

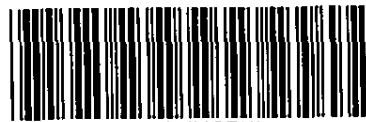
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Big Yellow Group PLC

Annual Report & Accounts 2014

- people
- service
- security
- locations
- innovation
- growth

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COMPANIES HOUSE

**delivering for our customers
and stakeholders**

Big Yellow Group PLC is the UK's brand leader in self storage Big Yellow now operates from a platform of 77 stores, including 10 stores branded as Armadillo Self Storage We own a further three Big Yellow self storage development sites, of which two have planning consent Of the 80 total stores and sites, 91% are held freehold and long leasehold, with the remaining 9% short leasehold The maximum lettable area of this platform is 46 million sq ft When fully built out the portfolio will provide approximately 48 million sq ft of flexible storage space

The Group has pioneered the development of the latest generation of self storage facilities, which utilise state of the art technology and are located in high profile, accessible, main road locations Our focus on the location and visibility of our Big Yellow stores, coupled with our excellent customer service and our market leading online platform, has created the most recognised brand name in the UK self storage industry

We are the innovative leaders in the UK self storage industry providing individuals and businesses with an unrivalled product - the best locations, the best quality facilities and the strongest brand We have great people who deliver the best customer service We achieve this because we encourage a culture of partnership within the business and reward our people for their contribution.

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“ We have delivered against our principal financial aims of **growing cash flow, earnings and dividend.**”

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

**Britain's favourite
self storage company.**

“ I would definitely recommend using Big Yellow. The manager, who checked me in, was friendly and very professional and made the whole process very easy. **The facility is very easy to navigate around, and the security set up made me feel at ease about storing my belongings. All in all, a great experience with no stress or fuss.**”

Emily / customer at Big Yellow Byfleet

Big on... satisfaction

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.

9,600 online reviews of our customer service are testament to this.

**The customer is at the heart
of everything we do**

Big on... business

- Archiving
- Warehousing
- Multi-site storage
- E-tall storage
- Offices
- Lock ups
- Industrial units
- Flexible storage

bigyellow.co.uk/business

We give businesses the flexibility to grow because our storage services are tailored to their exact requirements.

Big Yellow offers a secure, local and low risk option for businesses to rent as much or as little space as they need and the flexibility to change room size easily as their business stock and activity fluctuates.

Businesses like the low risk approach offered by Big Yellow. They can try us out from as little as seven days without being tied into long term contracts.

Business+ is our range of additional business services that we offer. We can provide business customers with flexible office space, meeting rooms, a forklift service, even a virtual assistant. We'll accept deliveries, arrange couriers and help out with photocopying, scanning and faxing. It all adds up to a valuable additional pair of hands for any business.

“ I originally went in search of some extra space, **but Big Yellow has almost become a partner, enabling me to grow the business.”**

Helen Cockle / The Little Legs Company

Businesses across the UK choose Big Yellow
because we offer

- › **Flexible space ranging from 10 sq ft to 5,000 sq ft**
- › **No business rates, utility charges or additional overheads to pay**
- › **Store from as little as seven days**
- › **No complex leases to sign**
- › **Out of hours access**
- › **Secure storage with perimeter fencing, PIN code access, individually alarmed rooms and 24 hour digital CCTV**
- › **Easily accessible locations on main roads**
- › **Large loading bays, trolleys, pallet trucks and fork lifts**
- › **Staff on hand 7 days a week**
- › **National accounts for easier management**

“ I walked away feeling very happy about leaving my belongings in a safe and secure location. But the very best thing was the level of service from the manager and her staff **10 out of 10. Sorry to repeat myself again, but your staff have the customer service levels that any company should be envious of.**”

Katharina / customer at Big Yellow Poole

Big on... security

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

We are the only major UK operator where every room in every store is individually alarmed.

Secure perimeter fencing, electronic coded gates, intruder alarms, PIN code entry and CCTV which is externally monitored 24 hours a day, provide additional levels of security for our customers.

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

Big on... location

✦ **Outside London**
– 42 stores and sites

› **London**
– 38 stores and sites

- 67 easy to find, high profile locations provide convenience for customers and unmissable exposure for the Big Yellow brand.
- 10 Armadillo store locations further broaden our national coverage

“ Everything was perfect.
The price, location,
tidiness, security and
customer service were
exceptionally good.”

Carlos / customer at Big Yellow Balham

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

In April 2014, we opened our Gypsy Corner
store situated next to the A40 in London.
This and our other high profile store locations
contribute to the growing awareness of self
storage and our brand.

**We have an unrivalled portfolio across London,
the South East and large metropolitan cities
with a network of 77 stores.**

Another year of

cash flow, earnings & dividend growth

	Year ended 31 March 2014	Year ended 31 March 2013	% Growth
Financial metrics			
Revenue	£72.2m	£69.7m	4
Adjusted profit before tax ⁽¹⁾	£29.2m	£25.5m	15
Adjusted EPRA earnings per share ⁽²⁾	20.5p	19.3p	6
Dividend – final	8.4p	6.0p	40
– total	16.4p	11.0p	49
Adjusted NAV per share ⁽³⁾	446.5p	419.2p	7
Cash flow from operating activities (after net finance costs)	£32.8m	£30.2m	9
Store metrics			
Occupancy growth – all stores	200,000 sq ft	174,000 sq ft	15
Occupancy growth – wholly owned stores	165,000 sq ft	90,000 sq ft	83
Occupancy – wholly owned stores	69.8%	64.8%	8
Net achieved rent per sq ft	£26.15	£24.65	6
Revenue per available foot ("REVPAF") ⁽⁴⁾	£20.64	£19.94	4
Statutory metrics			
Profit before tax	£59.8m	£31.9m	87
Basic earnings per share	42.5p	24.4p	74

Highlights

- ‡ Growth in all our key store metrics
- ‡ Year-on-year fourth quarter store revenue increased by 11% to £177 million (same quarter last year £160 million)
- ‡ Cash flows from operating activities (after net finance costs) increased by 9% to £32.8 million
- ‡ 49% increase in the total dividend for the year to 16.4p
- ‡ Reduction of Group net debt⁽⁵⁾ by £4.4 million to £226.1 million
- ‡ Opening of our prominent store at Gypsy Corner, West London, on the A40 in April 2014
- ‡ Acquisition of ten store Armadillo Self Storage portfolio through a joint venture with an Australian consortium in April 2014
- ‡ Big Yellow's national brand leadership confirmed by 2014 YouGov survey

¹ See note 10 ² See note 12 ³ See notes 12 and 14 ⁴ See Portfolio Summary ⁵ See note 18

“ We have delivered occupancy, cash flow and earnings growth for the fifth year in a row following the deep recession in 2008 and 2009.”

Occupancy (%)

Net rent (per sq ft)

Revenue (£m)

Adjusted profit
before tax (£m)

Adjusted earnings
per share (pence)

Dividend per share
(pence)

Chairman's Statement

We are the market leading brand, the operating platform with the largest online market share and focus on London, the South East and large metropolitan cities, where barriers to entry are at their highest

Revenue and earnings **Growth**

Big Yellow Group PLC ("Big Yellow", "the Group" or "the Company"), the UK's brand leader in self storage, is pleased to announce results for the fourth quarter and the year ended 31 March 2014

We have delivered occupancy, cash flow and earnings growth for the fifth year in a row following the deep recession in 2008 and 2009. This performance illustrates the resilience of the Big Yellow business model and the self storage market more generally.

We had a strong summer's trading with occupancy growth of 5.7% in the first six months of the year in the wholly owned stores. As reported in January, we had our expected seasonal loss in occupancy of 2.8% in the third quarter. Again, as expected, we returned to growth in the final quarter to March and have increased occupancy in the wholly owned stores by 2.1%. Overall closing occupancy was 69.8%, slightly down from September's occupancy of 70.5%.

The introduction of VAT on self storage sales on 1 October 2012 led to a reduction in our achieved net rents over the year to March 2013 by 6.9%, as we did not pass all of the VAT onto our domestic customers. In the year since 1 April 2013, we have been looking to grow rents in line with occupancy and have successfully increased our net rent per sq ft over the year by 6.1% to £26.15 (2013: £24.65).

The recently published 2014 Self Storage Association UK Survey showed that only 38% of those surveyed had a reasonable or good awareness of self storage, in line with our findings. There are no magic bullets to growing this awareness as it is not a commoditised product, but increasing use, referrals, and marketing by us and other operators should drive awareness in the coming years. The survey also indicated that new self storage facility openings had slowed dramatically in the last four years in the UK as a whole. In London in 2013, there has been a net reduction in stores and the forecast for the year ahead was a further contraction in self storage space.

While we believe that any improvement in the demand fundamentals for our product will be incremental, Big Yellow is well placed to benefit from any improvement. We are the market leading brand, the operating platform with the largest online market share and focus on London, the South East and large metropolitan cities, where barriers to entry are at their highest.

Financial results

Revenue for the year was £72.2 million (2013: £69.7 million), an increase of 4%. Store EBITDA for the wholly owned portfolio increased by £1.6 million (4%) to £45.7 million. The 54 wholly owned stores have grown in occupancy from 64.8% to 69.8% at 31 March 2014.

Cash inflows from operating activities (after finance costs) increased by £2.6 million (9%) to £32.8 million for the year (2013: £30.2 million).

The Group made an adjusted profit before tax in the year of £29.2 million (2013: £25.5 million), up 15%. This translated into a 6% increase in adjusted earnings per share to 20.5p (2013: 19.3p), the percentage increase is lower due to the full year impact of the placing in January 2013.

The Group made a statutory profit before tax for the year of £59.8 million, compared to a profit of £31.9 million last year. The revaluation gain on the investment property portfolio is £28.4 million for the year, reflecting the operating performance of the business and some yield compression, particularly in our London stores.

The Group has reduced its gearing further this year and now has net bank debt of £226.1 million at 31 March 2014 (2013: £230.5 million). This represents approximately 28% (2013: 30%) of the Group's gross property assets totalling £804.8 million (2013: £767.5 million) and 36% (2013: 39%) of the adjusted net assets of £634.4 million (2013: £594.5 million).

The Group's income cover for the year (expressed as the ratio of cash generated from operations against interest paid) was 4.1 times (2013: 3.5 times).

Dividends

At the time of the placing in January 2013, the Board committed to pay a dividend of 80% of full year adjusted earnings per share from this financial year. The final dividend declared is 8.4 pence per share. The interim dividend was 8 pence per share, so the full year dividend is 16.4 pence per share, representing an increase of 49% from 11 pence per share last year.

“ The business is performing well and we have high confidence in our core markets **as we believe that a number of factors will be helpful to our continued growth.”**

Our people

I believe that we have a unique culture with accessible management and a non-hierarchical structure which values and endeavours to reward everyone in the organisation for their contribution to our success. Our strong performance during the year was driven as always by the efforts and loyalty of our Big Yellow team, and our people remain pivotal to the achievement of our key medium term objectives of driving occupancy, revenue, and cash flow growth.

Outlook

Increasing political uncertainty and interference, combined with an exuberant housing market in London and the South East, gives scope for some trading volatility in the short term. That said, the business is performing well and we have high confidence in our core markets as we believe that a number of factors will be helpful to our continued growth.

We consider that a large part of the anticipated net immigration and population growth in the UK will continue to concentrate in London and the South East.

We also note that new housing developments in London are at a multi-decade high and as completions increase this should translate into more housing transactions. Land in London and the South East continues to be increasingly scarce for non-residential development which should benefit Big Yellow as the new supply of self-storage facilities will remain constrained.

We are therefore confident about the demand and supply characteristics of our business.



Nicholas Vetch
Chairman
19 May 2014

Strategic Report

Our Strategy and Business Model

The Strategic Report discusses the following areas:

- Our Strategy and Business Model
- Operational and Marketing Review
- Store Performance
- Financial Review
- Going Concern
- Principal Risks and Uncertainties
- Corporate Social Responsibility

Approval

This report was approved by the Board of Directors on 19 May 2014 and signed on its behalf by

James Gibson
Chief Executive Officer

John Trotman
Chief Financial Officer

Our Strategy

Our strategy from the outset has been to develop Big Yellow into the market leading self storage brand, which we have achieved with unprompted brand awareness of five times that of our nearest competitor in London, and ten times for the rest of the UK. We concentrate on developing our stores in main road locations with high visibility, where our distinctive branding generates high awareness of Big Yellow.

Self storage demand from businesses and individuals at any given store is linked in part to local economic activity, consumer and business confidence, all of which are inter related. Fluctuations in housing activity whether in the rented or owner occupied sector are also a factor and in our view influence the top slice of demand over and above a core occupancy. This has been demonstrated by the resilience of our like for like stores since September 2007 despite a collapse in housing activity and GDP over the period 2007 to 2009.

Local GDP and housing activity are greatest in the larger urban conurbations and in particular London and the South East. Furthermore, people and businesses are space constrained in these more expensive areas. Barriers to entry in terms of competition for land and difficulty around obtaining planning are also highest in more urbanised locations.

Over the last 15 years we have created a portfolio of 67 purpose built prime Big Yellow self storage centres, largely freehold and focussed on London, the South East and large metropolitan cities. 55 of these stores are wholly owned, with 12 owned in Big Yellow Limited Partnership, of which the Group owns a third. 74% of our current store revenue derives from within the M25, with the South East, the proportion of current store revenue rises to 89%. The REVPAF performance of our stores in London has been more resilient over the downturn than in the regions.

Our Big Yellow stores are on average 63,000 sq ft, compared to an industry average of 42,000 sq ft (source: The Self Storage

Association 2014 UK Annual Survey). The upside from filling our larger than average sized stores is, in our view, only possible in large metropolitan markets, where self storage demand from domestic and business customers is the highest. As the operating costs of our assets are relatively fixed, larger stores in bigger urban conurbations, particularly London, drive higher revenues and higher operating margins.

We continue to believe that the medium term opportunity to create shareholder value will be principally achieved by leasing up existing stores to drive revenue, the majority of which flows through to the bottom line given that our operating and central overhead costs are already largely fixed and embedded.

Our current focus is to

- > leverage our market leading brand position to generate new prospects, principally from our online mobile and desktop platforms,
- > focus on training, selling skills, and customer satisfaction to maximise prospect conversion and referrals,
- > grow occupancy and net rent so as to drive revenue optimally at each store,
- > maintain a focus on cost control, so revenue growth is transmitted through to earnings growth,
- > maintain a conservative capital structure in the business with Group pre interest cash flow cover of a minimum of four times annual interest expense, and
- > produce sustainable returns for shareholders through a low leverage, low volatility, high distribution REIT.

In the fourteen years since flotation in May 2000, Big Yellow has delivered a Total Shareholder Return ("TSR"), including dividends reinvested, of 14.8% per annum, in aggregate 585.1% at the closing price of 546.5p on 31 March 2014. This compares to 6.8% per annum for the FTSE Real Estate Index and 4.7% per annum for the FTSE All Share Index over the same period. This demonstrates the power of compounding over the longer term.

Our Business Model

Attractive market dynamics

- UK self storage penetration in key urban conurbations remains relatively low
- Very limited new supply coming onto the market
- Resilient through the downturn
- Sector growth is positive, with increasing domestic demand

Our competitive advantage

- Industry's most recognised brand
- Prominent stores on arterial or main roads, with extensive frontage and high visibility
- Largest share of web traffic from mobile and desktop platforms
- Excellent customer service, customer feedback programme with store level customer satisfaction surveys
- Largest UK self storage footprint by Maximum Lettable Area ("MLA") capacity
- Primarily freehold estate concentrated in London and South East and other large metropolitan cities
- Larger average store capacity - economies of scale, higher operating margins
- Secure financing structure with strong balance sheet

Evergreen income streams

- 42,000 customers (36,000 in wholly owned stores)
- Average length of stay for existing customers of 23 months
- 34% of customers in established stores > three year length of stay
- Low bad debt expense (0.10% of revenue in the year)

Strong growth opportunities

- Driving REVPAF with a focus on occupancy growth
- Yield management as occupancy increases
- Domestic demand increasing
- Growth in national accounts and business customer base
- Site development out of free cash flow

Conversion into quality earnings

- Freehold assets for high operating margins and operational advantage
- Low technology & obsolescence product, maintenance capex fully expensed
- Annual compound eps growth of 16% over the last ten years
- Annual compound cash flow growth of 15% over the last ten years

Our Strategy and Business Model (continued)

The self storage market

In the recently published 2014 Self Storage Association UK Survey, only 38% of those surveyed had a reasonable or good awareness of self storage, in line with findings from our own research. Furthermore, 2% of the 2,138 adults surveyed were currently using self storage and 5% were thinking of using self storage in the next year. This indicates a continued opportunity for growth and with increasing use, together with the ongoing marketing efforts of everyone in the industry, we anticipate awareness to grow.

Growth in new facilities across the industry has been limited to regional areas of the UK, particularly in the north, whereas in London, there were no new openings last year and indeed capacity is expected to fall in the next twelve months with the closures of stores for redevelopment. Between 2010 and 2013 average industry openings have been approximately nine per year, which compares to an average of 34 per year in the preceding four years.

79% of respondents to the survey expected an improvement in profits this year, compared to 35% last year, and 87% expect rents for new customers to rise in 2014 compared to 79% last year.

The Self Storage Association ("SSA") estimate that the UK industry is made up of approximately 975 self storage facilities (of which 141 are purely container operations), providing 34.4 million sq ft of self storage space, equating to 0.5 sq ft per person in the UK. This compares to 7.3 sq ft per person in the US, 1.4 sq ft per person in Australia and 0.1 sq ft for mainland Europe, where the roll out of self storage is a more recent phenomenon (source: The Self Storage Association 2014 UK Annual Survey). 339 self storage facilities in the UK are held by large operators (defined as those managing 10 facilities or more) which represents 35% of the total number but we would estimate approximately 50% of total capacity.

Awareness of self storage will continue to grow as more businesses and individuals use the product at a time when the supply side is restricted, with very few store openings expected in the calendar year.

KPIs

The key performance indicators of our stores are occupancy and rental yield, which together drive the revenue of the business. These are three key measures which are focussed on by the Board, and are reported on a weekly basis. Over the course of the past five years, both occupancy and revenue have grown significantly. Rental yield was relatively stable between 2010 and 2012, reduced following the introduction of VAT in 2013, but has increased this year by 6.1% to closer to the 2012 level. Our key focus is on continuing to grow occupancy, with rental yield growth following once the stores have reached higher occupancy levels.

Adjusted profit before tax, adjusted earnings per share and distributions to shareholders are our other KPIs. We have delivered compound eps growth of 12% over the past five years, and compound dividend growth of 42% over the same period. Compound eps growth over the past ten years is 16%.

We have illustrated the Group's performance in these measures over the past five years on page 11.

Capital structure

During the year the Company carried out a study of debt leverage and its impact on the long term share performance of businesses, with the help of an external consultant. The study covered 40 quoted companies in the REIT space together with other consumer facing businesses for the period from 2000 to 2013.

The main objective was to see if the results supported our long held view that lower geared businesses outperform in the long term.

Different business models with varying operating margins might, at the margin, have different optimum levels of debt. However a consistent theme emerged that excessive levels of debt have been universally value destructive. In a narrow window between 2003 and 2006 higher levels of debt would have delivered higher returns, but even during that period optimum levels of debt were lower than might be expected, and would have required pinpoint accuracy in timing.

Transmission of this value destruction did result in significant underperformance and marked increases in share price volatility.

Optimum levels of gearing (expressed as net debt to gross asset value) ranged from 10% in moments of extreme fear (2008 to 2009) to 43% in periods of exuberance (2003 to 2006). Using 2009 to 2013 as a base, which is more representative of the long term norm, albeit on a conservative basis, the optimum level of debt was found to be 23%.

We have previously said that we believe that the Group would benefit from lower leverage and the Board has a long term target of Group income cover of over 5 times. The relationship of this metric to capital leverage is not perfectly correlated but making long term assumptions on values and interest is reasonably correlated. We believe that the optimum level of debt for Big Yellow is 20% to 30% with a target of mid 20s from the current level of 28%. Given the subjective nature of valuation we prefer to express this target as net operating income over debt costs.

89%

of revenue from London
and the South East

14.8%

per annum TSR
since floatation

16%

compound EPS growth
over the last ten years

Operational and Marketing Review

For unprompted brand awareness, our recall in London is 56%, five times that of our nearest competitor and for the rest of the UK it is 21%, ten times that of our nearest competitor.

Overview

We now have a portfolio of 70 Big Yellow stores and sites of which 67 are currently open. In addition, we operate from 10 Armadillo Self Storage centres which are located in northern cities. We have committed to start construction at Enfield, which will open in April 2015. Our site at Guildford Central has planning consent, and planning negotiations are ongoing at our site in central Manchester.

We believe the continuing difficulties in the banking and capital markets make access to capital required to fund growth more difficult and will slow down the growth in self storage store openings in the market generally. Additionally, in our core markets in London and the South East, very high land values will render the opportunity for creating new self storage centres difficult. We believe that we are in a relatively strong position with our freehold property assets and with the proven ability to access funding when the opportunity presents itself.

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 three to five years to achieve 70% to 80% plus occupancy in the current economic 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 68 sq ft in line with the prior year.

The store is open seven days a week and is initially run by three staff, with a part time member of staff added once the store occupancy justifies the need for the extra administrative and sales workload.

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 4.8 out of 5. At the start of the year we launched a new customer-experience programme which combines the feedback from mystery shopping and customer reviews into the reinforcement of customer focus in our store operations.

We have a team of Area Managers in place who have on average worked for Big Yellow for ten years. They develop and support the stores to drive the growth of the business.

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 consumer facing branded business it is paramount to maintain the quality of our estate and customer offering. We therefore continue to invest in 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 our rolling programme of store makeovers, which typically take place every four years, at a cost of approximately £15,000 to £20,000 per store.

Demand

Of the customers moving into our stores in the last year, surveys undertaken indicate approximately 50% are linked to the housing market, either customers renting storage space whilst using the rental sector or those 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 29% 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 possessions, are getting married or divorced, are students who need storage during the holidays, or homeowners developing into their lofts or basements. The balance of 10% of our customer demand during the year came from businesses.

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.

Strategic Report (continued)

Operational and Marketing Review (continued)

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. In smaller towns where we do not have representation, we have negotiated sub contract arrangements with other operators who meet certain operating standards.

Business customers typically stay longer than domestic customers, and also on average occupy larger rooms. Whilst only representing 10% of new customers during the year, businesses represent 18% of our overall customer numbers, occupying 33% of the space in our stores. The average room size occupied by business customers is 125 sq ft, against 55 sq ft for domestic customers. This compares with the SSA Survey result for the industry as a whole which had 60% of space occupied by domestic customers and 40% of space by businesses, and furthermore it noted an increase in demand for self storage coming from domestic customers. We would expect to have a higher proportion of domestic customers given our focus on London and other large metropolitan cities.

We have seen solid demand from business customers, as they seek a cost effective, flexible solution to their storage requirements, preferring self storage to the commitment of a long lease. We believe there is an opportunity to grow business occupancy and national accounts in the coming year. We have improved our business offer further, we have increased the resource of our national accounts team, and we are increasing our marketing to that space to drive business prospects.

The net rent per sq ft for domestic customers is approximately 40% higher than for business customers, reflecting the smaller average unit size occupied for domestic customers.

Marketing and eCommerce

Our marketing strategy continues to focus on driving customer response through multiple digital platforms whilst keeping customer service at the heart of the business.

Our YouGov surveys, which we have commissioned every year for the last eight years, allow us to monitor our brand awareness. Our most recent survey conducted in April 2014, used a statistically robust sample size of 1,523 respondents in London and 2,360 for the rest of the UK. The survey showed our prompted awareness to be at 80% in London and 41% for the rest of the UK, both approximately three times higher than our nearest competitor.

For unprompted brand awareness, our recall in London is 56%, five times that of our nearest competitor and for the rest of the UK it is 21%, ten times that of our nearest competitor. These surveys continue to prove we are the UK's brand leader in self storage [source: YouGov, April 2014].

Online

The website, whether accessed by desktop, tablet or smartphone receives the largest share of prospects, accounting for 86% of all sales leads across the year ended 31 March 2014, where details are first recorded on our operating system. Telephone is the first point of contact for 9% of prospects and walk in enquiries, where we have had no previous contact with a prospect, represent 5%.

We have by far the largest online market share of web visits to self storage company websites in the UK. Across the year ended 31 March 2014, our online market share of web visits ranged from 35% to 40%. Our nearest competitor ranged from 13% to 16% online market share for the same period [source: Experian Hitwise 37 largest UK operators].

We continually monitor and improve the user journey through the website to make the experience as easy as possible. Of all web visits, whether to the Big Yellow mobile or desktop websites, 42% come from tablets and smartphones. Specifically, smartphones accounted for 26% of web visits in April 2014, up from 20% in April 2013.

Whether it is through desktop, tablet or mobile usage, our customers can enjoy a seamless experience whichever digital route they choose to interact with us. We are continually developing useful online tools, like check in online, detailed online FAQs, video guides and online chat. These save our customers time and provide easy to find answers and information about self storage at Big Yellow.

Online customer reviews

Consistent with our strategy of putting the customer at the heart of our business, our online customer reviews generate real time feedback from customers as well as providing positive word of mouth referral to our web visitors. Through our 'Big Impressions' customer feedback programme, we ask our new customers to rate our product and service and with the users permission we then publish these independent reviews on the website. There are currently nearly 10,000 reviews published.

The Big Impressions programme also generates customer feedback on their experience when they move out of a Big Yellow store and also from those prospects who decided not to store with us. In addition, this programme reinforces best practice in customer service at our stores where customer reviews and mystery shop results are transparently accessible at all levels.

In addition, we also gain real time insight from customers who submit reviews to a third party customer review site. These reviews are currently averaging 9.3 out of 10.

We also regularly monitor Google reviews and mentions of Big Yellow within the social mediums of Twitter, online forums and blogs. We use this insight to continually improve our service offering.

- ❖ **The website, whether accessed by desktop, tablet or smartphone receives the largest share of prospects, accounting for 86% of all sales leads.**
- ❖ **Of all web visits, whether to the Big Yellow mobile or desktop websites, 42% come from tablets and smartphones.**

Driving online traffic

Search engines are the most important acquisition tool for us, accounting for the majority of all traffic to the website. We continue to invest in search engine optimisation ("SEO") techniques both on and off the site. This helps us to maintain our number one positions for the most popular and most searched for terms such as "storage" and "self storage" in the organic listings on Google.

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 targeted to our core audience groups. This activity performs both a direct response and branding role.

Efficiencies in online spend are continuing into the year ending 31 March 2015, ensuring the return on investment is maximised from all of 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

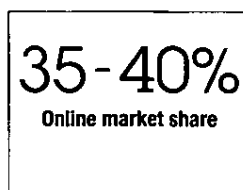
Social media continues to be complementary to our existing marketing channels. We are very active on Twitter which also allows us to join relevant conversations around self storage and related trends. With over 23,000 'likes', our Facebook channel allows us to keep the brand front of mind and provides an avenue for customer feedback. 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. Our recently revamped online blog is updated regularly with tips and advice for homeowners and businesses as well as summaries of our charitable and CSR initiatives.

PR

We have used PR stories in the year to help raise the awareness of Big Yellow and the benefits of self storage to different audience groups. These have focussed on the flexible benefits of using self storage for small businesses and a more light hearted look at the concept and trends of "man caves" in the home. These stories have generated both national and regional media coverage online and offline and are supported by radio interviews which allow us to talk about the benefits of Big Yellow.

Budget

During the year the Group spent approximately £2.95 million on marketing (4.1% of revenue), a slight increase on the previous year. We have increased the budget for the year ahead to £3.1 million with a focus on driving our revenue through delivering more prospects to the website.



Strategic Report (continued)

Portfolio Summary - Wholly Owned Stores

	Established ⁽¹⁾	2014 Lease-up	Total	Established	2013 Lease-up	Total
Number of stores	32	22	54	32	22	54
At 31 March						
Total capacity (sq ft) ⁽²⁾	1,930,000	1,491,000	3,421,000	1,941,000	1,491,000	3,432,000
Occupied space (sq ft)	1,452,000	936,000	2,388,000	1,413,000	810,000	2,223,000
Percentage occupied	75.2%	62.8%	69.8%	72.8%	54.3%	64.8%
Net rent per sq ft	£26.23	£26.02	£26.15	£24.72	£24.51	£24.65
For the year						
REVPAF ⁽³⁾	£22.54	£18.16	£20.64	£22.74	£16.29	£19.94
Average occupancy	75.5%	59.8%	68.7%	74.9%	51.8%	64.8%
Average annual rent per sq ft	£25.59	£25.46	£25.54	£26.10	£26.16	£26.12
	£000	£000	£000	£000	£000	£000
Self storage income	37,280	22,714	59,994	37,926	20,186	58,112
Other storage related income ⁽⁴⁾	6,244	4,231	10,475	6,123	3,873	9,996
Ancillary store rental income	95	142	237	86	140	226
Total store revenue	43,619	27,087	70,706	44,135	24,199	68,334
Direct store operating costs (excluding depreciation)	(13,087)	(9,942)	(23,029)	(12,835)	(9,520)	(22,355)
Short and long leasehold rent ⁽⁵⁾	(1,961)	(44)	(2,005)	(1,803)	(44)	(1,847)
Store EBITDA ⁽⁶⁾	28,571	17,101	45,672	29,497	14,635	44,132
Store EBITDA margin ⁽⁷⁾	65.5%	63.1%	64.6%	66.8%	60.5%	64.6%
Deemed cost						
	£m	£m	£m			
To 31 March 2014	162.7	234.3	397.0			
Capex to complete	-	1.6	1.6			
Total	162.7	235.9	398.6			

(1) The 32 established stores are those that had reached stabilisation as a portfolio in 2007 prior to the economic downturn. Of the 22 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 seven have opened since 1 April 2008.

(2) The capacity of the established stores has fallen as space at one store has been earmarked for redevelopment.

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

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

(5) 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.

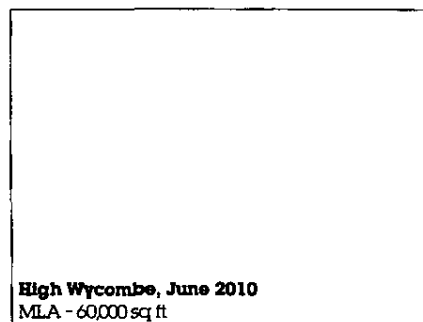
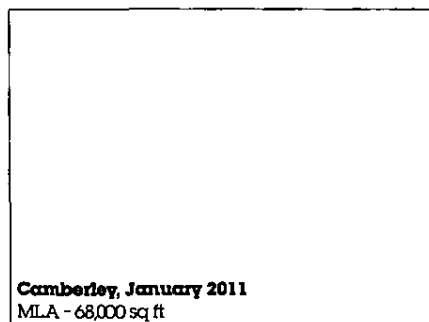
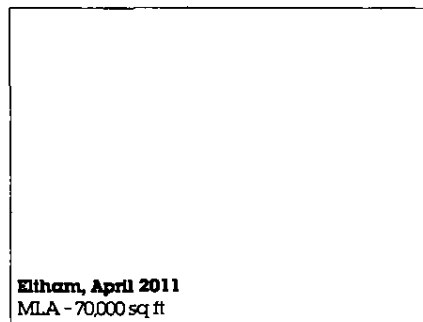
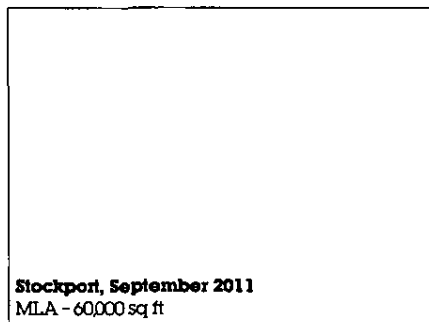
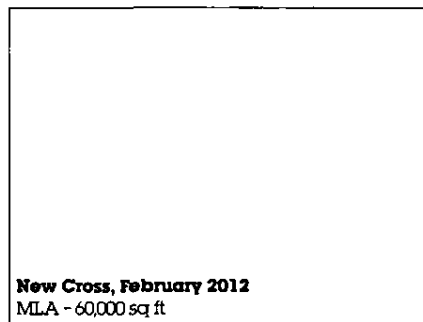
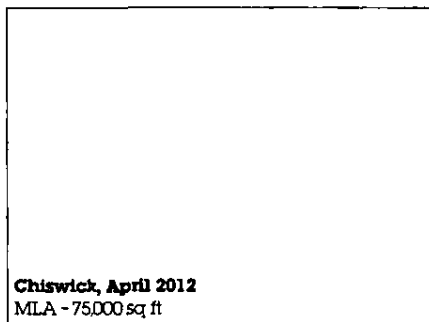
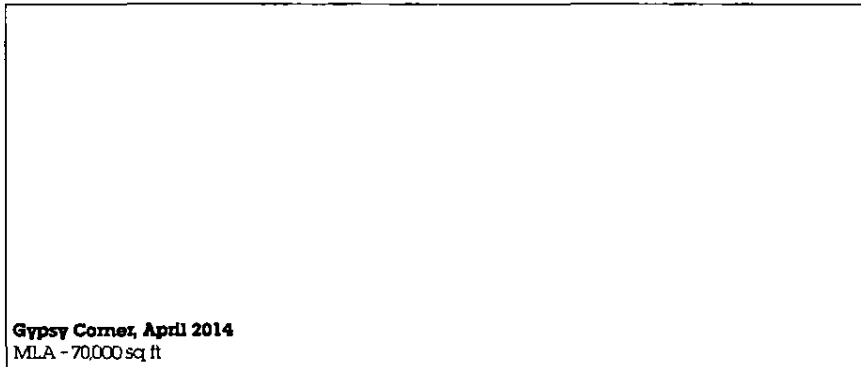
(6) Store earnings before interest, tax, depreciation and amortisation.

(7) Of the established stores, the seven leasehold stores achieved a store EBITDA of £5.1 million and EBITDA margin of 50%. The 25 freehold stores achieved a store EBITDA of £23.5 million and EBITDA margin of 70%.

Our Stores

An Unrivalled **Portfolio**

...❖ **An unrivalled portfolio of stores across London, the South East and other large metropolitan cities**



An Unrivalled **Portfolio** (continued)

Reading, December 2009
MLA - 62,000 sq ft

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

Poole, August 2009
MLA - 55,000 sq ft

Nottingham, August 2009
MLA - 65,000 sq ft

Edinburgh, July 2009
MLA - 63,000 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 - 61,000 sq ft

Barking, November 2007
MLA - 64,000 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 - 75,000 sq ft

Kingston, August 2006
MLA - 62,000 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 - 53,000 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 - 62,000 sq ft

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

Colchester, December 2002
MLA - 54,000 sq ft

Bow, November 2002
MLA - 129,000 sq ft

Brighton, October 2002
MLA - 59,000 sq ft

Guildford, June 2002
MLA - 55,000 sq ft

An Unrivalled **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 - 74,000 sq ft	Portsmouth, October 2001 MLA - 61,000 sq ft	Norwich, September 2001 MLA - 47,000 sq ft	Dagenham, July 2001 MLA - 51,000 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 - 112,000 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 - 66,000 sq ft	Oxford, August 1999 MLA - 33,000 sq ft	Croydon, July 1999 MLA - 80,000 sq ft	Richmond, May 1999 MLA - 35,000 sq ft

Strategic Report (continued)

Portfolio Summary - Big Yellow Limited Partnership Stores

	March 2014	March 2013
Number of stores	12	12
At 31 March		
Total capacity (sq ft)	749,000	749,000
Occupied space (sq ft)	444,000	409,000
Percentage occupied	59.3%	54.6%
Net rent per sq ft	£18.01	£16.72
For the year		
REVPAF	£12.72	£11.14
Average occupancy	58.4%	49.0%
Average annual rent per sq ft	£17.70	£18.29
	£000	£000
Self storage income	7,737	6,704
Other storage related income	1,758	1,556
Ancillary store rental income	34	29
Total store revenue	9,529	8,289
Direct store operating costs (excluding depreciation)	(4,049)	(4,023)
Store EBITDA	5,480	4,266
Store EBITDA margin	57.5%	51.5%
Deemed cost		
	£m	
To 31 March 2014	99.5	
Capex to complete	0.7	
Total	100.2	



Strategic Report (continued)

Store Performance

We had a very strong quarter to June with good net move in growth. The second quarter peaked in August and then we saw many of our students and short term house moves starting to vacate in September, leading to a relatively flat quarter.

The third quarter saw student and house move vacations leading to a significant net loss in units occupied and sq ft. In the final quarter we have seen a return to growth in net occupied rooms and increased occupancy in the wholly owned stores by 73,000 sq ft. The table below illustrates the move in performance in the year.

Wholly owned store move-ins	Year ended 31 March 2014	Year ended 31 March 2013	%	Net move-ins 31 March 2014
April to June	14,752	13,844	7%	3,609
July to September	16,129	14,973	8%	(168)
October to December	12,247	10,738	14%	(1,680)
January to March	12,873	11,047	17%	962
Total	56,001	50,602	11%	2,723

Store revenue for the year grew by 3.5%, feeding through to a 15% improvement in adjusted profit and a 9% increase in operating cash flow.

In all Big Yellow stores, the occupancy growth in the current year was 200,000 sq ft, against an increase of 174,000 sq ft in the prior year. This growth across the 54 wholly owned and 12 stores in the Partnership represents an average of 3,030 sq ft per store (2013 2,636 sq ft per store).

Store occupancy summary	Occupancy 31 March 2014 000 sq ft	Occupancy 31 March 2013 000 sq ft	Growth for year to 31 March 2014 000 sq ft	Growth for year to 31 March 2013 000 sq ft
32 established stores	1,452	1,413	39	(29)
22 lease-up stores	936	810	126	119
Total – 54 wholly owned stores	2,388	2,223	165	90
12 Partnership lease-up stores	444	409	35	84
Total – all 66 stores	2,832	2,632	200	174

The 54 wholly owned stores had a net gain in occupancy of 165,000 sq ft, representing an average of 3,056 sq ft per store. This compares to an overall gain in the wholly owned stores of 90,000 sq ft in the year to 31 March 2013. The 12 stores in the Partnership increased their occupancy by 35,000 sq ft, representing average growth of 2,917 sq ft per store.

The 32 established stores are 75.2% occupied compared to 72.8% at the same time last year. The 22 lease-up stores have grown in occupancy from 54.3% to 62.8%, and overall store occupancy has increased in the year from 64.8% to 69.8%.

All 54 wholly owned stores, and all 12 stores within Big Yellow Limited Partnership, open at the year end are trading profitably at the EBITDA level.

Pricing and rental yield

We have continued our sales promotion offer throughout the year of "50% off for up to your first 8 weeks storage". Our Price Promise is also used to match competitors' prices if the product is comparable. Pricing is dynamically generated and takes into account customer demand and local competition.

In the year ended 31 March 2014, net rent in the wholly owned stores grew by 6.1%. This has been a combination of reducing discounts to new customers and retaining price increases from existing customers, overall scheduled rents remained broadly unchanged. This growth has recouped the majority of the fall in net rent suffered following the introduction of VAT. We would expect rental growth to be lower in the forthcoming financial year given our focus remains on growing occupancy.

As the stores lease up, our pricing model reduces the level of promotional discounts offered in individual stores. This squeezing out of promotions leads to an increase in net achieved rents. The table below illustrates this, showing the growth in net rent per sq ft for the portfolio over the year.

Average occupancy in the year	Net rent per sq ft growth over the year
0 to 60%	4.4%
60 to 70%	4.7%
70 to 80%	6.4%
Above 80%	8.2%

The table below shows the average key metrics across the store portfolio for the year ended 31 March 2014

	32 Established stores	22 Lease-up stores
Store capacity	60,312	67,773
Sq ft occupied per store at 31 March 2014	45,375	42,545
% occupancy	75.2%	62.8%
Revenue per store	£1,363,000	£1,231,000
EBITDA per store	£893,000	£777,000
EBITDA margin	65.5%	63.1%

Like for like revenue per available square foot ("REVPAF") across the wholly owned portfolio increased from the last year by 4% to £20.64 (2013: £19.94)

Armadillo

During the year we continued to manage the ten freehold stores branded as Armadillo Self Storage alongside our Big Yellow stores using the same operating model.

The portfolio forms part of our operating platform, and in order to safeguard our management fee income and to receive an earnings enhancing dividend yield, we acquired the portfolio in April 2014 in a joint venture with an Australian consortium for a total price of £19.75 million. The Group has invested £3.6 million representing an initial stake of 38% in the business. Our joint venture partners have a right to increase their share from 62% to 80%, which expires in July 2014.

We have agreed a new five year management contract. The portfolio is currently 60% occupied and our aim is to maximise occupancy and revenue over the coming years.

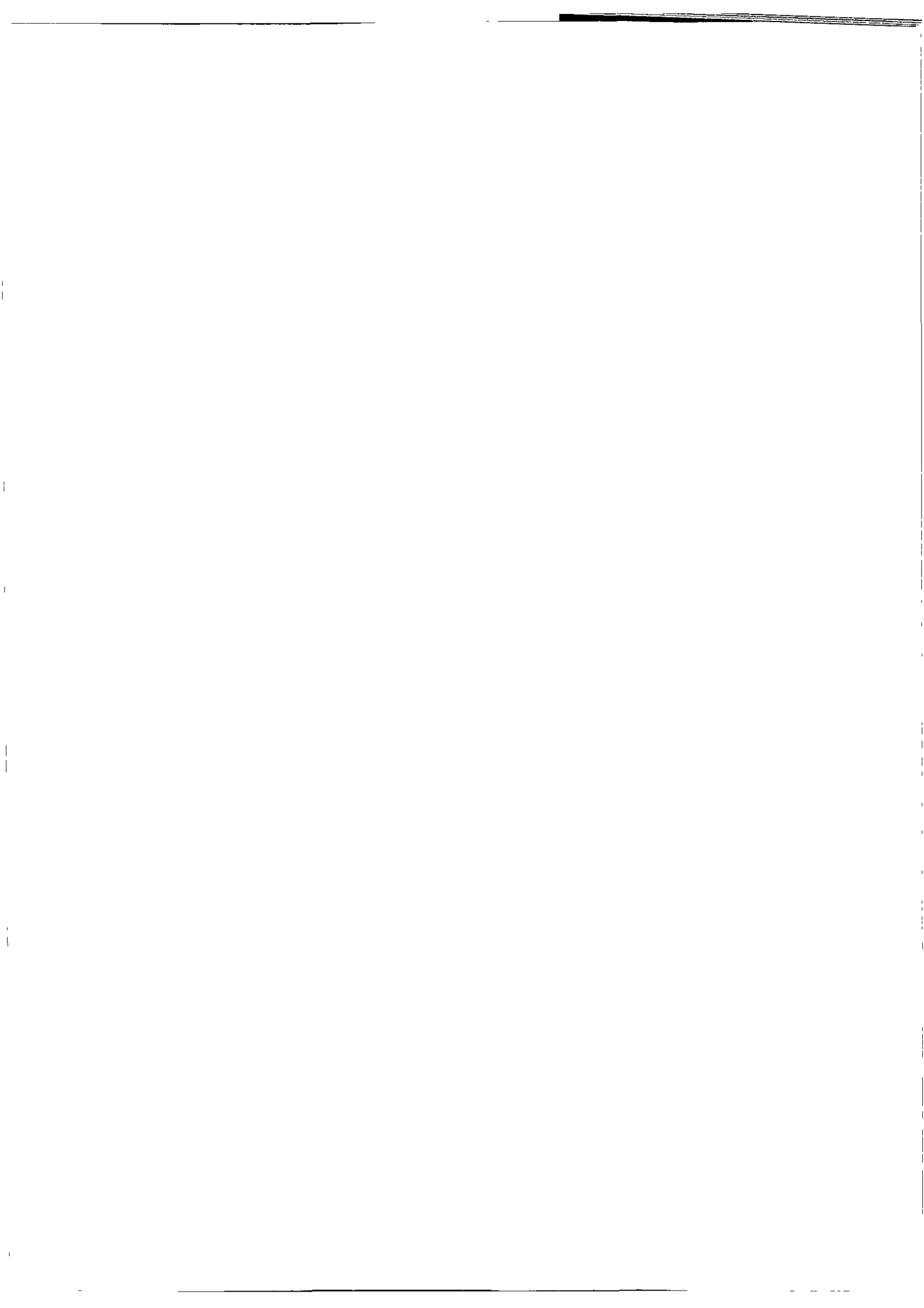
The first year dividend yield is estimated at 6.7% which together, with our management fees of £400,000 per annum, will give a cash return of approximately 17% on the initial investment.

Development pipeline

There are two 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.

Wholly owned sites	Location	Status	Anticipated capacity
Enfield, North London	Prominent site on the A10 Great Cambridge Road, London	Construction due to start shortly, planned opening April 2015	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

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.



Revenue for the year was £72.2 million, an increase of £2.5 million (4%) from £69.7 million in the prior year.

Delivering... **Results**

Financial results

Revenue for the year was £72.2 million, an increase of £2.5 million (4%) from £69.7 million in the prior year. Store revenue increased by 3.5% in the year to £70.7 million (2013: £68.3 million). The other revenue is fee income earned from Big Yellow Limited Partnership and Armadillo and tenant income on sites where we have not started development.

Other sales (included within the above), comprising the selling of packing materials, insurance and storage related charges, represented 17.5% of storage income for the year (2013: 17.2%) and generated revenue of £10.5 million for the year, up 5% from £10.0 million in 2013.

Store revenue for the fourth quarter increased by 11% to £17.7 million from £16.0 million for the same quarter last year. Store revenue in the seasonally weaker second half of the year was £35.6 million, up 8% from £32.9 million for the second half of the year ended 31 March 2013, and up 1% from £35.1 million for the six months ended 30 September 2013.

There was a decrease in revenue of 1% for the 32 established stores and an increase of 12% for the 22 lease up stores. The EBITDA margin for the 32 established stores was 66% (2013: 67%), the EBITDA margin for the 22 lease up stores was 63% (2013: 60%). The table below shows the performance of the 32 established stores and the 22 lease up stores during the year.

Wholly owned store performance	Capacity	Occupancy		Revenue		EBITDA	
	000 sq ft	31 March 2014 000 sq ft	31 March 2013 000 sq ft	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
32 established stores	1,930	1,452	1,413	43,619	44,135	28,571	29,497
22 lease-up stores	1,491	936	810	27,087	24,199	17,101	14,635
Total	3,421	2,388	2,223	70,706	68,334	45,672	44,132

The Group made a profit before tax in the year of £59.8 million, compared to a profit of £31.9 million in the prior year.

After adjusting for the gain on the revaluation of investment properties and other matters shown in the table below, the Group made an adjusted profit before tax in the year of £29.2 million, up 15% from £25.5 million in 2013.

Profit before tax analysis	2014 £m	2013 £m
Profit before tax	59.8	31.9
Gain on revaluation of investment properties	(28.3)	(9.5)
Movement in fair value on interest rate derivatives	(2.7)	0.2
Gains on surplus land	-	(1.0)
Refinancing costs	-	4.3
VAT implementation costs	-	0.2
Share of non-recurring losses/(gains) in associate	0.4	(0.6)
Adjusted profit before tax	29.2	25.5

Diluted EPRA earnings per share based on adjusted profit after tax was up 6% to 20.5p (2013: 19.3p) (see note 12). Basic earnings per share for the year was 42.5p (2013: 24.4p) and fully diluted earnings per share was 42.2p (2013: 24.1p).

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 2013	25.5
Increase in gross profit	2.0
Reduction in net interest payable	1.1
Increase in administrative expenses	(0.1)
Increase in share of recurring profit of associate	0.5
Increase in capitalised interest	0.2
Adjusted profit before tax – year ended 31 March 2014	29.2

Operating costs

We have continued with our programme of cost control in the Group

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

Direct store operating costs for the portfolio have increased by 3% reflecting general inflationary pressures and an increase in business rates, particularly with an unfavourable assessment at one store backdated to 2010. This is partially offset by the increased recoverability of VAT on our operating costs compared to the first six months of the prior year

Administrative expenses in the income statement have reduced by £0.1 million compared to the prior year. In the prior year there was a charge of £0.2 million in respect of costs incurred challenging and implementing the imposition of VAT on self storage, which was added back in calculating the Group's adjusted profit for that year. £1.4 million of the £7.6 million administrative expense is non-cash IFRS 2 share-based payment charges

Interest expense on bank borrowings

The gross bank interest expense for the year was £10.8 million, a decrease of £0.7 million from the prior year. This reflects the reduction in debt in January 2013 following the placing in that month. The average cost of borrowing during the year was 4.5%, compared to 4.0% in the prior year

Total interest payable has decreased in the statement of comprehensive income from £12.3 million to £11.3 million in part due to the decrease in the gross bank interest expense. Additionally, capitalised interest increased by £0.2 million from the prior year, with the Group constructing its store at Gypsy Corner throughout the year, compared with limited construction activity taking place during the prior year

The prior year refinancing costs of £4.3 million relate to the unamortised loan arrangement costs of the previous facility, and the write off of the costs of the new bank facility in accordance with IAS 39. This was adjusted from the Group's recurring profit for that year

VAT

VAT was introduced on self storage rents with effect from 1 October 2012, following the announcement in the March 2012 budget

We are now able to recover the majority of VAT on our ongoing operating expenses, and are also entitled to a refund of previously irrecoverable VAT on capital expenditure under the Capital Goods Scheme

We have a receivable of £9.0 million in respect of payments due back to the Group under the Capital Goods Scheme as a consequence of the introduction of VAT on self storage from 1 October 2012. The debtor has been reduced in the year by £1.2 million following the identification of some trapped Capital Goods Scheme recovery. We have also made revisions to the timing of the payments due back to the Group. The final amount is subject to agreement with HMRC. The debtor has been discounted in accordance with International Accounting Standards to the net present value using the Group's average cost of debt, with £0.4 million of the discount being unwound through interest receivable in the period. The gross value of the debtor before discounting is £10.2 million. The first payment under the Capital Goods Scheme of £0.8 million was received in October 2013

REIT status

The Group converted to a Real Estate Investment Trust ("REIT") in January 2007. Since then the Group has benefited from a zero tax rate on the Group's qualifying self storage earnings. The Group only pays tax on the profits attributable to our residual business, comprising primarily of the sale of packing materials and insurance, 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 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 Executive 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 a tax charge for the year of £0.3 million. There was no charge in the prior year due to tax relief arising from the restructuring of interest rate derivatives in 2009 and in the year

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 13 pence per share is payable (31 March 2013: 8 pence per share PID)

The Board is recommending the payment of a final dividend of 8.4 pence per share. The table below summarises the declared dividend for the year

	31 March 2014 £m	31 March 2013 £m
Dividend (pence per share)		
Interim dividend – PID	8.0p	5.0p
– discretionary	nil p	nil p
– total	8.0p	5.0p
Final dividend – PID	5.0p	3.0p
– discretionary	3.4p	3.0p
– total	8.4p	6.0p
Total dividend – PID	13.0p	8.0p
– discretionary	3.4p	3.0p
– total	16.4p	11.0p

Subject to approval by shareholders at the Annual General Meeting to be held on 16 July 2014, the final dividend will be paid on 24 July 2014. The ex-div date is 11 June 2014 and the record date is 13 June 2014

Strategic Report (continued)

Financial Review (continued)

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 31 March 2014 £000	Year ended 31 March 2013 £000
Cash generated from operations	43,290	42,025
Finance costs (net)	(10,538)	(11,839)
Free cash flow	32,752	30,186
Capital expenditure (including finance lease payments)	(9,570)	(8,647)
Asset sales	-	15,864
Receipt from Capital Goods Scheme	756	-
Investment in associate	-	(1,567)
Cash flow after investing activities	23,938	35,836
Ordinary dividends	(19,591)	(13,543)
Issue of share capital	42	36,764
Non-recurring finance costs	-	(15,573)
Decrease in borrowings	(8,938)	(45,694)
Net cash outflow	(4,549)	(2,210)
Opening cash and cash equivalents	7,850	10,060
Closing cash and cash equivalents	3,301	7,850
Debt	(229,368)	(238,306)
Net debt	(226,067)	(230,456)

Free cash flow pre capital expenditure increased by 9% to £32.8 million for the year (2013 £30.2 million). In the year capital expenditure outflows were £9.6 million, up from £8.6 million in the prior year. During the year we constructed our Gypsy Corner store, invested in Phase 2 fit outs, and continued our programme of LED roll out across the portfolio. The cash flow after investing activities was a net inflow of £23.9 million in the year, compared to an inflow of £35.8 million in 2013, the reduction being due to receipts in the prior year of £15.9 million from the sale of surplus land. The non-recurring finance costs in the prior year relate to £10.5 million of payments made to cancel interest rate derivatives and £5.1 million relating to arrangement fees paid for the Aviva and senior debt loans.

Balance sheet

Property

The Group's 54 wholly owned stores and four stores under development at 31 March 2014, which are classified as investment properties, have been valued by Cushman & Wakefield ("C&W") and this has resulted in an investment property asset value of £798.7 million, comprising £726.4 million (91%) for the 47 freehold (including one long leasehold) open stores, £50.0 million (6%) for the seven short leasehold open stores and £22.3 million (3%) for the four investment properties under construction.

Analysis of property portfolio	No of locations	Value at 31 March 2014 £m	Revaluation movement in year £m
Investment property	54	776.4	29.2
Investment property under construction	4	22.3	(0.8)
Investment property total	58	798.7	28.4
Surplus land	3	6.1	-
Total	61	804.8	28.4

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 valuations in the current year have grown from the prior year, with a revaluation surplus of £30.4 million on the open stores, before adjusting for the Capital Goods Scheme.

The valuation is based on an average occupancy over the 10 year cash flow period of 79.2% 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 2014	£416.4m	£360.0m	£776.4m
Occupancy at 31 March 2014	75.2%	62.8%	69.8%
Stabilised occupancy assumed in valuations	81.5%	80.5%	81.1%
Net initial yield pre-admin expenses	7.0%	5.5%	6.3%
Stabilised yield assuming no rental growth	7.8%	7.8%	7.8%

The initial yield pre administration expenses assuming no rental growth is 6.3% (2013 5.9%) rising to a stabilised yield of 7.8% (2013 8.2%). The 32 established stores that were mature in 2007 are assumed to return to stabilised occupancy in 29 months on average. The 22 lease up stores are assumed to reach stabilised occupancy in 36 months on average from 1 April 2014. Note 14 contains more detail on the assumptions underpinning the valuations.

Investment property under construction

The four wholly owned development sites have increased in value by £5.0 million, £5.8 million relating to capital expenditure incurred, with the balance of £0.8 million a revaluation deficit. C&W's forecast valuations for when the assets have reached stabilised occupancy, including assumptions in relation to revenue and operating cost growth, are currently pointing to a revaluation surplus on total development cost of £30.3 million on the three wholly owned development sites with planning consent.

In their report to us, our valuers, Cushman & 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 2014 of £834.2 million (£35.5 million higher than the value recorded in the financial statements). The valuations in Big Yellow Limited Partnership are £4.8 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 £371 million and translates to 26.0 pence per share.

The revised valuation translates into an adjusted net asset value per share of 446.5 pence (2013: 419.2 pence) after the dilutive effect of outstanding share options.

Surplus land

At 31 March 2014 the Group owned £6.1 million of land surplus to our requirements across three sites. We aim to sell this surplus land once we have maximised its realisable value through planning improvements. In the year a tenant vacated an office attached to one of our stores. We are looking at the options for redeveloping this office for sale, which has been transferred to surplus land from investment property. The sites are held at the lower of cost and net realisable value and have not been externally valued.

Movement in adjusted NAV

The year on year movement in adjusted net asset value (see note 12) is illustrated in the table below.

Movement in adjusted net asset value	Equity shareholders' funds £m	EPRA adjusted NAV per share pence
1 April 2013	594.5	419.2
Adjusted profit	29.2	20.6
Equity dividends paid	(19.6)	(13.8)
Revaluation movements (including share of associate)	27.7	19.5
Movement in purchaser's cost adjustment	1.4	1.0
Other movements (eg share schemes)	1.2	-
31 March 2014	634.4	446.5

Borrowings

We focus on improving our cash flows and for the year we had healthy Group interest cover of 4.1 times (2013: 3.5 times) based on cash generated from operations against interest paid, allied to a relatively conservative debt structure secured principally against the freehold estate.

In April 2012, we completed 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%.

The loan amortises to £60 million over the course of the 15 years. 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 will be outstanding on the tenth anniversary, with £60 million remaining at expiry in April 2027.

The Group has a £155 million four year bank facility with Lloyds, HSBC and Santander, expiring in September 2016. £120 million of the facility is term loan with the balance of £35 million revolving. The facilities attract a ratcheted margin over LIBOR based on interest cover. The Group is currently paying a blended 2.4% margin, the lowest margin on the ratchet, which is effective for asset income cover of greater than three times.

The Group has a £70 million interest rate derivative to September 2016 at a fixed rate of 2.8% plus margin. The balance of the bank debt drawn accrues interest at variable rates based on one month LIBOR plus margin.

The Group's average cost of debt at 31 March 2014 is shown in the table below.

	Amount of debt £m	Weighted average interest cost
Aviva loan	96.4	4.9%
Fixed bank debt	70.0	5.3%
Variable bank debt	63.0	2.9%
Total	229.4	4.5%

The Group was in compliance with its banking covenants at 31 March 2014, see note 19 for details.

The Group has £25.3 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 28%, and a net debt to adjusted net assets ratio of 36%.

At 31 March 2014, the fair value on the Group's interest rate derivatives was a liability of £2.8 million. 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 £14.3 million at 31 March 2014 (2013: £14.3 million), consisting of 143,061,147 ordinary shares of 10p each (2013: 142,639,647 shares).

Shares issued for the exercise of options during the year amounted to 0.4 million at an average exercise price of 450p.

The Group holds 1.4 million shares in treasury and 1.5 million shares within an Employee Benefit Trust ("EBT"). These shares are shown as a debit in reserves and are not included in calculating net asset value per share.

Strategic Report (continued)

Financial Review (continued)

	2014 No	2013 No
Opening shares	142,639,647	131,393,041
Shares issued for the placing	-	10,000,000
Shares issued to EBT	-	876,671
Shares issued for the exercise of options	421,500	369,935
Closing shares in issue	143,061,147	142,639,647
Shares held in EBT	(1,500,000)	(1,500,000)
Shares held in treasury	(1,418,750)	(1,418,750)
Closing shares for NAV purposes	140,142,397	139,720,897

54,249,527 shares were traded in the market during the year ended 31 March 2014 (2013 45,430,167). The average mid market price of shares traded during the year was 452 1p with a high of 571 5p and a low of 355 3p.

Big Yellow Limited Partnership

Big Yellow Limited Partnership, a joint venture with Pramerica Real Estate Investors Limited ("Pramerica"), owns self storage centres 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, and detail on Big Yellow's option to acquire the assets of the Partnership.

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. No further equity contributions are forecast.

The Group earns certain construction and operational fees from the Partnership. For the year to 31 March 2014, these fees amounted to £0.6 million (2013 £0.6 million).

Funding

The Partnership has a £60 million bank facility with RBS and HSBC expiring in September 2016. £2 million of this facility has been repaid and cancelled during the year, leaving drawn debt at £58 million at 31 March 2014. The average cost of the facility at 31 March 2014 is 4.3%. Interest rate derivatives are in place covering 50% of the drawn debt at a pre-margin cost of 1.05%. There is a margin ratchet based on the Partnership's income cover which ranges between 250 bps and 400 bps, the margin is currently 350 bps.

Results

For the year ended 31 March 2014, the operating profit of the Partnership was £4.6 million (2013 £3.4 million), with all 12 stores being profitable at the operating level.

The Partnership made a profit before tax of £0.5 million (2013 £1.9 million). Big Yellow's share of this profit was £0.2 million (2013 £0.6 million).

After adjusting for non-recurring items of a revaluation loss of £2.0 million (principally due to a reduction in the stable occupancy assumptions used in the valuations), and fair value gain on interest rate derivatives of £0.8 million, the Partnership made an adjusted profit of £1.8 million (2013 adjusted profit of £0.3 million), of which the Group's share is £0.6 million (2013 £0.1 million). The Partnership is tax transparent, so the limited partners are taxed on any profits.

We recognised a receivable of £4.3 million in the prior year in respect of payments due back to the Partnership under the Capital Goods Scheme. These amounts are subject to agreement with HMRC. The receivable has been discounted, the gross value of the receivable before discounting is £4.9 million. The first payment under the Capital Goods Scheme of £0.4 million was received in October 2013.

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 in the Strategic Report. 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 notes to the financial statements.

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 2015 and projections contained in the longer term business plan which covers the period to March 2019. 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.

Risks and Uncertainties

Principal risks and uncertainties

Self storage market risk

The UK economy is projected to grow at approximately 3% in 2014, and is expected to return to the level of output last achieved in 2007 before the global financial crisis. Self storage has proved relatively resilient through the crisis, with our revenues and earnings increasing over the last four years. As the economy has recovered in the past year, the market risk has fallen in line with increasing occupancy.

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 three or so years new store openings within the sector have slowed to an average of nine stores per year over the past four years, down from a peak of 34 per year in 2005-2009.

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 and other large metropolitan cities, 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, from a secure capital structure.

We have a large current storage customer base of over 42,000 spread across the portfolio of 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 20.

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. 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 advisers 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 have made it clear that we believe optimal leverage for a business such as ours should be in the range 20% to 30% and this informs our management of treasury risk.

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 fixed rate loan in place from Aviva Commercial Finance Limited, with 13 years remaining. 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 31 March 2014 we had fixed rate swaps in place over 53% of our outstanding bank borrowings, coupled with the loan from Aviva, resulting in 73% 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.

Strategic Report (continued)

Risks and Uncertainties (continued)

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 levels of bad debts and arrears. In the year to 31 March 2014 our bad debt expense represented 0.10% of revenue in the year (2013: 0.17%).

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"), for example the change in the prior year of the imposition of VAT on self storage from 1 October 2012. We regularly monitor proposed and actual changes in legislation with the help of our professional advisers, through direct liaison with HMRC, and through trade bodies to understand and, if possible, mitigate or benefit from their impact.

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, including projected tests.

Human resources risk

Our people are key to our success and as such 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. With the economy improving, the risk of higher staff turnover and difficulty in finding the right employees does increase.

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, their belongings, 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 outside 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 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, the Financial Controller and the Head of Store Operations.

At Big Yellow, we know the most important space of all is the environment that surrounds us. That's why we continue to work hard to create an environmentally friendly business.

A big green.. **Commitment**

1 0 INTRODUCTION

Big Yellow recognises that high levels of Corporate Social Responsibility ("CSR"), linked to clear commercial objectives, will create a more sustainable business and increase shareholder and customer value. This policy covers all of our operations, as a self storage provider, a real estate developer, an employer and a participant in our local communities.

Big Yellow seeks to meet the demand for self storage from businesses and private individuals providing the storage space for their commercial and/or domestic needs, whilst aiding local employment creation and contributing to local community regeneration.

2 0 SOCIAL RESPONSIBILITY

2 1 OUR PEOPLE

Our people are at the heart of Big Yellow's business, bringing our values to life through the service that they provide, to the energy and passion that drives us to become an ever more responsible and sustainable business.

We recognise that recruiting, retaining and motivating individuals with talent and integrity – and ensuring that we listen to our people and maximise their skills and performance – is key to the continued success of our Company.

We encourage a culture of partnership within the business and believe in staff participating in corporate performance through benefits, such as bonus schemes and share incentives. We recognise and reward the exceptional performance, achievements and ideas of our people through a Points Recognition Scheme, and allocated £42,000 of points for the year ended 31 March 2014.

Wellbeing and Support

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

Communication and Engagement

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 Engagement Survey provides management with key feedback and guidance as to where to focus their attention to further improve the working environment.

Training and Development

We continue to promote the development of staff through ongoing training and regular performance appraisals. For the year ended 31 March 2014 a total of 789 days training was provided across the Company, comprising both sales and operational training and personal and management development.

Our Big Impressions customer experience programme was launched in April 2013, the aim of which was to further support our people to become more in touch with our customers. The feedback from this programme formed a key focus for the coaching of our sales teams throughout the last year.

A personal development programme designed specifically for Assistant Store Managers was introduced at the start of the year, with 14 Assistant Store Managers having completed or currently participating in the programme, to prepare them for their future progression within the Company store network.

20 SOCIAL RESPONSIBILITY (continued)

Community

We recognise the importance of contributing within the local community and we encourage our people to develop close links with charities, schools and other institutions, both locally and nationally, to help to build more economically sustainable environments

For the year ended 31 March 2014 we recognised and supported ten different Company charities which were elected by our store and head office teams. Our people undertook a variety of activities for both these and other charities, with donations also being made by the Company

Throughout the year a total of £30,000 was raised for our Company charities and £9,000 was raised for other charities

Examples of our fundraising activities have included

The Royal Marsden March

Fifteen people from our London stores took part in the Royal Marsden March, a 14 mile sponsored walk between The Royal Marsden hospitals in Chelsea and Sutton. The team raised £1,615 to support cancer diagnosis, treatment, research and care

British Heart Foundation

10 of our stores have acted as Donation Stations for the British Heart Foundation, raising a total of £7,684 from bags of unwanted clothes and household goods, which will support the charity's pioneering heart research, as well as the care of people living with heart disease

"The British Heart Foundation is thrilled with Big Yellow's support over the past few months from donations of money and unwanted goods. The charity truly values this amazing support from Big Yellow's customers and staff and we look forward to continuing the good work with them. It's great to think that someone's unwanted goods can literally save lives and help to keep hearts beating."

Heather Hunt, Community Fundraising Manager, British Heart Foundation

The Three Peaks Challenge

This gruelling challenge, which involved climbing Ben Nevis, Scafell Pike and Snowdon in twenty four hours, was completed by one of our team members and they raised just under £2,700 for Abigail's Footsteps, a charity which provides support to parents who suffer the loss of a child from a still birth

Our construction team for new stores always subscribes to the 'Considerate Constructors Scheme' on a voluntary basis to maintain high standards for 'Respect in the Community'. This was achieved for our new store 'fit out' construction at Gypsy Corner. They applied the principles of 'performance beyond compliance' and were certified for caring about site safety, security, appearance, environmental protection and workforce values, both on and off site

Free Storage

In addition to our fundraising activities, we have also provided charities with free storage. During the year the space occupied by charities in Big Yellow and Armadillo stores on this basis was 44,000 sq ft, worth approximately £806,000 at standard rents. Some of the many charities that have benefited from this storage include the National Childbirth Trust, Read International, British Heart Foundation, a number of Food bank charities, and local community charities

Young Enterprise

Fourteen people at Big Yellow are currently supporting students in schools or colleges within their local communities in conjunction with Young Enterprise, a charitable organisation that creates and develops programmes that complement the school experience and encourages young people to realise the extent of their own talents. Our volunteering has taken the form of providing classroom support, mentoring students to create their own businesses and participating in Young Enterprise regional board meetings

"Big Yellow Self Storage volunteers supported me and my Young Enterprise teams at a couple of "Learn to Earn" programmes in schools in South London. Their wholehearted commitment to the day was much appreciated by Young Enterprise staff, as well as the school staff and students"

The Big Yellow Self Storage volunteers fully immersed themselves in the days, mentoring student groups, and drawing on their own experience to stress to students how education is key to future success and happiness in work and life"

Bracey Parish, Area Manager, Young Enterprise

- **We recognise the importance of contributing within the local community to help build more economically sustainable environments.**
- **During the year the space occupied by charities in our stores was worth approximately £806,000 at standard rents.**

2.2 HEALTH & SAFETY

Big Yellow 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 (for Big Yellow Self Storage and Armadillo Self Storage) 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 and 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 Department Heads and relevant Managers. They meet to discuss any issues that have been reported from meetings held at head office, Maidenhead (our distribution warehouse), the stores and any construction sites.

In addition, the Group has appointed an external consultant to review our Policy and to 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.

Our Health and Safety Policy covers all of our stores, our head office, Maidenhead and our 'Fit out' construction sites. Incidents are recorded for staff, customers, contractors and visitors. The Board receives bi-monthly reports which monitor Health and Safety performance in all these areas. Annual Store Health and Safety Meetings take place for all stores and Maidenhead 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 and are displayed in the tables below.

2.2.1 Big Yellow Self Storage customers, contractors and visitors

The total number of health and safety incidents for the Group was 50, of which 46 were minor injuries and four were reportable. The minor injuries comprised 31 customers, visitors and contractors and 15 staff. There were four reportable injuries, which comprised three for customers, visitors and contractors and one staff injury. There were also two minor injuries within Big Yellow Construction Company Limited.

Store customer, contractor and visitor health and safety	2011	2012	2013	2014
Total number of customers move-ins during the year	51,049	57,604	65,807	72,772
Number of minor injuries	41	43	34	31 ⁺
Number of reportable injuries (RIDDOR)	–	–	3	3 ⁺
RIDDOR* per 100,000	–	–	4.6	5.5

+ Indicates data reviewed by Deloitte as part of their assurance work. See page 44 for the independent assurance report.
RIDDOR – Reporting of Injuries, Diseases and Dangerous Occurrences Regulation 1995

There were no 'fatal injuries', 'notices+' or 'prosecutions' during the year ended 31 March 2014. Reportable injuries were due to an increase in customer 'move ins', tripping and personal disabilities. Minor injuries were predominantly related to the handling of personal or business possessions by our customers or their removers.

Strategic Report (continued)

Corporate Social Responsibility Report (continued)

2.2.2 Big Yellow Self Storage staff

Store and head office staff health and safety	2011	2012	2013	2014
Average number of staff	273	279	316	321*
Number of minor injuries	19	12	16	15*
Number of reportable injuries (RIDDOR)	1	–	3	1*
Annual injury incidence rate (AIR)* per 100,000 staff	366	–	949	311.5*

+ Indicates data reviewed by Deloitte. See page 44 for their independent assurance report.
From 2013 we included Armadillo staff, and corrected and restated the AIR (Annual Injury Incidence Rate).

There were no 'fatal injuries', 'notices+' or 'prosecutions' in the year ended 31 March 2014 at any of our stores. Our annual injury incidence rate for staff decreased mainly due to increased health and safety awareness, even though we had increased numbers of staff (2%) and an increase in the number of customer move ins (11%). One member of staff had a reportable injury due to a fall.

2.2.3 Big Yellow Construction Company Limited

Construction fit-out contractors and visitor health and safety	2011	2012	2013	2014
Number of total man days	6,431	6,511	610	3,315
Number of minor injuries	1	1	–	2
Number of reportable injuries (RIDDOR)	1	–	–	–

During the year, our Gypsy Corner 'fit out works' took place and high safety standards were maintained. Only two minor injuries occurred. No 'fatal injuries', 'notices+', 'reportable injuries' or 'prosecutions' occurred indicating a well controlled environment for staff, contractors and visitors on site. Health and safety performance continues to be reviewed in preparation for a new store development at Enfield in the year ending 31 March 2015.

3.0 ENVIRONMENTAL RESPONSIBILITY

Our CSR Policy sets out how we manage the impact of our business on society and the environment, to control our risks and manage our opportunities in a sustainable way. Big Yellow has been classified as having a "low environmental impact" by the Ethical Investment Research Index Series ("EIRIS") because it is involved in Support Services (FTSE4Good Index Series, Environmental, Social and Governance Rating Assessment). Notwithstanding this, and in order to maintain an efficient and sustainable business for its Stakeholders, Big Yellow has continued to commit significant resources to the environmental and social aspects of its storage operations, real estate portfolio, new store developments and acquisitions.

This year we report in compliance with the Companies Act, Climate Change Regulation on Reporting Greenhouse Gas ("GHG") Emissions for listed companies. For detailed application see our Basis of Reporting at <http://corporate.bigyellow.co.uk/csr.aspx>. We therefore provide a summary in the Directors' Report of Scope 1 and 2 carbon dioxide equivalent (CO₂e) emissions. We also use the recently published DEFRA/DECC conversion factors, revised from five year, to one year, rolling averages, which show annual GHG emissions reductions more accurately.

**Mandatory Greenhouse Gas Emissions
Statement Summary**

Scope 1 Site Gas and Coolant GHG Carbon Equivalent Emissions (tCO ₂ e)	2011	2012	2013	2014	
Total Scope 1	121.5	140.6	419.0	474.8*	
<hr/>					
Scope 2 'Supplied' Electricity GHG Emissions (tCO ₂ e)	2011	2012	2013	2014	% change from 2011
Electricity (tCO ₂ e)	6,758	6,143	6,051	5,207*	(23.0%)
<hr/>					
Scope 1 + 2 GHG Emissions (tCO ₂ e)	2011	2012	2013	2014	% change from 2011
Total (tCO ₂ e)	6,879.5*	6,283.6	6,470.0	5,681.8*	(17.4%)
<hr/>					
Scope 1 + 2 GHG Intensity GHG Emissions (tCO ₂ e)	2011	2012	2013	2014	% change from 2011
kgCO ₂ e/Occupancy	32.0	26.0	26.5	22.0*	(31.3%)

+ Indicates data reviewed by Deloitte. See page 44 for their independent assurance report.
Peak energy use and benchmark year for medium term performance assessment.

We have restated annual emissions back to 2011, a peak energy use and carbon emission benchmark year, to present information on the most comparable basis. Our future four year carbon reduction programme for the years to March 2018 is to continue with our programmes of energy efficiency and investment in low carbon solar electricity generation. Our main carbon intensity measure is kg CO₂e/customer occupied space (m²), as this reflects new store openings and customer service use.

Our materiality threshold for energy use is 5%, and for carbon emissions is > 1%. A limited level of assurance is provided for our Scope 1 and 2 energy use, GHG emissions and health and safety data. This assurance was undertaken by Deloitte LLP in accordance with the International Standards on Assurance Engagements 3000 (ISAE 3000).

For 12 stores, Big Yellow only has a 33% financial interest, however we manage the buildings and utilities at these sites. We have opted to capture their operational footprint and have reported this in our consolidated emissions reporting. We have not opted for equity share reporting for these sites.

The ISAE 3000 Standard provides an evaluation of both quantitative and qualitative aspects of our CSR management and reporting. We report our energy use for our owned and joint venture stores, our head office in Bagshot, Surrey, and our packing materials warehouse in Maidenhead. Our environmental report does not include any of the 10 managed Armadillo stores.

Energy use and Scope 1 (on site) and Scope 2 (off site) carbon emissions are major operational costs and have a significant environmental impact. Peak energy demand in 2011 was chosen as our benchmark year, due to a previous period of increased business growth through new store openings and increased customer occupancy.

Strategic Report (continued)

Corporate Social Responsibility Report (continued)

40 MANDATORY CSR REPORTING – EXECUTIVE SUMMARY

Scope 1 Direct On-site Gas and Coolant GHG Emissions (tCO ₂ e)	2011	2012	2013	2014
Natural Gas (kWh)	656,017	742,086	716,508	652,181
Coolant Use (Kg)	0	2.8	66.5	112.4*
Total Scope 1 (tCO ₂ e)	121.5	140.6	419.0	474.8*

+ Indicates data reviewed by Deloitte. See page 44 for their independent assurance report
Peak coolant replacement air conditioners

Scope 1 emissions are from natural gas use for heating flexi offices, and from coolant replacement in air conditioning units. These emissions represent only 8.4% of our combined scope 1 and 2 emissions that are under our control. Coolant replacement increased, as a consequence of regular service maintenance checks. Natural gas use for heating offices has increased in the colder winters. Company van diesel and construction fit out gas oil use emissions are less than 0.1% of total Scope 1 and 2 emissions, and are therefore not a material impact.

Scope 1 Direct On-site Solar Electricity Generation	2011	2012	2013	2014
Solar Generation (kWh)	107,074	134,297	208,807	285,832*
Solar Electricity % of Total Electricity Use	0.8	1.0	1.6	2.4*

+ Indicates data reviewed by Deloitte. See page 44 for their independent assurance report

We have been investing in the generation of renewable energy since 2008 and our solar electricity generation has been increasing, due to more recent investments in larger 50 kWp capacity installations. Annual solar electricity generation has been increasing by on average 39% since 2011. Solar electricity has saved 138+ tonnes of Greenhouse Gas ('GHG') emissions in the year ended 31 March 2014, and has saved 363 tonnes since 2011.

Scope 2 Off-site Supplied Electricity and GHG Emissions (tCO ₂ e)	2011	2012	2013	2014	% change from 2011
Electric Use (kWh)	13,925,217	13,588,703	13,153,950	11,688,629*	(16.1%)
tCO ₂ e (emissions)	6,758	6,143	6,051	5,207*	(23.0%)

+ Indicates data reviewed by Deloitte. See page 44 for their independent assurance report
* Peak energy use and benchmark year for future reductions

Electricity from 'off site' power station emissions account for some 94.7% of our annual energy consumption in the year ended 31 March 2014, compared to 96.0% in 2011. GHG emissions have reduced by 23.0%, including Gypsy Corner fit out construction, since 2011, due to our continued investment in energy efficiency programmes such as installing motion sensor lighting and LED re-lamping. Our energy efficiency investments prior to 2011 included motion sensor lighting, new store solar PV installations, wind turbines and ground source heat pump technologies.

Scope 2 Long-Term GHG Emission Reduction Targets (%)	2011	2012	2013	2014	2015	2016	2017	2018
tCO ₂ e	6,758	6,143	6,051	5,207	5,069	4,731	4,393	4,055
% reductions	-	-9%	-10.5%	-23.4%	-25%	-30%	-35%	-40%

Our future programmes for re-lamping stores internally and externally with energy efficient LED lighting is to be continued during the year ending 31 March 2015 and beyond. Additional investment in solar PV installations at our existing highest energy using stores will also be implemented in the year ending 31 March 2015. The long term target is to reduce our GHG emissions from peak energy use in 2011, by 40% in 2018.

- **Annual solar electricity generation has been increasing by on average 39% since 2011.**
- **Solar electricity has saved 138+ tonnes of Greenhouse Gas ("GHG") emissions in the year ended 31 March 2014, and has saved 363 tonnes since 2011.**

Scope 1 + 2 Total GHG Emissions and Intensity	2011	2012	2013	2014	% change from 2011
kg CO ₂ e/m ² Occupied Space	32.0	26.0	26.5	22.0*	(31.3%)
kg CO ₂ e/£ Revenue	0.11	0.10	0.09	0.08*	(27.3%)
kg CO ₂ e/m ² Gross Internal Area	12.6	11.0	11.1	9.6*	(23.8%)

+ Indicates data reviewed by Deloitte. See page 44 for their independent assurance report.

We have achieved a 31.3% reduction in Scope 1 and Scope 2 emissions per customer occupied space from 2011 to 2014. We have continued our investment in energy efficient and low carbon programmes to displace our dependence on power station supplied electricity.

5.0 SCOPE 3 VOLUNTARY SUPPLY CHAIN EMISSIONS

Greenhouse Gas (GHG) Emissions

Scope 3 supply chain emissions represent GHG emission losses during electricity supplier transmission and distribution to our stores.

Scope 3 Supply Chain Electricity Supply and Distribution GHG Emission Losses (tCO₂e)	2011	2012	2013	2014	% change from 2011
Electricity Supply (kWh)	13,925,217*	13,588,703	13,153,960	11,688,629	(16.1%)
Supply Losses (tCO ₂ e)	544	525	501	445	(18.2%)
Scope 2+3 Emissions	7,302	6,668	6,552	5,652	(22.6%)

Peak energy use and benchmark year.

Our energy efficiency programmes have reduced electricity use within our stores and also the associated transmission and distribution losses by 18.2% since 2011.

Scope 3 Supply Chain Waste Recycling and Landfill GHG Emissions	2011	2012	2013	2014
Waste Recycling (t)	266	263	259	265
Landfill waste (t)	37.3	36.8	34.6	37.0
Landfill GHG (tCO ₂ e)	10.8	10.7	10.0	10.7

5.0 SCOPE 3 VOLUNTARY SUPPLY CHAIN EMISSIONS (continued)

Waste generation in self storage is assessed as a "low environmental impact". The majority of non-hazardous bulk office waste is segregated by staff and recycled by our waste contractor. Landfill recycling reduces waste on average to 36.4 tonnes per year. Our average supply chain landfill gas emissions are 10.6 tCO₂e. These emissions represent less than 0.2% of combined Scope 1 and 2 emissions, which is below the materiality threshold for carbon emissions. Construction contractors completed the 'fit out' of our new Gypsy Corner store which opened on 1 April 2014. This generated residual construction waste, also below the materiality threshold.

Construction 'Fit-Out' Contractors Waste Management Performance	2011	2012	2013	2014
Tonnage	147.5	152.3	12.9	78.9
Waste Recycled (%)	93.2	96.0	100	95
Plasterboard Recycled (%)	100	34.0	-	100

Gypsy Corner used 14 skips for waste (448 tonnes) and recycled 95% including cardboard, plastics and metals which are in demand from supplier 'take back' schemes. Six skips of waste plasterboard (61.2 tonnes) were also recycled. We achieved the highest resource efficiency benchmark in the Building Research Establishment Methodology for new commercial buildings. One new store development at Enfield is planned in 2015.

Scope 3 Water Supply and Waste Water Treatment GHG Emissions	2011	2012	2013	2014
Supply tCO ₂ e	-	-	3.5	9.8
Treatment tCO ₂ e	-	-	7.2	20.0
Total tCO ₂ e emissions	-	-	10.7	29.8

Water use has been assessed as a "low environmental impact" for self storage (28,486 m³) and fit out construction (388 m³). Monitoring water invoices has helped detect leaks for repair in stores. Our data has provided an average of 20.3 tCO₂e emissions per year. This represents less than 0.4% of combined Scope 1 and 2 emissions, which is below the materiality threshold for carbon emissions. Water use monitoring will be continued in order to review water use efficiency and losses.

6.0 STAKEHOLDERS

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

6.1 Government Legislation and Standards

The Carbon Reduction Commitment ("CRC")

The Department of Energy and Climate Change and Environment Agency are two of the stakeholders in the policy for reducing demand for energy from industry, businesses and the public sector. The CRC Energy Efficiency Scheme is designed to cut emissions in large private sector organisations. This legislation started in 2011 with a broad assessment of energy uses including electricity and gas. The scheme uses a carbon dioxide conversion factor, and so is not directly comparable to the Companies Act GHG equivalent reporting. The current CRC tax is £12 per ton of CO₂ and this will rise to £13 per ton in the year ending 31 March 2015. This year, our CRC taxation will reduce in line with our Scope 2 electricity carbon emission reduction.

6.2 Investor Communications

The Carbon Disclosure Project (CDP)

The Carbon Disclosure Project is a global investor backed initiative designed to encourage companies and their suppliers to publish information on their carbon emissions and climate change strategies. The CDP acts on behalf of an increasing number of institutional investors to send annual information requests to many of the world's largest listed companies. It has secured publicly disclosed climate change data from over 1,500 firms globally, including Big Yellow.

Carbon Disclosure Project FTSE 350	2010	2011	2012	2013
Disclosure Score	65	-	67	71
Performance Score	B	-	C	D
Number of Investors	534	-	655	722

Big Yellow's carbon disclosure scores have continually improved from 2010 to 2013 by 9%, with improving internal data management practices for GHG emissions. Our data responses have become more comprehensive with 'clearer consideration of business specific risks' and 'potential opportunities related to climate change'. The 'B' to 'D' ratings represents our relative performance on 'transparent climate change mitigation' scoring within the 50+ range. Disclosure standards are rising rapidly and Big Yellow maintains its position in the 'A to E' range.

The Global Real Estate Sustainability Benchmark ("GRESB")

GRESB collects information regarding the sustainability performance of property companies and funds. This includes information on performance indicators such as energy, GHG emissions, water and waste. The Survey also covers broader issues such as sustainability risk assessments, performance improvement, and engagement with employees, tenants, suppliers and the community. GRESB continued to rate Big Yellow with a 'Green Star Status' in 2013. In Europe and globally we were ranked with sustainability scores in the top quartile of 'management and policy' and 'implementation and measurement'. The benchmark results allow us to identify the areas we can improve, both in absolute terms and relative to our peers. We are able to provide our existing and potential investors with information regarding our ESG performance, in the current real estate investment market.

7.0 CSR PROGRAMME FOR THE YEAR ENDING 31 MARCH 2015

The CSR programme will continue to focus on energy efficiency, carbon reduction, renewable energy generation and waste reduction. This year our programmes, objectives and targets are highlighted in the table below.

Strategy	Programmes	Objectives / Targets
Carbon Emissions and Investor Communications	Submit reported carbon performance data to the Carbon Disclosure Project–FTSE4 Good 2013 Index Series, to improve annual emission ratings.	Improve upon 2013 score (71) for total scope 1 and 2 emissions.
Sustainable Development Investor Communications	Submit CSR performance data to the annual Global Real Estate Sustainability Benchmark ("GRESB") survey data.	Strengthen and maintain the leading Green Star position of our sustainable real estate portfolio.
The Carbon Reduction Commitment ("CRC")	Submit reported carbon performance data to the Carbon Reduction Commitment ("CRC") Energy Efficiency Scheme by July 2014.	Reduce carbon emissions by 10% and taxation by a proportional amount.
Energy Efficiency	Continue the energy efficient LED re-lamping programme for store lighting in the year to 31 March 2015.	Reduce absolute lighting kWh use and tCO ₂ e emissions by 12% over the next three years.
Increase Solar Energy Generation and Revenues	Increase investment in solar PV remote monitoring and retrofit investment to optimise electricity generation.	Increase solar electricity generation as a percentage of the whole store portfolio to 5% and to > 10% for the solar stores, over the next three years. Increase Feed in Tariff revenues by 10% over the next year.
Store Water Use	Acquire more complete and accurate water volume data from our suppliers.	Reduce our supply chain water use and water treatment emissions by 1%.

More details of CSR policies, previous reports and awards can be found on our investor relations web site at bigyellow.hsprod.investis.com/csr

Assurance statement

Independent assurance statement by Deloitte LLP ('Deloitte') to Big Yellow Group PLC ('Big Yellow') on their Corporate Social Responsibility Report 2014 ("Report")

What we looked at scope of our work

Big Yellow engaged us to perform limited assurance procedures on selected corporate social responsibility (CSR) performance indicators for the year ended 31 March 2014. The assured data are indicated by the + symbol in the Report.

Carbon footprint indicators

- > Store electricity (tCO₂e)
- > Store flexi office gas emissions (tCO₂e)
- > Refrigerant emissions (tCO₂e)
- > Absolute carbon dioxide emissions (tCO₂e)

Store electricity use, CO₂ emissions and carbon intensity

- > Electricity use (kWh)
- > Absolute carbon emissions (tCO₂e)
- > Carbon intensity (kgCO₂e/m² gross internal area)
- > Carbon intensity (kgCO₂e/m² occupied space)
- > Carbon intensity (kgCO₂e/£ revenue)

Renewable energy generation and CO₂ emissions reductions

- > Total renewable energy (kWh)
- > Carbon dioxide saved by renewable energy (tCO₂e)
- > Renewable energy percentage of total store use (%)

Staff health and safety

- > Average number of employees
- > 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 CSR performance indicators, as noted above, 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 definitions and basis of reporting as described at corporate.bigyellow.co.uk/csr.aspx.

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, validate and process data for the assured performance data included in the Report. We did not test back to source data, and
- > reviewing the content of the 2014 CSR Report against the findings of our work and making recommendations for improvement where necessary.

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 2014. 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
19 May 2014

Governance

Directors, Officers and Advisors

Executive Directors

Nicholas Vetch, aged 53, 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 53, 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, and a member of the Development Board of the London Children's Ballet.

Adrian Lee, aged 48, 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 36, 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.

Non-Executive Directors

Tim Clark, aged 63, 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 the Chair of Water Aid UK, and a Senior Adviser to G3, and to Chatham House. He is also a member of the International Chamber of Commerce UK Governing Body, the Advisory Board of Uria 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.

Richard Cotton, aged 58, Non Executive Director, headed the real estate corporate finance team at JP Morgan Cazenove until April 2009. Richard is currently a Managing Director of Forum Partners and a Non Executive Director of Hansteen Holdings plc. Richard joined the Board in July 2012.

Georgina Harvey, aged 49, Non Executive Director, started her media career at Express Newspapers plc where she was appointed Advertising Director in 1994. She joined IPC Media Ltd in 1995 and went on to form IPC Advertising in 1998, where she was Managing Director. She was a member of the Board of IPC Media from 2000 and was Managing Director of the Regionals division of Trinity Mirror from 2005 to 2012, overseeing its transition to a digital platform. She is currently a Non Executive Director of William Hill plc and McColl's Retail Group plc. She joined the Board in July 2013.

Steve Johnson, aged 50, 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 also the Executive Chairman of Dreams plc between July 2011 and October 2012. He joined the Board in September 2010.

Mark Richardson, aged 57, 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, a Trustee of the Natural History Museum Development Trust, and he is also a trustee and treasurer of the children's communication charity ICAN. He was appointed to the Board in July 2008 and is chairman of the Audit Committee.

Secretary and Registered office

Shauna Beavis
2 The Deans
Bridge Road
Bagshot
Surrey
GU19 5AT

Company Registration No 03625199

Bankers

Lloyds TSB Bank plc
Aviva Commercial Finance Limited
Santander UK plc
HSBC Bank plc
The Royal Bank of Scotland plc

Solicitors

CMS Cameron McKenna LLP
Lester Aldridge LLP

Financial advisors and stockbrokers

J P Morgan Cazenove

Independent Auditor

Deloitte LLP
Chartered Accountant and Statutory Auditors

Valuers

Cushman & Wakefield LLP

Directors' Report

The Directors present their annual report on the affairs of the Group, together with the audited financial statements and auditor's report for the year ended 31 March 2014. The Report on Corporate Governance on pages 50 to 53 forms part of this report.

Details of significant events since the balance sheet date are included in note 25 to the financial statements. An indication of likely future developments in the business of the Company is included in the strategic report.

Information about the use of financial instruments by the Company and its subsidiaries is given in note 18 to the financial statements.

Dividends

The Directors are recommending the payment of a final dividend of 8.4 pence per share for the year (2013: 6 pence per ordinary share). An interim dividend of 8 pence per share was paid in the year (2013: 4.5 pence per share).

A property income dividend of 13 pence is payable for the year, of which 8 pence per share was paid with the interim dividend, and 5 pence per share was proposed for the final dividend.

Subject to approval by shareholders at the Annual General Meeting to be held on 16 July 2014, the final dividend will be paid on 24 July 2014. The Ex-div date is 11 June 2014 and the Record date is 13 June 2014.

Disclosure of Greenhouse Gas ("GHG") Emissions

Companies Act 2006, Climate Change, the GHG Emissions Director's Reports Regulations 2013

From October 2013, all listed companies are required to report annual quantities of GHG emissions (measured as Carbon Dioxide Equivalent (CO₂e)) as follows:

- > **Scope 1** – significant direct emission sources, such as our flexi office gas heating and air conditioner coolant replacement – currently fit out 'gas oil' use emissions and one Company van diesel fuel use emissions are assessed as 'not material'*,
- > **Scope 2** – significant indirect or off-site power station electricity supply emissions to our stores, and
- > **Scope 3** – Electricity supplier 'transmission and distribution' emissions – currently, voluntary GHG emissions, from our waste and water supply chains are not assessed as material.

Summary of Scope 1 and 2 Total Carbon Footprint (GHG carbon equivalent emissions (tCO₂e))

Including store electricity, gas, coolant, generator gas oil and van diesel	2011	2012	2013	2014
Total Scope 1 and 2 GHG Emissions (tCO ₂ e)	6,879.5	6,283.6	6,470.0	5,681.8
Scope 3 Electricity Supplier Losses	544	525	501	445
Scope 1, 2 and 3 GHG Emissions Total	7,424	6,809	6,971	6,127
Kg CO ₂ e/Annual Revenue (£)	0.11	0.10	0.09	0.08
Kg CO ₂ e/Customer Occupancy (m ²)	32.0	26.0	26.5	22.0

* Our materiality threshold for carbon emissions is > 1%.

* Reductions of GHG emissions following the Peak Energy Use/Baseline year (2011) have been restated using the more accurate DEFRA/DECC conversion factors, revised from 5 year to 1 year rolling averages.

Further information on GHG emissions and on other sustainability initiatives at Big Yellow is provided in our Corporate Social Responsibility Report.

Capital structure

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 Corporate Governance 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 50.

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. 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 421,500 shares to satisfy the exercise of share options (2013: 369,935).

Directors' Report (continued)

Directors

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

Philip Burks, Non-Executive Director (resigned 19 July 2013)
Tim Clark, Senior Independent Director
Richard Cotton, Non Executive Director
James Gibson, Chief Executive Officer
Georgina Harvey, Non Executive Director (appointed 1 July 2013)
Steve Johnson, Non Executive Director
Adnan Lee, Operations Director
Mark Richardson, Non Executive Director
John Trotman, Chief Financial Officer
Nicholas Vetch, Executive Chairman

Biographical details of the Executive and Non Executive Directors standing for re election are set out on page 46

Directors' indemnities

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

Political contributions

No political donations were made by the Company in either the current or preceding financial year

Substantial shareholdings

The Company had been notified, in accordance with Chapter 5 of the Disclosure and Transparency rules, of the following voting rights as a shareholder of the Company at 31 March 2014 and 19 May 2014

	No of ordinary shares 31 March 2014	Percentage of voting rights and issued share capital 31 March 2014	No of ordinary shares 19 May 2014	Percentage of voting rights and issued share capital 19 May 2014
Blackrock inc	15,597,512	11.01%	15,630,434	11.04%
Cohen & Steers Inc	11,139,992	7.87%	12,446,270	8.78%
Nicholas Vetch	9,166,219	6.47%	9,166,219	6.47%
Old Mutual PLC	8,789,612	6.21%	8,448,344	5.96%
Standard Life Investments Limited	4,755,696	3.36%	6,068,064	4.28%
State Street Global Advisors Limited	*	*	4,637,535	3.27%
PGGM Investments	*	*	4,371,121	3.08%

* interest below notifiable level

Purchase of own shares

The Company was granted authority at the AGM in 2013 to purchase its own shares up to a total aggregate value of 10% of the issued nominal capital. That authority expires at this year's AGM and a resolution will be proposed for its renewal. During the year the Company made no purchases of its own shares.

Employee consultation

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 e-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.

Employees are encouraged to participate in the Group's performance through Employee Share Schemes and performance related bonuses. 34% of eligible employees participate in the Group's Sharesave Scheme.

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.

Disabled employees

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.

Human Rights

Big Yellow respects Human Rights and aims to provide assurance to internal and external stakeholders that we are committed to human rights and the principles of the Universal Declaration of Human Rights

We are committed to creating and maintaining a positive and professional work environment that reflects and respects the basic rights of freedom to lead a dignified life, free from fear or want, and where stakeholders are free to express their independent beliefs. Our employment policies and practices reflect a culture where decisions are made solely on the basis of individual capability and potential in relation to the needs of the business

Auditor

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 auditor is 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 auditor is aware of that information

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

The auditor, Deloitte LLP has expressed their willingness to continue in office as auditor 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
19 May 2014

Corporate Governance Report

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.

At Big Yellow, we aim to create a culture in which integrity, openness and fairness are rewarded.

We continue to review the composition of the Board to ensure that it has the appropriate skills, knowledge and balance for the effective stewardship of the Company.

In the year, Georgina Harvey joined the Board as a Non Executive Director. Her skill set complements the existing Non Executive Directors' experience. Philip Burks retired as a Non Executive Director after 15 years with the Company, the first eight as an Executive Director.

The Board has overall responsibility for the manner in which your Company runs its affairs. The Board has sought an external evaluation of its own effectiveness. In the year, Lomond Consulting carried out a comprehensive review of the Board's performance. Their findings are summarised on page 54.

Statement of compliance with the Code

Throughout the year ended 31 March 2014, 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 Nominations Committee Report, the Remuneration Report and the Audit Committee Report.

LEADERSHIP

The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed.

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
 - > takes overall responsibility for the composition and capability of the Board, and
 - > consults regularly with the Chief Executive and is available on a flexible basis for providing advice, counsel and support to the Chief Executive.
- > the Chief Executive
 - > manages the Executive Directors and the Group's day to day activities,
 - > prepares and presents to the Board strategic options for growth in shareholder value,
 - > sets the operating plans and budgets required to deliver agreed strategy, and
 - > ensures that the Group has in place appropriate risk management and control mechanisms.

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.

EFFECTIVENESS

Composition of the Board

The Nominations Committee is responsible for reviewing the Board Composition, and makes recommendations to the Board on the appointment of Directors. There are five independent Non Executive Directors on the Board, with Tim Clark being the Senior Independent Director. The Company complies with the Combined Code in that at least half of The Board is comprised of independent Non Executive Directors.

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. 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.

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.

The tenure of independent Non Executive Directors at 31 March 2014 is set out below

THE BOARD AND ITS COMMITTEES

Standing committees of the Board

The Board has Audit, Remuneration and Nominations 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.

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.

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

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

Director	Position	Number of meetings attended
Philip Burks	Non-Executive Director (to 19 July 2013)	○
Tim Clark	Non-Executive Director	●●●●●●●●
Richard Cotton	Non-Executive Director	●●●●●●●●
James Gibson	Chief Executive Officer	●●●●●●●●
Georgina Harvey	Non-Executive Director (from 1 July 2013)	●●●●●●●●
Steve Johnson	Non-Executive Director	●●●●●●●●
Adrian Lee	Operations Director	●●●●●●○
Mark Richardson	Non-Executive Director	●●●●●●●●
John Trotman	Chief Financial Officer	●●●●●●●●
Nicholas Vetch	Executive Chairman	●●●●●●○

- attended
- absent. Nicholas Vetch and Adrian Lee missed one meeting each due to unavoidable diary conflicts.

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.

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 Executive 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. 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.

Corporate Governance Report (continued)

Evaluation

The Board conducts an annual review of its performance and of its Committees to ensure they are operating effectively. During the year an external evaluation of the Board was carried out. This is discussed further in the Nominations Committee Report.

ACCOUNTABILITY

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

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

- > a prioritised summary of the key risks and their significance,
- > any changes in the list of significant risks or their impact and likelihood since the last assessment,
- > new or emerging risks that may become significant objectives in the future,
- > progress on action plans to address significant risks, and
- > any actual or potential control failures 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, consistent with the prior year. Therefore, a confirmation in respect of necessary actions has not been considered appropriate.

GOING CONCERN

The Group's activities, and a fair review of the business, are included in the Strategic Report on pages 14 to 34. The financial position of the Group, including its cash flow, liquidity, and committed debt facilities are discussed in the Financial Review on pages 28 to 32.

The Directors have a reasonable expectation that the Group and Company have adequate resources to continue operations for the foreseeable future. They have therefore continued to adopt the going concern basis in preparing the financial statements.

REMUNERATION

The information on remuneration is included in the Remuneration Reports on pages 56 to 75.

AUDIT COMMITTEE AND AUDITORS

A separate Audit Committee Report is set on page 76 and provides details of the role and activities of the Committee and its relationship with the external auditors.

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. During the year ended 31 March 2014, the Chief Executive and other Executive Directors carried out 138 meetings with UK and overseas institutional shareholders and potential investors. These meetings comprised group and individual presentations and tours of our stores.

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.

SHARE CAPITAL

Detail on the share capital structure is provided in the Directors' Report on page 47.

Report of the Nominations Committee

Introduction

The Committee is responsible for reviewing the Composition of the Board. It also makes recommendations for membership of the Board and considering succession planning for Directors. The Committee is also responsible for evaluating Board and Committee performance.

Committee members and attendance

Member	Position	Number of meetings attended
Tim Clark	Chairman and Senior Independent Director	●●
Richard Cotton	Member	●●
Georgina Harvey	Member (from 1 July 2013)	●
Steve Johnson	Member	●●
Mark Richardson	Member	●●

- attended
○ absent

The Nominations Committee is responsible for regularly reviewing the structure, size and composition 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.

Georgina Harvey's appointment to the Board was approved by the Nominations Committee in the prior year, albeit her appointment commenced in July 2013.

Board performance evaluation

The Board engaged Lomond Consulting to undertake an evaluation of the performance of the Board and its Committees. The aim was to seek to identify areas where the performance and the procedures of the Board may be improved. The scope of the review was agreed between the Chairman of the Committee and the Chief Executive.

Each Director completed a questionnaire on the performance of the Board, its Committees and the Chairman. The responses were anonymous to enable an open and honest sharing of views. Lomond Consulting then produced a reporting showing the results of the review.

The key topic discussed as part of the review was succession planning, which is further discussed in the section below, albeit the Committee considered no further action was necessary.

Succession planning

The Board comprises a team of four Executive Directors, two of whom were co-founders of the Company, complemented by Non-Executive Directors who have wide business experience and skills as well as a detailed understanding of the Group's philosophy and strategy. Continuity of experience and knowledge, particularly of self-storage, within the executive team is particularly important in a focused long-term business such as Big Yellow.

It is a key responsibility of the Committee to advise the Board on succession planning. The Committee ensures that any future changes in the Board's composition are foreseen and effectively managed. In the event of unforeseen changes, the Committee ensures that management and oversight of the Group's business and long-term strategy will not be affected.

The Committee also addresses the development and continuity of the Senior Management team below Board level.

Report of the Nominations Committee (continued)

Policy on diversity

All aspects of diversity, including gender are considered at every level of recruitment. All appointments to the Board are made on merit. The Board's policy states that the Board seeks a composition with the right balance of skills and diversity to meet the demands of the business. The Board does not consider that quotas are appropriate for its representation and has therefore chosen not to set targets. Gender diversity of the Board and Company is set out below.

Directors standing for re-election

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

Following a performance appraisal process, the Board has concluded that the Directors retiring by rotation are effective, committed to their roles and operate as effective members of the Board.

The Board, on the advice of the Committee, therefore recommends the re-election of each Director standing for re-election. Full biographical details of each Director are available on page 46.

Tim Clark

Nominations Committee Chairman

Remuneration Report

For the year ended 31 March 2014

INTRODUCTION

This report is on the activities of the Remuneration Committee for the period from 1 April 2013 to 31 March 2014. It sets out the remuneration policy and remuneration details for the Executive and Non Executive Directors of the Company. It has been prepared in accordance with Schedule 8 of the Large and Medium size Companies and Groups (Accounts and Report) Regulations 2008 (the "Regulations") as amended in August 2013. This is the first time the Group has prepared the report in accordance with the amended Regulations.

The report is split into three main areas:

- > the annual statement by the Remuneration Committee Chairman,
- > the report on Directors' remuneration policy, and
- > the annual report on Directors' remuneration.

The Companies Act 2006 requires the auditor to report to the shareholders on certain parts of the Remuneration Report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Regulations. The parts of the annual report on Directors' remuneration that are subject to audit are indicated in the report. The annual statement by the Remuneration Committee Chairman and the Directors' remuneration policy report are not subject to audit.

ANNUAL STATEMENT BY THE REMUNERATION COMMITTEE CHAIRMAN

Dear Shareholder,

I am very pleased to present the Directors' Remuneration Report for the year ended 31 March 2014. This report – the first one in the form required by the remuneration reporting regulations introduced last year – has been prepared by the Remuneration Committee and approved by the Board.

Structure of the report

In accordance with these regulations, the report is divided into three sections:

- > this letter;
- > the Remuneration Policy Report – which sets out the Committee's policy and framework for the remuneration of the Executive Directors. This section will be proposed for approval by a binding vote of shareholders at the AGM in July 2014, and
- > the Annual Remuneration Report – which sets out how the Group has remunerated the Directors during the year. This section will be proposed for an advisory vote by shareholders at the 2014 AGM.

Business conditions and Group performance in the year ended 31 March 2014

The business conditions and performance of the Group in the year ended 31 March 2014 are described more fully in the Chairman's Statement on page 12 of this Annual Report. In summary:

- > the business of the Group performed strongly,
- > in an improving economic environment, Big Yellow remained the clear UK brand leader in self storage and delivered occupancy, cash flow and earnings growth for the fifth year in a row,
- > revenue, cash flow and adjusted profit before tax increased by 4%, 9% and 15% respectively,
- > net rent per sq ft increased by 6%,
- > gearing was reduced to 36% of adjusted net assets, and
- > dividends are being increased by 49%.

Policy on executive remuneration

As in the previous financial year, the policy of the Company is to ensure that the executive remuneration packages are designed to attract, motivate and retain Directors of high calibre and reward the Executive Directors for protecting and enhancing value for shareholders.

As a result, a substantial element of the remuneration of the Executive Directors – up to 80% of their potential total remuneration for the next financial year – is structured to be dependent on the performance of the Company.

The Company aims to provide remuneration to the Directors which is fair to the Directors both generally and in the context of the remuneration of other staff of the Company and the returns to shareholders. Remuneration consists of a balance of short and long term incentives which provide a strong link between reward and individual and Group performance to align the interests of the Executive Directors with the interests of shareholders.

The Remuneration Committee is also concerned to ensure that the Executive Directors have significant interests in the shares of the Company. Each Executive Director has an interest in shares with a value in excess of his base salary and, together, and including share incentives, the Executive Directors are interested in shares comprising approximately 10.5% of the share capital of the Company.

ANNUAL STATEMENT BY THE REMUNERATION COMMITTEE CHAIRMAN (continued)

In the view of the Remuneration Committee, the success of the remuneration policy has been reflected in the length of service and stability of the Executive Director team and the progress of the Company over a number of years, including the recent years of significant economic slowdown. Two of the Executive Directors were founders of the Company while the other two have been Executive Directors for 15 years and seven years respectively.

Looking ahead, the Remuneration Committee is concerned that the total remuneration of the Executive Directors remains within range of, but slightly below the median for comparable companies and FTSE 250 companies. In the light of this, and the expiry of the Long Term Bonus Performance Plan in 2015, the Remuneration Committee plans to review executive remuneration during the year ending 31 March 2015. While this may lead to changes in the component elements of executive remuneration, it is unlikely to result in any significant changes in policy. Having said that, any changes in policy which are proposed, will only take effect if they are approved by shareholders at the AGM in July 2015.

Finally, we will seek approval from our shareholders at the 2014 AGM approval for the renewal of the Long Term Incentive Plan ("LTIP") and the Sharesave Scheme which both expire in 2014.

The LTIP and the Sharesave Scheme have been operated by the Company since they were approved by shareholders at the 2004 AGM. The Sharesave Scheme is an all employee share plan under HMRC provisions, the terms of the 2014 Sharesave Scheme are unchanged from the 2004 Plan other than minor drafting updates, and shareholders are being asked to approve a further ten year period for the operation of the Sharesave Scheme.

The LTIP is used to make awards to senior management. The full terms of the proposed 2014 LTIP are included in the Notice of Annual General Meeting. Although the main terms are unchanged other than drafting updates, we have taken the opportunity to bring some features more in line with current best practice. In particular, the 2014 LTIP includes clawback provisions which may require award holders to forfeit unvested options if it should transpire that, for example, the Company's results had been misstated for earlier years. It is also proposed that the individual limit within the 2014 LTIP rules with respect to the maximum value of shares over which awards may be made in any financial year will be amended to 200% of the individual's base salary (the previous limit was 100% of base salary, other than in exceptional circumstances) to increase the Company's flexibility to incentivise senior management.

This change to the individual limit under the plan also provides the Committee with a framework to facilitate any changes to the executive remuneration policy post the review of executive remuneration arrangements during the year ending 31 March 2015, as the current 100% limit is now falling below common practice in listed companies. However, the Committee wishes to stress that any changes in Executive Directors' remuneration policy, such as increasing the individual's award limit under LTIP, will only take effect if they are approved by shareholders following the proposed remuneration review.

The views of the Company's shareholders are very important to the Remuneration Committee and the Board. The Committee is happy to receive constructive feedback on the remuneration policy or structure of the Company and takes this feedback into account in considering the remuneration arrangements of the Company.

Full details of the remuneration policy for the Directors of the Company are set out in the Directors Remuneration Policy section of the Directors' Remuneration Report.

Remuneration changes during the year

During the year ended 31 March 2014, the aggregate remuneration of the Executive Directors (calculated on the basis of the remuneration regulations introduced in 2013) increased from £1,091,000 to £1,751,000 – an increase of 60%. The increase is due to the partial vesting of the 2010 LTIP during the year which produced a gain to the Executive Directors of £623,000. The 2009 LTIP, tested in the prior year, lapsed. This increase compares with significant increases in the year in adjusted profit before tax (15%), EPS (6%) and declared dividends (49%).

In the same period, the aggregate remuneration of the Non Executive Directors increased from £182,000 to £190,000 – an increase of 4%. The increase resulted from a review by the Board during the year which concluded that the previous fee structure required revision. The new structure provides for a base fee of £36,000 for each non Executive Director with an additional £2,500 for a Committee Chairman, the Senior Independent Director and a Non Executive Director who provides significant specialist advice.

Remuneration Report (continued)

For the year ended 31 March 2014

ANNUAL STATEMENT BY THE REMUNERATION COMMITTEE CHAIRMAN (continued)

Within the overall figure for Executive Director remuneration, the detailed changes were

- > **Base salary** increased by £30,000 (3.3%) – of which the main change was an increase to the salary of one Director to reflect his progress in the role
- > **Taxable benefits** reduced by £9,000 (3.7%) – the prior year figure included benefit-in-kind interest from the previous LTBP scheme
- > **Annual bonus** remained at 10% of base salary (the average for all staff of the Company) and increased, as a result of the increase in base salaries, by £3,000 (3.3%)
- > **Pension contributions** remained at 10% of base salary and increased, as a result of the increase in base salaries, by £3,000 (3.3%)
- > **Sharesave Scheme** one Director's Sharesave scheme vested in the year, producing a gain of £10,000 (2013 nil)
- > **Long term Incentives** following the application of the performance conditions (EPS growth compared to RPI and relative TSR), the 2010 award of shares granted under the Long Term Incentive Plan vested as to 53% (representing a total gain of £623,000). As in the previous year, each of the Executive Directors was granted an award equal to 100% of his base salary (or average salary) subject to performance conditions. The value of these awards was £919,400 – an increase of £29,600 (3.3%). No awards under the Long Term Bonus Performance Plan were made in the year (2013 £3,000,000). The Remuneration Committee reviewed the performance targets for the year and concluded that the awards under the Plan granted in 2012 have provisionally vested as to 100% in respect of the year ended 31 March 2014. The final determination of the vesting for the whole three year period of the 2012/13 awards will be determined against performance conditions in the period 2012 to 2015.

In considering the relative importance of the spend on pay (see page 73)

- > **Total employee pay** increased by 1% (and amounted to £11.1 million)
- > **Profit distributed by way of dividend** increased by 45% (and amounted to £19.6 million)
- > **Retained profit for the year** increased by 118% (and amounted to £40.0 million)

More details of the changes in the remuneration of the Directors in the year ended 31 March 2014 are set out in the Annual Report on Remuneration section of the Remuneration Report

Recommendation

The Remuneration Committee has carefully considered the policy on executive remuneration and the implementation of the approach underlying that policy during the year ended 31 March 2014 and recommends this Remuneration Report to you

I hope that, at the Annual General meeting in July, you will support both

- > the binding resolution on the remuneration policy set out in the Remuneration Policy Report section of this Remuneration Report, and
- > the advisory resolution on the remuneration paid to the Directors in the last financial year set out in the Annual Remuneration Report section of this Remuneration Report

Tim Clark

Chairman of the Remuneration Committee

REPORT ON DIRECTORS' REMUNERATION POLICY

This section of the Remuneration Report contains details of the Company's Directors' Remuneration Policy which will govern the Company's approach to remuneration

The policy described is subject to approval by shareholders at the Company's AGM on 16 July 2014, and if approved, will be applicable from that date for a period of three years, unless shareholder approval is sought within that period to amend the policy

It is the policy of the Company to ensure that the executive remuneration packages are designed to attract, motivate and retain Directors of a high calibre and reward the executives for enhancing value to shareholders

As a result, a substantial element of the remuneration of the Executive Directors is structured to be dependent on the performance of the Company. The policy aims to support a performance culture where there is appropriate reward for the achievement of strong Company performance without creating incentives which will encourage excessive risk taking or unsustainable Company performance

The Committee's aim is to design a total package that rewards the Executive Directors to a median level that is appropriate for the size and nature of the business, and its business strategy

Policy table

The main components of the Directors' Remuneration Policy, and how they are linked to and support the Company's business strategy, are summarised below

Executive Directors

	Purpose and link to strategy	Operation	Maximum potential value	Performance conditions and assessment
Base salary	To provide competitive fixed remuneration that will attract and retain key employees and reflect their experience and position in the Company	<p>Base salary is normally set annually on 1 April</p> <p>When considering any increases to base salaries in the normal course (as opposed to a change in role or responsibility), the Committee will take into consideration</p> <ul style="list-style-type: none"> > level of skill, experience, scope of responsibilities of individual and individual performance, > business performance, economic climate and market conditions, > reference to the increases provided to Executive Directors in comparable companies, and > Pay and employment conditions of employees throughout the Group, including increases provided to staff, and inflation <p>Salaries for the Executive Directors for the year ending 31 March 2015 are as follows</p> <ul style="list-style-type: none"> > Nicholas Vetch – £259,300 > James Gibson – £284,400 > Adrian Lee – £210,600 > John Trotman – £200,000 <p>The salaries for Nicholas Vetch, James Gibson and Adrian Lee have been increased by 2% from the prior year. John Trotman's salary has been increased by 11% from the prior year</p> <p>The Committee's policy for John Trotman is to bring his salary in line with that of Adrian Lee over the short to medium term</p>	<p>Salaries are typically set after considering the salary levels in companies of a similar size and complexity in the FTSE 250</p> <p>Our overall policy is normally to target salaries at close to (but generally just below) median levels</p> <p>Base salaries are intended to increase in line with inflation and general employee increases in salary</p> <p>Higher increases may apply if there is a change in role, level of responsibility or experience or if the individual is new to the role</p> <p>There is no maximum salary cap in place</p>	None

Remuneration Report (continued)

For the year ended 31 March 2014

Executive Directors (continued)

	Purpose and link to strategy	Operation	Maximum potential value	Performance conditions and assessment
Annual bonus	The annual bonus aligns reward to key Group strategic objectives and drives short term performance	Cash payments Executive Directors participate in an annual performance-related bonus scheme	Bonus potential Maximum 25% of base salary Target 10% of base salary Threshold performance 0% of base salary	Assessed annually and determined by the Committee based on corporate performance against the Group's business plan for each financial year The bonuses are directly linked to the Group's profit and operating cash flow performance in the stores (see note 1)
Long Term Incentive Plan	The Long Term Incentive Plan aligns Executive Director interests with those of shareholders and rewards value creation	Awards are made annually to Executive Directors (and certain senior managers who are in a position to influence significantly the performance of the Group) in the form of nil paid options The awards granted under the Long Term Incentive Plan are subject to performance conditions to be met over a performance period of three years The performance conditions have been chosen to align the LTIP with the performance of the business Awards granted prior to the 2014 AGM will vest in accordance with the provisions of the LTIP rules, as approved by shareholders Awards made under the 2014 LTIP (subject to its approval by shareholders at the 2014 AGM), will be subject to clawback provisions as set out in the Notice of the Annual General Meeting	Maximum annual grant is 100% of base salary Minimum vesting is 25% of salary assuming achievement of threshold TSR performance, and the maximum vesting is 100% of salary	Vesting under the LTIP is based on earnings per share ("EPS") growth compared to inflation and Relative Total Shareholder Return ("TSR") against the FTSE Real Estate Index The EPS hurdle growth must be satisfied before any part of the LTIP award can vest Vesting will be as follows if the EPS hurdle is met 25% vesting for median TSR performance and 100% vesting for upper quartile performance Straight line vesting between these points (Note 2)

Executive Directors (continued)

	Purpose and link to strategy	Operation	Maximum potential value	Performance conditions and assessment
Long Term Bonus Performance Plan	<p>To ensure that the total remuneration package is more competitive and supports the Company's strategy and its ability to react to changing economic and business circumstances</p> <p>To retain key individuals in the medium term and align rewards with shareholder returns</p>	<p>Participants are awarded a restricted interest in ordinary shares. They are entitled to benefit from the growth in value of these shares, subject to a cap of £2 per share</p> <p>The awards to the Executive Directors under the plan are made every three years, although the Committee has discretion to make awards to new Directors outside of this period</p> <p>Vesting depends on an annual assessment of performance (over three years but reviewed annually) against a series of financial and non financial targets aligned with the annual business plan</p> <p>The value accrued to participants may be subject to clawback if subsequent performance reflects adversely on achievement of the targets</p> <p>50% of the payout will be released at the end of the three year performance period, a further 25% will be released one year after the end of the performance period, and the remaining 25% will be released two years after the end of the performance period</p>	<p>The maximum payment in shares and cash to Executive Directors at the end of the current three year period is 330% of salary (110% of base salary for each performance year)</p>	<p>Please see page 74 for the review of the performance conditions in the financial year (Note 3)</p>
Pension	<p>To provide competitive levels of retirement benefit</p>	<p>Contribution of 10% of salary made into Executive Directors personal pension plan, or a cash supplement of equivalent value paid in lieu of pension contribution</p>	<p>10% of salary</p>	<p>None</p>
Other benefits	<p>To provide competitive levels of employment benefits</p>	<p>Benefits include</p> <ul style="list-style-type: none"> > Private fuel > Private medical insurance > Permanent health insurance > Life assurance of four times base salary > Relocation allowances <p>The level of benefits provided is reviewed annually to ensure they remain market competitive</p>	<p>Maximum opportunity is the total cost of providing the benefits. There is no monetary cap on benefits</p>	<p>None</p>
Shareholding policy	<p>To ensure that Executive Directors' interests are aligned with those of shareholders over a longer time horizon</p>	<p>Vested shares cannot be sold until the shareholding requirement has been met</p> <p>There is no time requirement in relation to this policy</p>	<p>Requirement to build and maintain a holding of at least 100% of salary in shares of the Company, through retaining at least 50% of shares vesting in Executive incentive plans if this guideline has not been met</p>	<p>N/A</p>

Remuneration Report (continued)

For the year ended 31 March 2014

Executive Directors (continued)

	Purpose and link to strategy	Operation	Maximum potential value	Performance conditions and assessment
Sharesave Scheme	To encourage share ownership by all employees. This allows them to align their interests with those of investors and also to share in the long term success of the Company	Executive Directors may participate in the Big Yellow Group Sharesave Scheme, which is an all employee HMRC approved share plan open to employees based in the UK. Sharesave Scheme saving periods are in line with HMRC guidance as three year contracts	Executive Directors are able to participate in an all employee share plan on the same terms as other employees in line with the HMRC approved monthly contribution limits The figures shown in the remuneration table relate to the gains on exercise of the SAYE options against the option price	None

Notes to the policy table

1. Annual bonus performance measures and targets

Annual bonuses for the Executive Directors are based on the average of the store performances against their quarterly targets providing direct alignment of the Directors' bonuses to performance (and the bonus levels of the staff). The four Key Performance Indicators used to assess store performance are occupancy growth, net contribution, customer satisfaction and store standards. Store targets are set every quarter and an average of the four quarters is taken.

2. Long Term Incentive Plan performance measures and targets

The Committee selected the performance conditions on the LTIP as they provide a direct link between the incentive for the Executive Directors and the value created for shareholders. Relative TSR against the FTSE Real Estate Index has been chosen, as Big Yellow Group's historic performance has been closely aligned to the performance of this Index. The adjusted EPS figure is as reported in the audited results of the Group for the last complete financial year ending before the start of the performance period and the last complete financial year ending before the end of the performance period.

3. Long Term Bonus Performance Plan performance measures and targets

The Long Term Bonus Performance Plan was first introduced in 2009 to bring overall levels of remuneration towards mid-market levels but maintaining the desire to ensure there was a strong performance based culture within the organisation. Since the inception of the plan, the scheme has helped to align the Executive Directors to the performance of the stores and value created to shareholders as participants are entitled to the benefit from any growth in the value of the shares from the date of award to vesting (capped at £2 per share). Assuming performance conditions are met, shares are transferred to the Executive Director equal to the growth in value of the shares under award, subject to the £2 cap. If there is insufficient value in these share interests to deliver the required payout, the Director will 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. Any cash payment cannot exceed 50% of the overall payment due.

The plan was re-adopted by shareholders in 2012 and the Committee believes that the plan remains effective in aligning the Executive Directors to the long term performance of the business.

In the year ended 31 March 2012, the Committee received external benchmarking advice from PricewaterhouseCoopers, which indicated total Executive Directors' remuneration was still significantly below market levels. The Committee gave careful consideration to the operation of the LTIPP and its support for the Company's strategy through its focus on achieving a range of KPIs. The Committee remained of the view that the most appropriate way to ensure that Executive Directors' remuneration remained competitive, provided incentive and lock-in and minimised cost to the Company was to make a further round of awards under the LTIPP. The Committee therefore proposed that new awards covering the three year period to 2015 were made to the Executive Directors in 2012. Unlike for the 2009 awards, no loans were made to the Executive Directors for the new awards, the option value was paid in full up front by each Executive Director. The new awards were approved at the Company's AGM held in July 2012.

The Committee sets the performance targets annually, on the basis of business objectives and priorities which it has identified. The performance conditions are not disclosed for the year ahead, given the commercially sensitive nature of a number of the targets. A report on performance targets for the year under review (other than those which remain commercially sensitive) is provided in the Annual Report relating to that year.

4. Adoption of the 2014 Long Term Incentive Plan

We will seek approval from our shareholders at the 2014 AGM approval for the adoption of the 2014 Long Term Incentive Plan (2014 LTIP) to replace the existing LTIP which expires on 24 June 2014, on broadly similar terms. The main changes relevant to Executive Directors are the inclusion of clawback provisions in respect of unvested awards, in line with emerging best practice.

Shareholders will note that the proposed individual limit under the plan will increase from 100% to 200% of base salary. The Committee has determined that this increased limit will not form part of the Directors' remuneration policy to be adopted at the 2014 AGM.

For further details and the main provisions of the 2014 Long Term Incentive Plan, please see the Notice of Annual General Meeting.

5. **Renewal of the Sharesave Scheme**

The Committee will seek approval from our shareholders at the 2014 AGM approval for the renewal of Sharesave Scheme which expires on 24 June 2014. The Sharesave Scheme is substantially similar to the existing Sharesave Scheme.

For further details and the main provisions of the Sharesave Scheme, please see the Notice of Annual General Meeting.

6. **Discretion**

The Committee has discretion in several areas of policy as set out in this report. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules. In addition, the Committee has the discretion to amend policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder approval.

7. **Differences in remuneration policy for all employees**

All employees are entitled to base salary, benefits, pensions and the Sharesave Scheme. Additionally, all employees are eligible for annual bonuses with the maximum opportunity available based on the seniority and responsibility of the role held.

8. **Changes made to the remuneration policy from previous policy**

Other than the addition of clawback provisions in respect of awards under the proposed 2014 LTIP, there have been no substantive changes to the operation, maximum or performance measures in relation to the salary, annual bonus, Long Term Incentive Plan, Long Term Bonus Performance Plan, pension or other benefits. Increases in salary levels of Executive Directors are provided on page 59.

Non-Executive Directors

	Objective and link to the strategy	Operation	Maximum potential value	Performance conditions and assessment
Fees	To attract Non Executive Directors with the requisite skills and experience	<p>Fee levels are normally reviewed annually in March.</p> <p>The Non Executive Director fee structure is a matter for the full Board.</p> <p>The fees may be paid in the form of shares.</p> <p>The fees have been increased by 2% from the prior year and for the year ending 31 March 2015 are as follows:</p> <p>Richard Cotton – £39,300</p> <p>Tim Clark – £41,900</p> <p>Georgina Harvey – £36,800</p> <p>Mark Richardson – £39,300</p> <p>Steve Johnson – £36,800</p> <p>For year ending 31 March 2015, fees include an additional £2,500 for a Committee Chairman, and an additional £2,500 for the Senior Independent Non Executive Director. Where a Non Executive Director provides significant specialist advice to the Group, an additional fee of £2,500 is paid.</p>	<p>Fee levels are set at broadly median levels for comparable roles at companies of a similar size and complexity within the FTSE 250.</p> <p>Fees are intended to increase in line with inflation.</p>	N/A

Remuneration Report (continued)

For the year ended 31 March 2014

Approach to recruitment remuneration

Our principle is to attract, motivate and retain Executive Directors of the high calibre required and to reward them for enhancing value to shareholders

The table below summarises our key policies with respect to recruitment remuneration

Salary and benefits	<ul style="list-style-type: none">> Set by reference to market and taking into account individual experience and expertise in the context of the role> Salary would also be set with reference to the salary of the departing Executive Director and the remaining Executive Directors> The Executive Director would be eligible to receive benefits in line with Big Yellow Group's benefits policy as set out in the remuneration policy table – this includes either a contribution to a personal pension scheme or cash allowance in lieu of pension benefits in line with the policies set out in the policy table
Maximum variable incentive	<ul style="list-style-type: none">> Annual bonus of up to 25% of base salary in line with our current policy for Executive Directors> Long term incentive plan award of equivalent to 100% of base salary in line with our current policy for Executive Directors> An award under the Long Term Bonus Performance Plan (which equates to an annual maximum opportunity of 110% of salary over the life of the plan) may also be made on appointment, recognising that the Company's basic remuneration is below median
Sign-on payments	<ul style="list-style-type: none">> The Company does not provide sign on payments to Executive Directors
Share buy-outs	<ul style="list-style-type: none">> Any previous outstanding share awards which the Executive Director holds which would be forfeited on cessation of his or her previous employment may be compensated> Where this is the case, the general principle is that the outstanding award will be valued based on the consideration of the following factors<ul style="list-style-type: none">> The proportion of the performance period completed on the date of the Director's cessation of employment,> The performance conditions attached to the vesting of the incentives and the likelihood of them being satisfied, and> Any other terms and conditions having a material impact on their value> The valuation will be conducted using a recognised valuation methodology by an independent party and the equivalent 'fair value' may be awarded as a one off LTIP on date of joining under the Company's existing long term incentive plan. To the extent that this is not possible, a bespoke arrangement will be used> To ensure effective retention of the Executive Director upon recruitment, any new award will be granted subject to performance conditions and vesting may be over the same period as those forfeited from the previous employer or a new three year period> The exact terms will be determined by the Remuneration Committee on a case by case basis taking into account all relevant factors
Relocation policies	<ul style="list-style-type: none">> In instances where the new Executive Director is relocating from one work location to another, the Company may provide, as a one off or otherwise, a relocation allowance as part of the Director's relocation benefits> The level of the relocation package will be assessed on a case by case basis but will take into consideration any cost of living differences, housing allowance and schooling

Service contracts

The Company's policy on Directors' service contracts is that they should be on a rolling basis without a specific end date providing for one year's notice. All Executive Directors have contracts which reflect this policy.

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, although the continued appointment of all Directors is put to shareholders at the AGM on an annual basis. In addition, the appointment is terminable by either party giving notice of three months.

Payments for loss of office

Element	Approach
Salary and benefits	Salary and benefits may be paid in lieu of notice. In cases where a contract is terminated other than on the terms of the service contract, the Company will seek to mitigate any damages payable. There will be no compensation for normal resignation or in the event of termination by the Company due to misconduct.
Annual bonus	If the individual is a good leaver, bonus will be paid on a pro rata basis in respect of the period from the start of the financial year. Good leaver is defined as an individual ceasing employment as a result of ill health, disability, redundancy or retirement or in any other circumstances which the Committee permits. A bad leaver is an Executive Director who does not fall within the category of "good leaver" and bad leavers will forfeit any entitlement to a bonus payment in respect of the current financial year or any completed financial year in respect of which the bonus has not been paid at the cessation date.
Long term incentives (LTIP and LTIPP)	A proportion of the LTIP or LTIPP awards held by good leavers shall vest at the Committee's discretion determined by taking into account whether and to what extent any performance conditions have been satisfied and the length of time the LTIP or the LTIPP Award has been held at the date of cessation of employment. The 2014 LTIP awards will not normally vest until the end of the performance period with performance tested at that time, although exceptionally such awards may, at the discretion of the Committee, vest at cessation of employment. Under the 2004 LTIP and LTIPP, awards vest at cessation of employment. Good leaver is defined as an individual ceasing employment as a result of ill health, injury, disability, redundancy, retirement, the sale out of the Group of his employing business for any other reason which the Committee in its absolute discretion permits. A bad leaver is an Executive Director who does not fall within the category of good leaver and bad leavers will forfeit any unvested awards.
Other contractual obligations	None

Payments for Change of Control

Element	Approach
Annual bonus plan	On a change of control, the Executive Director may receive a bonus payment based on performance level achieved during the performance period and up to the date of change of control. The Committee will take into account such factors as it considers relevant in relation to the bonus plan payment for the year in which the event occurs, including the proportion of the bonus plan year elapsed at the date of the event.
Long term incentives (LTIP and LTIPP)	On a change of control, a proportion of LTIP or LTIPP Awards will vest at the time of the relevant event. The proportion of LTIP or LTIPP Awards which vest on a change of control event shall be determined by the Committee taking into account any relevant factors including whether and to what extent any performance conditions have been satisfied. For the 2014 LTIP, the amount of time the LTIP Awards have been held on the date of the relevant change of control event will also be considered to determine the final vesting of the Awards.
Other contractual obligations	None

Remuneration Report (continued)

For the year ended 31 March 2014

Other Committee discretion

In certain circumstances, the Committee will be required to exercise its discretion, taking into consideration the particular circumstances of the Executive Director's departure and/or the recent performance of the Company in determining the specific level of payments to be made

Further to the discretions set out in the tables above, under the terms of the annual bonus plan, Long Term Incentive Plan and the Long Term Bonus Performance Plan, the Committee has discretion to determine whether an individual is classified as a "good leaver"

It should be noted that it is the Committee's policy to only apply its discretion if the circumstances at the time are, in its opinion, sufficiently exceptional, and to provide a full explanation to shareholders where discretion is exercised. The Committee does not currently intend to amend or waive any performance conditions

Illustrations of application of Remuneration Policy

The graph below seeks to demonstrate how pay varies with performance for the Executive Directors based on our stated Remuneration Policy

Element	Description
Fixed	Total amount of salary, pension and benefits
Annual variable	Money or other assets received or receivable for the reporting period as a result of the achievement of performance conditions that relate to that period (i.e. annual bonus payments) Maximum annual bonus opportunity is 25% of base salary for Executive Directors
Multiple period variable	Money or other assets received or receivable for multiple reporting periods as a result of the achievement of performance conditions over a given period which for the year ending 31 March 2015 includes the LTIP and the vesting of the three year LTBP, based on performance to 31 March 2015 Maximum LTIP opportunity is 100% of base salary for Executive Directors

Assumptions used in determining the level of pay out under given scenarios are as follows

Scenario	Description
Minimum	Fixed pay only (no variable payments under annual bonus and Company's LTIP or LTBP)
On-target	This has been based on 40% of annual bonus award being paid (i.e. 10% of basic salary), 50% vesting of the LTIP and 50% vesting of the three year LTBP
Maximum	This has been based on 100% of annual bonus award being paid (i.e. 25% of basic salary) and 100% vesting of the LTIP and 100% vesting of the three year LTBP

Executive Chairman

CEO

Operations Director

CFO

Statement of consideration of employment conditions elsewhere in the Group

The Committee reviews the reward and retention of the whole employee population periodically throughout the year to ensure that it can attract and retain top talent. Particular consideration is given to the general basic salary increase, remuneration arrangements and employment conditions. Furthermore, the Annual Bonus Plan award for Executive Directors is directly linked to the bonuses award to all staff.

The Directors are invited to be present at this meeting on the proposals for salary increase for the employee population generally and on any other changes to remuneration policy within the Company. The information presented at this meeting is taken into consideration when setting the pay levels of the executive population. Additionally the Committee has guidelines for the grant of all LTIP awards across the Company and responsibility for approving the total annual bonus cost of the Company. The Company does not invite employees to comment on the Directors' remuneration policy.

Statement of shareholders' views

The views of our shareholders are very important to us and the Committee is happy to receive constructive feedback with respect to our remuneration policies or structure which we take on board to formulate our arrangements.

Any consultations on remuneration with shareholders and institutional investors will usually be led by the Chair of the Remuneration Committee.

The Remuneration Committee considers shareholder feedback received in relation to the AGM each year at its first meeting following the AGM. This feedback, as well as any additional feedback received during any other meetings with shareholders throughout the year, is then considered as part of the Company's annual review of remuneration policy.

The Remuneration Committee notes that shareholders do not speak with a single voice, but we engage with our largest shareholders to ensure we understand the range of views which exist on remuneration issues. When any material changes are proposed to the Remuneration Policy, the Remuneration Committee chairman will inform major shareholders in advance, and will offer a meeting to discuss these.

Approval

This policy report was approved by the Board of Directors on 19 May 2014 and signed on its behalf by

Tim Clark

Remuneration Committee Chairman

Remuneration Report (continued)

For the year ended 31 March 2014

ANNUAL REPORT ON REMUNERATION

This section of the Remuneration Report contains details of how the Remuneration Policy for Directors was implemented during the financial year ended 31 March 2014. This section is subject to an external audit.

Single total figure of remuneration

Executive Directors

The table below sets out the single total figure of remuneration and breakdown for each Executive Director paid in the year ended 31 March 2014. Comparative figures for 2013 have also been provided. Figures shown below have been calculated in accordance with the new remuneration disclosure regulations (The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013).

Year ended 31 March 2014	Salary £		Taxable benefits £		Annual bonus £		Long term incentives £		Pensions £		Sharesave Scheme £		Total £	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Nicholas Vetch	254,200	249,200	3,853	6,296	25,420	24,920	179,509	-	25,420	24,920	9,821	-	498,223	305,336
James Gibson	278,800	273,300	4,840	7,931	27,880	27,330	196,862	-	27,880	27,330	-	-	536,262	335,891
Adnan Lee	208,400	202,300	3,859	5,463	20,840	20,230	145,736	-	20,840	20,230	-	-	397,275	248,223
John Trotman	180,000	165,000	2,066	3,495	18,000	16,500	101,205	-	18,000	16,500	-	-	319,271	201,495
Total	919,400	889,800	14,618	23,185	91,940	88,980	623,312	-	91,940	88,980	9,821	-	1,751,031	1,090,945

Taxable benefits comprise medical cover, permanent health insurance, life insurance and private fuel usage. The prior year figure included benefit in kind interest from the previous LTBP scheme.

The value shown in long term incentives is the LTIP award granted in 2010 which vested on 12 July 2013 to 53.1% of its maximum value and is valued using the share price on that date of 428.8p. The award granted for 2014 is 100% of salary for each Executive Director.

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.

Additional details on variable pay in single figure table

In order to execute its business strategy, the Company needs high quality Executive Directors and the remuneration packages need to be able to attract, retain and motivate such individuals. The annual bonus, the LTIP and the LTBP are used to ensure that, when merited by performance, an opportunity is offered to earn competitive total remuneration.

The Committee considers that performance conditions for all incentives are suitably demanding, having regard to the business strategy, shareholder expectations and external advice regarding the market benchmarks. To the extent that any performance condition is not met, the relevant part of the award will lapse. There is no retesting of performance.

The main components of the Remuneration Policy, and how they are linked to and support the Company's business strategy, are summarised in each of the following sections.

Annual Bonus Plan awards

In respect of the year under review, the Executive Directors' performance was carefully reviewed by the Committee, in consultation with the Executive Chairman in respect of the other Executive Directors. The bonus paid to the Executive Directors of 10% of salary in the year is directly linked to the awards paid to the stores on achieving their targets during the course of the year. The weighting of each target to the bonus paid in the year is: occupancy and net contribution (68%), customer satisfaction (24%) and store standards (8%).

Long Term Incentive Plan ("LTIP") awards

The awards granted under the LTIP are subject to performance conditions to be met over a performance period of three years

At the end of the performance period, the awards will vest to the extent the performance conditions have been satisfied. There is no retesting of performance conditions and if they are not satisfied, the awards will lapse.

The performance conditions applicable to the LTIP which vested in the year are set out below. Vesting is conditional on the achievement of an underpin EPS growth of an average of 3% above RPI per annum. This hurdle was met for the 2010 awards.

The Committee assessed the extent to which the performance conditions have been satisfied for the 2010 award which vested in 2013, with the following results:

Condition	Weighting	Threshold performance required	Maximum performance required	LTIP value for meeting threshold and maximum performance (% salary)	Performance achieved	Vesting %
Relative TSR	100%	Median of comparator group of real estate companies	Upper quartile of the comparator group	25% – 100%	13th out of 31 in comparator group	53%
Total	100%					53%

Between threshold and maximum, vesting will take place on a straight line basis.

Sharesave Scheme

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

Pension entitlements

The Company pays pension contributions into the Executive Directors' personal pension plans or makes a cash contribution in lieu of pension contributions. They do not participate in any defined benefit scheme. For the year ended 31 March 2014, the Company contribution was 10% of salary for the Executive Directors.

Non-Executive Directors

The table below sets out the single total figure of remuneration and breakdown for each Non-Executive Director paid in the year ended 31 March 2014. Comparative figures for 2013 have also been provided.

Year ended 31 March 2014	Fees £		Taxable benefits £		Total £	
	2014	2013	2014	2013	2014	2013
Philip Burks (to 19 July 2013)	9,000	34,500	–	–	9,000	34,500
Tim Clark	41,000	39,800	–	–	41,000	39,800
Richard Cotton (from 1 June 2012)	38,500	28,750	–	–	38,500	28,750
Georgina Harvey (from 1 July 2013)	27,000	–	–	–	27,000	–
Steve Johnson	36,000	34,500	–	–	36,000	34,500
Mark Richardson	38,500	34,500	–	–	38,500	34,500
Jonathan Short (to 19 July 2012)	–	9,554	–	–	–	9,554
Total	190,000	181,604	–	–	190,000	181,604

The structure of the Non-Executive Directors' fees was reviewed in 2013. The Board concluded that the fee structure in place was outdated and required revision, with the current fees now broadly in line with median for comparable companies and FTSE 250. It has implemented a new structure of Non-Executive Directors' fees for the year ended 31 March 2014, comprising of a base fee of £36,000 per annum, with an additional £2,500 for a Committee Chairman, and an additional £2,500 for the Senior Independent Non-Executive Director. Where a Non-Executive Director provides significant specialist advice to the Group, and hence additional time commitment to the Group, an additional fee of £2,500 may be paid.

Remuneration Report (continued)

For the year ended 31 March 2014

Long term incentives awarded in year ended 31 March 2014

The table below sets out the details of the long term incentive awards granted in the year ended 31 March 2014 where vesting will be determined according to the achievement of performance conditions that will be tested in future reporting periods

Director	Award type	LTI awarded	Face value of award ⁽¹⁾	Percentage of award vesting at threshold performance	Maximum percentage of face value that could vest	Performance period end date	Performance conditions
Nicholas Vetch	LTI – annual cycle of awards	100% of salary	£254,200	25%	100%	22 July 2016	EPS growth and relative TSR (see below for further details of the 2014 conditions)
James Gibson			£278,800				
Adrian Lee			£193,200				
John Trotman			£193,200				

Note

1 The face value of the award is calculated using the average share price three days prior to the 2014 AGM (grant date)

The performance conditions applicable to awards granted in the year ended 31 March 2014 are set out below

Condition	Weighting	Threshold performance required	Maximum performance required	LTI value for meeting threshold and maximum performance (% salary)	Basis for measurement
Relative TSR	100%	Median of comparator group of real estate companies	Upper quartile of the comparator group	25% 100%	Average of the Group's closing mid market share price over the three months preceding the start of the performance period and preceding the end of the performance period will be used
Total	100%				

Between threshold and maximum performance, vesting will take place on a straight-line basis

In respect of the EPS underpin, the adjusted EPS figure reported in the audited results of the Group for the last complete financial year ending before the start of the performance period and the last complete financial year ending before the end of the performance period will be used

Payments to past Directors

No payments of money or any other assets were made to any former Director of Big Yellow Group in the financial year ended 31 March 2014

Payments on loss of office

No payments were made to any Directors in respect of loss of office during the financial year ended 31 March 2014 (2013: no payments)

Consideration by the Directors of matters relating to Directors' remuneration

This Committee deals with all aspects of remuneration of the Executive Directors including

- > setting salaries,
- > agreeing conditions and coverage of annual incentive schemes and long term incentives,
- > policy and scope for pension arrangements,
- > determining targets for performance related schemes,
- > scope and content of service contracts, and
- > deciding extent of compensation (if any) on termination of service contracts

The Committee's members are currently Tim Clark (Committee Chairman), Richard Cotton, Georgina Harvey (from 1 July 2013), Steve Johnson and Mark Richardson

The Remuneration Committee's Terms of Reference are available on the Company website. The Committee met four times during the year

Advisers to the Remuneration Committee

The Committee consults with the Executive Chairman, Nicholas Vetch, about 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

The Committee relies upon remuneration data provided by a number of third party providers, including PwC. In addition, PwC has provided advice to the Committee on the preparation of this report as well as on market practice and trends. PwC is a member of the Remuneration Consultants' Group and, as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK.

PwC also provided advisory work during the year around pensions auto enrolment and VAT advice. The Committee is satisfied that advice received from PwC during the year was objective and independent.

Adviser	Appointed by	Services provided to the Committee in 2013/14	Fees in relation to remuneration advice
PwC	Remuneration Committee in 2008	Advice on executive remuneration market practice and trends Advice on new reporting requirements Support with regards to the preparation of the 2014 Remuneration Report Drafting of scheme rules for the renewal of the Sharesave scheme	£10,500

Statement of Directors' shareholding

The Executive Directors are required to build and maintain a holding of 100% of base salary. These requirements have been met by all Executive Directors during the year. Non Executive Directors are not subject to a shareholding requirement. Details of the Directors' interests in shares are set out below (all interests are beneficial interests, except where noted specifically below).

No changes took place in the interests of the Directors in the shares of the Company between 31 March 2014 and the date of this report.

The table below shows, in relation to each Director, the total number of shares and share options in which they are interested.

Director	Share ownership requirement (% of salary)	Share ownership requirements met	Beneficially owned shares	LTIP awards subject to performance conditions	LTBPP awards subject to performance conditions	Unexercised sharesave options	Sharesave options exercised in the financial year
Nicholas Vetch	100%	Yes	9,165,020	224,556	337,500	–	3,428
James Gibson	100%	Yes	2,529,226	246,267	487,500	2,965	–
Adnan Lee	100%	Yes	776,323	164,949	337,500	3,745	–
John Trotman	100%	Yes	76,489	164,949	337,500	3,745	–
Richard Cotton	N/a	N/a	58,919	–	–	–	–
Mark Richardson	N/a	N/a	24,668	–	–	–	–
Tim Clark	N/a	N/a	15,000	–	–	–	–
Steve Johnson	N/a	N/a	10,000	–	–	–	–
Georgina Harvey	N/a	N/a	10,000	–	–	–	–

Remuneration Report (continued)

For the year ended 31 March 2014

Directors' share options

To provide further context on the shareholding of Directors, Options in respect of ordinary shares for Directors who served in the year are as below

Name	Date option granted	No of shares under option at 31 March 2013	Granted during the year	Exercised during the year	Lapsed during the year	No of shares under option at 31 March 2014	Exercise price	Market price at date of exercise	Date from which first exercisable	Expiry date
Nicholas Vetch	12 July 2010	78,801	-	(41,863)	(36,938)	-	nil p	405.1p	12 July 2013	12 July 2020
	19 July 2011	80,072	-	-	-	80,072	nil p	-	19 July 2014	18 July 2021
	11 July 2012	84,218	-	-	-	84,218	nil p	-	11 July 2015	10 July 2022
	22 July 2013	-	60,266	-	-	60,266	nil p	-	22 July 2016	21 July 2023
James Gibson	12 July 2010	86,419	-	(45,910)	(40,509)	-	nil p	500.0p	12 July 2013	12 July 2020
	19 July 2011	87,807	-	-	-	87,807	nil p	-	19 July 2014	18 July 2021
	11 July 2012	92,362	-	-	-	92,362	nil p	-	11 July 2015	10 July 2022
	22 July 2013	-	66,098	-	-	66,098	nil p	-	22 July 2016	21 July 2023
Adnan Lee	12 July 2010	63,975	-	(33,987)	(29,988)	-	nil p	406.0p	12 July 2013	12 July 2020
	19 July 2011	57,080	-	-	-	57,080	nil p	-	19 July 2014	18 July 2021
	11 July 2012	62,065	-	-	-	62,065	nil p	-	11 July 2015	10 July 2022
	22 July 2013	-	45,804	-	-	45,804	nil p	-	22 July 2016	21 July 2023
John Trotman	12 July 2010	44,427	-	(23,602)	(20,825)	-	nil p	407.8p	12 July 2013	12 July 2020
	19 July 2011	57,080	-	-	-	57,080	nil p	-	19 July 2014	18 July 2021
	11 July 2012	62,065	-	-	-	62,065	nil p	-	11 July 2015	10 July 2022
	22 July 2013	-	45,804	-	-	45,804	nil p	-	22 July 2016	21 July 2023

Performance and pay

The graph below shows the Group's performance, measured by TSR, compared with the performance of the FTSE 350 Real Estate Index and the FTSE All Share Index over the last ten years. The Group is a member of the FTSE 350 Real Estate Index.

CEO Remuneration

The table below sets out the details of remuneration of the CEO over the past five financial years

Year	CEO single figure of total remuneration (£)	Annual bonus pay out % against maximum of 25% of salary	Long term incentive vesting rates against maximum opportunity %
2014	536,262	40% (10% of salary)	53%
2013	335,891	40% (10% of salary)	0%
2012	1,400,570	40% (10% of salary)	89%
2011	325,968	40% (10% of salary)	0%
2010	875,593	40% (10% of salary)	100%

The single figure of remuneration for 2012 is higher than in previous years due to the vesting of the three year Long Term Bonus Performance Plan in this year delivering a reward of £900,000

Percentage Increase in the CEO's remuneration

The table below compares the percentage increase in the CEO's remuneration (including salary, fees, benefits and annual bonus) with the remuneration of Big Yellow Group employees

	% Increase in remuneration in 2014 compared with 2013	
	CEO	Employees
Salary and fees	2%	2%
All taxable benefits	(39%)	2%
Annual bonuses	2%	2%
Total	1%	2%

Relative importance of spend on pay

The graph below sets out the relative importance of spend on pay in the year ended 31 March 2014 and 31 March 2013 compared with other disbursements from profit, being the distributions to shareholders and retained earnings (comprehensive gain for the year less dividends)

Remuneration Report (continued)

For the year ended 31 March 2014

Implementation of policy in coming year

The Directors' Remuneration Policy and its implementation for the forthcoming financial year is summarised below

Package structure	<p>The main elements of Executive Director remuneration effective from 16 July 2014 (being the date of the AGM at which shareholder approval for this report will be sought) are</p> <ul style="list-style-type: none"> > Base salary > Annual bonus plan with maximum opportunity of 25% of base salary based on the stores' average performance against targets over the four quarters of the year which is then taken and applied to calculate the head office bonus percentage. Performance in the stores is assessed on four Key Performance Indicators of occupancy, growth, net contribution, and store standards. For the 2014 financial year, occupancy and net contribution together represent 68% of bonus with the weighting between the two dependent on stores' occupancy levels, and therefore their sales focus. Customer satisfaction makes up 24% of bonus and store standards the balance of 8%. The Committee is of the opinion that further disclosure of the performance targets for the bonus plan are commercially sensitive and that it would be detrimental to the interests of the Company to disclose them before the start of the financial year. Actual targets, performance achieved and awards made will be disclosed at the end of the performance period. > Long Term Incentive Plan with maximum opportunity of 100% of base salary delivered in shares based on relative Total Shareholder Return against the FTSE Real Estate Index. An EPS underpin target of growth ahead of RPI must be satisfied before any part of the LTIP award can vest. > 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 and business circumstances. Under the Plan, Executive Directors have been awarded restricted interests in ordinary shares in the Company which entitles a participant to benefit from the growth in the value of a number of ordinary shares over which the interest is acquired. The Committee sets the performance targets annually, but is of the opinion that the disclosure of the performance targets for the year ahead is commercially sensitive and will not be made but the performance targets for the year under review (except for those which remain commercially sensitive) are provided in the table below.
Pay for performance	<p>The key principle for the short and long term incentives is to provide a strong link between reward and individual and Group performance to align the interests of Executive Directors with those of shareholders.</p> <p>When merited by performance, an opportunity is offered to earn total remuneration approaching the median level against companies of a similar market capitalisation and with similar revenues to the Company.</p>

Long Term Bonus Performance Plan review

The performance targets for the LTBP are not disclosed for the year ahead, given the commercially sensitive nature of a number of the targets (which are derived from the Group's business plan). Shortly after the end of each year, the Committee assesses the key targets and the extent to which management has been able to meet these targets for that year and reports on this assessment (excluding any that are still commercially sensitive). The targets are only adjusted during the year if material events occur that necessitate a change to the business plan. The report on the targets for the year ended 31 March 2013 was included in the annual report for that year. The report on the targets for the year ended 31 March 2014 is summarised in the table below.

Objective	Committee comment
Maintain the Group's annual free cash flow for the year to 31 March 2014 at £30.2 million which was achieved in the year to 31 March 2013	The Group's free cash flow for the year to 31 March 2014 was £32.8 million, an increase of 9% from the prior year.
Maintain the Group's net debt below £235 million	At 31 March 2014 the Group's net debt was £226.1 million.
Comply with all banking covenants and maintain a net worth in excess of £550 million	All banking covenants were complied with during the year. Net worth has grown by £41.4 million to £594.1 million.
Grow established store occupancy over the summer to 78% and 75% at March 2014 following the normal winter slowdown	Established store occupancy peaked at 78.3%. At 31 March 2014 established store occupancy was 75.2% compared to 72.8% occupied at 31 March 2013.
Grow the occupancy of the wholly owned stores from 64.8% at 31 March 2013 to 68% by 31 March 2014	The occupancy of the wholly owned stores was 69.8% at 31 March 2014, representing growth of 165,000 sq ft over the year (2013 growth of 90,000 sq ft).
Grow the occupancy of the Partnership stores to 64% at 31 March 2014 from 54.6% occupied at the start of the year	The Partnership stores peaked at 62.4% occupancy during the summer, however, following seasonal occupancy losses these stores were 59.3% occupied at 31 March 2014. The net achieved rent per sq ft within the Partnership stores grew by 77% during the year.
Grow the average net rent per square foot across the wholly owned stores from £24.65 per square foot by 3% to £25.40 by 31 March 2014	The net rent per sq ft of the wholly owned stores was £26.15 at 31 March 2014, an increase of 6.1% from the prior year.

Long Term Bonus Performance Plan review (continued)

Objective	Committee comment
Meet budgeted revenue (£70.3 million) and adjusted profit (£277 million) targets	Revenue for the year was £72.2 million, 2.7% ahead of budget. Adjusted profit for the year was £29.2 million, 5.4% ahead of budget.
Maintain the Group's online market share measured against the top 35 self storage operators by Experian Hitwise, at 35% to 38%	The Group's average market share over the course of the financial year was 37%. Our nearest competitor had a market share of 14% for the year.
Construct Gypsy Corner on time and on budget, with the store due to open in April 2014	The store was constructed on budget, and opened as planned on 1 April 2014.
Obtain planning consent for the change of use of the surplus site at Guildford Central to a restricted retail usage	The planning application was submitted in July 2013 for this scheme and consent was granted in November 2013. Contracts to sell the site have been exchanged, with completion due in summer 2014.
Reduce the carbon intensity for the year to 31 March 2014 (KgCO ₂ /m ² of occupied space) by 5% from the year to 31 March 2013	Carbon intensity was reduced by 17% for the year to 31 March 2014.

The other targets, covering areas such as real estate, staffing and certain financial targets, were met in all material respects.

Following careful consideration of the performance targets and actual performance of the Group and the Executive Directors, the Committee has considered that the award in respect of the financial year ended 31 March 2014 has provisionally vested as to 100% of its potential amount for the year. The Committee assessed 85% vesting in the year to 31 March 2013. The provisional vesting percentage will be reviewed by the Committee at the end of the three year plan in March 2015, and the final vesting level covering the three year period determined then.

Fees retained for external non-executive directorships

The Executive Directors' contracts do not allow them to engage in any other business outside the Group except where prior written consent from the Board 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 the 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. 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.

Shareholder voting

The Group is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to Directors' remuneration, the reasons for any such vote will be sought and any actions in response will be detailed here. There have been no significant issues raised by shareholders in respect of remuneration in the year.

The table below shows the advisory vote on the 2013 Remuneration Report at the AGM held on 19 July 2013.

	Votes for	%	Votes against	%	Votes withheld
2013 Remuneration Report	105,815,530	97.3%	2,924,155	2.7%	29,378

Audit Committee Report

INTRODUCTION

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.

This year, the Committee has focussed on the new narrative reporting and corporate governance disclosures in the Annual Report. The Committee was asked by the Board to review the statement by the Directors that the Annual report presents a fair, balanced and understandable view of the Group's performance, strategy and business model.

Mark Richardson

Audit Committee Chairman

Committee Members and Attendance

Director	Position	Number of meetings attended
Tim Clark	Member	●●●
Richard Cotton	Member	●●●
Georgina Harvey	Member (from 1 July 2013)	●●
Steve Johnson	Member	●●●
Mark Richardson	Chairman	●●●

- attended
- absent

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 Group provides an induction programme for new Audit Committee members and ongoing 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. Ongoing training includes attendance at formal conferences, internal company seminars and briefings by external advisers.

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 auditor 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 published financial information including the year end results, Annual Report, half year results and the Interim Management Statements,
- > considered whether the Annual Report provides a fair, balanced and understandable view of the Group's performance, strategy and business model,
- > 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 external auditor;

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

- > agreed the fees to be paid to the external auditor for their audit of the March 2014 financial statements and September half yearly report,
- > undertaken an assessment of the qualification, expertise and resources, and independence of the external auditor and the effectiveness of the audit process,
- > considered the audit partner and audit firm rotation,
- > undertaken an evaluation of the performance of the external auditor;
- > considered the need for an internal audit function,
- > 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,
- > met the Group's external valuers,
- > met the Group's Store Compliance Manager;
- > reviewed the Audit Committee's Report, and
- > reviewed its own effectiveness

Financial reporting and significant financial judgements

The Committee reviews all financial information published by the Group in year end and half year financial statements, including the presentation and disclosure of the financial information. It also considers the appropriateness of the accounting policies adopted by the Group and the accounting judgements made by management in the preparation of the financial information.

The Committee has considered whether the Annual Report for the year ended 31 March 2014 provides a fair, balance and understandable view of the Group's performance, strategy and business model and whether it provides the necessary information to enable shareholders and prospective shareholders to assess the Group's performance, strategy and business model. The Committee is satisfied that the Annual Report for the year ended 31 March 2014 provides a fair, balanced and understandable view and included the necessary information as set out above. The Committee has confirmed this to the Board, whose statement is included in the Statement of Directors' Responsibilities on page 79.

The Committee focuses on matters it considers important in their impact on the reported results of the Group, and on matters where there is a high degree of complexity and/or judgement.

The key area of judgement that the Committee focuses on at the reporting date is the valuation of the investment property portfolio. This is carried out by independent external valuers, but by its nature it is subjective, with significant judgement applied to the valuation, particularly given the lack of transactional evidence for prime self storage assets. Members of the Committee met the external valuers to discuss the valuations, review the key judgements and discussed whether there were any disagreements with management. This year the Committee reviewed and challenged the valuer on the cap rates, rental growth assumptions and stabilised occupancy levels, to agree on the appropriateness of the assumptions adopted. The Committee also challenged the valuer, and satisfied itself on, their independence, their quality control processes (including peer partner review) and qualifications to carry out the valuations. Management also have processes in place to review the external valuations. In addition, the external auditors use specialists to review the valuation and report their findings and conclusions to the Audit Committee.

The Committee has also considered a number of other judgements made by management in the preparation of the financial statements. It has concluded that none of these judgements have a material impact on the Group's results. The judgements reviewed include the recognition of the receivable due to the Group under the Capital Goods Scheme.

Management have reported to the Audit Committee that they are satisfied that they are not aware of any material misstatements in the financial statements. The auditors confirmed in their report to the Audit Committee that they had not found any material misstatements during their audit work.

Based on the above, the Committee concluded that the financial statements appropriately apply the key estimates and critical judgements, in respect of the disclosures and the amounts reported. The Committee also concluded that the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

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.

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 auditor describing their arrangements to identify, report and manage any conflicts of interest,
- > the overall extent of non-audit services provided by the external auditor, in addition to its case-by-case approval of the position of non-audit services by the external auditor; and
- > the past service of the auditor who was first appointed in 2000.

Audit Committee Report (continued)

Annual auditor assessment

The Audit Committee has adopted a formal framework in its review of the effectiveness of the external audit process and audit quality which include the following areas

- > the arrangements for ensuring the external auditor's independence and objectivity,
- > the lead audit engagement partner and the audit team,
- > the external auditor's fulfilment of the agreed audit plan and variations from the plan,
- > the quality of the formal audit report to shareholders,
- > 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.

The Committee considers that the relationship with the auditor is working well, and that they are effective in their role. 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 auditor is re-appointed.

Non-audit work

The Group's policy on external audit sets out the categories of non audit services which the external auditor 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.

In respect of the year ended 31 March 2014, the auditor's remuneration comprised £167,000 for audit work and £96,000 for other work, principally relating to tax work.

Audit rotation

The auditor, Deloitte LLP, has been in tenure since 2000 and the current audit partner has been in place since the audit of the prior year financial statements.

The Committee is supportive of the new provision in the UK Code requiring FTSE 350 companies to put the provision of external audit services out to tender at least every ten years. The Committee has reviewed the performance of the external auditor and is satisfied that currently Deloitte LLP provides an appropriate level of service delivered by a team with an in depth understanding of our business and the broader real estate sector. The Committee's present intention therefore is that they will tender the external audit by 2017 when the audit partner next rotates. There are no contractual obligations that act to restrict the Audit Committee's choice of external auditor.

Risk management and internal control

The Committee and the Board reviewed the internal control processes of the business and the Group's risk register during the year. The risks and uncertainties facing the Group, and its internal control processes are considered in the Strategic Report on page 33.

Internal audit

The Committee has considered the Board's view that, given the relatively straightforward nature of the Group's business and the control environment in place, no formal internal audit function is required. The Committee concurs with management's view.

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 auditor.

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
19 May 2014

Statement of Directors' Responsibilities

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.

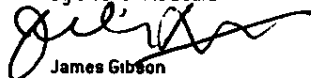
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

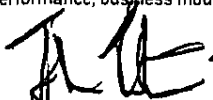
We confirm that to the best of our knowledge

- 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,
- 2 the strategic 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, and
- 3 the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy

By order of the Board



James Gibson
Chief Executive Officer
19 May 2014



John Potman
Chief Financial Officer
19 May 2014

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

Opinion on financial statements of Big Yellow Group PLC	<p>In our opinion the financial statements</p> <ul style="list-style-type: none"> > give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2014 and of the Group's profit for the year then ended, > the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (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 <p>The financial statements comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash Flow Statements and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and 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.</p>
Going concern	<p>As required by the Listing Rules we have reviewed the Directors' statement contained within the Strategic Report that the Group is a going concern. We confirm that</p> <ul style="list-style-type: none"> > we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate, and > we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. <p>However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.</p>
Our assessment of risks of material misstatement	<p>The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.</p>
Risk	How the scope of our audit responded to the risk
<p>Valuation of investment properties and investment properties under construction ("IPUC")</p> <p>Investment properties are held at £776.4m at 31 March 2014. This is the most quantitatively material balance in the financial statements. These investment properties are held at market value on the balance sheet. Market value is by its nature subjective with significant judgement applied to the valuation.</p> <p>The key judgements about individual properties are cap rates, rental growth and stabilised occupancy levels. These judgements drive a cash flow model that is used as the basis of the valuation of each individual property.</p>	<p>We assessed the appropriateness of the valuers' scope and assessed whether the third party valuers had sufficient expertise and resource.</p> <p>We obtained the source information provided by management (e.g. historical revenue on a store by store basis) to the third party valuers and tested the integrity of such information. We met with the third party valuers to discuss the key judgements included within their valuations and analysed the key judgements, namely cap rates, rental growth and stabilised occupancy on a property by property basis. This analysis was undertaken at both a portfolio and individual store level.</p> <p>We also provided the valuations to our own internal real estate specialists who performed an independent assessment of the assumptions that underpin the valuations based on their knowledge of the self storage industry and wider real estate market.</p>
<p>VAT capital goods scheme (CGS) receivable</p> <p>The Group has a VAT CGS receivable at 31 March 2014 of £9.0m reflecting the right to reclaim VAT from HMRC, which it incurred in acquiring or developing assets subsequently used for generating taxable supplies. We have identified the following key considerations:</p> <ul style="list-style-type: none"> > the valuation of the asset is dependent on the VAT structure of the group, including the underlying leases, and > the discount rate used in determining the net present value of the asset is inherently judgemental. 	<p>We have involved VAT specialists in our audit team. We have reviewed the VAT structure of the group including a sample of the underlying leases. We agreed that a sum of £0.8m was recovered during the year ended 31 March 2014 by deduction against the Group's VAT return.</p> <p>We compared the discount rate applied by management against the Group's cost of debt given the capital expenditure was funded through bank financing. We tested the cost of debt through agreement to supporting documentation (e.g. loan agreements).</p> <p>We performed sensitivity analysis on the discount rate by calculating the impact on the value of the VAT CGS receivable of using the Group weighted average cost of capital (WACC) obtained from an independent source and the interest rate on 10 year UK gilts given the discount rate incorporates the risk of default by the counterparty, namely HMRC.</p>


The Audit Committee's consideration of these risks is set out on page 77

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above and we do not express an opinion on these individual matters

Our application of materiality	<p>We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.</p> <p>We determined materiality for the Group to be £4.2 million. This figure was determined as 0.5% of non-current assets. We consider non-current assets to be a critical financial performance measure for the group on the basis that it is a key metric used by management and is the basis of the discussion of net asset value in the Strategic Report. This figure is below 1% of total equity.</p> <p>In addition to total equity, we also consider the account balances contained within adjusted profit before tax, which exclude the gain on revaluation of investment properties, movement in fair value interest rate derivatives and share of non-recurring losses/(gains) in associate, to be critical financial performance measures for the group. We applied a lower threshold of £1.4 million for testing all balances impacting these financial performance measures, which has been determined as 5% of adjusted profit before tax.</p> <p>We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £80,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.</p>
An overview of the scope of our audit	<p>Our audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement.</p> <p>The Group audit team performed the audits of all entities within the Group given they are all located in the United Kingdom and operate from the same office with the same financial system. In addition, the Group team also tested the consolidation process.</p> <p>The Group audit team continued to follow a programme of planned site visits that has been designed so that either the Senior Statutory Auditor or another member of the Group audit team visits each of the Group's stores at least once every six years. At each site visited we undertook a stock count, tested occupancy, tested controls around cash, agreed cash balances to bank reconciliations and held discussions with store staff.</p>
Opinion on other matters prescribed by the Companies Act 2006	<p>In our opinion</p> <ul style="list-style-type: none">> 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 Strategic Report and 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	
Adequacy of explanations received and accounting records	<p>Under the Companies Act 2006 we are required to report to you if, in our opinion</p> <ul style="list-style-type: none">> we have not received all the information and explanations we require for our audit, or> 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 are not in agreement with the accounting records and returns <p>We have nothing to report in respect of these matters.</p>
Directors' remuneration	<p>Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.</p>
Corporate Governance Statement	<p>Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.</p>

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

Our duty to read other information in the Annual Report	<p>Under International Standards on Auditing (UK and Ireland), we are required to report to you if in our opinion, information in the annual report is</p> <ul style="list-style-type: none">> materially inconsistent with the information in the audited financial statements, or> apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit, or> otherwise misleading <p>In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.</p>
Respective responsibilities of directors and auditor	<p>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. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, strategically focused second partner reviews and independent partner reviews.</p> <p>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.</p>
Scope of the audit of the financial statements	<p>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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.</p>



Darren Longley FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, United Kingdom
19 May 2014

Consolidated Statement of Comprehensive Income

Year ended 31 March 2014

	Note	2014 £000	2013 £000
Revenue	3	72,196	69,671
Cost of sales		(25,040)	(24,493)
Gross profit		47,156	45,178
Administrative expenses		(7,619)	(7,724)
Operating profit before gains and losses on property assets		39,537	37,454
Gain on the revaluation of investment properties	13a, 14	28,350	9,535
Gains on surplus land	15	–	1,039
Operating profit		67,887	48,028
Share of profit of associate	13d	180	618
Investment income – interest receivable	7	415	33
– fair value movement of derivatives	7	2,681	–
Finance costs – interest payable	8	(11,315)	(12,280)
– fair value movement of derivatives	8, 18	–	(223)
– refinancing costs	8	–	(4,300)
Profit before taxation		59,848	31,876
Taxation	9	(300)	–
Profit for the year (attributable to equity shareholders)	5	59,548	31,876
Total comprehensive income for the year (attributable to equity shareholders)		59,548	31,876
Basic earnings per share	12	42.5p	24.4p
Diluted earnings per share	12	42.2p	24.1p

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

Year ended 31 March 2014

	Note	2014 £000	2013 £000
Non-current assets			
Investment property	13a	776,390	745,605
Investment property under construction	13a	22,303	17,277
Interests in leasehold property	13a	23,814	21,803
Plant, equipment and owner-occupied property	13b	2,985	2,750
Goodwill	13c	1,433	1,433
Investment in associate	13d	17,861	17,681
Capital Goods Scheme receivable	16	7,620	7,501
		852,406	814,050
Current assets			
Surplus land	15	6,059	4,593
Inventories		290	300
Trade and other receivables	16	13,531	14,450
Cash and cash equivalents		3,301	7,850
		23,181	27,193
Total assets		875,587	841,243
Current liabilities			
Trade and other payables	17	(26,818)	(24,421)
Borrowings	19	(2,034)	(1,937)
Obligations under finance leases	21	(1,615)	(1,952)
		(30,467)	(28,310)
Non-current liabilities			
Derivative financial instruments	18c	(2,813)	(5,494)
Borrowings	19	(226,044)	(234,948)
Obligations under finance leases	21	(22,199)	(19,851)
Other payables	17	-	(12)
		(251,056)	(260,305)
Total liabilities		(281,523)	(288,615)
Net assets		594,064	552,628
Equity			
Called up share capital	22	14,306	14,264
Share premium account		44,278	44,278
Reserves		535,480	494,086
Equity shareholders' funds		594,064	552,628

The financial statements were approved by the Board of Directors and authorised for issue on 19 May 2014. They were signed on its behalf by


James Gibson
Director


John Trotman
Director

Company Registration No 03625199

Consolidated Statement of Changes in Equity

Year ended 31 March 2014

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Other distributable reserve £000	Own shares £000	Total £000
At 1 April 2013	14,264	44,278	1,653	463,263	34,793	(5,623)	552,628
Total comprehensive gain for the year	–	–	–	59,548	–	–	59,548
Issue of share capital	42	–	–	–	–	–	42
Dividend	–	–	–	(19,591)	–	–	(19,591)
Credit to equity for equity-settled share based payments	–	–	–	1,437	–	–	1,437
At 31 March 2014	14,306	44,278	1,653	504,657	34,793	(5,623)	594,064

Year ended 31 March 2013

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Other distributable reserve £000	Own shares £000	Total £000
At 1 April 2012	13,139	43,432	1,653	441,899	–	(5,623)	494,500
Total comprehensive gain for the year	–	–	–	31,876	–	–	31,876
Issue of share capital	1,125	846	–	–	34,793	–	36,764
Dividend	–	–	–	(13,543)	–	–	(13,543)
Credit to equity for equity-settled share based payments	–	–	–	3,031	–	–	3,031
At 31 March 2013	14,264	44,278	1,653	463,263	34,793	(5,623)	552,628

The other distributable reserve arose from merger relief under S612 of Companies Act 2006, following the Group's placing of 10 million shares in January 2013

Consolidated Cash Flow Statement

Year ended 31 March 2014

	Note	2014 £000	2013 £000
Operating profit		67,887	48,028
Gain on the revaluation of investment properties	13a 14	(28,350)	(9,535)
Gains on surplus land	15	-	(1,039)
Depreciation	13b	526	583
Depreciation of finance lease capital obligations	13a	974	933
Employee share options	6	1,437	1,376
Decrease/(increase) in inventories		10	(1)
Increase in receivables		(1,652)	(1,016)
Increase in payables		2,458	2,696
Cash generated from operations		43,290	42,025
Interest paid		(10,558)	(11,873)
Interest received		20	34
Cash flows from operating activities		32,752	30,186
Investing activities			
Sale of surplus land		-	15,864
Purchase of non-current assets		(8,460)	(5,745)
Additions to surplus land		(136)	(1,969)
Receipt from Capital Goods Scheme		756	-
Investment in associate	13d	-	(1,567)
Cash flows from investing activities		(7,840)	6,583
Financing activities			
Issue of share capital		42	36,764
Payment of finance lease liabilities	13a	(974)	(933)
Equity dividends paid	11	(19,591)	(13,543)
Refinancing fees		-	(5,096)
Payments to cancel interest rate derivatives		-	(10,477)
Reduction in borrowings		(8,938)	(45,694)
Cash flows from financing activities		(29,461)	(38,979)
Net decrease in cash and cash equivalents		(4,549)	(2,210)
Opening cash and cash equivalents		7,850	10,060
Closing cash and cash equivalents		3,301	7,850

Reconciliation of Net Cash Flow to Movement in Net Debt

Year ended 31 March 2014

	Note	2014 £000	2013 £000
Net decrease in cash and cash equivalents in the year		(4,549)	(2,210)
Cash outflow from decrease in debt financing		8,938	45,694
Change in net debt resulting from cash flows		4,389	43,484
Movement in net debt in the year		4,389	43,484
Net debt at the start of the year		(230,456)	(273,940)
Net debt at the end of the year	18	(226,067)	(230,456)

Notes to the Financial Statements

Year ended 31 March 2014

1. GENERAL INFORMATION

Big Yellow Group PLC is a Company incorporated in the United Kingdom 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 Strategic Report on pages 14 to 32.

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

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

- > IFRS 10 Consolidated Financial Statements
- > IFRS 11 Joint Arrangements
- > IFRS 12 Disclosure of Interests in Other Entities
- > IFRS 13 Fair Value Measurement
- > IAS 19 Employee Benefits
- > IAS 27 Separate Financial Statements (2011)
- > IAS 28 Investments in Associates and Joint Ventures (2011)
- > Amendments to IAS 1 Presentation of Items of Other Comprehensive Income
- > Amendments to IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities
- > Annual Improvements 2009-2011 Cycle
- > Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities Transition Guidance
- > Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
- > Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

With the exception of IFRS 13, 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.

Under IFRS 13 the Group's derivative financial instruments are now subject to a credit value adjustment ("CVA"). The CVA takes into account the credit worthiness of the respective counterparties.

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):

- > IFRS 2 Share based Payment Amendments resulting from Annual Improvements 2010-2012 Cycle (definition of vesting condition)
- > IFRS 3 Business Combinations Amendments resulting from Annual Improvements 2010-2012 Cycle (accounting for contingent consideration)
- > IFRS 3 Business Combinations Amendments resulting from Annual Improvements 2011-2013 Cycle (scope exception for joint ventures)
- > IFRS 7 Financial Instruments Disclosures Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures
- > IFRS 8 Operating Segments Amendments resulting from Annual Improvements 2010-2012 Cycle (aggregation of segments, reconciliation of segment assets)
- > IFRS 9 Financial Instruments Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures
- > IFRS 13 Fair Value Measurement Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52)
- > IAS 16 Property, Plant and Equipment Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)
- > IAS 19 Employee Benefits Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service
- > IAS 24 Related Party Disclosures Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)
- > IAS 32 Financial Instruments Presentation Amendments relating to the offsetting of assets and liabilities
- > IAS 36 Impairment of Assets Amendments arising from Recoverable Amount Disclosures for Non-Financial Assets
- > IAS 38 Intangible Assets Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)
- > IAS 40 Investment Property Amendments resulting from Annual Improvements 2011-2013 Cycle (interrelationship between IFRS 3 and IAS 40)

We do not expect there to be a material impact from the adoption of these standards.

Notes to the Financial Statements (continued)

Year ended 31 March 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 in the Strategic Report. 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 Strategic Report and in the notes to the financial statements.

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 ended 31 March 2015 and projections contained in the longer term business plan which covers the period to March 2019. 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.

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 direct the relevant activities 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 in 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. Any costs directly attributable to the business combination are recognised in the income statement. 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 the lower of their carrying amount and 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 the statement of comprehensive income.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The goodwill in the balance sheet has an indefinite useful economic life.

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 on a straight line basis. The Group recognises non storage income on a straight line basis 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 on a straight line basis over the period for which the services are provided.

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.

Borrowings

Interest bearing 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 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Plant, equipment and 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 investment properties, over their estimated useful lives, using the straight line method, on the following bases

Freehold property	50 years
Leasehold improvements	Over period of the lease
Plant and machinery	10 years
Motor vehicles	4 years
Fixtures and fittings	5 years
Computer equipment	3 years

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

Investment property

The criteria 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 as a 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 21. 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, which can include assets held for development and future sale, 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. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 forward curves at the reporting date and the credit risk inherent in the contract.

Changes in the fair value of derivative financial instruments are recognised in the 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 approximates 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 and excludes the effect of non market based vesting conditions. 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. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market based vesting conditions. The impact of the revision of the original estimates, if any, is recovered in profit and loss such that the cumulative expenses reflects the revised estimate with a corresponding adjustment to equity reserves.

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.

Notes to the Financial Statements (continued)

Year ended 31 March 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 the 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 is set out in note 14 to the accounts.

b) Capital Goods Scheme receivable

The Group has a receivable in respect of amounts due back from HMRC under the Capital Goods Scheme following the imposition of VAT on self storage from 1 October 2012. The amount recognised has been calculated in accordance with the relevant legislation, but is subject to confirmation by HMRC. The amount is payable over up to ten years and has been discounted at the Group's average cost of debt.

3. REVENUE

Analysis of the Group's operating revenue can be found below and in the Portfolio Summary on page 20

	2014 £000	2013 £000
Open stores		
Self storage income	59,994	58,112
Other storage related income	10,475	9,996
Ancillary store rental income	237	226
	70,706	68,334
Other revenue		
Non-storage income	420	298
Fees earned from Big Yellow Limited Partnership	640	639
Other management fees earned	430	400
Revenue per statement of comprehensive income	72,196	69,671
Interest receivable on bank deposits (see note 7)	20	33
Total revenue per IAS 18	72,216	69,704

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. PROFIT FOR THE YEAR

a) Profit for the year has been arrived at after charging/(crediting)

	2014 £000	2013 £000
Depreciation of plant, equipment and owner-occupied property	526	583
Leasehold property depreciation	974	933
Gain on the revaluation of investment property	(28,350)	(9,535)
Gains on surplus land	-	(1,039)
Cost of inventories recognised as an expense	923	908
Employee costs (see note 6)	11,075	10,947
Operating lease rentals	188	154
Auditor's remuneration for audit services (see below)	167	167

b) Analysis of auditor's remuneration

	2014 £000	2013 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	160	160
Other services – audit of the Company's subsidiaries' annual accounts	7	7
Total audit fees	167	167
Tax services – compliance	-	32
Tax services – advisory	54	60
Other services	41	34
Real estate advice (planning)	1	11
Total non-audit fees	96	137

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

	2014 Number	2013 Number
Sales	246	243
Administration	43	43
	289	286

At 31 March 2014 the total number of Group employees was 325 (2013 319)

	2014 £000	2013 £000
Their aggregate remuneration comprised		
Wages and salaries	8,007	7,763
Social security costs	1,275	1,472
Other pension costs	356	336
Share-based payments	1,437	1,376
	11,075	10,947

Details of Directors' Remuneration is given on pages 56 to 75

Notes to the Financial Statements (continued)

Year ended 31 March 2014

7 INVESTMENT INCOME

	2014 £000	2013 £000
Bank interest receivable	20	33
Unwinding of discount on Capital Goods Scheme receivable	395	–
Total interest receivable	415	33
Fair value movement on interest rate derivatives	2,681	–
Total investment income	3,096	33

8 FINANCE COSTS

	2014 £000	2013 £000
Interest on bank borrowings	10,768	11,458
Capitalised interest	(484)	(236)
Interest on obligations under finance leases	1,031	1,057
Other interest payable	–	1
Total interest payable	11,315	12,280
Change in fair value of interest rate derivatives	–	223
Refinancing costs	–	4,300
Total finance costs	11,315	16,803

The refinancing costs in the prior year relate to the unamortised loan arrangement costs of the previous bank facility, and the write-off of the set up costs of the new bank facility in accordance with IAS 39

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 its 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.

	2014 £000	2013 £000
UK current tax		
Current tax		
– Current year	300	–
Deferred tax (see note 20)		
– Current year	–	–
	300	–

A reconciliation of the tax charge is shown below

	2014 £000	2013 £000
Profit before tax	59,848	31,876
Tax charge at 23% (2013 – 24%) thereon	13,765	7,650
Effects of		
Revaluation of investment properties	(6,368)	493
Permanent differences	147	(3,155)
Profits from the tax exempt business	(6,386)	(5,313)
Losses not utilised in the year	–	4,663
Utilisation of brought forward losses	(41)	–
Movement on other unrecognised deferred tax assets	(817)	(4,338)
Total tax charge	300	–

At 31 March 2014 the Group has unutilised tax losses of £36.5 million (2013: £37.5 million) available for offset against certain types of future taxable profits. All losses can be carried forward indefinitely.

10 ADJUSTED PROFIT BEFORE TAX AND ADJUSTED EBITDA

	2014 £000	2013 £000
Profit before tax	59,848	31,876
(Gain)/loss on revaluation of investment properties – wholly owned	(28,350)	(9,535)
– in associate	662	(821)
Change in fair value of interest rate derivatives – Group	(2,681)	223
– in associate	(258)	(211)
VAT implementation costs	–	179
Refinancing costs	–	4,300
Share of refinancing costs in associate	–	499
Gains on surplus land	–	(1,039)
Adjusted profit before tax	29,221	25,471
Net bank interest	10,264	11,190
Depreciation (see note 13b)	526	583
Adjusted EBITDA	40,011	37,244

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. EPRA earnings are £28,921,000 for the year after the tax charge of £300,000 (2013 £25,471,000 after no tax charge)

11. DIVIDENDS

	2014 £000	2013 £000
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 31 March 2013 of 6 Op (2012 5.5p) per share	8,384	7,057
Interim dividend for the year ended 31 March 2014 of 8 Op (2013 5.0p) per share	11,207	6,486
	19,591	13,543
Proposed final dividend for the year ended 31 March 2014 of 8.4p (2013 6.0p) per share	11,774	8,384

Subject to approval by shareholders at the Annual General Meeting to be held on 16 July 2014, the final dividend will be paid on 24 July 2014. The ex-div date is 11 June 2014 and the record date is 13 June 2014.

The Property Income Dividend ("PID") payable for the year is 13 pence per share (2013 8 pence per share)

Notes to the Financial Statements (continued)

Year ended 31 March 2014

12 EARNINGS AND NET ASSETS PER SHARE

	Year ended 31 March 2014			Year ended 31 March 2013		
	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic	59.5	139.9	42.5	31.9	130.9	24.4
Dilutive share options	-	1.2	(0.3)	-	1.3	(0.3)
Diluted	59.5	141.1	42.2	31.9	132.2	24.1
Adjustments:						
Gain on revaluation of investment properties	(28.3)	-	(20.1)	(9.5)	-	(7.2)
Change in fair value of interest rate derivatives	(2.7)	-	(1.9)	0.2	-	0.2
Gains on surplus land	-	-	-	(1.0)	-	(0.8)
VAT implementation costs	-	-	-	0.2	-	0.1
Refinancing costs	-	-	-	4.3	-	3.3
Share of associate non-recurring losses/(gains)	0.4	-	0.3	(0.6)	-	(0.4)
EPRA – diluted	28.9	141.1	20.5	25.5	132.2	19.3
EPRA – basic	28.9	139.9	20.7	25.5	130.9	19.5

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

EPRA earnings and earnings per ordinary share before non-recurring items, movements on revaluation of investment properties, gains on surplus land, the change in fair value of interest rate derivatives, and share of associate non-recurring gains and losses have been disclosed to give a clearer understanding of the Group's underlying trading performance.

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.

	31 March 2014 £000	31 March 2013 £000
Basic net asset value	594,064	552,628
Exercise of share options	483	555
EPRA NNNAV	594,547	553,183
Adjustments		
Fair value of derivatives	2,813	5,494
Fair value of derivatives – share of associate	(26)	232
EPRA NAV	597,334	558,909
Basic net assets per share (pence)	423.9	395.5
EPRA NNNAV per share (pence)	418.5	390.0
EPRA NAV per share (pence)	420.5	394.1
EPRA NAV (as above) (£000)	597,334	558,909
Valuation methodology assumption (see note 14) (£000)	37,057	35,621
Adjusted net asset value (£000)	634,391	594,530
Adjusted net assets per share (pence)	446.5	419.2

	No of shares	No of shares
Shares in issue	143,061,147	142,639,647
Own shares held in treasury	(1,418,750)	(1,418,750)
Own shares held in EBT	(1,500,000)	(1,500,000)
Basic shares in issue used for calculation	140,142,397	139,720,897
Exercise of share options	1,926,527	2,110,396
Diluted shares used for calculation	142,068,924	141,831,293

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).

13. NON-CURRENT ASSETS

a) Investment property, investment property under construction and interests in leasehold property

	Investment property £000	Investment property under construction £000	Interests in leasehold property £000	Total £000
At 31 March 2012	726,390	33,905	22,394	782,689
Additions	3,376	305	-	3,681
Capital Goods Scheme adjustment*	(10,629)	-	-	(10,629)
Reclassification	16,260	(16,260)	-	-
Adjustment to present value	-	-	342	342
Revaluation	10,208	(673)	-	9,535
Depreciation	-	-	(933)	(933)
At 31 March 2013	745,605	17,277	21,803	784,685
Additions	1,745	5,860	-	7,605
Capital Goods Scheme adjustment**	1,186	-	-	1,186
Transfer to surplus land	(1,330)	-	-	(1,330)
Adjustment to present value	-	-	2,985	2,985
Revaluation (see note 14)	29,184	(834)	-	28,350
Depreciation	-	-	(974)	(974)
At 31 March 2014	776,390	22,303	23,814	822,507

* The Capital Goods Scheme adjustment in the prior year includes the discounted debtor receivable of £10,346,000, and a reduction in the creditor payable of £283,000

** The Capital Goods Scheme receivable has been reduced in the year by £1.2 million following the identification of some trapped Capital Goods Scheme recovery

The income from self storage accommodation earned by the Group from its investment property is disclosed in note 3. Direct operating expenses, which are all applied to generating rental income, arising on the investment property in the year are disclosed in the Portfolio Summary on page 20. Included within additions is £0.5 million of capitalised interest (2013: £0.2 million), calculated at the Group's average borrowing cost for the year of 4.5%. 55% of the Group's investment properties are pledged as security for loans, with a total external value of £770,140,000.

b) Plant, equipment and owner occupied property

	Freehold property £000	Leasehold improvements £000	Plant and machinery £000	Motor vehicles £000	Fixtures, fittings & office equipment £000	Total £000
Cost						
At 31 March 2012	1,867	44	780	25	6,308	9,024
Additions	-	-	46	-	650	696
At 31 March 2013	1,867	44	826	25	6,958	9,720
Reclassification	(9)	9	-	-	-	-
Retirement of fully depreciated assets	(15)	-	(418)	-	(5,813)	(6,246)
Additions	-	-	17	-	744	761
At 31 March 2014	1,843	53	425	25	1,889	4,235
Depreciation						
At 31 March 2012	(226)	(44)	(563)	(9)	(5,545)	(6,387)
Charge for the year	(35)	-	(46)	(6)	(496)	(583)
At 31 March 2013	(261)	(44)	(609)	(15)	(6,041)	(6,970)
Reclassification	2	(2)	-	-	-	-
Retirement of fully depreciated assets	15	-	418	-	5,813	6,246
Charge for the year	(49)	(3)	(27)	(7)	(440)	(526)
At 31 March 2014	(293)	(49)	(218)	(22)	(668)	(1,250)
Net book value						
At 31 March 2014	1,550	4	207	3	1,221	2,985
At 31 March 2013	1,606	-	217	10	917	2,750

Notes to the Financial Statements (continued)

Year ended 31 March 2014

13. NON-CURRENT ASSETS (continued)

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.

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 2014 £000	31 March 2013 £000
At the beginning of the year	17,681	15,496
Subscription for partnership capital and advances	–	1,567
Share of results (see below)	180	618
	17,861	17,681

The Group has subscribed for cumulative partnership capital and advances of £16,366,000 to 31 March 2014 (2013: £16,366,000).

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 31 March 2014 £000	Year ended 31 March 2013 £000
Big Yellow Limited Partnership		
Income statement (100%)		
Revenue	9,529	8,289
Cost of sales	(4,846)	(4,845)
Administrative expenses	(112)	(76)
Operating profit	4,571	3,368
(Loss)/gain on the revaluation of investment properties	(1,985)	2,462
Net interest payable	(2,820)	(3,111)
Refinancing costs	–	(1,497)
Fair value movement of interest rate derivatives	774	633
Profit before and after tax	540	1,855
Balance sheet (100%)		
Investment property	108,110	109,480
Other non-current assets	3,588	3,598
Current assets	3,009	3,422
Current liabilities	(3,201)	(2,759)
Derivative financial instruments	77	(697)
Non-current liabilities	(58,000)	(60,000)
Net assets (100%)	53,583	53,044
Group share of (33.3%)		
Operating profit	1,524	1,122
(Loss)/gain on the revaluation of investment properties	(662)	821
Net interest payable	(940)	(1,037)
Refinancing costs	–	(499)
Fair value movement of interest rate derivatives	258	211
Profit for the year	180	618
Associate net assets	17,861	17,681

13 NON-CURRENT ASSETS (continued)

The Partnership has a £60 million bank facility with RBS and HSBC expiring in September 2016. £2 million of this facility has been voluntarily repaid and cancelled during the year, leaving drawn debt at £58 million at 31 March 2014. The loan amortises to £51.1 million by September 2016, with amortisation starting in June 2014.

The average cost of debt of the facility in the year was 5.1%. Interest rate derivatives are in place covering 50% of the drawn debt at a pre-margin cost of 1.05%. There is a margin ratchet based on the Partnership's income cover which ranges between 250 bps and 400 bps.

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 property assets within the Partnership exercisable at 31 March 2014 (subject to an IRR hurdle being achieved) and at 31 March 2015 (with no IRR hurdle). The option has been deferred at 31 March 2014, and has been assessed to have nil value at 31 March 2014. The Directors have considered the rights the option bestows on the Group and have concluded that as at 31 March 2014, the option does not allow the Group to direct the relevant activities of the Partnership and accordingly continues to account for its investment in the Partnership on an equity accounting basis.

14. VALUATION OF INVESTMENT PROPERTY

	Deemed cost £000	Revaluation on deemed cost £000	Valuation £000
Freehold stores*			
At 31 March 2013	372,190	328,315	700,505
Transfer to surplus land	(1,330)	–	(1,330)
Capital Goods Scheme adjustment	1,186	(1,186)	–
Movement in year	1,457	25,728	27,185
At 31 March 2014	373,503	352,857	726,360
Leasehold stores			
At 31 March 2013	15,911	29,189	45,100
Movement in year	288	4,642	4,930
At 31 March 2014	16,199	33,831	50,030
Total of open stores			
At 31 March 2013	388,101	357,504	745,605
Transfer to surplus land	(1,330)	–	(1,330)
Capital Goods Scheme adjustment	1,186	(1,186)	–
Movement in year	1,745	30,370	32,115
At 31 March 2014	389,702	386,688	776,390
Investment property under construction			
At 31 March 2013	23,782	(6,505)	17,277
Movement in year	5,860	(834)	5,026
At 31 March 2014	29,642	(7,339)	22,303
Valuation of all investment property			
At 31 March 2013	411,883	350,999	762,882
Transfer to surplus land	(1,330)	–	(1,330)
Capital Goods Scheme adjustment	1,186	(1,186)	–
Movement in year	7,605	29,536	37,141
At 31 March 2014	419,344	379,349	798,693

* Includes one long leasehold property

Notes to the Financial Statements (continued)

Year ended 31 March 2014

14 VALUATION OF INVESTMENT PROPERTY (continued)

The Group has classified the fair value investment property and the investment property under construction within Level 3 of the fair value hierarchy. There has been no transfer to or from Level 3 in the year.

The freehold and leasehold investment properties have been valued at 31 March 2014 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.

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%, and
- > 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 low liquidity 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,
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, and
4. The purchase of Selstor, Sweden, by Pelican Self Storage/M3 Capital in the fourth quarter of 2012.

There have been ten single store market transactions in the UK since 2010. 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 either straight line absorption from day one actual occupancy or variable absorption over years one to four of the cash flow period to an estimated stabilised/mature occupancy level. In the valuation the assumed stabilised occupancy level for the 54 trading stores (both freeholds and leaseholds) open at 31 March 2014 averages 81.1% (31 March 2013 81.5%). 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 29 months (31 March 2013 32 months), for the 22 lease up stores, the period to maturity is 36 months (31 March 2013 43 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 7.0% (31 March 2013 6.8%) rising to a stabilised net yield pre-administration expenses of 7.8% (31 March 2013 8.1%). Also on a no growth and pre-administration expenses basis the 22 lease up stores have a net initial yield of 5.5% (31 March 2013 4.9%) rising to 7.8% (31 March 2013 8.4%) 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 11.0% (31 March 2013 11.2%).
- 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.

14 VALUATION OF INVESTMENT PROPERTY (continued)

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 16.8 years (31 March 2013: 15.7 years).

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.

Immature stores value uncertainty

C&W have assessed the value of each property individually. However, two 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 two 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, being the maximum amount for notional purchaser's costs 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 2014 of £834.2 million (£35.5 million higher than the value recorded in the financial statements). The valuations in Big Yellow Limited Partnership are £4.8 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 £37.1 million and translates to 26.0 pence per share. We have included this revised valuation in the adjusted diluted net asset calculation (see note 12).

Notes to the Financial Statements (continued)

Year ended 31 March 2014

15 SURPLUS LAND

	£000
At 31 March 2013	4,593
Transfer from investment property	1,330
Additions	136
At 31 March 2014	6,059

In the prior year a gain of £1,039,000 was recognised following the disposal of three sites

16 TRADE AND OTHER RECEIVABLES

	31 March 2014 £000	31 March 2013 £000
Current		
Trade receivables	2,594	2,373
Capital Goods Scheme receivable	1,344	2,845
Other receivables	384	887
Prepayments and accrued income	9,209	8,345
	13,531	14,450
Non-current		
Capital Goods Scheme receivable	7,620	7,501

Trade receivables are net of a bad debt provision of £42,000 (2013 £45,000). The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

The Financial Review contains commentary on the Capital Goods Scheme receivable.

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 between one week to four 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% of the total balance of trade receivables.

Included in the Group's trade receivable balance are debtors with a carrying amount of £285,000 (2013 £384,000) 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 37 days past due (2013 34 days past due).

Ageing of past due but not impaired receivables

	2014 £000	2013 £000
1 – 30 days	136	299
30 – 60 days	52	37
60 + days	97	48
Total	285	384

The aged debtors relate principally to tenants at sites awaiting development, rather than storage customers. The majority of these amounts have been collected since the year end.

16 TRADE AND OTHER RECEIVABLES (continued)**Movement in the allowance for doubtful debts**

	2014 £000	2013 £000
Balance at the beginning of the year	45	24
Amounts provided in year	73	116
Amounts written off as uncollectible	(76)	(95)
Balance at the end of the year	42	45

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

Ageing of impaired trade receivables

	2014 £000	2013 £000
1 – 30 days	–	–
30 – 60 days	5	3
60 + days	37	42
Total	42	45

17 TRADE AND OTHER PAYABLES

	31 March 2014 £000	31 March 2013 £000
Current		
Trade payables	10,758	8,454
Other payables	5,647	5,445
Accruals and deferred income	10,330	10,500
Amounts owed to associate	2	2
VAT repayable under Capital Goods Scheme	81	20
	26,818	24,421
Non-current		
VAT repayable under Capital Goods Scheme	–	12

The Group has financial risk management policies in place to ensure that all payables are paid within the credit terms. The Directors consider the carrying amount of trade and other payables and accruals and deferred income approximates fair value.

The Directors estimate the fair value of the Group's VAT payable under the Capital Goods Scheme as follows:

	2014		2013	
	Carrying amount £000	Estimated fair value £000	Carrying amount £000	Estimated fair value £000
VAT payable under the Capital Goods Scheme	81	81	32	31

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

Notes to the Financial Statements (continued)

Year ended 31 March 2014

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 debt facilities require 60% of total drawn debt to be fixed. 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.

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:

	2014 £000	2013 £000
Debt	(229,368)	(238,306)
Cash and cash equivalents	3,301	7,850
Net debt	(226,067)	(230,456)
Balance sheet equity	594,064	552,628
Net debt to equity ratio	38.1%	41.7%

Debt is defined as long term and short term borrowings, as detailed in note 19, excluding finance leases and debt issue costs. 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 40 self storage assets and sites, and through 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 2014 the Group had one interest rate derivative in place, £70 million fixed at 2.80% (excluding the margin on the underlying debt instrument) until September 2016.

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 gain in the statement of comprehensive income for the year on the fair value of interest rate derivatives was £2,681,000 (2013: loss of £223,000).

The fair value of the above derivatives at 31 March 2014 was a liability of £2,813,000 (2013: liability of £5,494,000).

18 FINANCIAL INSTRUMENTS (continued)

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 2014, 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 £315,000 (2013 reduced adjusted profit before tax by £350,000) and a decrease of 0.5 percentage points in interest rates would have increased the Group's adjusted profit before tax by £315,000 (2013 increased adjusted profit before tax by £350,000). 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.

The Group's sensitivity to interest rates has decreased during the year, following the repayment of 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 42,000 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.

2014 Maturity	Total £000	Less than one year £000	One to two years £000	Two to five years £000	More than five years £000
<i>Debt</i>					
Avva mortgage	96,368	2,034	2,136	7,073	85,125
Bank loan payable at variable rate	63,000	–	–	63,000	–
Debt fixed by interest rate derivatives	70,000	–	–	70,000	–
Total	229,368	2,034	2,136	140,073	85,125
<hr/>					
2013 Maturity	Total £000	Less than one year £000	One to two years £000	Two to five years £000	More than five years £000
<i>Debt</i>					
Avva mortgage	98,306	1,937	2,034	6,735	87,600
Bank loan payable at variable rate	70,000	–	–	70,000	–
Debt fixed by interest rate derivatives	70,000	–	–	70,000	–
Total	238,306	1,937	2,034	146,735	87,600

Notes to the Financial Statements (continued)

Year ended 31 March 2014

18 FINANCIAL INSTRUMENTS (continued)

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 value of the Group's outstanding interest rate derivative, as detailed in note 18C, has 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.

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:

2014	Trade and other payables £000	Interest rate swaps £000	Borrowings and interest £000	Finance leases £000	Total £000
From five to twenty years	–	–	115,534	28,355	143,889
From two to five years	–	306	155,696	6,308	162,310
From one to two years	–	1,062	12,279	1,646	14,987
Due after more than one year	–	1,368	283,509	36,309	321,186
Due within one year	26,818	1,558	12,279	1,646	42,301
Total	26,818	2,926	295,788	37,955	363,487

2013	Trade and other payables £000	Interest rate swaps £000	Borrowings and interest £000	Finance leases £000	Total £000
From five to twenty years	–	–	122,377	23,489	145,866
From two to five years	–	2,216	168,561	5,965	176,742
From one to two years	12	1,649	12,472	1,989	16,122
Due after more than one year	12	3,865	303,410	31,443	338,730
Due within one year	24,421	1,641	12,472	1,989	40,523
Total	24,433	5,506	315,882	33,432	379,253

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.

2014	Borrowings £000	Interest £000	Unamortised borrowing costs £000	Borrowings and interest £000
From five to twenty years	85,125	29,119	1,290	115,534
From two to five years	140,073	15,623	–	155,696
From one to two years	2,136	10,143	–	12,279
Due after more than one year	227,334	54,885	1,290	283,509
Due within one year	2,034	10,245	–	12,279
Total	229,368	65,130	1,290	295,788

18 FINANCIAL INSTRUMENTS (continued)

2013	Borrowings £000	Interest £000	Unamortised borrowing costs £000	Borrowings and interest £000
From five to twenty years	87,600	33,356	1,421	122,377
From two to five years	146,735	21,826	–	168,561
From one to two years	2,034	10,438	–	12,472
Due after more than one year	236,369	65,620	1,421	303,410
Due within one year	1,937	10,535	–	12,472
Total	238,306	76,155	1,421	315,882

19 BORROWINGS

	31 March 2014 £000	31 March 2013 £000
Secured borrowings at amortised cost		
Current liabilities		
Aviva mortgage	2,034	1,937
Non-current liabilities		
Bank borrowings	133,000	140,000
Aviva mortgage	94,334	96,369
Unamortised loan arrangement costs	(1,290)	(1,421)
Total non-current borrowings	226,044	234,948
Total borrowings	228,078	236,885

The weighted average interest rate paid on the borrowings during the year was 4.5% (2013: 4.2%).

The Group has £22,000,000 in undrawn committed borrowing facilities at 31 March 2014, which expire between two and three years (2013: £15,000,000 expiring between three and four years).

In April 2012, the Group completed 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%.

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 Group has a £155 million 4 year bank facility with Lloyds, HSBC and Santander, expiring in September 2016. £120 million of the facility is term loan with the balance of £35 million revolving. The facilities attract a ratcheted margin over LIBOR based on interest cover. The Group is currently paying a blended 2.4% margin, the lowest margin on the ratchet, which is effective for asset income cover of greater than 3 times.

The Group was comfortably in compliance with its banking covenants at 31 March 2014, as illustrated in the table below.

Covenant	Covenant level	At 31 March 2014
Consolidated EBITDA	Minimum 1.5x	3.96x
Consolidated net tangible assets (less goodwill)	Minimum £250m	£592.6 m
Bank loan income cover	Minimum 1.75x	5.29x
Aviva loan interest service cover ratio	Minimum 1.5x	2.64x
Aviva loan debt service cover ratio	Minimum 1.2x	1.88x

The bank and Aviva loan income cover ratios are calculated by dividing the net operating income earned from the respective charged asset pools by the interest charged on each loan over a rolling 12 month period. The Aviva debt service covenant additionally includes the capital repayment with the interest.

Notes to the Financial Statements (continued)

Year ended 31 March 2014

19 BORROWINGS (continued)

Interest rate profile of financial liabilities

Interest rate profile of financial liabilities	Total £000	Floating rate £000	Fixed rate £000	Weighted average interest rate	Period for which the rate is fixed	Weighted average period until maturity
At 31 March 2014						
Gross financial liabilities	229,368	63,000	166,368	4.5%	7.4 years	6.1 years
At 31 March 2013						
Gross financial liabilities	238,306	70,000	168,306	4.4%	8.3 years	6.9 years

The floating rate at 31 March 2014 was paying a margin of 2.4% above one month LIBOR, the fixed rate debt was paying a weighted average margin of 2.5%. 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. The Directors have concluded that the carrying value of borrowings equates to its fair value.

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 (£0.6 million), corporation tax losses (£5.3 million), capital allowances in excess of depreciation (£0.4 million) and capital losses (£2.0 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.

21 OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value minimum of lease payments	
	2014 £000	2013 £000	2014 £000	2013 £000
Amounts payable under finance leases				
Within one year	1,646	1,989	1,615	1,952
Within two to five years inclusive	7,954	7,954	6,973	6,917
Greater than five years	28,355	23,489	15,226	12,934
	37,955	33,432	23,814	21,803
Less: future finance charges	(14,141)	(11,629)		
Present value of lease obligations	23,814	21,803		

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, allotted and fully paid	
	2014 £000	2013 £000	2014 £000	2013 £000
Ordinary shares of 10 pence each	20,000	20,000	14,306	14,264
Movement in issued share capital				
Number of shares at 31 March 2012				131,393,041
Exercise of share options – share option schemes				369,935
Issue of shares to Employee Benefit Trust				876,671
Placing of shares				10,000,000
Number of shares at 31 March 2013				142,639,647
Exercise of share options – share option schemes				421,500
Number of shares at 31 March 2014				143,061,147

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

22 SHARE CAPITAL (continued)

At 31 March 2014 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 2014	Number of ordinary shares 2013
2 July 2003	82 5p	2 July 2006	1 July 2013	–	10,000
11 November 2003	96p	11 November 2006	10 November 2013	–	4,350
6 June 2005	nil p**	6 June 2008	5 June 2015	–	66,667
9 June 2006	nil p**	9 June 2009	8 June 2016	–	72,462
9 July 2008	nil p**	9 July 2011	8 July 2018	7,320	24,080
3 August 2009	nil p**	3 August 2012	2 August 2019	5,625	24,425
23 February 2010	255p*	1 April 2013	1 October 2013	–	6,985
12 July 2010	nil p**	12 July 2013	11 July 2020	14,049	440,072
28 February 2011	263p*	28 February 2014	29 August 2014	24,471	26,184
19 July 2011	nil p**	19 July 2013	19 July 2021	485,582	492,082
12 March 2012	240p*	1 April 2015	1 October 2015	99,088	111,820
11 July 2012	nil p**	11 July 2015	10 July 2022	621,977	626,977
12 March 2013	305 5p*	1 April 2016	1 October 2016	38,954	53,657
19 July 2013	nil p**	19 July 2016	19 July 2023	514,821	–
25 February 2014	442 6p*	1 April 2017	1 October 2017	25,686	–
				1,837,573	1,959,761

* SAYE (see note 23) * LTIP (see note 23)

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 1,500,000 shares are held in the Employee Benefit Trust (2013 1,500,000), and 1,418,750 shares are held in treasury (2013 1,418,750)

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 £1,437,000 (2013 £1,376,000)

Equity-settled share option plans

The Group granted options to employees under Approved and Unapproved HMRC 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 three 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 60 of the Remuneration Report. The awards granted in 2004, 2005 and 2006 vested in full. The awards granted in 2007 and 2009 lapsed, and the awards granted in 2008 and 2010 partially vested. The weighted average share price at the date of exercise for options exercised in the year was £4.50 (2013 £3.19).

Notes to the Financial Statements (continued)

Year ended 31 March 2014

23 SHARE-BASED PAYMENTS (continued)

Share option scheme "ESO"	2014 No of options	2014 Weighted average exercise price £	2013 No of options	2013 Weighted average exercise price £
Outstanding at beginning of year	14,350	0.87	42,413	0.85
Exercised during the year	(14,350)	0.87	(28,044)	0.89
Lapsed during the year	-	-	(19)	-
Outstanding at the end of the year	-	-	14,350	0.87
Exercisable at the end of the year	-	-	14,350	0.87

There were no options outstanding at 31 March 2014 (31 March 2013 options outstanding had a weighted average contractual life of 0.3 years)

LTIP scheme	2014 No of options	2013 No of options
Outstanding at beginning of year	1,746,765	1,547,811
Granted during the year	514,821	626,977
Lapsed during the year	(213,310)	(308,350)
Exercised during the year	(398,902)	(119,673)
Outstanding at the end of the year	1,649,374	1,746,765
Exercisable at the end of the year	-	187,634

The weighted average fair value of options granted during the year was £759,000 (2013 £650,000)

Options outstanding at 31 March 2014 had a weighted average contractual life of 8.2 years (2013 7.9 years)

Employee Share Save Scheme ("SAYE")	2014 No of options	2014 Weighted average exercise price £	2013 No of options	2013 Weighted average exercise price £
Outstanding at beginning of year	198,646	2.61	380,675	1.86
Granted during the year	25,686	3.04	53,657	2.40
Forfeited during the year	(27,885)	2.74	(13,468)	2.98
Exercised during the year	(8,248)	2.55	(222,218)	1.41
Outstanding at the end of the year	168,199	2.84	198,646	2.61
Exercisable at the end of the year	-	-	-	-

Options outstanding at 31 March 2014 had a weighted average contractual life of 1.8 years (2013 2.5 years)

The inputs into the Black Scholes model are as follows

	LTIP	SAYE
Expected volatility	22%	24%
Expected life	3 years	3 years
Risk-free rate	0.7%	0.7%
Expected dividends	4.1%	4.1%

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

23 SHARE-BASED PAYMENTS (continued)

Long Term Bonus Performance Plan

The Group has a joint share ownership plan in place. This is accounted for as an equity instrument. The plan was set up in November 2012. Directors have a partial interest in 1,500,000 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 2014 the weighted average contractual life was 1.6 years.

24. CAPITAL COMMITMENTS

There were no amounts contracted but not provided in respect of the Group's properties as at 31 March 2014 (2013: no capital commitments).

25 EVENTS AFTER THE BALANCE SHEET DATE

On 16 April 2014, the Group invested £3.6 million in a new joint venture with a consortium of investors to acquire the entire share capital of HSIL Properties (Self Storage) UK Limited, which owns the 10 store Armadillo Self Storage portfolio. The Group has a 38% stake in the joint venture and has agreed a five year contract to manage the portfolio.

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 £640,000 (2013: £639,000). At 31 March 2014, the Partnership owed £338,000 to the Group (2013: Partnership owed £526,000 to the Group).

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 can be found in the audited part of the Directors' Remuneration Report on pages 68 to 75.

	31 March 2014 £000	31 March 2013 £000
Short term employee benefits	1,216	1,184
Post-employment benefits	92	89
Share based payments	633	2,700
	1,941	3,973

Dreams plc

Steve Johnson, a Non-Executive Director of the Group was the Executive Chairman of Dreams plc until 31 October 2012. During the prior year, the Group leased a retail unit at its Eltham store to Dreams plc on normal commercial terms.

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 £32,000 (2013: £19,000).

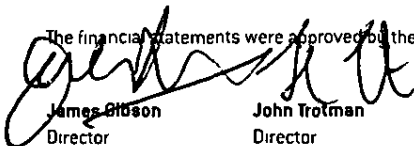
No other related party transactions took place during the years ended 31 March 2014 and 31 March 2013.

Company Balance Sheet

Year ended 31 March 2014

	Note	2014 £000	2013 £000
Non-current assets			
Plant, equipment and owner-occupied property	29a	1,551	1,476
Investment in subsidiary companies	29b	9,443	8,006
		10,994	9,482
Current assets			
Trade and other receivables	30	504,280	528,946
Cash and cash equivalents		1,055	2,155
		505,335	531,101
Total assets		516,329	540,583
Current liabilities			
Trade and other payables	31	(2,096)	(1,463)
		(2,096)	(1,463)
Non-current liabilities			
Derivative financial instruments	32	(2,813)	(5,494)
Bank borrowings	32	(133,000)	(140,000)
		(135,813)	(145,494)
Total liabilities		(137,909)	(146,957)
Net assets		378,420	393,626
Equity			
Called up share capital	22	14,306	14,264
Share premium account		44,278	44,278
Reserves		319,836	335,084
Equity shareholders' funds		378,420	393,626

The financial statements were approved by the Board of Directors and authorised for issue on 19 May 2014. They were signed on its behalf by



 James Gibson John Trotman
 Director Director

Company Registration No 03625199

Company Cash Flow Statement

Year ended 31 March 2014

	2014 £000	2013 £000
Operating loss	(529)	(1,092)
Depreciation	34	35
Decrease in receivables	31,097	132,920
Increase in payables	623	6,848
Cash generated by operations	31,225	138,711
Interest paid	(5,784)	(20,867)
Interest received	8	34
Cash flows from operating activities	25,449	117,878
Financing activities		
Issue of share capital	42	36,764
Equity dividends paid	(19,591)	(13,543)
Reduction in borrowings	(7,000)	(144,000)
Cash flows from financing activities	(26,549)	(120,779)
Net decrease in cash and cash equivalents	(1,100)	(2,901)
Opening cash and cash equivalents	2,155	5,056
Closing cash and cash equivalents	1,055	2,155

Company Statement of Changes in Equity

Year ended 31 March 2014

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Other distributable reserve £000	Own shares £000	Total £000
At 1 April 2013	14,264	44,278	1,653	304,261	34,793	(5,623)	393,626
Total comprehensive gain for the year	-	-	-	2,906	-	-	2,906
Equity dividends paid	-	-	-	(19,591)	-	-	(19,591)
Issue of share capital	42	-	-	-	-	-	42
Credit to equity for equity-settled share based payments	-	-	-	1,437	-	-	1,437
At 31 March 2014	14,306	44,278	1,653	289,013	34,793	(5,623)	378,420

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 2013

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Other distributable reserve £000	Own shares £000	Total £000
At 1 April 2012	13,139	43,432	1,653	319,843	-	(5,623)	372,444
Total comprehensive loss for the year	-	-	-	(5,070)	-	-	(5,070)
Equity dividends paid	-	-	-	(13,543)	-	-	(13,543)
Issue of share capital	1,125	846	-	-	34,793	-	36,764
Credit to equity for equity-settled share based payments	-	-	-	3,031	-	-	3,031
At 31 March 2013	14,264	44,278	1,653	304,261	34,793	(5,623)	393,626

The other distributable reserve arose from merger relief under S612 of Companies Act 2006, following the Company's placing of 10 million shares in the prior year

Notes to the Financial Statements (continued)

Year ended 31 March 2014

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 profit for the year attributable to equity shareholders dealt with in the financial statements of the Company was £2.9 million (2013: loss of £5.1 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 their 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.

A non-current payable of £6.7m has been reclassified in the Company account comparatives to intercompany receivables, as it was a payable relating to a fellow group company and there was a right of offset with the receivable.

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.

29 NON-CURRENT ASSETS

a) Plant, equipment and owner occupied property

	Freehold property £000	Leasehold improvements £000	Total £000
Cost			
At 31 March 2013	1,735	17	1,752
Transfer from other group company	109	–	109
At 31 March 2014	1,844	17	1,861
Accumulated depreciation			
At 31 March 2013	(259)	(17)	(276)
Charge for the year	(34)	–	(34)
At 31 March 2014	(293)	(17)	(310)
Net book value			
At 31 March 2014	1,551	–	1,551
At 31 March 2013	1,476	–	1,476

b) Investments in subsidiary companies

	Investment in subsidiary undertakings £000
Cost	
At 31 March 2013	8,006
Additions	1,437
At 31 March 2014	9,443

Notes to the Financial Statements (continued)

Year ended 31 March 2014

29 NON-CURRENT ASSETS (continued)

The Group comprises a large number of companies and therefore has taken advantage of the exemption under section 410(2) of the Companies Act 2006 in providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of Directors, principally affect the financial statements. The principal subsidiaries, wholly owned and, except where stated, registered and operating in England and Wales, are

Name of subsidiary	Place of incorporation ownership (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %	Principal activity
Big Yellow Self Storage Company Limited	UK	100	100	Self storage
Big Yellow Self Storage Company A 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
BYSSCo A 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 only associate at 31 March 2014 and 31 March 2013 are as follows

Name of associate	Place of incorporation ownership (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %	Principal activity
Big Yellow Limited Partnership	UK	33.3	33.3	Self storage

30 TRADE AND OTHER RECEIVABLES

	31 March 2014 £000	31 March 2013 £000
Amounts owed by Group undertakings	504,174	531,027
Prepayments and accrued income	106	74
	504,280	531,101

31 TRADE AND OTHER PAYABLES

	31 March 2014 £000	31 March 2013 £000
Current		
Other payables	1,631	1,041
Accruals and deferred income	465	422
	2,096	1,463

32. BANK BORROWINGS AND FINANCIAL INSTRUMENTS

Interest rate derivatives

The Company has one interest rate swap in place at the year end, £70 million fixed at 2.80% (excluding the margin on the underlying debt instrument) until September 2016. The floating rate at 31 March 2014 was paying a margin of 2.3% above one month LIBOR, the fixed rate debt was paying a weighted average margin of 2.5%. The Group's policy on risk management is set out in the Report on Corporate Governance on page 52 and in note 18.

	31 March 2014 £000	31 March 2013 £000
Bank borrowings	133,000	140,000
	133,000	140,000

Maturity profile of financial liabilities

	2014 Financial liabilities £000	2013 Financial liabilities £000
Between one and two years	-	-
Between two and five years	133,000	140,000
Gross financial liabilities	133,000	140,000

The fair value of interest rate derivatives at 31 March 2014 was a liability of £2,813,000 (2013 liability of £5,494,000). 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 trade and other payables of £2,096,000 in the current year (2013: £1,463,000), 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 £504,174,000 (2013: £531,027,000), including intercompany interest receivable of £6,545,000 (2013: £7,824,000).

Ten Year Summary

Year ended 31 March 2014

Results	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Revenue	72,196	69,671	65,663	61,885	57,995	58,487	56,870	51,248	41,889	33,375
Operating profit before gains and losses on property assets	39,537	37,454	35,079	32,058	29,068	30,946	29,342	27,067	21,645	15,030
Cash flow from operating activities	32,752	30,186	27,388	23,534	19,063	10,203	14,388	16,726	16,125	9,664
Profit/(loss) before taxation	59,848	31,876	(35,551)	6,901	10,209	(71,489)	102,618	152,837	118,547	42,836
Adjusted profit before taxation	29,221	25,471	23,643	20,207	16,514	13,791	15,006	14,233	12,601	7,791
Net assets	594,064	552,628	494,500	544,949	547,285	502,317	580,886	487,979	244,139	159,168
EPRA earnings per share	20.5p	19.3p	18.2p	15.5p	13.0p	11.9p	11.7p	10.0p	8.9p	5.5p
Declared total dividend per share	16.4p	11.0p	10.0p	9.0p	4.0p	0p	9.5p	9.0p	5.0p	2.0p
Key statistics										
Number of stores open*	66	66	65	62	60	54	48	43	37	32
Sq ft occupied (000)*	2,832	2,632	2,458	2,130	1,915	1,775	1,850	1,835	1,672	1,470
Occupancy growth in year (000 sq ft)*	200	174	328	215	140	(75)	15	163	202	202
Number of customers*	41,800	38,500	36,300	32,800	30,500	28,500	30,500	30,100	27,800	24,600
Average no of employees during the year	289	286	279	273	252	239	218	191	178	160

* Includes stores operating in Big Yellow Limited Partnership

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