                | 5,480                                  |
| <b>Balance sheet (100%)</b>                             |  |  |
| Investment property                                     | 110,460                                | 105,450                                |
| Investment property under construction                  | -                                      | 2,730                                  |
| Other fixed assets                                      | 641                                    | 725                                    |
| Current assets  | 1,548                                  | 1,981                                  |
| Current liabilities                                     | (2,463)                                | (2,160)                                |
| Derivative financial instruments                        | (1,330)                                | (1,736)                                |
| Non-current liabilities                                 | (62,367)                               | (62,195)                               |
| <b>Net assets (100%)</b>                                | <b>46,489</b>                          | <b>44,795</b>                          |
| <b>Group share of (33.3%)</b>                           |  |  |
| Operating profit  | 601                                    | 74                                     |
| (Loss)/gain on the revaluation of investment properties | (480)                                  | 2,241                                  |
| Gain on the disposal of surplus land                    | -                                      | 33                                     |
| Net interest payable                                    | (858)                                  | (713)                                  |
| Fair value movement of interest rate derivatives        | 135                                    | 191                                    |
| (Loss)/profit for the year                              | (602)                                  | 1,826                                  |
| Associate net assets                                    | 15,496                                 | 14,931                                 |

The Partnership has in place a fully drawn loan of £62.7 million, secured from Royal Bank of Scotland plc and HSBC Bank plc.

### 13 NON-CURRENT ASSETS (continued)

#### d) Investment in associate (continued)

The loan has a five year term and expires in September 2013. £31.8 million of the £62.7 million drawn down at 31 March 2012 has been fixed to 30 June 2013 at a weighted average interest cost post margin of 5.5%. The balance of the drawn debt is currently paying one month LIBOR plus applicable margin. The weighted average interest cost post margin at 31 March 2012 of the facility was 3.9%. Following the year end the partners reduced the outstanding debt drawn to £60 million, through repaying and cancelling £2.7 million of the facility.

The Partnership loan has a loan to value covenant which requires the gross loan to the value of the Partnership's investment property assets to be no more than 55%. The loan is non recourse to the Group.

The Group has an option to acquire the assets within the Partnership or the remaining interest in the Partnership not held by the Group, which is first exercisable at 31 March 2013, but can be deferred to March 2014 and March 2015, subject to Internal Rate of Return ("IRR") hurdles. The price payable is based on the market value of the Partnership's assets and liabilities, and is subject to certain promotes, dependent on the IRR achieved.

### 14 VALUATION OF INVESTMENT PROPERTY

|  | Deemed cost<br>£000 | Revaluation on<br>deemed cost<br>£000 | Valuation<br>£000 |
|--|---------------------|---------------------------------------|-------------------|
| <b>Freehold stores*</b>                              |                     |                                       |                   |
| As at 1 April 2011                                   | 325,353             | 373,177                               | 698,530           |
| Transfer from investment property under construction | 30,650              | (3,279)                               | 27,371            |
| Movement in year                                     | 2,564               | (45,575)                              | (43,011)          |
| <b>As at 31 March 2012</b>                           | <b>358,567</b>      | <b>324,323</b>                        | <b>682,890</b>    |
| <b>Leasehold stores</b>                              |                     |                                       |                   |
| As at 1 April 2011                                   | 15,692              | 31,618                                | 47,310            |
| Movement in year                                     | 159                 | (3,969)                               | (3,810)           |
| <b>As at 31 March 2012</b>                           | <b>15,851</b>       | <b>27,649</b>                         | <b>43,500</b>     |
| <b>Total of open stores</b>                          |                     |                                       |                   |
| As at 1 April 2011                                   | 341,045             | 404,795                               | 745,840           |
| Transfer from investment property under construction | 30,650              | (3,279)                               | 27,371            |
| Movement in year                                     | 2,723               | (49,544)                              | (46,821)          |
| <b>As at 31 March 2012</b>                           | <b>374,418</b>      | <b>351,972</b>                        | <b>726,390</b>    |
| <b>Investment property under construction</b>        |                     |                                       |                   |
| As at 1 April 2011                                   | 58,260              | (11,950)                              | 46,310            |
| Transfer to investment property                      | (30,650)            | 3,279                                 | (27,371)          |
| Movement in year                                     | 16,803              | (1,837)                               | 14,966            |
| <b>As at 31 March 2012</b>                           | <b>44,413</b>       | <b>(10,508)</b>                       | <b>33,905</b>     |
| <b>Valuation of all investment property</b>          |                     |                                       |                   |
| As at 1 April 2011                                   | 399,305             | 392,845                               | 792,150           |
| Movement in year                                     | 19,526              | (51,381)                              | (31,855)          |
| <b>As at 31 March 2012</b>                           | <b>418,831</b>      | <b>341,464</b>                        | <b>760,295</b>    |

\* Includes one long leasehold property

The freehold and leasehold investment properties have been valued at 31 March 2012 by external valuers, Cushman & Wakefield LLP ["C&W"]. The valuation has been carried out in accordance with the RICS Valuation – Professional Standards, published by The Royal Institution of Chartered Surveyors ["the Red Book"]. The valuation of each of the investment properties and the investment properties under construction has been prepared on the basis of either Fair Value or Fair Value as a fully equipped operational entity, having regard to trading potential, as appropriate.

## Notes to the Financial Statements (continued)

Year ended 31 March 2012

### 14. VALUATION OF INVESTMENT PROPERTY (continued)

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 been carrying out this bi-annual 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%
- > The fee payable to C&W is a fixed amount per store, and is not contingent on the appraised value

#### Market uncertainty

C&W's valuation report comments on valuation uncertainty resulting from the recent global banking crisis coupled with the economic downturn, which have caused a low number of transactions in the market for self storage property. C&W note that, although there were a number of self storage transactions in 2007, the only significant transactions since 2007 are

- 1 The sale of a 51% share in Shurgard Europe which was announced in January 2008 and completed on 31 March 2008
- 2 The sale of the former Keepsafe portfolio by Macquarie to Alligator Self Storage which was completed in January 2010, and
- 3 The purchase by Shurgard Europe of the 80% interests held by its joint venture partner (Arcapita) in its two European joint venture vehicles, First Shurgard and Second Shurgard. The price paid was 172 million Euros and the transaction was announced in March 2011. The two joint ventures owned 72 self storage properties

Four further smaller transactions took place in 2011 at West Molesey, Cambridge, Dartford and St Albans

C&W state that due to the lack of comparable market information in the self storage sector, there is greater uncertainty attached to their opinion of value than would be anticipated during more active market conditions

#### Valuation methodology

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

##### Freehold and long leasehold

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 of 6% of the estimated annual revenue subject to a cap and a collar. 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 53 trading stores (both freeholds and leaseholds) open at 31 March 2012 averages 82.4% (31 March 2011 83.1%). The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth. The average time assumed for the 32 established stores to trade at their maturity levels is 32 months (31 March 2011 36 months), for the 21 lease up stores, the period to maturity is 44 months (31 March 2011 49 months)
- 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, yields for other trading property types such as student housing and hotels, bank base rates, ten year money rates, inflation and the available evidence of transactions in the sector. The valuation included in the accounts assumes rental growth in future periods. If an assumption of no rental growth is applied to the external valuation, the net initial yield pre administration expenses for the 32 established stores is 6.8% (31 March 2011 6.3%) rising to a stabilised net yield pre administration expenses of 8.1% (31 March 2011 8.2%). Also on a no growth and pre administration expenses basis the 21 lease up stores have a net initial yield of 4.4% (31 March 2011 3.6%) rising to 8.6% (31 March 2011 8.7%) on stabilisation
- D The future net cash flow projections (including revenue growth and cost inflation) have been discounted at a rate that reflects the risk associated with each asset. The weighted average annual discount rate adopted (for both freeholds and leaseholds) is 11.23% (31 March 2011 11.29%)
- E Purchaser's costs of 5.8% (see below) have been assumed initially and sale plus purchaser's costs totalling 6.8% are assumed on the notional sales in the tenth year in relation to the freehold stores

##### Short 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 leasehold properties is 16.7 years (31 March 2011 16.2 years)

#### 14. VALUATION OF INVESTMENT PROPERTY (continued)

##### **Assumptions** (continued)

###### *Investment properties under construction*

C&W have valued the stores in development adopting the same methodology as set out above but on the basis of the cash flow projection expected for the store at opening and after allowing for the outstanding costs to take each scheme from its current state to completion and full fit out. C&W have allowed for holding costs and construction contingency, as appropriate. One scheme does not yet have planning consent and C&W have reflected the planning risk in their valuation.

###### *Proposed VAT change*

The Government has announced in the Budget Statement a proposed change to the VAT status of self storage from 1 October 2012. The rental of self storage units is currently exempt from VAT as a licence to occupy land in the same way as the rental of commercial property. The Government are proposing that self storage will be subject to standard rate VAT (20%). C&W have prepared their valuation reflecting the potential impact of the proposed VAT Change.

We also instructed C&W to prepare a valuation on the Special Assumption that the proposed VAT change is not reflected in the valuation.

###### *Immature stores value uncertainty*

C&W have assessed the value of each property individually. However, four of the stores in the portfolio are relatively immature and have low initial cash flow. C&W have endeavoured to reflect the nature of the cash flow profile for these properties in their valuation, and the higher associated risks relating to the as yet unproven future cash flow, by adjustment to the capitalisation rates and discount rates adopted. However, immature low cash flow stores of this nature are rarely, if ever, traded individually in the market, unless as part of a distressed sale or similar situation. Although, there is more evidence of immature low cash flow stores being traded as part of a group or portfolio transaction.

Please note C&W's comments in relation to market uncertainty in the self storage sector due to the lack of comparable market transactions and information. The degree of uncertainty relating to the four immature stores is greater than in relation to the balance of the properties due to there being even less market evidence that might be available for more mature properties and portfolios.

C&W state that in practice, if an actual sale of the properties were to be contemplated then any immature low cash flow stores would normally be presented to the market for sale lotted or grouped with other more mature assets owned by the same entity, in order to alleviate the issue of negative or low short term cash flow. This approach would enhance the marketability of the group of assets and assist in achieving the best price available in the market by diluting the cash flow risk.

C&W have not adjusted their opinion of Fair Value to reflect such a grouping of the immature assets with other properties in the portfolio and all stores have been valued individually. However, they highlight the matter to alert the Group to the manner in which the properties might be grouped or lotted in order to maximise their attractiveness to the market place.

C&W consider this approach to be a valuation assumption but not a Special Assumption, the latter being an assumption that assumes facts that differ from the actual facts existing at the valuation date – and which, if not adopted, could produce a material difference in value.

C&W have not assumed that the entire portfolio of properties owned by the Entity would be sold as a single lot and the value for the whole portfolio in the context of a sale as a single lot may differ significantly (either higher or lower) from the aggregate of the individual values for each property in the portfolio, reflecting the lotting assumption described above.

##### **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 5.8% 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.

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. The Group 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 2012 of £794,169,000 (£33,874,000 higher than the value recorded in the financial statements). The valuations in Big Yellow Limited Partnership are £4,920,000 higher than the value recorded in the financial statements, of which the Group's share is £1,640,000. The sum of these is £35,514,000 and translates to 272 pence per share. We have included this revised valuation in the adjusted diluted net asset calculation (see note 14).

## Notes to the Financial Statements (continued)

Year ended 31 March 2012

### 15. SURPLUS LAND

|                         | £000          |
|-------------------------|---------------|
| At 1 April 2011         | 17,633        |
| Additions               | 4,647         |
| Disposals               | (4,245)       |
| <b>At 31 March 2012</b> | <b>18,035</b> |

In the current year, a gain of £497,000 was recorded following the disposal of a site

The prior year gain of £71,000 was comprised of a write back of a prior year impairment on a site of £500,000, offset by a loss on disposal of £429,000

### 16. TRADE AND OTHER RECEIVABLES

|                                | 31 March<br>2012<br>£000 | 31 March<br>2011<br>£000 |
|--------------------------------|--------------------------|--------------------------|
| Trade receivables              | 1,559                    | 1,776                    |
| Other receivables              | 1,316                    | 274                      |
| Prepayments and accrued income | 8,068                    | 9,490                    |
|                                | <b>10,943</b>            | <b>11,540</b>            |

Trade receivables are net of a bad debt provision of £24,000 (2011 £25,000). The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

#### Trade receivables

The Group does not typically offer credit terms to its customers, requiring them to pay in advance of their storage period and hence the Group is not exposed to significant credit risk. A late charge of 10% is applied to a customer's 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 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 these customers are required to pay in advance, and also to pay a deposit ranging from 1 week 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 £173,000 (2011 £155,000) 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 average age of these receivables is 31 days past due (2011 34 days past due).

#### Ageing of past due but not impaired receivables

|              | 2012<br>£000 | 2011<br>£000 |
|--------------|--------------|--------------|
| 1 – 30 days  | 117          | 99           |
| 30 – 60 days | 16           | 33           |
| 60 + days    | 40           | 23           |
| Total        | <b>173</b>   | <b>155</b>   |

#### Movement in the allowance for doubtful debts

|                                      | 2012<br>£000 | 2011<br>£000 |
|--------------------------------------|--------------|--------------|
| Balance at the beginning of the year | 25           | 29           |
| Amounts provided in year             | 39           | 69           |
| Amounts written off as uncollectible | (40)         | (73)         |
| Balance at the end of the year       | <b>24</b>    | <b>25</b>    |

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.

## 16. TRADE AND OTHER RECEIVABLES (continued)

### Ageing of impaired trade receivables

|              | 2012<br>£000 | 2011<br>£000 |
|--------------|--------------|--------------|
| 1 – 30 days  | 2            | –            |
| 30 – 60 days | 3            | 4            |
| 60 + days    | 19           | 21           |
| Total        | 24           | 25           |

## 17. TRADE AND OTHER PAYABLES

|  | 31 March<br>2012<br>£000 | 31 March<br>2011<br>£000 |
|--|--------------------------|--------------------------|
| <b>Current</b>                           |                          |                          |
| Trade payables                           | 9,159                    | 9,885                    |
| Other payables                           | 2,957                    | 2,075                    |
| Accruals and deferred income             | 12,916                   | 9,663                    |
| Amounts owed to associate                | 2                        | 177                      |
| VAT repayable under Capital Goods Scheme | 641                      | 918                      |
|  | 25,675                   | 22,718                   |
| <b>Non-current</b>                       |                          |                          |
| VAT repayable under Capital Goods Scheme | 315                      | 954                      |

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. Included within accruals and deferred income is £1,656,000 in respect of the Long Term Bonus Performance Plan.

The Directors estimate the fair value of the Group's VAT payable under the capital goods scheme as follows:

|  | 2012                       |                                 | 2011                       |                                 |
|--|----------------------------|---------------------------------|----------------------------|---------------------------------|
|  | Carrying<br>amount<br>£000 | Estimated<br>fair value<br>£000 | Carrying<br>amount<br>£000 | Estimated<br>fair value<br>£000 |
| VAT payable under the capital goods scheme | 956                        | 913                             | 1,872                      | 1,791                           |

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

## 18. 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 19, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. The Group's banking facilities at the year end required hedging of 70% of the funds drawn under the investment tranche of its core banking facility. The Group has complied with this during the year.

With the exception of derivative instruments which are classified as a financial liability at fair value through the profit and loss ("FVTPL"), financial liabilities are categorised under amortised cost. All financial assets are categorised as loans and receivables.

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.

## Notes to the Financial Statements (continued)

Year ended 31 March 2012

### 18 FINANCIAL INSTRUMENTS (continued)

#### 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:

|                           | 2012<br>£000 | 2011<br>£000 |
|---------------------------|--------------|--------------|
| Debt                      | (284,000)    | (275,000)    |
| Cash and cash equivalents | 10,060       | 8,954        |
| Net debt                  | 273,940      | 266,046      |
| Balance sheet equity      | 494,500      | 544,949      |
| Net debt to equity ratio  | 55.4%        | 48.8%        |

Debt is defined as long term and short term bank borrowings, as detailed in note 19. Equity includes all capital and reserves of the Group attributable to equity holders of the Company. Net debt is defined as gross bank borrowings less cash and cash equivalents.

#### B. Debt management

The Group borrows through a senior term loan, secured on its existing store portfolio, and in addition since the year end has arranged a 15 year loan with Aviva Commercial Finance Limited secured on a portfolio of 15 self storage assets. Borrowings are arranged to ensure an appropriate maturity profile and to maintain short term liquidity. Funding is arranged in the Group and in Big Yellow Limited Partnership through banks and financial institutions with whom the Group has a strong working relationship.

#### 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, and 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.

At 31 March 2012 the Group had two interest rate derivatives in place, £120 million fixed at 2.99% (excluding the margin on the underlying debt instrument) until September 2015 and £70 million fixed at 3.93% (excluding the margin on the underlying debt instrument) also until September 2015.

In April 2012, the Group announced the completion of a £100 million 15 year term fixed rate loan with Aviva Commercial Finance Limited, which was deployed to repay £100 million of existing bank debt. At the same time, the Group also cancelled £100 million of the above interest rate derivatives at a cost of £9.2 million. This left a £90 million interest rate swap in the core bank debt facility at 2.99% plus margin to September 2015, with the remaining £100 million of the core bank debt paying at floating rates plus margin, in addition to the Aviva fixed rate loan.

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps 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, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

The interest rate swaps settle on a monthly basis. The floating rate on the interest rate swaps is one month LIBOR. The Group will settle the difference between the fixed and floating interest rate on a net basis.

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 statement of comprehensive income. The loss in the statement of comprehensive income for the year of these interest rate swaps was £7,965,000 (2011 gain of £197,000).

The fair value of the above derivatives at 31 March 2012 was a liability of £15,748,000 (2011 liability of £7,783,000).

#### 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 2012, it is estimated that an increase of 0.5 percentage points in interest rates would have reduced the Group's adjusted profit before tax by £470,000 (2011 reduced adjusted profit before tax by £425,000) and a decrease of 0.5 percentage points in interest rates would have increased the Group's adjusted profit before tax by £470,000 (2011 increased adjusted profit before tax by £425,000). 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.

## 18 FINANCIAL INSTRUMENTS (continued)

### D Interest rate sensitivity analysis (continued)

The Group's sensitivity to interest rates has increased during the year, following the drawing of additional floating rate debt from cash resources. The Board monitors closely the exposure to the floating rate element of our debt.

### 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 19 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 16. The Group has no significant concentration of credit risk, with exposure spread over 36,000 customers in our stores.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

### H Financial maturity analysis

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

| 2012 Maturity                           | Total<br>£000  | Less than<br>one year<br>£000 | One to<br>two years<br>£000 | Two to<br>five years<br>£000 | More than<br>five years<br>£000 |
|---|----------------|-------------------------------|-----------------------------|------------------------------|---------------------------------|
| <i>Debt</i>                             |                |                               |                             |                              |                                 |
| Bank loan payable at variable rate      | 94,000         | –                             | 94,000                      | –                            | –                               |
| Debt fixed by interest rate derivatives | 190,000        | –                             | 190,000                     | –                            | –                               |
| <b>Total</b>                            | <b>284,000</b> | <b>–</b>                      | <b>284,000</b>              | <b>–</b>                     | <b>–</b>                        |
| <hr/>                                   |                |                               |                             |                              |                                 |
| 2011 Maturity                           | Total<br>£000  | Less than<br>one year<br>£000 | One to<br>two years<br>£000 | Two to<br>five years<br>£000 | More than<br>five years<br>£000 |
| <i>Debt</i>                             |                |                               |                             |                              |                                 |
| Bank loan payable at variable rate      | 85,000         | –                             | –                           | 85,000                       | –                               |
| Debt fixed by interest rate derivatives | 190,000        | –                             | –                           | 190,000                      | –                               |
| <b>Total</b>                            | <b>275,000</b> | <b>–</b>                      | <b>–</b>                    | <b>275,000</b>               | <b>–</b>                        |

### 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.

For those financial instruments held at valuation, the Group has categorised them into a three level fair value hierarchy based on the priority of the inputs to the valuation technique in accordance with IFRS 7. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument in its entirety. The fair values of the Group's outstanding interest rate swaps, as detailed in note 18J, have been estimated by calculating the present value of future cash flows, using appropriate market discount rates, representing Level 2 fair value measurements as defined by IFRS 7. There are no financial instruments which have been categorised as Level 1 or Level 3.

## Notes to the Financial Statements (continued)

Year ended 31 March 2012

### 18. FINANCIAL INSTRUMENTS (continued)

#### J Maturity analysis of financial liabilities

The contractual maturities based on market conditions and expected yield curves prevailing at the year end date are as follows

|                              | Trade and<br>other<br>payables<br>£000 | Interest<br>rate swaps<br>£000 | Borrowing<br>and interest<br>£000 | Finance<br>leases<br>£000 | Total<br>£000  |
|------------------------------|--|--------------------------------|-----------------------------------|---------------------------|----------------|
| <b>2012</b>                  |  |                                |                                   |                           |                |
| From five to twenty years    | –                                      | –                              | –                                 | 25,436                    | 25,436         |
| From two to five years       | –                                      | 4,854                          | –                                 | 5,953                     | 10,807         |
| From one to two years        | 315                                    | 4,235                          | 288,680                           | 1,984                     | 295,214        |
| Due after more than one year | 315                                    | 9,089                          | 288,680                           | 33,373                    | 331,457        |
| Due within one year          | 25,675                                 | 4,860                          | 10,228                            | 1,984                     | 42,747         |
| <b>Total</b>                 | <b>25,990</b>                          | <b>13,949</b>                  | <b>298,908</b>                    | <b>35,357</b>             | <b>374,204</b> |
| <b>2011</b>                  |  |                                |                                   |                           |                |
| From five to twenty years    | –                                      | –                              | –                                 | 23,189                    | 23,189         |
| From two to five years       | –                                      | 482                            | 279,566                           | 5,959                     | 286,007        |
| From one to two years        | 954                                    | 2,682                          | 9,980                             | 1,987                     | 15,603         |
| Due after more than one year | 954                                    | 3,164                          | 289,546                           | 31,135                    | 324,799        |
| Due within one year          | 22,718                                 | 4,444                          | 9,980                             | 1,987                     | 39,129         |
| <b>Total</b>                 | <b>23,672</b>                          | <b>7,608</b>                   | <b>299,526</b>                    | <b>33,122</b>             | <b>363,928</b> |

#### K Reconciliation of maturity analyses

The maturity analysis in note 18J shows non-discounted cash flows for all financial liabilities including interest payments. The table below reconciles the borrowings column in note 19 with the borrowings and interest column in the maturity analysis presented in note 18J

|                              | Borrowings<br>£000 | Interest<br>£000 | Unamortised<br>borrowing<br>costs<br>£000 | Borrowings<br>and interests<br>£000 |
|------------------------------|--------------------|------------------|---|-------------------------------------|
| <b>2012</b>                  |                    |                  |   |                                     |
| From two to five years       | –                  | –                | –   | –                                   |
| From one to two years        | 282,960            | 4,680            | 1,040                                     | 288,680                             |
| Due after more than one year | 282,960            | 4,680            | 1,040                                     | 288,680                             |
| Due within one year          | –                  | 10,228           | –   | 10,228                              |
| <b>Total</b>                 | <b>282,960</b>     | <b>14,908</b>    | <b>1,040</b>                              | <b>298,908</b>                      |
| <b>2011</b>                  |                    |                  |   |                                     |
| From two to five years       | 273,230            | 4,566            | 1,770                                     | 279,566                             |
| From one to two years        | –                  | 9,980            | –   | 9,980                               |
| Due after more than one year | 273,230            | 14,546           | 1,770                                     | 289,546                             |
| Due within one year          | –                  | 9,980            | –   | 9,980                               |
| <b>Total</b>                 | <b>273,230</b>     | <b>24,526</b>    | <b>1,770</b>                              | <b>299,526</b>                      |

## 19 BANK BORROWINGS

|   | 31 March<br>2012<br>£000 | 31 March<br>2011<br>£000 |
|---|--------------------------|--------------------------|
| <b>Secured borrowings at amortised cost</b> |                          |                          |
| Bank borrowings                             | 284,000                  | 275,000                  |
| Unamortised loan arrangement costs          | (1,040)                  | (1,770)                  |
|   | <b>282,960</b>           | <b>273,230</b>           |

The weighted average interest rate paid on the bank borrowings during the year was 3.7% (2011 3.6%)

The Group has £41,000,000 in undrawn committed borrowing facilities at 31 March 2012 which expire between one and two years (2011 £50,000,000 expiring between two and three years)

On 26 April 2012, the Group announced the completion of a £100 million 15 year fixed rate loan with Aviva Commercial Finance Limited. The loan is secured over a portfolio of 15 freehold self storage centres which were valued at £242.1 million at 29 February 2012 for the purposes of the drawdown. The annual fixed interest rate on the loan is 4.9%.

The loan amortises to £60 million over the course of the 15 years, consistent with the Group's medium term debt reduction strategy. The debt service is payable monthly based on fixed annual amounts. The loan outstanding on the fifth anniversary will be £89.8 million, £76.7 million outstanding on the tenth anniversary, with £60 million remaining at expiry in April 2027.

The new 15 year term loan has been deployed to repay and cancel £100 million of the Group's core bank debt facility, reducing it to £225 million of which £190 million is drawn. This facility expires in September 2013 and is secured on the remainder of the Group's self storage centres. The repayment and cancellation has been disproportionately applied against HSH Nordbank's commitment which has been reduced from £150 million to £65 million. The remainder of the loan is held by Lloyds TBS Bank plc, HSBC Bank plc and Santander.

The Group was comfortably in compliance with its banking covenants at 31 March 2012, as illustrated in the table below.

|  | Covenant     | At 31 March<br>2012 |
|--|--------------|---------------------|
| Minimum income cover on charged assets   | 1.5x         | <b>3.67x</b>        |
| Minimum net assets (excluding goodwill)  | £250 million | <b>£493.1m</b>      |
| Maximum gross loan to net assets gearing | 1.3:1        | <b>0.58:1</b>       |

The minimum net asset and gearing covenants on the Aviva loan are in line with the covenants on the existing loan. There is also a minimum income cover covenant of 1.5x on the charged assets and a minimum debt service cover of 1.2x, and a loan to value covenant of 65% based on the valuation of the 15 assets charged to Aviva.

| Interest rate profile of financial liabilities | Total<br>£000  | Floating<br>rate<br>£000 | Fixed<br>rate<br>£000 | Weighted<br>average<br>interest<br>rate | Period for<br>which the<br>rate is<br>fixed | Weighted<br>average<br>period<br>until<br>maturity |
|--|----------------|--------------------------|-----------------------|---|---|--|
| <b>At 31 March 2012</b>                        |                |                          |                       |   |   |  |
| <b>Gross financial liabilities</b>             | <b>284,000</b> | <b>94,000</b>            | <b>190,000</b>        | <b>3.7%</b>                             | <b>6.0 years</b>                            | <b>3.5 years</b>                                   |
| At 31 March 2011                               |                |                          |                       |   |   |  |
| Gross financial liabilities                    | 275,000        | 85,000                   | 190,000               | 3.6%                                    | 6.0 years                                   | 4.7 years  |

The floating rate at 31 March 2012 was paying a margin of 1.125% above one month LIBOR, the fixed rate debt was paying a weighted average margin of 1.16%. All monetary liabilities, including short term receivables and payables are denominated in sterling. The weighted average interest rate includes the effect of the Group's interest rate derivatives.

Narrative disclosures on the Group's policy for financial instruments are included within the Report on Corporate Governance and in note 18.

## 20 DEFERRED TAX

Deferred tax assets in respect of share based payments (£0.1 million), interest rate swaps (£5.0 million), losses (£1.7 million), capital allowances in excess of depreciation (£0.3 million) and capital losses (£1.1 million) in respect of the non REIT taxable business have not been recognised due to uncertainty over the projected tax liabilities arising in the short term within the non REIT taxable business.

## Notes to the Financial Statements (continued)

Year ended 31 March 2012

### 21 OBLIGATIONS UNDER FINANCE LEASES

|  | Minimum lease payments |               | Present value<br>minimum of lease payments |               |
|--|------------------------|---------------|--|---------------|
|  | 2012<br>£000           | 2011<br>£000  | 2012<br>£000                               | 2011<br>£000  |
| <b>Amounts payable under finance leases.</b> |                        |               |  |               |
| Within one year                              | 1,984                  | 1,987         | 1,946                                      | 1,947         |
| Within two to five years inclusive           | 7,937                  | 7,946         | 6,857                                      | 6,828         |
| Greater than five years                      | 25,436                 | 23,189        | 13,591                                     | 12,469        |
|  | <b>35,357</b>          | <b>33,122</b> | <b>22,394</b>                              | <b>21,244</b> |
| Less future finance charges                  | (12,963)               | (11,878)      |  |               |
| Present value of lease obligations           | <b>22,394</b>          | <b>21,244</b> |  |               |

All lease obligations are denominated in sterling. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

### 22 SHARE CAPITAL

|  | Authorised    |               | Called up,<br>allotted and fully paid |                    |
|--|---------------|---------------|---------------------------------------|--------------------|
|  | 2012<br>£000  | 2011<br>£000  | 2012<br>£000                          | 2011<br>£000       |
| <b>Ordinary shares of 10 pence each</b>          | <b>20,000</b> | <b>20,000</b> | <b>13,139</b>                         | <b>13,106</b>      |
| <b>Movement in issued share capital</b>          |               |               |                                       |                    |
| Number of shares at 31 March 2010                |               |               |                                       | 130,990,837        |
| Exercise of share options – Share option schemes |               |               |                                       | 69,685             |
| Number of shares at 31 March 2011                |               |               |                                       | 131,060,522        |
| Exercise of share options – Share option schemes |               |               |                                       | 332,519            |
| Number of shares at 31 March 2012                |               |               |                                       | <b>131,393,041</b> |

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

At 31 March 2012 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 2012 | Number of ordinary shares 2011 |
|---------------------|---------------------------------|------------------------|---|--------------------------------|--------------------------------|
| 8 November 2001     | 98p                             | 8 November 2004        | 7 November 2011                           | –                              | 18,359                         |
| 15 May 2002         | 102p                            | 15 May 2005            | 14 May 2012                               | 8,000                          | 20,200                         |
| 16 December 2002    | 81.5p                           | 16 December 2005       | 15 December 2012                          | 8,150                          | 14,830                         |
| 2 July 2003         | 82.5p                           | 2 July 2006            | 1 July 2013                               | 18,613                         | 22,112                         |
| 11 November 2003    | 96p                             | 11 November 2006       | 10 November 2013                          | 7,650                          | 10,850                         |
| 27 September 2004   | nil p**                         | 27 September 2007      | 26 September 2014                         | –                              | 6,500                          |
| 6 June 2005         | nil p**                         | 6 June 2008            | 5 June 2015                               | 74,765                         | 94,165                         |
| 9 June 2006         | nil p**                         | 9 June 2009            | 8 June 2016                               | 91,665                         | 101,665                        |
| 6 March 2008        | 310p*                           | 1 April 2011           | 1 October 2011                            | –                              | 11,019                         |
| 9 July 2008         | nil p**                         | 9 July 2011            | 8 July 2018                               | 57,620                         | 343,000                        |
| 22 August 2008      | 249p*                           | 22 August 2011         | 21 February 2012                          | –                              | 13,439                         |
| 24 February 2009    | 141p*                           | 1 April 2012           | 1 October 2012                            | 215,650                        | 224,690                        |
| 3 August 2009       | nil p**                         | 3 August 2012          | 2 August 2019                             | 372,967                        | 375,167                        |
| 23 February 2010    | 255p*                           | 1 April 2013           | 1 October 2013                            | 11,263                         | 19,319                         |
| 12 July 2010        | nil p**                         | 12 July 2013           | 11 July 2020                              | 457,212                        | 457,212                        |
| 28 February 2011    | 263p*                           | 28 February 2014       | 29 August 2014                            | 29,060                         | 34,132                         |
| 19 July 2011        | nil p**                         | 19 July 2013           | 19 July 2021                              | 493,582                        | –                              |
| 12 March 2012       | 240p*                           | 1 April 2015           | 1 October 2015                            | 124,702                        | –                              |
|                     |                                 |                        |   | <b>1,970,899</b>               | <b>1,766,659</b>               |

SAYE (see note 23)

\* LTIP (see note 23)

## 22 SHARE CAPITAL (continued)

### OWN SHARES

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, along with shares issued directly to the Employee Benefit Trust 1,885,117 shares are held in the Employee Benefit Trust (2011 1,905,000), and 1,418,750 shares are held in treasury

## 23. SHARE BASED PAYMENTS

The Company has four equity share based payment arrangements, namely approved and unapproved share option schemes, an LTIP scheme, an Employee Share Save Scheme ("SAYE") and a Long Term Bonus Performance Plan. The Group recognised a total expense in the year related to equity settled share-based payment transactions of £1,532,000 (2011 £1,641,000)

### Equity-settled share option plans

The Group granted options to employees under Approved and Unapproved Inland Revenue Share option schemes between November 1999 and 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 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 an annual basis since 2004 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 49 of the Remuneration Report. The awards granted in 2004, 2005 and 2006 vested in full. The awards granted in 2007 lapsed, and the awards granted in 2008 partially vested.

The weighted average share price at the date of exercise for options exercised in the year was 287 pence (2011 327 pence)

| Share option scheme "ESO"          | 2012<br>No of<br>options | 2012<br>Weighted<br>average<br>exercise<br>price<br>(£) | 2011<br>No of<br>options | 2011<br>Weighted<br>average<br>exercise<br>price<br>(£) |
|------------------------------------|--------------------------|---|--------------------------|---|
| Outstanding at beginning of year   | 86,351                   | 0.92  | 107,501                  | 0.94  |
| Exercised during the year          | (43,938)                 | 0.95  | (21,150)                 | 0.85  |
| Outstanding at the end of the year | 42,413                   | 0.85  | 86,351                   | 0.92  |
| Exercisable at the end of the year | 42,413                   | 0.85  | 86,351                   | 0.92  |

Options outstanding at 31 March 2012 had a weighted average contractual life of 1.2 years (2011 1.6 years)

| LTIIP scheme                       | 2012<br>No of options | 2011<br>No of options |
|------------------------------------|-----------------------|-----------------------|
| Outstanding at beginning of year   | 1,377,709             | 1,488,780             |
| Granted during the year            | 495,582               | 471,062               |
| Forfeited during the year          | (48,300)              | (537,383)             |
| Exercised during the year          | (277,180)             | (44,750)              |
| Outstanding at the end of the year | 1,547,811             | 1,377,709             |
| Exercisable at the end of the year | 220,550               | 202,330               |

The weighted average fair value of options granted during the year was £433,000 (2011 £453,000)

Options outstanding at 31 March 2012 had a weighted average contractual life of 7.8 years (2011 7.8 years)

## Notes to the Financial Statements (continued)

Year ended 31 March 2012

### 23 SHARE BASED PAYMENTS (continued)

#### Equity-settled share option plans (continued)

| Employee Share Save Scheme ("SAYE") | 2012<br>No of<br>options | 2012<br>Weighted<br>average<br>exercise<br>price<br>(£) | 2011<br>No of<br>options | 2011<br>Weighted<br>average<br>exercise<br>price<br>(£) |
|-------------------------------------|--------------------------|---|--------------------------|---|
| Outstanding at beginning of year    | 302,599                  | 1.73  | 304,176                  | 1.66  |
| Granted during the year             | 124,702                  | 2.40  | 34,132                   | 2.63  |
| Forfeited during the year           | (35,225)                 | 2.38  | (31,924)                 | 2.04  |
| Exercised during the year           | (11,401)                 | 2.68  | (3,785)                  | 1.41  |
| Outstanding at the end of the year  | 380,675                  | 1.86  | 302,599                  | 1.73  |
| Exercisable at the end of the year  | -                        | -   | -                        | -   |

Options outstanding at 31 March 2012 had a weighted average contractual life of 1.6 years (2011 1.6 years)

The inputs into the Black Scholes model are as follows

|                     | ESO     | LTIP    | SAYE    |
|---------------------|---------|---------|---------|
| Expected volatility | 24%     | 41%     | 45%     |
| Expected life       | 3 years | 3 years | 3 years |
| Risk-free rate      | 4.7%    | 2.2%    | 1.9%    |
| Expected dividends  | 3.2%    | 4.4%    | 4.9%    |

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

#### Long term bonus performance plan

The Group has a joint share ownership plan in place. This is accounted for as a compound instrument, with 50% accrued as a liability as this proportion of the award may be cash settled. The balance is recognised as a credit to equity, recognising the equity settled element. The plan was set up in August 2009. Directors and senior employees have a partial interest in 1,885,117 shares with the Group's Employee Benefit Trust. The fair value of each award is £2 subject to the vesting criteria as set out in the Directors' Remuneration Report. At 31 March 2012 the weighted average contractual life was 0.4 years.

### 24 CAPITAL COMMITMENTS

Amounts contracted but not provided in respect of the Group's properties as at 31 March 2012 were £4.9 million (2011 £3.4 million)

### 25 EVENTS AFTER THE BALANCE SHEET DATE

As disclosed in note 18, in April 2012 the Group entered into a £100 million 15 year loan with Aviva Commercial Finance Limited. At the same time the Group spent £9.2 million to cancel £100 million of the Group's interest rate derivatives.

## 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 33.3% interest in Big Yellow Limited Partnership ("the Partnership"), and entered into transactions with the Partnership during the year on normal commercial terms

In the current year the Group earned fees from the Partnership of £714,000 (2011 £920,000). At 31 March 2012, the Partnership owed £294,000 to the Group (2011 Group owed £177,000 to the Partnership)

The remuneration of the Executive and Non 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 53 to 55

|                              | 31 March<br>2012<br>£000 | 31 March<br>2011<br>£000 |
|------------------------------|--------------------------|--------------------------|
| Short term employee benefits | 1,155                    | 1,103                    |
| Post-employment benefits     | 86                       | 83                       |
| Share based payments         | 464                      | -                        |
|                              | <b>1,705</b>             | <b>1,186</b>             |

### Dreams plc

Steve Johnson, a Non Executive Director of the Group was appointed as Executive Chairman of Dreams plc in July 2011. During the year, the Group entered into a lease over a retail unit at its Eitham store with Dreams plc on normal commercial terms. The contracted rent is £127,000 per annum.

### AnyJunk Limited

James Gibson is a Non Executive Director and shareholder in AnyJunk Limited and Adrian Lee is a shareholder in AnyJunk Limited. During the year AnyJunk Limited provided waste disposal services to the Group on normal commercial terms, amounting to £12,000.

No other related party transactions took place during the years ended 31 March 2012 and 31 March 2011.

## Company Balance Sheet

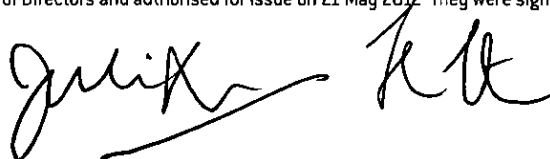
Year ended 31 March 2012

|  | Note | 2012<br>£000     | 2011<br>£000 |
|--|------|------------------|--------------|
| <b>Non-current assets</b>                    |      |                  |              |
| Plant, equipment and owner-occupied property | 29a  | 1,511            | 1,546        |
| Investment in subsidiary companies           | 29b  | 6,630            | 5,639        |
|  |      | <b>8,141</b>     | 7,185        |
| <b>Current assets</b>                        |      |                  |              |
| Trade and other receivables                  | 30   | 659,531          | 664,230      |
| Cash and cash equivalents                    |      | 5,056            | 8,940        |
|  |      | <b>664,587</b>   | 673,170      |
| <b>Total assets</b>                          |      | <b>672,728</b>   | 680,355      |
| <b>Current liabilities</b>                   |      |                  |              |
| Trade and other payables                     | 31   | (1,576)          | (680)        |
|  |      | <b>(1,576)</b>   | (680)        |
| <b>Net current assets</b>                    |      | <b>663,011</b>   | 672,490      |
| <b>Non-current liabilities</b>               |      |                  |              |
| Derivative financial instruments             | 32   | (15,748)         | (7,783)      |
| Bank borrowings                              | 32   | (282,960)        | (273,230)    |
|  |      | <b>(298,708)</b> | (281,013)    |
| <b>Total liabilities</b>                     |      | <b>(300,284)</b> | (281,693)    |
| <b>Net assets</b>                            |      | <b>372,444</b>   | 398,662      |
| <b>Equity</b>                                |      |                  |              |
| Called up share capital                      | 22   | 13,139           | 13,106       |
| Share premium account                        |      | 43,432           | 43,404       |
| Reserves                                     |      | 315,873          | 342,152      |
| <b>Equity shareholders' funds</b>            |      | <b>372,444</b>   | 398,662      |

The financial statements were approved by the Board of Directors and authorised for issue on 21 May 2012. They were signed on its behalf by

James Gibson  
Director

John Trotman  
Director



Company Registration No 03625199

## Company Cash Flow Statement

Year ended 31 March 2012

|  | 2012<br>£000   | 2011<br>£000    |
|--|----------------|-----------------|
| Operating loss                                   | (846)          | (756)           |
| Depreciation                                     | 35             | 32              |
| Decrease in receivables                          | 778            | 13,415          |
| Increase/(decrease) in payables                  | 889            | (82)            |
| <b>Cash generated by operations</b>              | <b>856</b>     | <b>12,609</b>   |
| Interest paid                                    | (10,378)       | (11,555)        |
| Interest received                                | 12,527         | 12,930          |
| <b>Cash flows from operating activities</b>      | <b>3,005</b>   | <b>13,984</b>   |
| <b>Investing activities</b>                      |                |                 |
| Purchase of non-current assets                   | -              | (9)             |
|  | -              | (9)             |
| <b>Financing activities</b>                      |                |                 |
| Issue of share capital                           | 61             | 27              |
| Purchase of own shares                           | (3,727)        | -               |
| Equity dividends paid                            | (12,223)       | (10,328)        |
| Increase/(reduction) in borrowings               | 9,000          | (25,000)        |
| <b>Cash flows from financing activities</b>      | <b>(6,889)</b> | <b>(35,301)</b> |
| <b>Net decrease in cash and cash equivalents</b> | <b>(3,884)</b> | <b>(21,326)</b> |
| <b>Opening cash and cash equivalents</b>         | <b>8,940</b>   | <b>30,266</b>   |
| <b>Closing cash and cash equivalents</b>         | <b>5,056</b>   | <b>8,940</b>    |

## Company Statement of Changes in Equity

Year ended 31 March 2012

|  | Share capital<br>£000 | Share premium account<br>£000 | Capital redemption reserve<br>£000 | Retained earnings<br>£000 | Own shares<br>£000 | Total<br>£000  |
|--|-----------------------|-------------------------------|------------------------------------|---------------------------|--------------------|----------------|
| At 1 April 2011  | 13,106                | 43,404                        | 1,653                              | 342,395                   | (1,896)            | 398,662        |
| Total comprehensive loss for the year                    | -                     | -                             | -                                  | (11,320)                  | -                  | (11,320)       |
| Equity dividends paid                                    | -                     | -                             | -                                  | (12,223)                  | -                  | (12,223)       |
| Issue of share capital                                   | 33                    | 28                            | -                                  | -                         | -                  | 61             |
| Purchase of own shares                                   | -                     | -                             | -                                  | -                         | (3,727)            | (3,727)        |
| Credit to equity for equity-settled share based payments | -                     | -                             | -                                  | 991                       | -                  | 991            |
| <b>At 31 March 2012</b>                                  | <b>13,139</b>         | <b>43,432</b>                 | <b>1,653</b>                       | <b>319,843</b>            | <b>(5,623)</b>     | <b>372,444</b> |

The Company's share capital is disclosed in note 22

The own shares balance represents amounts held in treasury and by the Employee Benefit Trust (see note 22)

Year ended 31 March 2011

|  | Share capital<br>£000 | Share premium account<br>£000 | Capital redemption reserve<br>£000 | Retained earnings<br>£000 | Own shares<br>£000 | Total<br>£000 |
|--|-----------------------|-------------------------------|------------------------------------|---------------------------|--------------------|---------------|
| At 1 April 2010  | 13,099                | 43,384                        | 1,653                              | 351,596                   | (1,896)            | 407,836       |
| Total comprehensive income for the year                  | -                     | -                             | -                                  | 63                        | -                  | 63            |
| Equity dividends paid                                    | -                     | -                             | -                                  | (10,328)                  | -                  | (10,328)      |
| Issue of share capital                                   | 7                     | 20                            | -                                  | -                         | -                  | 27            |
| Credit to equity for equity-settled share based payments | -                     | -                             | -                                  | 1,064                     | -                  | 1,064         |
| At 31 March 2011   | 13,106                | 43,404                        | 1,653                              | 342,395                   | (1,896)            | 398,662       |

## Notes to the Financial Statements (continued)

Year ended 31 March 2012

### 27 PROFIT FOR THE YEAR

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income 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 £11.3 million (2011 profit of £0.1 million), largely arising following the fair value loss on derivatives of £8.0 million.

### 28 BASIS OF ACCOUNTING

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards.

The financial statements have been prepared on the historic cost basis except that 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 23 for details of share based payments affecting the Company.

### Going concern

See note 2 for the review of going concern for the Group and the Company.

### 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. This is the only addition to investment in subsidiaries in the current year. The Company does not have any employees.

## Notes to the Financial Statements (continued)

Year ended 31 March 2012

### 29 NON-CURRENT ASSETS

#### a) Plant, equipment and owner occupied property

|                                    | Freehold<br>property<br>£000 | Leasehold<br>improvements<br>£000 | Total<br>£000 |
|------------------------------------|------------------------------|-----------------------------------|---------------|
| <b>Cost</b>                        |                              |                                   |               |
| At 31 March 2011 and 31 March 2012 | 1,735                        | 17                                | 1,752         |
| <b>Accumulated depreciation</b>    |                              |                                   |               |
| At 31 March 2011                   | (189)                        | (17)                              | (206)         |
| Charge for the year                | (35)                         | -                                 | (35)          |
| At 31 March 2012                   | (224)                        | (17)                              | (241)         |
| <b>Net book value</b>              |                              |                                   |               |
| At 31 March 2012                   | 1,511                        | -                                 | 1,511         |
| At 31 March 2011                   | 1,546                        | -                                 | 1,546         |

#### b) Investments in subsidiary companies

|                  | Investment in<br>subsidiary<br>undertakings<br>£000 |
|------------------|---|
| <b>Cost</b>      |   |
| At 31 March 2011 | 5,639   |
| Additions        | 991   |
| At 31 March 2012 | 6,630   |

Details of the Company's principal subsidiary companies at 31 March 2012 and 31 March 2011 are as follows

| Name of subsidiary                        | Place of<br>incorporation<br>ownership<br>(or registration)<br>and operation | Proportion<br>of ownership<br>interest<br>% | Proportion<br>of voting<br>power held<br>% | Principal<br>activity   |
|---|--|---|--|-------------------------|
| Big Yellow Self Storage Company 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 management |
| Big Yellow Self Storage (GP) Limited      | UK   | 51  | 51   | General Partner         |

Details of the Company's principal associate at 31 March 2012 and 31 March 2011 are as follows

| Name of subsidiary             | Place of<br>incorporation<br>ownership<br>(or registration)<br>and operation | Proportion<br>of ownership<br>interest<br>% | Proportion<br>of voting<br>power held<br>% | Principal<br>activity |
|--------------------------------|--|---|--|-----------------------|
| Big Yellow Limited Partnership | UK   | 33.3  | 33.3                                       | Self storage          |

### 30 TRADE AND OTHER RECEIVABLES

|                                    | 31 March<br>2012<br>£000 | 31 March<br>2011<br>£000 |
|------------------------------------|--------------------------|--------------------------|
| Amounts owed by Group undertakings | 659,443                  | 664,162                  |
| Prepayments and accrued income     | 88                       | 68                       |
|                                    | 659,531                  | 664,230                  |

## Notes to the Financial Statements (continued)

Year ended 31 March 2012

### 31 TRADE AND OTHER PAYABLES

|                              | 31 March<br>2012<br>£000 | 31 March<br>2011<br>£000 |
|------------------------------|--------------------------|--------------------------|
| <b>Current</b>               |                          |                          |
| Other payables               | 942                      | 52                       |
| Accruals and deferred income | 634                      | 628                      |
|                              | <b>1,576</b>             | <b>680</b>               |

### 32 BANK BORROWINGS AND FINANCIAL INSTRUMENTS

#### Interest rate derivatives

The Company has two interest rate swaps in place at the year end, £120 million fixed at 2.99% (excluding the margin on the underlying debt instrument) until September 2015 and £70 million fixed at 3.93% (excluding the margin on the underlying debt instrument) until September 2015.

The floating rate at 31 March 2012 was paying a margin of 1.125% above one month LIBOR, the fixed rate debt was paying a weighted average margin of 1.16%.

The Group's policy on risk management is set out in the Report on Corporate Governance on page 28 and in note 18.

|                                    | 31 March<br>2012<br>£000 | 31 March<br>2011<br>£000 |
|------------------------------------|--------------------------|--------------------------|
| Bank borrowings                    | 284,000                  | 275,000                  |
| Unamortised loan arrangement costs | (1,040)                  | (1,770)                  |
|                                    | <b>282,960</b>           | <b>273,230</b>           |

#### Maturity profile of financial liabilities

|                             | 2012<br>Financial<br>liabilities<br>£000 | 2011<br>Financial<br>liabilities<br>£000 |
|-----------------------------|--|--|
| Between one and two years   | 284,000                                  | -  |
| Between two and five years  | -  | 275,000                                  |
| Gross financial liabilities | <b>284,000</b>                           | <b>275,000</b>                           |

The fair value of interest rate derivatives at 31 March 2012 was a liability of £15,748,000 (2011 liability of £7,783,000). See note 18 for detail of the interest rate profile of financial liabilities.

### 33. FINANCIAL INSTRUMENTS

The disclosure relating to the Company's financial instruments are disclosed in note 18 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 £942,000 in the current year (2011 £52,000), which are held at amortised cost in the financial statements.

### 34 RELATED PARTY TRANSACTIONS

Included within these financial statements are amounts owing from Group undertakings of £659,440,000 (2011 £664,162,000), including intercompany interest receivable of £12,506,000 (2011 £13,126,000).

## Ten Year Summary

Year ended 31 March 2012

|  | 2012<br>£000    | 2011<br>£000 | 2010<br>£000 | 2009<br>£000 | 2008<br>£000 | 2007<br>£000 | 2006<br>£000 | 2005<br>£000 | 2004<br>£000 | 2003<br>£000 |
|--|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Results</b>   |                 |              |              |              |              |              |              |              |              |              |
| Revenue  | <b>65,663</b>   | 61,885       | 57,995       | 58,487       | 56,870       | 51,248       | 41,889       | 33,375       | 23,830       | 15,579       |
| Operating profit/(loss) before gains and losses on property assets | <b>35,079</b>   | 32,058       | 29,068       | 30,946       | 29,342       | 27,067       | 21,645       | 15,030       | 4,719        | (449)        |
| Cash flow from operating activities                                | <b>27,388</b>   | 23,534       | 19,063       | 10,203       | 14,388       | 16,726       | 16,125       | 9,664        | 5,761        | 2,125        |
| Profit/(loss) before taxation                                      | <b>(35,551)</b> | 6,901        | 10,209       | (71,489)     | 102,618      | 152,837      | 118,547      | 42,836       | 1,243        | (2,294)      |
| Adjusted profit before taxation                                    | <b>23,643</b>   | 20,207       | 16,514       | 13,791       | 15,006       | 14,233       | 12,601       | 7,791        | n/d          | n/d          |
| Net assets   | <b>494,500</b>  | 544,949      | 547,285      | 502,317      | 580,886      | 487,979      | 244,139      | 159,168      | 58,391       | 58,951       |
| EPRA earnings per share  | <b>18.22p</b>   | 15.49p       | 12.99p       | 11.89p       | 11.72p       | 10.01p       | 8.86p        | 5.53p        | n/d          | n/d          |
| Declared total dividend per share                                  | <b>10.0p</b>    | 9.0p         | 4.0p         | nil p        | 9.5p         | 9.0p         | 5.0p         | 2.0p         | 1.05p        | 1.0p         |
| <b>Key statistics</b>  |                 |              |              |              |              |              |              |              |              |              |
| Number of stores open*   | <b>65</b>       | 62           | 60           | 54           | 48           | 43           | 37           | 32           | 29           | 26           |
| Sq ft occupied (000)*  | <b>2,458</b>    | 2,130        | 1,915        | 1,775        | 1,850        | 1,835        | 1,672        | 1,470        | 1,268        | 875          |
| Occupancy growth in year (000 sq ft)*                              | <b>328</b>      | 215          | 140          | (75)         | 15           | 163          | 202          | 202          | 393          | 325          |
| Number of customers*   | <b>36,300</b>   | 32,800       | 30,500       | 28,500       | 30,500       | 30,100       | 27,800       | 24,600       | 20,400       | 13,800       |
| Average no of employees during the year                            | <b>279</b>      | 273          | 252          | 239          | 218          | 191          | 178          | 160          | 140          | 116          |

- includes stores operating in Big Yellow Limited Partnership  
Results to 2004 under UK GAAP 2005 onwards under IFRS  
n/d - measure not disclosed in that year

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