

Big Yellow Group PLC



Big Yellow Group PLC

(“Big Yellow”, “the Group” or “the Company”)

RESULTS FOR THE YEAR ENDED 31 MARCH 2020

	Year ended 31 March 2020	Year ended 31 March 2019	Change
Financial metrics			
Revenue	£129.3m	£125.4m	3.1%
Like-for-like revenue ⁽¹⁾	£128.2m	£123.5m	3.8%
Store EBITDA ⁽¹⁾	£87.2m	£84.1m	3.7%
Adjusted profit before tax ⁽¹⁾	£71.0m	£67.5m	5.2%
EPRA earnings per share ⁽¹⁾	42.1p	41.4p	1.7%
Dividend – final	16.7p	16.5p	1.2%
– total	33.8p	33.2p	1.8%
Statutory metrics			
Profit before tax	£93.4m	£126.9m	(26%)
Cash flow from operating activities (after net finance costs)	£73.6m	£72.2m	1.9%
Basic earnings per share	55.8p	78.3p	(29%)
Store metrics			
Occupancy change ⁽¹⁾	(29,000 sq ft)	80,000 sq ft	n/a
Closing occupancy ⁽¹⁾	80.7%	82.4%	(1.7 ppt)
Occupancy – like-for-like stores (%) ⁽¹⁾	81.3%	82.4%	(1.1 ppt)
Average net achieved rent per sq ft ⁽¹⁾	£27.86	£27.14	2.7%
Closing net rent per sq ft ⁽¹⁾	£28.15	£27.28	3.2%

¹ See note 28 for glossary of terms

Highlights

For the year

- 3.1% revenue increase largely driven by increases in average rate
- Average rate up 2.7% year-on-year. Like-for-like closing store occupancy 81.3% (2019: 82.4%)
- Cash flow from operating activities (after net finance costs) increased by 1.9% to £73.6 million
- Adjusted profit before tax up 5.2% to £71.0 million
- 1.8% increase in total dividend to 33.8 pence per share
- Statutory profit before tax of £93.4 million, down 26% from prior year due to lower revaluation gain on investment properties
- Acquisition of three new development sites in Harrow, Hayes (both London) and Slough taking the pipeline to 13 sites totalling approximately 880,000 sq ft (19% of current MLA)
- Planning consent secured on three proposed stores in year, six in total now have planning
- New £35 million seven-year loan secured from existing lender Aviva
- The necessary protocols and provisioning of equipment required to keep our staff and customers safe were rapidly and effectively implemented following the lockdown, greatly facilitated by work previously carried out in partially automating our processes

Post year end

- Placing of 8.3 million shares in April 2020 raising £79.9 million (net of expenses) to grow our development pipeline, current net debt £265 million with available liquidity of £162 million
- In the period from 1 April 2020 to 8 June 2020, we have seen 38,000 sq ft of occupancy growth (2019: growth of 24,000 sq ft) and 1.4% growth in net rent per sq ft (2019: growth of 0.5%). Current like-for-like occupancy is 82.0%.
- As of 8 June, we have collected 96.7% of our April and May revenue, which compares to 97.3% over the same period last year

Big Yellow Group PLC

Nicholas Vetch, Executive Chairman of Big Yellow, commented:

“We, together with every other business, have experienced two seismic external shocks in twelve years. As was the case with the global financial crisis, the COVID-19 pandemic will most likely accelerate and accentuate pre-existing structural trends, challenges and opportunities and no doubt catalyse some that are currently unforeseen.

For this business there will be some negatives but a good deal of positives which we believe give us grounds for reasonable optimism. It will take time for those competing forces to play out and some clarity to emerge which will become evident in the performance of the business over the next few years.

Layered on to these powerful undercurrents will be cyclical challenges, the magnitude of which it is probably too early to judge. The events of the last few months have doubled down on our strongly held conviction that no management team in any business can confidently predict the timing of these momentous events, all we can assume and know with certainty is that they will happen again. It therefore leaves us in no doubt that this business should be financed conservatively with a modest amount of debt.

Although it has only been a couple of months, the business has so far proved to be relatively resilient through the initial lockdown phase, but as always we caution that we have limited visibility as to future trading patterns.

In light of the above we will continue with our long-held strategy of building new stores in our core area of activity in London and its commuter towns, where we may see more opportunity in the next few years. We are actively continuing to pursue this external growth strategy, whilst maintaining a conservative capital structure.”

ABOUT US

Big Yellow is the UK’s brand leader in self storage. Big Yellow now operates from a platform of 100 stores, including 25 stores branded as Armadillo Self Storage, in which the Group has a 20% interest. We own a further 13 Big Yellow self storage development sites of which six have planning consent. The current maximum lettable area of the existing platform (including Armadillo) is 5.8 million sq ft. When fully built out the portfolio will provide approximately 6.7 million sq ft of flexible storage space. Of the Big Yellow stores and sites, 98% by value are held freehold and long leasehold, with the remaining 2% short leasehold.

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.

Big Yellow Group PLC

Chairman's Statement

Big Yellow Group PLC ("Big Yellow", "the Group" or "the Company"), the UK's brand leader in self storage, is pleased to announce its results for the year ended 31 March 2020.

The Brexit process and the run up to the General Election led to softer demand for our business for much of the year. However, following the decisive result of that election and perceived increased clarity about the timing of the UK's exit from the European Union, we saw a significant increase in visits and enquiries with prospects up 12% in January and February compared to last year. Growth in occupancy was also up year-on-year for January and February. Unsurprisingly, this all changed in March with the onset of the Covid-19 pandemic, and the lockdown policy measures implemented.

Forming part of the storage and distribution network, and therefore considered to be an 'essential' business, we have remained open throughout the lockdown. The necessary protocols and provisioning of equipment required to keep our staff and customers safe were rapidly and effectively implemented following the lockdown, greatly facilitated by work previously carried out in partially automating our processes. Further detail is set out later in this statement and on our website bigyellow.co.uk/coronavirus/.

Following the imposition of the lockdown we experienced an immediate impact with heightened activity both in and out of the business, resulting in a net occupancy loss of 23,000 sq ft in the last two weeks of March, at a time when we would normally grow occupancy by a similar amount.

Demand from businesses has been relatively resilient over the lockdown period, however demand from short stay domestic event driven customers has been more affected. In the immediate aftermath of the lockdown both customer move-ins and move-outs were down approximately 50% and although the net impact on occupancy was negative it was modestly so given the external environment. More recently as some visibility has emerged regarding the exit from the lockdown we have and are seeing an increase in prospects and move-ins and move-outs. As of 8 June the net occupancy gain for the quarter to date is 38,000 sq ft (2019: gain of 24,000 sq ft). Prospect numbers have recovered and for the first week of June were up 20% on the equivalent period last year. Net rent per sq ft has grown by 1.4% since 1 April 2020. A key focus over this period has been our cash management. Over 80% of our customers pay by direct debit, and as of 8 June, we have collected 96.7% of our April and May revenue, which compares to 97.3% over the same period last year.

Financial results

Revenue for the year was £129.3 million (2019: £125.4 million), an increase of 3.1%. Like-for-like revenue growth (see note 28) was 3.8%.

At 31 March 2020 like-for-like occupancy was 81.3%, a decrease of 1.1 ppts from the same time last year, having been in line with last year at the end of February. Average rental growth was up 2.7% year-on-year compared to 2.9% last year.

Operating cash flow increased by £1.4 million (1.9%) to £73.6 million for the year (2019: £72.2 million). During the year we spent £63.7 million on growth capital expenditure, compared to £83.0 million in 2019. The Group's operating profit before gains on property assets increased by £3.3 million (4.3%) to £80.0 million. The Group's statutory profit before tax was £93.4 million, a decrease of 26% from £126.9 million in the prior year with the increase in operating profit offset by a lower revaluation gain on our investment properties in the year.

Given that our central overhead and operating expense is largely embedded in the business, this revenue growth has delivered an increase of 5.2% in the adjusted profit before tax in the year of £71.0 million (2019: £67.5 million). EPRA earnings per share increased by 1.7% to 42.1p (2019: 41.4p) with an equivalent 1.8% increase in the dividend per share for the year. The increase in earnings per share is lower than that reported for adjusted profit before tax as a result of the dilution from the equity placing in September 2018.

Investment in new capacity

Following the placing in November 2014 your Board embarked on a strategy of growing the Company and its earnings in the medium-term by acquiring and developing sites of the very highest quality with a focus on London and the South East. Since then, we have purchased 15 development sites and two trading freehold stores. We have secured 8 planning consents, opened two and have a further three under construction. We have also opened three other stores where the sites had been acquired prior to November 2014. Although, we are always subject to the vagaries of the planning system, at the time of writing, we see no significant impediment to building and opening the remaining stores in the development pipeline. In doing so we have or will deploy a total of £235 million.

Big Yellow Group PLC

Chairman's Statement

The development process is lengthy and often complicated, but the prize is in our view, significant. It has always been difficult to acquire sites by dint of their scarcity with competition principally coming from other uses, and a planning system which remains complex and unpredictable. The availability of sites for our use will remain limited despite the current economic dislocation, but we believe that this environment will provide some increased opportunity.

During the year the Group acquired a 6.4 acre site in Harrow, London for £20 million. The land has the benefit of an outline planning consent and Big Yellow will therefore make a reserved matters planning application for a 75,000 to 80,000 sq ft self storage centre and for approximately 110,000 sq ft of warehouse space. Upon receipt of planning permission the Group will decide how to deal with the five acres of land which will be surplus to requirement. The Group also completed the acquisition of sites in Hayes, West London and Slough during the year.

We opened our landmark 60,000 sq ft store in central Manchester in May 2019. The store was 37% occupied at the end of May, and is now generating a positive EBITDA.

The construction of our 77,000 sq ft store in Camberwell, London, our 57,000 sq ft store in Bracknell, and our 71,000 sq ft Battersea store, was delayed by the Covid-19 lockdown. We are now back on site at all three locations, and anticipate the stores opening in July 2020, September 2020 and November 2020 respectively.

Planning permission was granted last July for a 55,000 sq ft store on our site in Uxbridge, West London. Construction is expected to commence shortly, with the store scheduled to open in Summer 2021. We also received planning permission in October for a new 58,000 sq ft store in Hove, and construction will commence during this Autumn, with a view to the store opening in Spring 2022. In addition, we obtained planning permission in November for a 58,000 sq ft store in Queensbury, North West London.

The joint application at Kings Cross with the adjoining landowner, which was subject to an appeal in July 2019, was unsuccessful. We have therefore now submitted a standalone application for a slightly smaller store of approximately 105,000 sq ft based on our detailed discussions with the London Borough of Islington and the appeal determination notice. We have also submitted planning applications on our Hayes, North Kingston and Wembley stores, and although these applications are being progressed, the recent disruption has slowed that process.

We have commenced our planning discussions on the recently acquired sites and will report back on our progress in due course.

Big Yellow now has a pipeline comprising thirteen development sites with a cost to complete of approximately £95 million in addition to the £63.7 million of capital expenditure deployed in the year. These store openings are expected to add approximately 880,000 sq ft of storage space to the portfolio, an increase of 19% from the current maximum lettable area of the Group's portfolio.

Our current estimate of net operating income at stabilisation, at today's prices, for this increase in capacity is in excess of £20.7 million. The total development cost, including cost incurred to date of £140 million, and cost to complete of £95 million, is estimated to be approximately £235 million implying an 8.8% net operating income return on cost.

The current uncertainties may present opportunities for the Group to grow its development pipeline and we believe that we are in a relatively strong position to exploit these opportunities, given the strength of our balance sheet, available headroom on our debt facilities, and our proven property development expertise. This will allow a continued focus on expansion primarily in London and its commuter towns whilst maintaining a conservative capital structure.

In order to fund the acquisition of further development sites, in April 2020 the Group raised £79.9 million (net of expenses), through the issue of 8.3 million shares. This has reduced our net debt to £265 million at 8 June 2020, we are continuing to generate positive operating cash flow and have available liquidity of approximately £162 million.

Dividends

The Group's dividend policy is to distribute 80% of full year adjusted earnings per share. Given the relative resilience of our trading since the introduction of the lockdown, we have not furloughed any employees, nor have we participated in any of the government's loan support schemes. It is also a requirement as a REIT to pay a Property Income Distribution ("PID"). The final total distribution of PID and ordinary dividend declared is 16.7 pence per share. This brings the total distribution declared for the year to 33.8 pence per share representing an increase of 1.8% from 33.2 pence per share last year.

Big Yellow Group PLC

Chairman's Statement

Our people

As we have frequently stated, one of our key objectives when Big Yellow was founded was to create a culture which fostered a highly motivated and engaged team.

It is at times like this that you reap the reward for prioritising an inclusive culture and it has been so heartening and pleasing to see the energetic positive response of everyone in the business to tackle the day-to-day challenges we have faced in recent weeks. I cannot thank them enough for their continued efforts and dedication.

Board

Georgina Harvey and Steve Johnson, Non-Executive Directors, have informed the Board that they will not be seeking re-election to the Board at the forthcoming Annual General Meeting after seven and ten years of service respectively.

Georgina has made a significant and valuable contribution to the Board, in particular in respect of her expertise around Remuneration and Governance. Steve brought a wealth of knowledge from his extensive retail and business experience. I would like to thank them both for their respective contributions to the Board over the years.

Julia Hailes MBE, joined as Non-Executive Director with effect from 1 March 2020. With over 30 years' experience in the sustainability sector, Julia is a leading opinion former, consultant and speaker on sustainability issues. Julia will chair the Group's newly formed Sustainability Committee.

Laela Pakpour Tabrizi, will be joining the Board as a Non-Executive Director with effect from 1 July 2020. Laela has significant corporate and financial experience in high growth businesses, adds to the diversity of the Board and will bring her own perspective to our discussions.

I would like to welcome both Julia and Laela to the Board and I have no doubt that they will make a significant contribution to Big Yellow in the coming years.

Outlook

We, together with every other business, have experienced two seismic external shocks in twelve years. As was the case with the global financial crisis, the COVID-19 pandemic will most likely accelerate and accentuate pre-existing structural trends, challenges and opportunities and no doubt catalyse some that are currently unforeseen.

For this business there will be some negatives but a good deal of positives which we believe give us grounds for reasonable optimism. It will take time for those competing forces to play out and some clarity to emerge which will become evident in the performance of the business over the next few years.

Layered on to these powerful undercurrents will be cyclical challenges, the magnitude of which it is probably too early to judge. The events of the last few months have doubled down on our strongly held conviction that no management team in any business can confidently predict the timing of these momentous events, all we can assume and know with certainty is that they will happen again. It therefore leaves us in no doubt that this business should be financed conservatively with a modest amount of debt.

Although it has only been a couple of months, the business has so far proved to be relatively resilient through the initial lockdown phase, but as always, we caution that we have limited visibility as to future trading patterns.

In light of the above we will continue with our long-held strategy of building new stores in our core area of activity in London and its commuter towns, where we may see more opportunity in the next few years. We are actively continuing to pursue this external growth strategy, whilst maintaining a conservative capital structure.

Nicholas Vetch
Executive Chairman
8 June 2020

Big Yellow Group PLC

Strategic Report

OUR STRATEGY AND INVESTMENT CASE

Our Strategy

Brand and customer service

Our strategy from the outset has been to develop Big Yellow into the market-leading self storage brand, delivering excellent customer service, with a great culture and highly motivated employees. We concentrate on developing our stores in main road locations with high visibility, where our distinctive branding generates high awareness of Big Yellow.

Real estate

The other main plank of our strategy has been to build a portfolio of large purpose-built freehold self storage centres, focussed on London, the South East and large metropolitan cities. We believe that by owning a predominantly freehold estate we are insulating ourselves against: economic downturns as we operate at higher margins; adverse rent reviews; and in the long-term possible redevelopment of key stores by the landlord. It also provides us financing flexibility as rent is a form of gearing.

Two thirds of our current annualised store revenue derives from within the M25; for London and the South East, the proportion of current annualised store revenue is 83%. Any future external growth will be executed in a way to maintain a proportion of 80% or more in London and the South East with the balance in regional cities.

We currently have a pipeline of thirteen freehold development opportunities and are looking to expand that pipeline with a view to growing the Big Yellow platform to 100 stores over the medium term.

New supply and competition is a key risk to our business model, hence our focus on London and its commuter towns, where barriers to entry in terms of competition for land and difficulty around obtaining planning are highest. We continue to see limited new supply growth in our key areas of operation, with only two store openings in London in 2019, and we anticipate five new stores in London in 2020, including two Big Yellow openings.

Our Big Yellow stores are on average 62,500 sq ft, compared to an industry average of approximately 43,000 sq ft (source: UK Self Storage Association 2020 Annual Survey). The upside from filling our larger than average sized stores is, in our view, only possible in large metropolitan markets. As our operating costs are relatively fixed, larger stores in bigger urban conurbations, particularly London, drive higher revenues and higher operating margins.

Capital structure

Following the Global Financial Crisis, we have materially reduced the financial risk within the business and diversified our sources of debt, whilst at the same time, increasing our store platform by deploying significant capital investment. We measure leverage by looking at our interest cover and that has increased from 1.9 times in 2008 to 8.3 times for the year ended 31 March 2020. Our objective is to not let this fall below 5 times, compared to the consolidated EBITDA covenant of 1.5 times. We did this because in running this business we have to assume an external economic shock could potentially happen at any time and low leverage allows us to manage the business through the crisis. The current Covid-19 lockdown induced downturn is a very good example of this.

Self storage demand drivers

Economic activity and change are key drivers of self storage demand and are greatest in the larger urban conurbations, and in particular London and the South East. The structural changes consisting of the conversion of ex-industrial brownfield land to other uses, in particular residential; the reduction in home ownership and increased proportion of those choosing to rent; increasing density of living with new properties being built with optimised living space and very little provision for storage; will continue and are resulting in increased demand for our product. These changes have resulted in a significant shortage of available warehousing space, particularly in London, which has been accentuated by the current crisis. Self storage provides a convenient flexible solution to businesses such as online retailers, importers and exporters, service providers, the public sector, and marketing companies looking for mini-warehousing space.

In addition to domestic customers taking space to declutter their homes, our largest customer base is those using us short-term around an event, such as moving home, refurbishment, inheritance, household formation, separation, relocation, and students.

Big Yellow Group PLC

Strategic Report

Resilience

The location of our stores, brand, security, and most importantly customer service, together with the diversity of our 56,500 customers, serve better than any contract in providing income security.

The business proved to be relatively resilient, but not immune during the Global Financial Crisis and recession of 2007 to 2009, with London and the South East proving to be less volatile. The current crisis and recession generated by the Covid-19 lockdown is very different and has resulted in a much larger short-term collapse in economic activity with significant restrictions for a period of time on personal freedoms. After an initial burst of activity in the immediate days after the introduction of the lockdown, our activity levels both in and out of the business fell by approximately 50%. We traded like that through April and the first half of May, and after an initial net loss of occupancy of 47,000 sq ft from 1 April to 24 April, we have started to see occupancy increase again which has improved further following the partial lifting of the lockdown, with growth of 85,000 sq ft from 25 April to 8 June. Over 80% of our customers pay by direct debit, and we have not seen a significant deterioration in cash collection, with 96.7% of our April and May revenue collected as of 8 June, which compares to 97.3% over the same period last year. We are continuing to see some rate growth in the business, despite suspending rate increases to existing customers on 24 March. We intend to review this in July.

Overall, in the period since the introduction of the lockdown, the business is again proving to be resilient, but is clearly not immune to a collapse in economic activity, the restrictions on freedoms of movement, and the effect on consumer and business confidence, all of which have an impact on demand for our product.

Creating shareholder value

We continue to believe that the medium-term opportunity to create shareholder value will be achieved principally by increasing occupancy which will then generate average rent growth through our yield management systems in our existing platform. This will drive revenue, the majority of which flows through to the bottom line.

Our key objectives remain:

- leveraging our market-leading brand position to generate new prospects, principally from our digital, mobile and desktop platforms;
- focusing on training, selling skills, and customer satisfaction to maximise prospect conversion and referrals;
- growing occupancy and net rent to drive revenue optimally at each store;
- maintaining a focus on cost control, so revenue growth is transmitted through to earnings growth;
- increasing the footprint of the Big Yellow platform principally through new site development and where possible existing prime freehold stores that meet our quality criteria;
- selectively acquiring existing self storage assets into the Armadillo platform;
- through our corporate social responsibility initiatives, aim to create a more sustainable business which will increase shareholder and customer value in both the medium and long-term;
- maintaining Big Yellow's culture as an accessible, apolitical, inclusive, non-hierarchical, socially responsible, and enjoyable place to work;
- maintaining a conservative capital structure in the business with Group interest cover of a minimum of five times; and
- producing sustainable returns for shareholders through a relatively low leverage, low volatility, high distribution REIT.

KPIs

The key performance indicators of our stores are occupancy and net rent per sq ft, which together drive the revenue of the business. These are three key measures which are focused 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, albeit occupancy has fallen this year compared to the prior year following the initial impact of the UK lockdown in response to Covid-19 in March. In 2016 closing net rent increased by 2.7%, by 0.5% in 2017, by 2.7% in 2018, by 2.0% in 2019 and by 3.2% in the year to March 2020. Our key focus is on continuing to grow occupancy, with growth in net rent following once the stores have reached higher occupancy levels.

Big Yellow Group PLC

Strategic Report

Adjusted profit before tax, adjusted earnings per share which drive the distributions to shareholders (as our dividend policy is to pay 80% of adjusted earnings as dividends) are also KPIs. The Group focuses on adjusted profit and earnings measures as they give a clearer underlying picture of the Group's trading performance without distortion from external factors such as property valuations and the fair value of derivatives. We have delivered compound adjusted eps and dividend growth of 8% over the past five years. Compound adjusted eps growth since 2004/5 is 15%.

Our non-financial KPIs are the net promoter scores we receive from our customers and the carbon intensity of the Group's business. The Group's net promoter score received from its customers during the year was 81.9. This has increased by 14% over the past five years. We believe this overall score compares very favourably with other consumer facing businesses.

The Group has reduced its carbon intensity (our carbon emissions divided by our average occupied space) by 51% over the past five years. This has been achieved through investment in renewable technology, roof mounted solar photovoltaic systems, and LED lighting across the Group's portfolio.

Total shareholder return

In the twenty years since flotation in May 2000, Big Yellow has delivered a Total Shareholder Return ("TSR"), including dividends reinvested, of 15.1% per annum, in aggregate 1,446% at the closing price of 1,004p on 31 March 2020. This compares to 5.1% per annum for the FTSE Real Estate Index and 3.8% per annum for the FTSE All Share index over the same period. We feel this illustrates the power of compounding of consistent incremental returns over the longer term.

Our investment case

Attractive market dynamics	• UK self storage penetration in key urban conurbations remains relatively low • Limited new supply coming onto the market • Resilient through the last economic downturn and resilient to date in the current crisis • Self storage is more part of the ecosystem today than it was in 2008 with increased domestic and business awareness
Our competitive advantage	• UK industry's most recognised brand with over 90% of enquiries now online • Prominent stores on arterial or main roads, with extensive frontage and high visibility • Continuous innovation and investment into our mobile and desktop digital channels • Strong customer satisfaction and NPS scores reflecting excellent customer service • 5.8 million sq ft UK footprint (Big Yellow and Armadillo combined) • 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	• 56,500 customers from a diverse base – individuals, SMEs and national customers • Average length of stay for existing customers of 28 months • 35% of customers in stores greater than two-year length of stay • Low bad debt expense (0.2% of revenue in the year), no significant deterioration since onset of current crisis
Strong growth opportunities	• Opportunities to drive further occupancy growth • Yield management as occupancy increases • Densification of living and scarcity of flexible business warehouse space drives demand • Growth in national customers and business customer base • Increasing the platform with a conservative capital structure • Growth in our Armadillo platform
Conversion into quality returns	• Freehold assets for high operating margins and operational advantage • Low technology and obsolescence product, maintenance capex fully expensed • Annual compound adjusted eps growth of 15% since 2004/5 • Annual compound cash flow growth of 15% since 2004/5 • Dividend pay-out ratio of 80% of adjusted eps

Big Yellow Group PLC

Operational and Marketing Review

Introduction

Historically this section provides detail on the operations and marketing of our business in relation to the year under review, however, given the onset of the lockdown in March 2020, we have this year included details on how we have responded to the challenges of the current crisis.

The store platform

We now have a portfolio of 75 open and trading Big Yellow stores, with a further 13 development sites. The current maximum lettable area of the 75 stores is 4.7 million sq ft. When fully built out the portfolio will provide approximately 5.6 million sq ft of flexible storage space.

In addition, we part-own and manage 25 Armadillo stores which are principally located in regional UK towns and cities, and operate from a platform of 1.1 million sq ft.

Changes made to our operations in response to Covid-19

The health and safety of our team members and customers is our principal priority. Our storage facilities are large buildings yet not crowded places and generally we have a low intensity of use.

We have reviewed the updated Government's advice and carried out risk assessments to confirm our stores remain Covid-19 compliant with appropriate measures, including by way of example:

- we have limited the number of team members on site at any one time;
- we have provided Perspex barriers, floor distancing markers, face coverings, protective gloves, hand sanitisers and other washing facilities;
- we have installed appropriate Covid-19 customer signage which is kept under review;
- we are limiting the number of customers allowed into our reception area at any one time to manage social distancing;
- only one customer is allowed in a lift at a time;
- we have intensified the daily cleaning levels of our storage facilities, especially in the most commonly touched points; and
- the vast majority of our team members drive, cycle or walk to work and we have encouraged more to follow suit.

Prospective customers, should they have the need, can reserve a room, check-in online, and complete move-in documentation without needing to be present at our stores. Most customers however choose to complete the process in our receptions when they move-in, as many have never used self storage before.

Storage and distribution is one of the businesses that was requested to remain open to support essential online and offline retail. Some of our business customers are distributing medical and other essential supplies, and indeed we include the NHS and other public sector entities amongst our customers. We are also assisting food retailers and wholesalers requiring storage of dried foods.

In addition, we have customers who have had a sudden need for short-term storage triggered by the recent lockdown. Many of these are businesses whose retail outlets or distribution hubs have closed and therefore have an emergency need for the storage of their stock. Many are small entities using our services as mini logistics for e-tailing and online selling of essential goods. We have continued to support our network of over 200 local charities to whom we provide free storage, and have also provided free space to the British Red Cross in a number of our stores to support the work they are doing during the pandemic.

The self storage market opportunity

In the recently published 2020 Self Storage Association UK Survey, only 48% of those surveyed had a reasonable or good awareness of self storage. Furthermore, only 10% of the 2,126 adults surveyed were currently using self storage or were thinking of using self storage in the next year. This indicates a continued opportunity for growth and with increasing use of self storage, together with the ongoing marketing efforts of everyone in the industry, we anticipate awareness will grow.

Big Yellow Group PLC

Operational and Marketing Review

Self storage is not a commoditised product and awareness is driven largely by businesses and individuals using self storage. Consequently, the increase in awareness over time has been relatively slow, with good awareness of self storage increasing from 38% in 2014 to 48% in 2020 across the UK (source: UK SSA Survey 2020). Our YouGov Survey carried out in April 2019 showed higher levels of awareness in London of 65%, up from 58% in 2014.

Occupancy rates across the UK industry at the end of 2019 of built space was 76.2%, compared with approximately 60% in December 2008. This was down slightly from 2018, impacted by the Brexit uncertainty which intensified over 2019 until the general election in December.

Growth in new facilities across the industry has been largely in regional areas of the UK and particularly in smaller towns. Historically, new supply creation in our core markets in London and the South East, has been difficult, with high land values driven by competing uses such as residential. In London in the year to 31 December 2019, there were two new store openings. We are aware of five planned store openings in London in 2020, including two Big Yellow stores.

The Self Storage Association (“SSA”) estimates that the UK industry is made up of approximately 1,900 self storage facilities (of which 563 are purely container operations), providing 49 million sq ft of self storage space, equating to 0.7 sq ft per person in the UK. This compares to 9.4 sq ft per person in the US, 1.9 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 (sources: UK Self Storage Association Survey, May 2020 and FEDESSA European Self Storage Annual Survey 2019).

Big Yellow is well placed to benefit from the growing self storage market, given the strength of our brand, and our online platform which delivers over 90% of our prospect enquiries. Our portfolio is strategically focussed on London, the South East and large metropolitan cities, where barriers to entry and economic activity are at their highest.

Store operating model

The Big Yellow store model is well established. The “typical” store has 60,000 sq ft of MLA and takes some three to four years to achieve 85% plus occupancy. The average room size occupied in the portfolio is currently 67 sq ft, in line with last 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 support.

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 shopping and online customer reviews, which are externally managed. Over the year, we have achieved an average net promoter score of 81.9.

We have a team of ten area managers in place who have on average worked for Big Yellow for 13 years. They develop and support the stores to drive the growth of the business.

The store bonus structure rewards occupancy performance, sales growth and cost control through 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 £37,000 per store, which is included within cost of sales. This excludes our rolling programme of store makeovers, which typically take place every five years, at a cost of approximately £20,000 per store. Over the last five years we have invested £13 million in the upkeep and maintenance of our stores, all of which has been expensed in the statement of comprehensive income.

Demand

Demand for self storage is largely driven by need, with security, convenience, quality of product, service and location being key drivers. Awareness remains relatively low compared to commoditised products, such as hotel rooms or airline seats, albeit it is increasing slowly year-on-year with increased supply, marketing spend and customer use.

We are confident that Big Yellow benefits disproportionately from this improving market for our product, due to our market-leading brand and operating platform with our focus on London, the South East and large metropolitan cities.

Big Yellow Group PLC

Operational and Marketing Review

Customers renting storage space whilst moving within the rental or owner-occupied sectors represent 39% of move-ins during the year (2019: 41%), split broadly evenly between homeowners and renters. 12% of our customers who moved in took storage space as a spare room for decluttering (2019: 12%). 37% 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 together or separating, are students who need storage during the holidays, or homeowners developing into their lofts or basements (2019: 35%). The balance of 12% of our new customer demand during the year came from businesses (2019: 12%).

Of our overall occupied space today, customers who are longer stay lifestyle users, decluttering into small rooms as an extension to their accommodation, occupy 10% to 15% of our space; approximately 50% of the space is customers using it for less than 12 months, for reasons which are largely event driven, which could be inheritance, moving in the owner occupied or rental sector, home improvements, travelling; the balance of 36% of our space is businesses. Businesses occupy larger rooms on average than domestic customers and, despite being in 36% of the occupied space only represent 21% of customer numbers.

Over the past few years, there has been a growing trend towards self-employment and smaller business start-ups in the UK, dynamics that are positive for self storage. Additionally, businesses in the UK have been increasingly seeking flexible office and storage space rather than longer inflexible leases. The current crisis may be accelerating the structural changes in retail that were already occurring, resulting in more demand from online retailers looking to trade without a physical high street presence. The deindustrialisation of big cities with the conversion of commercial space into residential and other uses, is also a driver for demand from the SME market seeking flexible warehouse space. We believe that these long-term trends may be accelerated by the current pandemic.

During 2018, the Group commissioned an external survey to assess the value the average Big Yellow store generates for its local economy. 36% of the Group's space is occupied by business customers, and the average store is home to 105 different businesses who between them employ 300 people as a direct result of their occupation. 60% of the businesses that occupy our stores are start-ups who have never rented space anywhere else before. For over half of the businesses, this is the only space they rent, for others this complements their other space. Given the growth in homeworking fuelled by the lockdown, this trend of businesses choosing to operate without needing the expense of office space may increase. Furthermore, increased homeworking in general may result in domestic customers taking small rooms to declutter and create space for home offices.

We have a dedicated national customers team for businesses who wish to occupy space in multiple stores. These customers are billed and managed centrally. We have four full time members of staff working on growing and managing our national customers. The national customers team can arrange storage at short notice at any location. In smaller towns where we do not have representation, we have negotiated sub-contract arrangements with other operators who meet certain operating standards.

Marketing and ecommerce

Our marketing strategy focuses on building our market-leading brand awareness further and using it to maximise the cost-efficient generation of enquiries, customer move-ins and user satisfaction through our digital platforms. Our strong brand and continued digital investment and innovation has helped us create a market-leading website which delivers over 90% of our enquiries.

It was therefore pleasing that the UK Self Storage Association's annual YouGov survey (published May 2020) again confirmed that the brand awareness of Big Yellow remained ahead of other UK operators in the sector. The survey shows our unprompted brand awareness across the UK to be six times higher than our nearest competitor.

We rolled out our new customer facing website in October 2019, which presents a clean and intuitive online user experience with a focus on web conversion. With 62% of our online web visits originating from mobile devices in the year, a 'mobile first' philosophy continues to drive our thinking around any web development. The new website features a revamped and engaging size estimator tool which helps our web users to select the size of storage space they need with confidence.

The online customer experience has also been enhanced with our relaunched Live Chat. This improved feature now allows customers to communicate with us in real-time via traditional Live Chat but also through WhatsApp and Facebook Messenger. Our popular and comprehensive online FAQs provides our users with another way to ask questions they may have about the service without needing to call us directly.

Big Yellow Group PLC

Operational and Marketing Review

The Big Yellow website allows a user to obtain a storage price, reserve, and check-in online. This has proved useful in allowing us to manage enquiries and move-in our customers with minimal physical contact during the lockdown period.

We also offer the ability to purchase boxes and packing materials through our online BoxShop store. These can be home delivered or made available for our Click and Collect service from stores.

For the year ahead we are developing our digital experience further, allowing customers the option to move-in remotely and complete all necessary paperwork and initial payments online before they arrive at the store. This will allow new customers to visit the store and open their storage room for the first time with even less face-to-face contact with our store teams should they wish to. This is both a valuable customer experience in a Covid-19 trading environment and will also improve productivity and efficiency in our stores going forward.

Driving online traffic

Self storage is a consumer-facing business and the development of a strong and sustainable brand is multi-layered and requires a consistency of product, customer service and interaction at all touch points, particularly online, which represents over 90% of our total enquiries.

Search engines are the most important acquisition tool for us, accounting for the majority of traffic to our website. Our focus for a competitive advantage on search continued with the design of the new website. This search engine optimisation (“SEO”) work has helped us to maintain high organic listings for popular generic and local self storage related search terms. This in turn drives the growth and cost efficiencies of acquiring new prospects.

Brand search terms are also a valuable driver of enquiries for Big Yellow and help improve the efficiencies of our cost per enquiry. 36% of all traffic generated from search engines to our website originated from “Big Yellow” brand searches in the year.

This clearly indicates, although self storage is a relatively immature industry with 70% to 75% of customers using it for the first time, brand is important in driving higher levels of prospects and customer referrals, leading to improved operational efficiencies. We have demonstrated this through significant improvements in performance of existing storage centres following their acquisition, re-branding and assimilation into our business.

The sponsored search listings remain our largest source of paid for web traffic. Ongoing website optimisation and an engaging user experience through our digital platforms helps ensure we maximise the conversion of these web visits into enquiries and then customers.

Digital display advertising has also allowed us to continue our regional targeted advertising to those in the market for self storage.

Online customer reviews

Supporting our values of putting the customer at the heart of our business, our online customer reviews generate real-time feedback from customers and provide positive word of mouth referral to our website visitors. Through our ‘Big Impressions’ customer feedback programme, we ask our new customers to rate our service. With the users’ permission, we then publish these independent customer reviews on the Big Yellow website which currently total 33,000 averaging 4.8 out of 5.

The Big Impressions programme also generates customer feedback on their move-out experience and from prospects who decided not to store with us. These customer reviews and mystery shop results are transparently accessible across the business and helps reinforce our focus on outstanding customer service.

We also gain real-time customer feedback from over 9,572 Google Reviews averaging 4.6 out of 5. These help to enhance our visibility in local search engines conveying trust in the Big Yellow brand. Additionally, we have 1,899 reviews from the independent review site TrustPilot. These reviews average a 5 out of 5-star rating, labelled as “Excellent” on the TrustPilot ratings scale.

We regularly monitor our customer reviews plus any online mentions of Big Yellow on social media, and across the web generally. We use this insight to monitor our brand and improve our service offering.

Big Yellow Group PLC

Operational and Marketing Review

Social media

Social media continues to be complementary to our existing marketing channels and Big Yellow can be found actively posting content across Twitter, Facebook and Instagram. These social channels are also used by customers to connect with us and are monitored in real-time, enabling us to respond promptly to any enquiries.

LinkedIn is also being used to communicate company achievements, CSR initiatives and to present an honest and engaging picture of what it is like to work for Big Yellow. LinkedIn is central in our drive towards more direct recruitment.

The Big Yellow YouTube channel is used to allow web prospects to experience our stores online through our video guides to self storage. The online blog is updated regularly with tips and advice for homeowners and businesses, as well as summaries of our charitable and CSR initiatives.

Cyber security

The Group continues to treat Cyber Security seriously. Using in-house knowledge and external specialist advice the Group regularly reviews its security posture. Further investment in protection from the ever-evolving threat landscape to the Group is made where required. We carry out frequent penetration testing of internet facing systems, use components such as anti-phishing as well as maintaining and replacing components (such as firewalls) with the latest technology and specification.

We have recently recruited a new Data Compliance Manager to oversee our ongoing compliance with GDPR and PCI DSS. The role will also include Business Continuity and Crisis Communication management. Policies and procedures are under regular review and benchmarked against industry best practice.

There are mandatory annual training courses for all the Group's employees on cyber security and data protection.

Sustainability

Our store portfolio today is twice as energy efficient as it was in 2011. Our investments in efficiency measures over the years are paying off and 98% of our stores have an Energy Performance Certificate rating of 'C' or better. Our total location-based Scope 1 & 2 Emissions reduced by 62% from 2011 and our emission intensity is now at 5.9 per m² CLA. We remain committed to increasing our solar capacity from our current 22 solar PV installations and look to add six more installations during 2020/21 (3 on new stores; 3 on our existing stores).

We also look to support our customers in making more sustainable choices, for example by installing Electric Vehicle charging pods at our new stores. For the first time this year, we are reporting our market-based emissions, thanks to our new renewable electricity contract. We understand that there are real climate change issues affecting all of us, so we will aim to develop a Zero Carbon strategy during 2020, assisted by the arrival of our new Non-Executive Director for Sustainability, Julia Hailes.

Foundation & charitable activities

The Big Yellow Foundation has continued to support our six charity partners during the year; it has raised funds of over £150,000 and has been able to distribute over £120,000 in grants. In July 2019, the Foundation appointed an independent trustee, Jess Pallot Cook, who brings a wealth of charity experience to the Board of Trustees.

By the end of February 2020, nearly one third of our customers (the average of our move-ins and move-outs) opted to contribute to our Foundation. This level of contributions has been impacted recently due to the pandemic, but the Big Yellow Executive Directors are personally donating £50,000, and the Non-Executive Directors £11,000 this year to make up for this shortfall.

Big Yellow's community investment for the year, delivered via discounted space, was £535,000, £315,000 of which was given free of charge. Our stores allocate this space to worthy local charitable organisations and not-for-profits and we house different organisations, from foodbanks to small community groups to NHS partners and the British Red Cross.

The last month of the financial year was dominated by the Pandemic. However, we are very pleased to say that we have been able to play our part in helping organisations reach out to vulnerable individuals and we continue to support a large number of them either through discounted or free space or boxes.

Big Yellow Group PLC

Store Performance

PORTFOLIO SUMMARY – BIG YELLOW STORES

	2020				2019			
	Mature ⁽¹⁾	Established	Developing	Total	Mature	Established	Developing	Total
Number of stores	69	3	3	75	69	3	2	74
At 31 March:								
Total capacity (sq ft)	4,347,000	195,000	146,000	4,688,000	4,342,000	195,000	85,000	4,622,000
Occupied space (sq ft)	3,568,000	150,000	63,000	3,781,000	3,621,000	162,000	27,000	3,810,000
Percentage occupied	82.1%	76.9%	43.2%	80.7%	83.4%	83.1%	31.8%	82.4%
Net rent per sq ft	£28.27	£26.36	£25.58	£28.15	£27.40	£24.84	£27.39	£27.28
For the year:								
REVPAF ⁽²⁾	£27.36	£24.39	£11.95	£26.77	£26.68	£23.25	£6.48	£26.19
Average occupancy	83.8%	81.5%	35.5%	82.2%	83.7%	81.0%	20.3%	82.5%
Average annual rent psf	£27.98	£25.87	£25.62	£27.86	£27.26	£24.50	£25.52	£27.14
	£000	£000	£000	£000	£000	£000	£000	£000
Self storage income	101,890	4,110	1,293	107,293	99,807	3,866	399	104,072
Other storage related income ⁽³⁾	16,436	627	308	17,371	16,402	634	110	17,146
Ancillary store rental Income	607	19	84	710	457	34	1	492
Total store revenue	118,933	4,756	1,685	125,374	116,666	4,534	510	121,710
Direct store operating costs (excluding depreciation)	(33,364)	(1,526)	(1,275)	(36,165)	(33,563)	(1,388)	(677)	(35,628)
Short and long leasehold rent ⁽⁴⁾	(1,977)	-	(14)	(1,991)	(1,988)	-	(2)	(1,990)
Store EBITDA ⁽⁵⁾	83,592	3,230	396	87,218	81,115	3,146	(169)	84,092
Store EBITDA margin	70.3%	67.9%	23.5%	69.6%	69.5%	69.4%	(33.1%)	69.1%
Deemed cost								
	£m	£m	£m	£m				
To 31 March 2020	574.9	34.4	41.7	651.0				
Capex to complete	-	-	0.5	0.5				
Total	574.9	34.4	42.1	651.5				

- (1) The mature stores have been open for more than six years at 1 April 2019. The established stores have been open for between three and six years at 1 April 2019 and the developing stores have been open for fewer than three years at 1 April 2019. The Group's mature Battersea store was closed for redevelopment in the prior year. It is excluded from occupancy, but its revenue and costs up to the date of closure are included in the above.
- (2) See glossary in note 28.
- (3) Insurance, packing materials and other storage related fees.
- (4) Rent for six mature short leasehold properties accounted for as investment properties and right-of-use assets under IFRS with total self storage capacity of 339,000 sq ft, and a long leasehold lease-up store with a capacity of 64,000 sq ft. The EBITDA margin for the 63 freehold mature stores is 72.2%, and 46.6% for the six leasehold mature stores. During the prior year the Group acquired the freehold of its mature New Malden store.
- (5) The table below reconciles Store EBITDA to gross profit in the statement of comprehensive income.

	Year ended 31 March 2020			Year ended 31 March 2019		
	£000			£000		
	Store EBITDA	Reconciling items	Gross profit per statement of comprehensive income	Store EBITDA	Reconciling items	Gross profit per statement of comprehensive income
Store revenue/Revenue ⁽⁶⁾	125,374	3,939	129,313	121,710	3,704	125,414
Cost of sales ⁽⁷⁾	(36,165)	(2,708)	(38,873)	(35,628)	(2,517)	(38,145)
Rent ⁽⁸⁾	(1,991)	1,991	-	(1,990)	1,990	-
	87,218	3,222	90,440	84,092	3,177	87,269

- (6) See note 3 of the financial statements, reconciling items are management fees and non-storage income.
- (7) See reconciliation in cost of sales section in Financial Review.
- (8) The rent shown above is the cost associated with leasehold stores, only part of which is recognised within gross profit in line with right-of-use asset accounting principles. The amount included in gross profit is shown in the reconciling items in cost of sales.

Big Yellow Group PLC

Store Performance

PORTFOLIO SUMMARY – ARMADILLO STORES

	2020	2019
Number of stores	25	22
At 31 March:		
Total capacity (sq ft)	1,063,000	963,000
Occupied space (sq ft)	799,000	723,000
Percentage occupied	75.2%	75.1%
Net rent per sq ft	£17.84	£17.50
For the year:		
REVPAF	£16.04	£15.63
Average occupancy	77.5%	75.7%
Average annual rent psf	£17.55	£17.33
	£000	£000
Self storage income	14,195	12,645
Other storage related income	2,502	2,349
Ancillary store rental income	41	63
Total store revenue	16,738	15,057
Direct store operating costs (excluding depreciation)	(6,746)	(5,949)
Leasehold rent	(566)	(483)
Store EBITDA ⁽¹⁾	9,426	8,625
Store EBITDA margin	56.3%	57.3%
Cumulative capital expenditure	£m	
To 31 March 2020	83.5	
To complete	0.9	
Total capital expenditure	84.4	

(1) Store earnings before interest, tax, depreciation, amortisation, and management fees charged by Big Yellow to the Armadillo portfolios (see note 27).

(2) The Group has a 20% interest in Armadillo. The figures shown above represent 100% of Armadillo's performance. Note 14d contains more information on the Group's share of Armadillo's financial performance.

Big Yellow Group PLC

Store Performance

The table below shows the quarterly move-in and move-out activity over the year.

	Total move-ins Year ended 31 March 2020	Total move-ins Year ended 31 March 2019	%	Total move-outs Year ended 31 March 2020	Total move-outs Year ended 31 March 2019	%
April to June	18,950	19,784	(4)	14,742	15,499	(5)
July to September	20,570	21,565	(5)	22,520	22,742	(1)
October to December	14,643	16,058	(9)	17,424	18,137	(4)
January to March	16,498	15,885	4	15,286	15,954	(4)
Total	70,661	73,292	(4)	69,972	72,332	(3)

The Group's activity levels during the first nine months of the year were impacted by the uncertainty surrounding Brexit, and hence both move-ins and move-outs were lower than they had been in the prior year. In January, February and up to mid-March 2020, we saw an increase in activity levels compared to the prior year, and a stronger occupancy performance than in 2019. In the last two weeks of March when a full lockdown was introduced, we did see heightened move-in and move-out activity leading to a net loss in occupancy discussed further below.

In all Big Yellow stores, occupancy for the year fell by 29,000 sq ft, against an increase of 80,000 sq ft in the prior year. The quarterly movement is shown in the table below:

Quarterly net occupancy movement	Net sq ft Year ended 31 March 2020	Net sq ft Year ended 31 March 2019	Net move-ins Year ended 31 March 2020	Net move-ins Year ended 31 March 2019
April to June	125,000	131,000	4,208	4,285
July to September	(25,000)	43,000	(1,950)	(1,177)
October to December	(165,000)	(126,000)	(2,781)	(2,079)
January to March	36,000	32,000	1,212	(69)
Total	(29,000)	80,000	689	960

We had a good quarter to June with an increase in occupancy of 125,000 sq ft, albeit lower growth than the prior year. The second quarter peaked in August and then many of our students and short-term house movers vacated in September and October, leading to a net loss in occupied rooms and sq ft occupancy. In our seasonally weakest third quarter the occupancy loss represented 3.5% of MLA, compared to 2.7% of the MLA in the prior year, with the uncertainty in the run-up to the general election weighing on consumer confidence.

In the final quarter the occupancy performance was impacted by the last two weeks in March, which are historically when we see relatively strong gains in occupancy. However, after the introduction of lockdown measures commencing in mid-March we saw heightened levels of activity both in and out of the business over the ensuing two week period to the end of March with a net overall loss of 23,000 sq ft in occupancy (2019: gain of 25,000 sq ft in the same two week period). Customer move-ins and move-outs in the business reduced significantly in April and May.

In the period from 1 April to 24 April we saw a net loss in occupancy of 47,000 sq ft compared to a loss for the same period last year of 22,000 sq ft. From 25 April to 8 June, the net growth in occupancy has been 85,000 sq ft (2019: gain of 46,000 sq ft).

The 69 mature stores are 82.1% occupied compared to 83.4% at the same time last year. The 3 established stores have fallen in occupancy from 83.1% to 76.9%, with some large space business move-outs at one of the stores during March 2020. The three developing stores added 36,000 sq ft of occupancy in the year to reach closing occupancy of 43.2%. Overall store occupancy has decreased in the year from 82.4% to 80.7%. On a like-for-like basis, excluding Manchester, which opened in May 2019, closing occupancy was 81.3%, a decrease of 1.1 percentage points.

All stores are trading profitably at the EBITDA level. The table below shows the average key metrics across the store portfolio (from the Portfolio Summary) for the year ended 31 March 2020:

	Mature stores	Established stores	Developing stores	All stores
Average store capacity	63,000	65,000	48,667	62,500
Average sq ft occupied per store at 31 March 2020	51,700	50,000	21,000	50,400
Average % occupancy	83.8%	81.5%	35.5%	82.2%
Average revenue per store (£000)	1,724	1,585	562	1,672
Average EBITDA per store (£000)	1,211	1,077	132	1,163
Average EBITDA margin	70.3%	67.9%	23.5%	69.6%

Big Yellow Group PLC

Store Performance

Pricing and net rent per sq ft

Our core proposition remains a high-quality product, competitively priced, with excellent customer service, providing value for money to our customers. We offer a headline opening promotion of 50% off for up to the first 8 weeks, and we continue to manage pricing dynamically, taking account of room availability, customer demand and local competition.

Our pricing model reduces promotions and increases asking prices where individual units are in scarce supply. This lowering of promotions, coupled with price increases to existing and new customers, leads to an increase in achieved net rents. Rental growth can also be driven through sub-dividing larger rooms into smaller rooms, which yield a higher net rent per sq ft.

The average rate growth in the year was 2.7%. Net achieved rent per sq ft at 31 March 2020 grew by 3.2% over the financial year. The table below shows the growth in net rent per sq ft for the portfolio over the year (excluding Manchester).

Average occupancy in the year	Number of stores	Net rent per sq ft growth from 1 April 2019 to 31 March 2020
0 to 75%	5	1.9%
75 to 85%	49	3.2%
Above 85%	20	3.8%

The net achieved rent per sq ft has grown by 1.4% since 1 April 2020, compared to 0.5% growth over the same period last year. Given the reduced number of move-ins there are fewer customers with opening offers in the business than would normally be the case. On 23 March we suspended all rate increases to existing customers. It is our intention to review this in July. Billed rent for new move-ins since 1 April has reduced by 3% compared to the same period last year.

Armadillo Self Storage

The Group has a 20% investment in Armadillo Self Storage, with the balance of 80% held by an Australian consortium. During the year Armadillo acquired three stores in Liverpool Aintree, Daventry and Grimsby, for a total consideration of £8.2 million (including costs).

This takes the Armadillo platform to 25 stores and 1.1 million sq ft of MLA. As with the other existing store acquisitions, the intention will be to upgrade and reconfigure the stores through additional investment to drive cash flow growth. In the year to 31 March 2020, £1.9 million of capital expenditure has been invested to upgrade and fit-out additional capacity in the Armadillo stores.

Armadillo is a lower-frills brand, with largely freehold conversions of existing buildings. They are in towns where we would not typically locate a Big Yellow and have an average capacity of 42,500 sq ft (lower than the 62,500 sq ft average for Big Yellow stores). Armadillo provides operational advantages to the Group, such as a wider platform to sell to national customers, more opportunities for staff promotion, and more efficient use of the Company's marketing and central overhead costs. Armadillo continues to look for opportunities to add to its platform.

Development pipeline

We opened our new 60,000 sq ft store in Manchester on 1 May 2019. We own a further 13 development sites, of which six have planning consent. The status of the Group's development pipeline is summarised in the table below:

Site	Location	Status	Anticipated capacity
Camberwell, London	Prominent location on Southampton Way	Planning consent granted. Construction started in November 2018, opening delayed due to lockdown, now expected July 2020.	77,000 sq ft
Battersea, London	Prominent location on junction of Lombard Road and York Road (South Circular)	Planning granted for redevelopment of original 34,000 sq ft store and redevelopment of adjoining retail into a mixed use residential led scheme. Construction started in July 2019, opening delayed due to lockdown, now expected November 2020.	71,000 sq ft

Big Yellow Group PLC

Store Performance

Uxbridge, London	Prominent location on Oxford Road	Planning consent granted in July 2019. Construction to commence shortly with a view to opening in Summer 2021.	55,000 sq ft
Queensbury, London	Prominent location off Honeypot Lane	Site acquired in November 2018. Planning consent granted in November 2019.	58,000 sq ft
Kings Cross, London	Prominent location on York Way	Planning application submitted in November 2019 with a decision anticipated in Summer 2020 ¹ .	105,000 sq ft
Hayes	Prominent location on Hayes Road	Site acquired in April 2019. Planning application submitted in September 2019 with a decision anticipated in June 2020 ¹ .	70,000 to 75,000 sq ft
North Kingston	Prominent location on Richmond Road, Ham	Site acquired in February 2019. Planning application submitted in December 2019 with a decision anticipated in June 2020 ¹ .	55,000 to 60,000 sq ft
Wembley	Prominent location on Towers Business Park	Site acquired in February 2019. Discussions ongoing to secure vacant possession with planning application submitted in May 2020.	65,000 to 70,000 sq ft
Harrow	Prominent location on Harrow View	Site acquired in June 2019. Planning discussions ongoing with a view to submitting in Summer 2020.	75,000 to 80,000 sq ft
Bracknell	Prime location on Ellesfield Avenue	Planning consent granted in January 2019 for self storage and other trade uses. Construction started in August 2019, opening delayed due to lockdown, now expected in September 2020.	57,000 sq ft
Slough	Prominent location on Bath Road	Site acquired in April 2019. Planning application to be submitted in Autumn 2020.	65,000 to 70,000 sq ft
Hove	Prominent location on Old Shoreham Road	Planning consent granted in October 2019. The site is currently occupied until Summer 2020 and it is anticipated that construction will commence in Autumn 2020 with a view to opening in Spring 2022.	58,000 sq ft
Newcastle	Prime location on Scotswood Road	Planning application to be submitted in Autumn 2020.	60,000 sq ft
Total capacity			871,000 sq ft to 896,000 sq ft

¹ Subject to the ability of local authorities to determine planning applications

The capital expenditure currently committed for the financial year ended 31 March 2021 is approximately £10 million.

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 on budget.

During the year the Group sold the part of the Wyvern Industrial Estate in New Malden, London that it does not occupy for £11.8 million.

Big Yellow Group PLC

Financial Review

Financial results

Revenue

Total revenue for the year was £129.3 million, an increase of £3.9 million (3.1%) from £125.4 million in the prior year. Like-for-like revenue for the year was £128.2 million, an increase of 3.8% from the prior year (2019: £123.5 million). Like-for-like revenue excludes Manchester, which opened in May 2019 and Battersea which was closed for redevelopment in March 2019.

Other sales (included within the above), comprising the selling of insurance, packing materials and storage related charges, represented 13.9% of total store revenue for the year (2019: 14.1%) and generated revenue of £17.4 million for the year compared to £17.1 million in 2019.

The other revenue earned by the Group is management fee income from Armadillo and tenant income on sites where we have not started development. During the year, the Group recognised in revenue a £1 million performance fee due from Armadillo Storage Holding Company 2 Limited, for the performance of the fund over its initial five-year term.

Operating costs

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

Given the relative resilience of our trading to date, we have taken the decision not to furlough any employees to date.

The breakdown of the portfolio's operating costs compared to the prior year is shown in the table below:

	Year ended 31 March 2020	Year ended 31 March 2019	% change	% of store operating costs in 2020
Category	£000	£000		
Cost of sales (insurance and packing materials)	2,791	2,866	(3%)	8%
Staff costs	9,593	9,240	4%	26%
General & admin	1,241	1,262	(2%)	3%
Utilities	1,100	1,373	(20%)	3%
Property rates	11,599	11,311	3%	32%
Marketing	5,474	5,294	3%	15%
Repairs & maintenance	2,777	2,741	1%	8%
Insurance	938	934	0%	3%
Computer costs	638	587	9%	2%
Irrecoverable VAT	14	20	(30%)	0%
Total per portfolio summary	36,165	35,628	2%	

Store operating costs have increased by £0.5 million (2%) compared to the same period last year. Our new stores at Wapping and Manchester carry incremental costs of £0.6 million. Our marketing expenditure has increased by £0.2 million (3%) and includes significant variable cost associated with PPC demand. Our Battersea store has been closed for redevelopment saving £0.4 million of operating costs in this period.

The expenditure on utilities has reduced by £0.3 million following a significant backdated recharge of electricity costs to a third-party telecoms mast provider. The other increases in store operating costs of £0.4 million are mainly inflationary.

Big Yellow Group PLC

Financial Review

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

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Direct store operating costs per portfolio summary (excluding rent)	36,165	35,628
Rent included in cost of sales (total rent payable is included in portfolio summary)	1,276	1,075
Depreciation charged to cost of sales	348	393
Head office and other operational management costs charged to cost of sales	1,084	1,049
Cost of sales per statement of comprehensive income	38,873	38,145

Store EBITDA

Store EBITDA for the year was £87.2 million, an increase of £3.1 million (3.7%) from £84.1 million for the year ended 31 March 2019 (see Portfolio Summary). The overall EBITDA margin for all Big Yellow stores increased to 69.6% (2019: 69.1%).

Administrative expenses

Administrative expenses in the statement of comprehensive income of £10.5 million were down £0.1 million compared to the prior year. The reduction is due to a fall in the IFRS 2 share-based payments charge, and a lower vesting percentage for the Directors' deferred bonus plan in the year.

The non-cash share-based payments charge represents £2.3 million of the overall £10.5 million expense.

Interest expense on bank borrowings

The gross bank interest expense for the year was £10.6 million, an increase of £0.7 million from the prior year. The average cost of borrowing during the year was 2.6% compared to 2.9% in the prior year. Average debt levels were higher than in the prior year.

Capitalised interest increased by £0.8 million from the prior year. The interest capitalised in the year is principally on our developments at Camberwell, Battersea, Bracknell and Uxbridge.

Total finance costs in the statement of comprehensive income decreased to £10.8 million from £11.2 million in the prior year.

Big Yellow Group PLC

Financial Review

Profit before tax

The Group made a profit before tax in the year of £93.4 million, compared to a profit of £126.9 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 £71.0 million, up 5% from £67.5 million in 2019.

Profit before tax analysis	2020 £000	2019 £000
Profit before tax	93,447	126,855
Gain on revaluation of investment properties	(23,193)	(58,898)
Movement in fair value on interest rate derivatives	908	1,123
Gain on disposal of investment property	(57)	-
Share of associate fair value gains and losses	(107)	(1,615)
Adjusted profit before tax	70,998	67,465

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 2019	67.5
Increase in gross profit	3.2
Increase in net interest payable	(0.6)
Reduction in administrative expenses	0.1
Increase in capitalised interest	0.8
Adjusted profit before tax – year ended 31 March 2020	71.0

Basic earnings per share for the year was 55.8p (2019: 78.3p) and fully diluted earnings per share was 55.6p (2019: 78.0p). Diluted EPRA earnings per share based on adjusted profit after tax was up 2% to 42.1p (2019: 41.4p) (see note 12). EPRA earnings per share equates to the Company's adjusted earnings per share in the current year.

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 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. Revaluation gains on developments and our existing open stores will be exempt from corporation tax on chargeable 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 on compliance with these criteria is issued to the Executive. To date, the Group has complied with all REIT regulations, including forward looking tests.

Taxation

There is a tax charge in the current year of £0.9 million. This compares to a charge in the prior year of £0.4 million. The current year tax charge reflects an increase in profits in our residual business, in part due to lower deductions allowed in the current year for tax purposes from the exercise of share options.

Dividends

The Board is recommending the payment of a final dividend of 16.7 pence per share in addition to the interim dividend of 17.1 pence, giving a total dividend for the year of 33.8 pence, an increase of 1.8% from the prior year.

REIT regulatory requirements determine the level of Property Income Distribution ("PID") payable by the Group. On the basis of the full year distributable reserves for PID purposes, a PID of 30.6 pence per share is payable (31 March 2019: 29.2 pence). The balance of the total annual dividend represents an ordinary dividend declared at

Big Yellow Group PLC

Financial Review

the discretion of the Board, in line with our policy to distribute 80% of our adjusted earnings per share in each reporting period. The PID for the year to 31 March 2020 accounts for 91% of the total dividend. The table below summarises the declared dividend for the year:

Dividend (pence per share)	31 March 2020	31 March 2019
Interim dividend – PID	17.1p	16.7p
– discretionary	nil p	nil p
– total	17.1p	16.7p
Final dividend – PID	13.5p	12.5p
– discretionary	3.2p	4.0p
– total	16.7p	16.5p
Total dividend – PID	30.6p	29.2p
– discretionary	3.2p	4.0p
– total	33.8p	33.2p

Subject to approval by shareholders at the Annual General Meeting to be held on 5 August 2020, the final dividend will be paid on 10 August 2020. The ex-div date is 18 June 2020 and the record date is 19 June 2020.

Cash flow growth

The Group is strongly cash generative and draws down from its longer term committed facilities as required to meet its obligations. The Group's cash flow from operating activities for the year was £73.6 million, an increase of 2% from £72.2 million in the prior year.

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Cash generated from operations	85,074	82,912
Net finance costs	(10,178)	(9,629)
Interest on obligations under lease liabilities	(820)	(915)
Tax	(461)	(195)
Cash flow from operating activities	73,615	72,173
Capital expenditure	(63,748)	(83,038)
Proceeds on disposal of investment property	14,105	-
Receipt from Capital Goods Scheme	1,226	1,876
Dividends received from associates	649	550
Cash flow after investing activities	25,847	(8,439)
Ordinary dividends	(55,706)	(52,058)
Issue of share capital	853	65,962
Obligations under lease liabilities payments	(963)	(1,075)
Loan arrangement fees paid	(918)	(367)
Drawing of new Aviva loan	35,000	-
Increase in borrowings	29,403	7,026
Net cash inflow	33,516	11,049
Opening cash and cash equivalents	17,902	6,853
Closing cash and cash equivalents	51,418	17,902
Closing debt	(402,028)	(337,625)
Closing net debt	(350,610)	(319,723)

In the year capital expenditure outflows were £63.7 million, down from £83.0 million in the prior year. The capital expenditure during the year principally relates to the purchase of land for new stores (£38.9 million), and construction capital expenditure (£24.8 million).

The cash flow after investing activities was a net inflow of £25.8 million in the year, compared to an outflow of £8.4 million in 2019, due to the lower capital expenditure in the year, and the proceeds from the disposal of investment property at New Malden and Slough.

Big Yellow Group PLC

Financial Review

Placing

On 20 April 2020, the Group announced that it was issuing 8.3 million shares, raising £79.9 million (net of expenses). The Group intends to continue adding to its pipeline over the next few years, which will be funded principally by the proceeds from this placing. This will allow a continued focus on expansion primarily in London and its commuter towns whilst maintaining a conservative capital structure.

Balance sheet

Property

The Group's open stores and stores under development owned at 31 March 2020, which are classified as investment properties, have been valued individually by CBRE. This is the first external valuation that CBRE have carried out for the Group, having been appointed to replace Cushman & Wakefield LLP during the year. The external valuation has resulted in an investment property asset value of £1,521.4 million, comprising £1,352.7 million (89%) for the freehold (including three long leaseholds) open stores, £32.4 million (2%) for the short leasehold open stores and £136.3 million (9%) for the freehold investment properties under construction.

Investment property

The valuations in the current year have grown from the prior year, with a revaluation surplus of £23.4 million arising on the open Big Yellow stores (see note 15 for the detailed valuation methodology). The average exit capitalisation rate used in the valuations was 6.1% in the current year, in line with the prior year, with the discount rate adopted remaining at 9.3%. The increase in value compared to the prior year is principally due to the growth in cash flow from the assets and changes to the operating assumptions adopted in the valuations.

The valuation is based on an average occupancy over the 10-year cash flow period of 83.8% across the whole portfolio.

	Mature		Established	Developing	Total
	Leasehold	Freehold	Freehold	Freehold	
Number of stores	6	63	3	3	75 ⁽¹⁾
MLA capacity (sq ft)	339,000	4,008,000	195,000	146,000	4,688,000
Valuation at 31 March 2020 (£m)	£32.4m	£1,223.0m	£51.9m	£36.3m	£1,343.6m
Value per sq ft	£96	£305	£266	£249	£286
Occupancy at 31 March 2020	79.9%	82.3%	76.9%	43.2%	80.7%
Stabilised occupancy assumed	84.3%	84.3%	85.5%	86.0%	84.4%
Net initial yield pre-admin expenses	12.5%	6.1%	5.8%	2.8%	6.1%
Stabilised yield assuming no rental growth	14.1%	6.5%	6.8%	9.2%	6.8%

(1) Excluding Battersea which was closed in March 2019 for redevelopment, but in line with the Group's accounting policy has been shown in investment property at the year end.

The initial yield pre-administration expenses assuming no rental growth is 6.1% (2019: 6.4%) rising to a stabilised yield of 6.8% (2019: 6.7%). The stores are assumed to grow to stabilised occupancy in 21 months on average. Note 15 contains more detail on the assumptions underpinning the valuations.

Material valuation uncertainty due to Novel Coronavirus (Covid-19)

CBRE's report comments that the outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Observable market activity – that provides the empirical data for CBRE to have an adequate level of certainty in the valuation – is being impacted in the case of the properties valued. For these properties, as at the valuation date, CBRE consider that they can attach less weight to previous market evidence for comparison purposes, to inform their opinion of value. Indeed, the current response to Covid-19 means that they are faced with an unprecedented set of circumstances on which to base a judgement.

Big Yellow Group PLC

Financial Review

CBRE's valuation is therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the Red Book. Consequently, less certainty – and a higher degree of caution – should be attached to CBRE's valuation than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, CBRE recommend that the Group keep the valuation of the whole portfolio under frequent review.

For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation. CBRE's valuation report further confirms that the properties have been valued individually but that if the portfolio were to be sold as a single lot or in selected groups of properties, the total value could differ significantly. CBRE state that in current market conditions they are of the view that there could be a material portfolio premium.

Investment property under construction

The investment property under construction valuation has increased by £45.2 million in the year. Capital expenditure accounts for £56.9 million of this increase, notably on the site purchases discussed above, and construction expenditure, principally on Camberwell and Bracknell (Battersea is included with investment property). This has been partly offset by Manchester transferring to open stores. The valuation movement on the investment property under construction was a small deficit of £0.2 million.

Purchaser's cost adjustment

As in prior years, we have instructed an alternative valuation on our assets using a purchaser's cost assumption of 2.75% (see note 15 for further details) to be used in the calculation of our adjusted diluted net asset value. This Red Book valuation on the basis of the special assumption of 2.75% purchaser's costs, results in a higher property valuation at 31 March 2020 of £1,612.3 million (£90.9 million higher than the value recorded in the financial statements). With the share of uplift on the revaluation of the Armadillo stores (£0.9 million), this translates to 54.8 pence per share.

This revised valuation translates into an adjusted net asset value per share of 751.9 pence (2019: 724.4 pence) after the dilutive effect of outstanding share options.

Receivables

As of 8 June, we have collected 96.7% of our April and May revenue, which compares to 97.3% over the same period last year.

At 31 March 2020 we have a receivable of £1.4 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 receivable relates to VAT to be recovered on historic store development expenditure.

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 £0.1 million of the discount being unwound through interest receivable in the year. The Group has received £14.4 million to date under the Scheme, of which £1.2 million was received in the year.

Big Yellow Group PLC

Financial Review

Net asset value

The adjusted net asset value is 751.9 pence per share (see note 13), up 4% from 724.4 pence per share at 31 March 2019. The table below reconciles the movement from 31 March 2019:

Movement in adjusted net asset value	£m	Adjusted NAV pence per share
31 March 2019	1,209.8	724.4
Adjusted profit after tax	70.1	41.9
Equity dividends paid	(55.7)	(33.3)
Revaluation movements (including share of associate)	23.5	14.0
Movement in purchaser's cost adjustment	8.0	4.8
Other movements (e.g. share schemes)	2.9	0.1
31 March 2020	1,258.6	751.9

Borrowings

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

During the year the Group extended the term of its bank loan by a further year. The Group also increased the quantum of the bank loan by £30 million during the period, with Bank of Ireland joining the facility taking this additional debt. The Group also has an option to increase the amount of revolving loan by a further £30 million during the course of the loan's term.

In March 2020, the Group agreed a new 7 year debt facility with Aviva of £35 million at an all-in cost of 1.96%, secured over the existing Aviva security pool of 15 stores. The all-in cost of this tranche of the loan reduces to 1.91% following the installation of 50 kWh capacity solar panels at three of the stores. The total debt facilities from Aviva are now £117.5 million of which £82.5 million will continue to amortise down to £60 million over the remaining seven years of the loan.

The table below summarises the Group's debt facilities at 31 March 2020. The average cost of debt is 2.5% (March 2019: 2.9%).

Debt	Expiry	Facility	Drawn	Average interest cost
Aviva Loan	April 2027	£117.5 million	£117.5 million	4.0%
M&G loan	June 2023	£70 million	£70 million	3.0%
Bank loan	October 2024	£240 million	£214.5 million	1.6%
Total	Average term 4.9 years	£427.5 million	£402.0 million	2.5%

Subsequent to the placing in April 2020, variable rate revolving bank debt was repaid, the effect of which has been to increase the Group's average cost of debt to approximately 3.1%. The Group's net debt at 8 June 2020 was £265 million with available liquidity of £162 million.

The Group was comfortably in compliance with its banking covenants at 31 March 2020. Further details of the Group's covenants are provided in note 19 of the accounts. For the year we had Group interest cover of 8.3 times (2019: 8.6 times) based on pre-interest operating cash flow against interest paid. Following the placing, raising £79.9 million (net of expenses) and subsequent repayment of debt, this interest cover has increased. The net debt to gross property assets ratio is 23% (2019: 22%) and the net debt to adjusted net assets ratio (see net asset value section above) is 28% (2019: 26%).

Big Yellow Group PLC

Financial Review

At 31 March 2020, the fair value on the Group's interest rate derivatives was a liability of £0.3 million. The Group does not hedge account its interest rate derivatives. As recommended by EPRA, the fair value movements are eliminated from adjusted profit before tax, diluted EPRA earnings per share, and adjusted net assets per share.

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

Share capital

The share capital of the Company totalled £16.7 million at 31 March 2020 (2019: £16.7 million), consisting of 167,138,527 ordinary shares of 10p each (2019: 166,665,158 shares). 0.5 million shares were issued for the exercise of options during the year at an average exercise price of 988p (2019: 0.9 million shares at an average price of 910p).

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

	2020 No.	2019 No.
Opening shares	166,665,158	158,570,574
Shares issued in placing	-	7,204,301
Shares issued for the exercise of options	473,369	890,283
Closing shares in issue	167,138,527	166,665,158
Shares held in EBT	(1,122,907)	(1,122,907)
Closing shares for NAV purposes	166,015,620	165,542,251

80.3 million shares were traded in the market during the year ended 31 March 2020 (2019: 79.2 million). The average mid-market price of shares traded during the year was 1,071p with a high of 1,245p and a low of 630p.

Investment in Armadillo

The Group has a 20% investment in Armadillo Storage Holding Company Limited and a 20% investment in Armadillo Storage Holding Company 2 Limited. In the consolidated accounts of Big Yellow Group PLC, our investments in the vehicles are treated as associates using the equity accounting method. The investments are Limited companies, but the Group does also refer to them as Partnerships in these financial statements.

During the year, Armadillo acquired three existing stores in Daventry, Grimsby and Liverpool, with a combined capacity of 97,000 sq ft

The occupancy of the Armadillo stores at 31 March 2020 was 799,000 sq ft on a MLA of 1,063,000, representing 75.2% (31 March 2019: 75.1%). The net rent achieved at 31 March 2020 by the Armadillo stores is £17.84 per sq ft, an increase of 2% from the same time last year. Revenue increased by 11% to £16.7 million for the year to 31 March 2020 (2019: £15.1 million); the like-for-like increase in revenue was 5%.

Included within administrative expenses in Armadillo 2 is a £1 million accrual for a performance fee payable to Big Yellow. The fee calculation has been based on a 31 January 2020 external property valuation for the Armadillo 2 portfolio.

The Armadillo Partnerships made a combined operating profit of £6.7 million in the year, of which Big Yellow's share is £1.3 million. After net interest costs, the revaluation of investment properties (valued by Jones Lang LaSalle), deferred tax on the revaluation surplus and movement in interest rate derivatives, the profit for the year was £4.3 million, of which the Group's share was £0.9 million.

The loans within both Armadillo Partnerships were refinanced subsequent to the year end, and now expire in April 2023.

Big Yellow has a management contract in place in each Partnership. For the year to 31 March 2020 the Group earned management fees of £2.2 million, including the performance fee referred to above. The Group's share of the dividend for the year is £0.6 million, representing a 14% yield on our equity invested.

Big Yellow Group PLC

Financial Review

Principal risks and uncertainties

The Directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The Group maintains a low appetite to risk, in line with our strategic objectives of providing a low volatility, high distribution business.

The section below details the principal risks and uncertainties that are considered to have the most material impact on the Group's strategy and objectives. These key risks are monitored on an ongoing basis by the Executive Directors and considered fully by the Board in its annual risk review.

Risk and impact	Mitigation	Change during the year and outlook
Self storage market risk		
There is a risk to the business that the self storage market does not grow in line with our projections, and that economic growth in the UK is below expectations, which could result in falling demand and a loss of income.	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. New store openings in London and other large metropolitan cities within the sector have slowed significantly over the past few years. Our performance during the Global Financial Crisis ("GFC") was 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 properties; – a focus on London and the South East and other large metropolitan cities, which proved more resilient during the GFC 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 approximately 56,500 spread across the portfolio of stores and hundreds of thousands	The Covid-19 pandemic has caused a significant contraction in the forecast economic growth for the UK for 2020, with some commentators estimating Q2 GDP may fall by up to 30%. This is clearly a recent and still emerging uncertainty and risk, and the range of outcomes for the global economy are still unknown. The market risk has clearly increased over the past few months given the macroeconomic outlook. The Group's trade since the pandemic started, whilst impacted, has so far proved resilient. In addition to the pandemic, there is also increased macroeconomic uncertainty associated with the UK's exit from the EU and whether a trade deal will be agreed. The uncertainty in the run up to Brexit impacted consumer behaviour, which caused lower occupancy growth for the Group in the year ended March 2020.

Big Yellow Group PLC

Financial Review

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. This is a seasonal business and typically we see growth over the spring and the summer months, with the seasonally weaker period being the winter months.

Property risk

There is a risk that we will be unable to acquire new development sites which meet management's criteria. This would impact on our ability to grow the overall store platform. The Group is also subject to the risk of failing to obtain planning consents on its development sites, and the risk of a rising cost of development.

Our management has significant experience in the property industry generated over many years and in particular acquiring property on main roads in high profile locations and obtaining planning consents. We do take planning risk where necessary, although the availability of land, and competition for it makes acquiring new sites challenging.

Our in-house development team and our professional advisers have significant experience in obtaining planning consents for self storage centres.

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. We carried out an external benchmarking of our construction costs and tendering programme three years ago, which had satisfactory results.

The Group has acquired seven sites over the past couple of years, taking its total pipeline to 13 sites which, when opened, would expand the Group's current MLA by 19%.

The planning process remains difficult and to achieve a planning consent can take anything from eighteen months to three years. Local planning policy is favouring residential development over other uses, and we don't expect this to change given the shortage of housing in the UK.

The current pandemic has meant in-person planning committee meetings have been suspended, and we are awaiting to see how the planning authorities respond to this. This may cause delay in the Group receiving planning consents.

We currently have planning consent on six of the 13 development sites.

Valuation risk

The valuation of the Group's investment properties may fall due to external pressures or the impact of performance.

Lack of transactional evidence in the self storage sector leads to more subjective valuations.

The valuations are carried out by independent, qualified external valuers who have significant experience in the UK self storage industry.

The portfolio is diverse with approximately 56,500 customers currently using our stores for a wide variety of reasons.

There is significant headroom on our loan to value banking covenants.

The revaluation surplus on the Group's open store investment properties was £23.4 million in the year (an uplift of 2%), principally due to an improvement in underlying cash flows used in the valuations.

There continues to be transactional evidence in the sector, with a number of portfolio transactions taking place in the current year. There have been no material

Big Yellow Group PLC

Financial Review

transactions since the start of the pandemic, and the valuers have drawn attention in their report to material valuation uncertainty arising from the current situation.

Treasury risk

The Group may face increased costs from adverse interest rate movements.

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 LTV 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 seven years remaining. This loan was increased by £35 million in March 2020. The Group has a £70 million loan from M&G Investments, which is 50% fixed and 50% floating, repayable in 2023. 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 40% of our total borrowings fixed, with the balance floating. At 31 March 2020 45% of the Group's total borrowings were fixed or subject to interest rate derivatives. 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 store occupancy on gearing and interest cover. This sensitivity testing underpins the viability statement below.

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 rates were reduced to 10bps in March 2020, and the long-term forecast is for rates to remain at low levels for the foreseeable future. A significant proportion of the Group's debt is floating, and hence the Group will benefit from this reduction in base rates.

Debt providers currently remain supportive to companies with a strong capital structure, as evidenced by the Group completing on the loan from Aviva after the pandemic started. That said, the current environment is likely to adversely affect liquidity and pricing.

The Group's interest cover ratio for the year ended 31 March 2020 was 8.3 times, comfortably ahead of our internal target of 5 times and ahead of our banking covenants, as disclosed in note 19.

Tax and regulatory risk

Big Yellow Group PLC

Financial Review

The Group is exposed to changes in the tax regime affecting the cost of corporation tax, property rates, VAT, Stamp Duty and Stamp Duty Land Tax (“SDLT”), for example the imposition of VAT on self storage from 1 October 2012.

The UK’s future exit from the EU creates uncertainty over the future UK tax and regulatory environment.

The Group is exposed to potential tax penalties or loss of its REIT status by failing to comply with the REIT legislation.

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.

HMRC have designated the Group as having a low-risk tax status, and we hold regular meetings with them. We carry out detailed planning ahead of any future regulatory and tax changes using our expert advisers.

The Group has internal monitoring procedures in place to ensure that the appropriate REIT rules and legislation are complied with. To date all REIT regulations have been complied with, including projected tests.

In addition to the regulatory and tax uncertainty linked to the UK’s exit from the EU, the Group experienced an increase in cost in 2018 following the Government’s review of business rates.

There is a risk that tax rates will rise in the short to medium-term to fund the increased government deficits that have arisen from the policy response to the pandemic.

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, to contribute to the performance of the Group.

We were ranked in the Sunday Times 100 Best Companies to Work For survey in February 2019, showing strong levels of engagement from our employees.

The Group carried out an engagement survey of its employees during the year, which showed very pleasing results of the level of engagement of our teams.

Brand and reputation risk

The Group is exposed to the risk of a single serious incident materially affecting our customers, people, financial performance and hence our brand and reputation.

We have always aimed to run this business in a professional way, which has involved strict adherence with all regulations that affect our business, such as health and safety legislation, building regulations in relation to the construction of our buildings, anti-slavery, anti-bribery and data regulations.

We also invest in cyber security (discussed below), and make an ongoing investment in staff training, facilities management and the maintenance of our stores.

To ensure consistency of service and to understand the needs of our customers, we send surveys to every customer who moves in and moves out of the business. The results of the surveys and mystery shops are reviewed to

During 2018, we developed a crisis response plan with external consultants to ensure the Group is well placed to deal with a major incident more effectively.

During the year, we carried out an exercise to stress-test the crisis response plan with a scenario based on a disaster at one of the Group’s stores.

We have explained in the Operational and Marketing Review how we have reacted operationally to the Covid-19

Big Yellow Group PLC

Financial Review

continuously improve and deliver consistent performance throughout the business.

pandemic and ensured our staff and customers remain safe.

We maintain regular communication with our key stakeholders, customers, employees, shareholders and debt providers.

Security risk

The Group is exposed to the risk of the damage or loss of a store due to vandalism, fire, or natural incidents such as flooding. This may also cause reputational damage.

The safety and security of our customers, their belongings, stores and our staff 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 continued to run courses for all our staff to enhance the awareness and effectiveness of our procedures in relation to security.

We regularly review and implement improvements to our security processes and procedures.

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.

Cyber risk

High profile cyber-attacks and data breaches are a regular staple in today's news. The results of any breach may result in reputational damage, fines, or customer compensation, causing a loss of market share and income.

The Group receives specialist advice and consultancy in respect of cyber security and we have dedicated in-house monitoring and regular review of our security systems, we also limit the retention of customer data to the minimum requirement.

Policies and procedures are under regular review and benchmarked against industry best practice by our consultants. These policies also include defend, detect and response policies.

We don't consider the risk to have increased any faster for the Group than anyone else; however, we consider that the threats in the entire digital landscape do continue to increase and evolve. As such we have continued to invest in cyber security upgrading or replacing components as required.

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. The Group employs a Head of Store Compliance responsible for reviewing store operational and financial controls. He reports to the Chief Financial Officer, and also meets with the Audit Committee at least once a year. This role is supported by two other team members, enabling additional work and support to be carried out across the Group's store portfolio. The Store Compliance team will visit each operational store twice per year to carry out a detailed store audit. These audits are unannounced and the Store Compliance team carry out detailed tests on financial management, administrative standards, and operational standards within the stores. 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.

Big Yellow Group PLC

Financial Review

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.

The Group issued 8.3 million shares in April 2020 by way of a placing, raising £79.9 million (net of expenses). At 8 June 2020 the Group had available liquidity of £162 million, from a combination of cash and undrawn bank debt facilities. The Group is cash generative and for the year ended 31 March 2020, had operational cash flow of £73.6 million, with capital commitments at the balance sheet date of £10 million.

The Directors have prepared cash flow forecasts for a period of 18 months from the date of approval of these financial statements, taking into account the Group's operating plan and budget for the year ending 31 March 2021 and projections contained in the longer-term business plan which cover the period to March 2024. After reviewing these projected cash flows together with the Group's and Company's cash balances, borrowing facilities and covenant requirements, and potential property valuation movements over that period, the Directors believe that, taking account of severe but plausible downsides, the Group and Company will have sufficient funds to meet their liabilities as they fall due for that period.

In making their assessment, the Directors have carefully considered the outlook for the Group's trading performance and cash flows as a result of the economic shock brought on by the Covid-19 pandemic, taking into account the trading performance of the Group from the onset of the pandemic to the date of these financial statements. The Directors have also taken into account the performance of the business during the Global Financial Crisis. The Directors modelled a number of different scenarios, including material reductions in the Group's occupancy rates and property valuations, and assessed the impact of these scenarios against the Group's liquidity and the Group's banking covenants. The scenarios considered did not lead to breaching any of the banking covenants, and the Group retained sufficient liquidity to meet its financial obligations as they fall due.

Consequently, the Directors continue to adopt the going concern basis in preparing the financial statements.

VIABILITY STATEMENT

The Directors have assessed the Group's viability over a four-year period to March 2024. This period is selected based on the Group's long-term strategic plan to give greater certainty over the forecasting assumptions used. As in the assessment of going concern, the Directors have modelled a number of different scenarios on the Group's future prospects.

In making their assessment, the Directors took account of the Group's current financial position, including committed capital expenditure. The Directors carried out a robust assessment of the principal risks and uncertainties facing the business, their potential financial impact on the Group's cash flows, REIT compliance and financial covenants and the likely effectiveness of the mitigating options detailed. The Directors have assumed that funding for the business in the form of equity, bank and insurance company debt will be available in all reasonably plausible market conditions. Whilst the eventual impact of Covid-19 on the Group is uncertain, and may not be known for some time, the Group has a highly cash generative business, good liquidity and has proved relatively resilient in its trading since the onset of the pandemic.

Based on this assessment the Directors have a reasonable expectation that the Company and the Group will be able to continue operating and meeting all their liabilities as they fall due to March 2024.

Big Yellow Group PLC

Consolidated Statement of Comprehensive Income Year ended 31 March 2020

	Note	2020 £000	2019 £000
Revenue	3	129,313	125,414
Cost of sales		(38,873)	(38,145)
Gross profit		90,440	87,269
Administrative expenses		(10,462)	(10,607)
Operating profit before gains on property assets		79,978	76,662
Gain on the revaluation of investment properties	14a,15	23,193	58,898
Gain on disposal of investment property	14a	57	-
Operating profit		103,228	135,560
Share of profit of associates	14d	856	2,327
Investment income – interest receivable	7	114	167
Finance costs – interest payable	8	(9,843)	(10,076)
– fair value movement on derivatives	8	(908)	(1,123)
Profit before taxation		93,447	126,855
Taxation	9	(871)	(355)
Profit for the year (attributable to equity shareholders)	5	92,576	126,500
Total comprehensive income for the year (attributable to equity shareholders)		92,576	126,500
Basic earnings per share	12	55.8p	78.3p
Diluted earnings per share	12	55.6p	78.0p

EPRA earnings per share are shown in Note 12.

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

The accompanying notes form part of the financial statements.

Big Yellow Group PLC

Consolidated Balance Sheet 31 March 2020

	Note	2020 £000	2019 £000
Non-current assets			
Investment property	14a	1,385,120	1,354,430
Investment property under construction	14a	136,299	91,115
Right-of-use assets	14a	17,829	18,774
Plant, equipment and owner-occupied property	14b	4,008	2,939
Intangible assets	14c	1,433	1,433
Investment in associates	14d	11,260	11,053
Capital Goods Scheme receivable	16	660	1,332
Derivative financial instruments	18c	-	581
		<u>1,556,609</u>	<u>1,481,657</u>
Current assets			
Inventories		412	282
Trade and other receivables	16	7,882	20,356
Cash and cash equivalents		51,418	17,902
		<u>59,712</u>	<u>38,540</u>
Total assets		<u>1,616,321</u>	<u>1,520,197</u>
Current liabilities			
Trade and other payables	17	(33,446)	(41,649)
Borrowings	19	(2,728)	(2,598)
Obligations under lease liabilities	21	(1,751)	(1,625)
		<u>(37,925)</u>	<u>(45,872)</u>
Non-current liabilities			
Derivative financial instruments	18c	(327)	-
Borrowings	19	(397,007)	(333,279)
Obligations under lease liabilities	21	(17,186)	(17,149)
		<u>(414,520)</u>	<u>(350,428)</u>
Total liabilities		<u>(452,445)</u>	<u>(396,300)</u>
Net assets		<u>1,163,876</u>	<u>1,123,897</u>
Equity			
Share capital	22	16,714	16,667
Share premium account		112,320	111,514
Reserves		1,034,842	995,716
Equity shareholders' funds		<u>1,163,876</u>	<u>1,123,897</u>

The financial statements were approved by the Board of Directors and authorised for issue on 8 June 2020. They were signed on its behalf by:

James Gibson, Director

John Trotman, Director

Company Registration No. 03625199

The accompanying notes form part of the financial statements.

Big Yellow Group PLC

Consolidated Statement of Changes in Equity

Year ended 31 March 2020

	Share capital £000	Share premium account £000	Other non-distributable reserve £000	Capital redemption reserve £000	Retained earnings £000	Own shares £000	Total £000
At 1 April 2019	16,667	111,514	74,950	1,795	919,990	(1,019)	1,123,897
Total comprehensive income for the year	-	-	-	-	92,576	-	92,576
Issue of share capital	47	806	-	-	-	-	853
Dividend	-	-	-	-	(55,706)	-	(55,706)
Credit to equity for equity-settled share-based payments	-	-	-	-	2,256	-	2,256
At 31 March 2020	16,714	112,320	74,950	1,795	959,116	(1,019)	1,163,876

The other non-distributable reserve arose in the year ended 31 March 2015 following the placing of 14.35 million ordinary shares.

Year ended 31 March 2019

	Share capital £000	Share premium account £000	Other non-distributable reserve £000	Capital redemption reserve £000	Retained earnings £000	Own shares £000	Total £000
At 1 April 2018	15,857	46,362	74,950	1,795	843,203	(1,019)	981,148
Total comprehensive income for the year	-	-	-	-	126,500	-	126,500
Issue of share capital	810	65,152	-	-	-	-	65,962
Dividend	-	-	-	-	(52,058)	-	(52,058)
Credit to equity for equity-settled share-based payments	-	-	-	-	2,345	-	2,345
At 31 March 2019	16,667	111,514	74,950	1,795	919,990	(1,019)	1,123,897

The accompanying notes form part of the financial statements.

Big Yellow Group PLC

Consolidated Cash Flow Statement Year ended 31 March 2020

	Note	2020 £000	2019 £000
Cash generated from operations	26	85,074	82,912
Bank interest paid		(10,211)	(9,654)
Interest on obligations under lease liabilities		(820)	(915)
Interest received		33	25
Tax paid		(461)	(195)
Cash flows from operating activities		73,615	72,173
Investing activities			
Purchase of non-current assets		(63,748)	(83,038)
Proceeds on disposal of investment property		14,105	-
Receipts from Capital Goods Scheme		1,226	1,876
Dividend received from associates	14d	649	550
Cash flows from investing activities		(47,768)	(80,612)
Financing activities			
Issue of share capital		853	65,962
Payment of lease liabilities		(962)	(1,075)
Equity dividends paid	11	(55,706)	(52,058)
Loan arrangement fees paid		(919)	(367)
Drawing of new Aviva loan		35,000	-
Increase in borrowings		29,403	7,026
Cash flows from financing activities		7,669	19,488
Net increase in cash and cash equivalents		33,516	11,049
Opening cash and cash equivalents		17,902	6,853
Closing cash and cash equivalents		51,418	17,902

The accompanying notes form part of the financial statements.

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

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.

2. BASIS OF PREPARATION

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2020 or 2019 but is derived from those accounts. Statutory accounts for 2019 have been delivered to the registrar of companies, and those for 2020 will be delivered in due course. The auditor has reported on those accounts; their report for the year ended 31 March 2020 (i) was unqualified, (ii) drew attention by way of emphasis, without qualifying their report, to disclosures in respect of the material valuation uncertainty relating to Investment Property (see note 15 to this results announcement), and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. Their report for the year ended 31 March 2019 (i) was unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The statutory accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation and with those parts of the Companies Act 2006 that are applicable to companies reporting under IFRS. The Group has applied all accounting standards and interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee relevant to its operations and effective for accounting periods beginning on 1 April 2019. The same accounting policies as applied in the Group's statutory accounts for the year ended 31 March 2019 have been applied in this condensed set of financial statements, with the exception of the adoption of IFRS 16 (Leases). The adoption of this standard has not had a material impact on the Group's financial statements.

Leases

The Group's has adopted IFRS 16 (Leases) in the current year. The Group has applied the modified retrospective approach in adopting IFRS 16 to operating leases. This method includes the calculated lease liabilities and right-of-use assets to be recognised in the consolidated balance sheet on the Group's transition date of 1 April 2019, without the requirement to restate prior periods. Under the standard, the Group also has the option to set the balance of the right-of-use assets, on transition, at an amount equal to the lease liabilities. This option has been taken.

Policy applicable from 1 April 2019

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

2. BASIS OF PREPARATION (continued)

- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

Where the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of office equipment that have a lease term of 12 months or less and leases of low value assets including IT equipment; and
- the Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 April 2019

In the comparative period, leases were only classified as operating leases when they did not meet the definition of finance leases. Rentals payable under these leases were 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 were received to enter into operating leases, such incentives were recognised as a liability. The aggregate benefit of incentives was recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis was more representative of the time pattern in which economic benefits from the leased asset were consumed.

Impact on financial position from the adoption of IFRS 16:

Included within the scope of the standard are the Group's leases for its six short leasehold stores and two long leasehold stores, on which the Group pays rent. These leases are already disclosed on the consolidated balance sheet and accounted for in accordance with the requirements of IFRS 16, with the exception of one long leasehold store where the lease has now been recognised, amounting to £253,000. The Group also has operating leases in place on its head office and distribution warehouse. On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17.

The adoption of the standard has not impacted the Group's financial position as a lessor or the accounting for the rental income from the Group's investment properties. The standard requires lessees to recognise, for each lease, a right-of-use asset and related lease liability representing the obligation to make lease payments. Interest expense on the lease liability and depreciation on the right-of-use asset is recognised in the consolidated statement of comprehensive income. When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate (calculated as the swap rate for the remaining length of lease plus the Group's weighted average margin on its debt instruments) at 1 April 2019. The weighted-average rate applied is 2.9%.

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

2. BASIS OF PREPARATION (continued)

The Group leases a number of properties for use as self storage centres. These leases were classified as finance leases under IAS 17.

The reconciliation of the balance sheet movement is shown in the table below:

Balance sheet caption	IFRS 16		
	Pre-transition 1 April 2019 £000	Adoption at 1 April 2019 £000	Post-transition 1 April 2019 £000
Interest in leasehold properties (asset)	18,774	253	19,027
Property plant and equipment (asset)	-	872	872
Obligations under lease liabilities (current)	(1,625)	(126)	(1,751)
Obligations under lease liabilities (non-current)	(17,149)	(999)	(18,148)

The Group has presented two right-of-use assets as property, plant and equipment as they do not meet the definition of investment property.

The standard changes the allocation of lease payments over the length of the lease, resulting in the rental payments being more front ended in the statement of comprehensive income. Adjusted profit after tax reduced by £0.3 million and EPRA earnings per share reduced by 0.2 pence as a result of the adoption of IFRS 16 for the year ended 31 March 2020.

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.

The Group issued 8.3 million shares in April 2020 by way of a placing, raising £79.9 million (net of expenses). At 8 June 2020 the Group had available liquidity of £162 million, from a combination of cash and undrawn bank debt facilities. The Group is cash generative and for the year ended 31 March 2020, had operational cash flow of £73.6 million, with capital commitments at the balance sheet date of £10 million.

The Directors have prepared cash flow forecasts for a period of 18 months from the date of approval of these financial statements, taking into account the Group's operating plan and budget for the year ending 31 March 2021 and projections contained in the longer-term business plan which cover the period to March 2024. After reviewing these projected cash flows together with the Group's and Company's cash balances, borrowing facilities and covenant requirements, and potential property valuation movements over that period, the Directors believe that, taking account of severe but plausible downsides, the Group and Company will have sufficient funds to meet their liabilities as they fall due for that period.

In making their assessment, the Directors have carefully considered the outlook for the Group's trading performance and cash flows as a result of the economic shock brought on by the Covid-19 pandemic, taking into account the trading performance of the Group from the onset of the pandemic to the date of these financial statements. The Directors have also taken into account the performance of the business during the Global Financial Crisis. The Directors modelled a number of different scenarios, including material reductions in the Group's occupancy rates and property valuations, and assessed the impact of these scenarios against the Group's liquidity and the Group's banking covenants. The scenarios considered did not lead to breaching any of the banking covenants, and the Group retained sufficient liquidity to meet its financial obligations as they fall due.

Consequently, the Directors continue to adopt the going concern basis in preparing the financial statements.

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

3. REVENUE

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

	2020 £000	2019 £000
Open stores		
Self storage income	107,293	104,072
Insurance income	13,432	13,019
Packing materials income	2,505	2,707
Other income from storage customers	1,434	1,420
Ancillary store rental income	710	492
	125,374	121,710
Other revenue		
Non-storage income	1,706	1,561
Management fees earned	2,233	2,143
Total revenue	129,313	125,414

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.

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

5. PROFIT FOR THE YEAR

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

	Note	2020 £000	2019 £000
Depreciation of plant, equipment and owner-occupied property	14b	783	712
Depreciation of interest in leasehold properties	14a	1,198	1,075
Gain on the revaluation of investment property		(23,193)	(58,898)
Profit on disposal of investment property		(57)	-
Cost of inventories recognised as an expense		1,021	1,057
Employee costs (see note 6)		17,292	16,910
Operating lease rentals		5	144

Following the introduction of IFRS 16, the majority of the Group's operating leases are now classified as right-of-use liabilities, and hence are no longer disclosed in the operating lease rentals line above.

b) Analysis of auditor's remuneration:

	2020 £000	2019 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	198	188
Fees payable to the Company's auditor for the subsidiaries' annual accounts	28	27
Total audit fees	226	215
Audit related assurance services - interim review	35	33
Total non-audit fees	35	33

Fees payable to KPMG 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. Fees charged by KPMG LLP to the Group's associates, Armadillo Storage Holding Company Limited and Armadillo Storage Holding Company 2 Limited in the year amounted to £54,000 (2019: £51,000) which all related to statutory financial statement audit services.

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

6. EMPLOYEE COSTS

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

	2020 Number	2019 Number
Sales	304	292
Administration	57	55
	361	347

At 31 March 2020 the total number of Group employees was 405 (2019: 395).

	2020 £000	2019 £000
Their aggregate remuneration comprised:		
Wages and salaries	12,741	12,009
Social security costs	1,681	2,025
Other pension costs	614	531
Share-based payments	2,256	2,345
	17,292	16,910

7. INVESTMENT INCOME

	2020 £000	2019 £000
Bank interest receivable	33	25
Unwinding of discount on Capital Goods Scheme receivable	81	142
Total investment income	114	167

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

8. FINANCE COSTS

	2020 £000	2019 £000
Interest on bank borrowings	10,579	9,926
Capitalised interest	(1,556)	(765)
Interest on obligations under lease liabilities	820	915
Total interest payable	9,843	10,076
Fair value movement on derivatives	908	1,123
Total finance costs	10,751	11,199

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.

A UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the Company's future current tax charge accordingly. Any deferred tax at 31 March 2020 has been calculated at 19% (2019: 17%).

	2020 £000	2019 £000
UK current tax		
- Current year	940	318
- Prior year	(69)	37
	871	355

A reconciliation of the tax charge is shown below:

	2020 £000	2019 £000
Profit before tax	93,447	126,855
Tax charge at 19% (2019 - 19%) thereon	17,755	24,102
<i>Effects of:</i>		
Revaluation of investment properties	(4,407)	(11,191)
Share of profit of associates	(163)	(338)
Other permanent differences	(2,262)	(2,230)
Profits from the tax exempt business	(9,983)	(10,025)
Current year tax charge	940	318
Prior year adjustment	(69)	37
Total tax charge	871	355

At 31 March 2020 the Group has unutilised tax losses from the non-REIT taxable business of £34.2 million (2019: £34.2 million) available for offset against certain types of future taxable profits. All losses can be carried forward indefinitely.

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

10. ADJUSTED PROFIT

	2020	2019
	£000	£000
Profit before tax	93,447	126,855
Gain on revaluation of investment properties – Group	(23,193)	(58,898)
– in associate (net of deferred tax)	(100)	(1,605)
Change in fair value of interest rate derivatives – Group	908	1,123
– in associate	(7)	(10)
Gain on disposal of investment property	(57)	-
Adjusted profit before tax	70,998	67,465
Tax	(871)	(355)
Adjusted profit after tax	70,127	67,110

Adjusted profit before tax which excludes gains and losses on the revaluation of investment properties, changes in fair value of interest rate derivatives and net gains and losses on disposal of investment property have been disclosed as, in the Board's view, this provides a clearer understanding of the Group's underlying trading performance.

11. DIVIDENDS

	2020	2019
	£000	£000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2019 of 16.5p (2018: 15.5p) per share.	27,319	24,417
Interim dividend for the year ended 31 March 2020 of 17.1p (2019: 16.7p) per share.	28,387	27,641
	55,706	52,058
Proposed final dividend for the year ended 31 March 2020 of 16.7p (2019: 16.5p) per share.	29,124	27,319

Subject to approval by shareholders at the Annual General Meeting to be held on 5 August 2020, the final dividend will be paid on 10 August 2020. The ex-div date is 18 June 2020 and the record date is 19 June 2020.

The Property Income Distribution ("PID") payable for the year is 30.6 pence per share (2019: 29.2 pence per share).

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

12. EARNINGS PER SHARE

	Year ended 31 March 2020			Year ended 31 March 2019		
	Earnings £000	Shares million	Pence per share	Earnings £000	Shares million	Pence per share
Basic	92,576	165.8	55.8	126,500	161.5	78.3
Dilutive share options	-	0.7	(0.2)	-	0.6	(0.3)
Diluted	92,576	166.5	55.6	126,500	162.1	78.0
<i>Adjustments:</i>						
Gain on revaluation of investment properties	(23,193)	-	(13.9)	(58,898)	-	(36.3)
Change in fair value of interest rate derivatives	908	-	0.5	1,123	-	0.7
Gain on disposal of investment property	(57)	-	(0.0)	-	-	-
Share of associate fair value gains and losses	(107)	-	(0.1)	(1,615)	-	(1.0)
EPRA – diluted	70,127	166.5	42.1	67,110	162.1	41.4
EPRA – basic	70,127	165.8	42.3	67,110	161.5	41.5

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 have been disclosed to give a clearer understanding of the Group's underlying trading performance.

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

13. NET ASSETS PER SHARE

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 2020	31 March 2019
	£000	£000
Basic net asset value	1,163,876	1,123,897
Exercise of share options	1,262	1,609
EPRA NNNNAV	1,165,138	1,125,506
Adjustments:		
Fair value of derivatives	327	(581)
Fair value of derivatives – share of associate	-	7
Share of deferred tax in associates	1,332	1,120
EPRA NAV	1,166,797	1,126,052
Basic net assets per share (pence)	701.1	678.9
EPRA NNNNAV per share (pence)	696.1	673.9
EPRA NAV per share (pence)	697.1	674.2
EPRA NAV (as above) (£000)	1,166,797	1,126,052
Valuation methodology assumption (see note 15) (£000)	91,789	83,784
Adjusted net asset value (£000)	1,258,586	1,209,836
Adjusted net assets per share (pence)	751.9	724.4
	No. of shares	No. of shares
Shares in issue	167,138,527	166,665,158
Own shares held in EBT	(1,122,907)	(1,122,907)
Basic shares in issue used for calculation	166,015,620	165,542,251
Exercise of share options	1,371,985	1,468,145
Diluted shares used for calculation	167,387,605	167,010,396

Net assets per share are equity shareholders’ funds divided by the number of shares at the year end. The shares currently held in the Group’s Employee Benefit Trust 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 15).

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

14. NON-CURRENT ASSETS

a) Investment property, investment property under construction and right-of-use assets

	Investment property £000	Investment property under construction £000	Right-of-use assets £000	Total £000
At 31 March 2018	1,245,142	58,157	22,929	1,326,228
Additions	35,785	47,563	-	83,348
Acquisition of freehold	-	-	(3,130)	(3,130)
Adjustment to present value	-	-	50	50
Transfer on opening of store	14,545	(14,545)	-	-
Revaluation (see note 15)	58,958	(60)	-	58,898
Depreciation	-	-	(1,075)	(1,075)
At 31 March 2019	1,354,430	91,115	18,774	1,464,319
Additions	9,860	56,859	253	66,972
Transfer on opening of store	9,070	(9,070)	-	-
Revaluation (see note 15)	23,405	(212)	-	23,193
Disposals	(11,645)	(2,393)	-	(14,038)
Depreciation	-	-	(1,198)	(1,198)
At 31 March 2020	1,385,120	136,299	17,829	1,539,248

The right-of-use assets represent the present value of minimum lease payments for leasehold properties – see note 21 for further details of the obligations under lease liabilities.

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. Included within additions is £1.6 million of capitalised interest (2019: £0.8 million), calculated at the Group's average borrowing cost for the year of 2.6%. 56 of the Group's investment properties are pledged as security for loans, with a total external value of £1,129.0 million.

The disposal in investment property is the sale of the part of the Wyvern Industrial Estate in New Malden, London that the Group does not occupy for £11.8 million. The disposal in investment property under construction is the sale of a plot of land in Slough for £2.4 million. The net profit on disposal of these two properties was £57,000.

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

14. NON-CURRENT ASSETS (CONTINUED)

b) Plant, equipment and owner occupied property

	Freehold property £000	Leasehold improve- ments £000	Plant and machinery £000	Motor vehicles £000	Fixtures, fittings & office equipment £000	IFRS 16 leases £000	Total £000
Cost							
At 31 March 2018	2,197	74	691	32	1,316	-	4,310
Retirement of fully depreciated assets	-	-	(100)	-	(838)	-	(938)
Additions	38	-	81	-	440	-	559
At 31 March 2019	2,235	74	672	32	918	-	3,931
Retirement of fully depreciated assets	-	(3)	(283)	-	(581)	-	(867)
Additions	40	6	101	-	833	-	980
Accounting policy change	-	-	-	-	-	872	872
At 31 March 2020	2,275	77	490	32	1,170	872	4,916
Depreciation							
At 31 March 2018	(451)	(22)	(309)	(14)	(422)	-	(1,218)
Retirement of fully depreciated assets	-	-	100	-	838	-	938
Charge for the year	(43)	(2)	(139)	(7)	(521)	-	(712)
At 31 March 2019	(494)	(24)	(348)	(21)	(105)	-	(992)
Retirement of fully depreciated assets	-	3	283	-	581	-	867
Charge for the year	(42)	(5)	(115)	(7)	(508)	(106)	(783)
At 31 March 2020	(536)	(26)	(180)	(28)	(32)	(106)	(908)
Net book value							
At 31 March 2020	1,739	51	310	4	1,138	766	4,008
At 31 March 2019	1,741	50	324	11	813	-	2,939

c) Intangible assets

The intangible asset relates to the Big Yellow brand, which was acquired through the acquisition of Big Yellow Self Storage Company Limited in 1999. The carrying value remains unchanged from the prior year as there is considered to be no impairment in the value of the asset. The asset has an indefinite life and is tested annually for impairment or more frequently if there are indicators of impairment.

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

14. NON-CURRENT ASSETS (CONTINUED)

d) Investment in associates

Armadillo

The Group has a 20% interest in Armadillo Storage Holding Company Limited (“Armadillo 1”) and a 20% interest in Armadillo Storage Holding Company 2 Limited (“Armadillo 2”). Both interests are accounted for as associates, using the equity method of accounting. Both companies are incorporated, registered and operate in England and Wales. Their registered office is 2 The Deans, Bridge Road, Bagshot, Surrey, GU19 5AT.

	Armadillo 1		Armadillo 2		Total	
	31 March	31 March	31 March	31 March	31 March	31 March
	2020	2019	2020	2019	2020	2019
	£000	£000	£000	£000	£000	£000
At the beginning of the year	6,804	5,730	4,249	3,546	11,053	9,276
Share of results (see below)	549	1,364	307	963	856	2,327
Dividends	(326)	(290)	(323)	(260)	(649)	(550)
Share of net assets	7,027	6,804	4,233	4,249	11,260	11,053

The Group’s total subscription for partnership capital and advances in Armadillo 1 is £1,920,000 and £2,689,000 in Armadillo 2.

The investment properties owned by Armadillo 1 and Armadillo 2 have been valued at 31 March 2020 and 31 March 2019 by Jones Lang LaSalle.

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

14. NON-CURRENT ASSETS (CONTINUED)

d) Investment in associates (continued)

The figures below show the trading results of the Armadillo Partnerships, and the Group's share of the results and the net assets of the Armadillo Partnerships.

	Armadillo 1		Armadillo 2	
	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Statement of comprehensive income (100%)				
Revenue	10,525	9,178	6,212	5,879
Cost of sales	(5,608)	(4,751)	(2,940)	(2,781)
Administrative expenses	(395)	(1,272)	(1,133)	(144)
Operating profit	4,522	3,155	2,139	2,954
Gain on the revaluation of investment properties	749	5,926	812	3,727
Net interest payable	(1,295)	(996)	(923)	(964)
Fair value movement of interest rate derivatives	4	48	32	2
Deferred and current tax	(1,236)	(1,314)	(520)	(904)
Profit attributable to shareholders	2,744	6,819	1,540	4,815
Dividends paid	(1,630)	(1,451)	(1,615)	(1,301)
Retained profit/(loss)	1,114	5,368	(75)	3,514
Balance sheet (100%)				
Investment property	70,825	60,450	43,825	42,500
Interest in leasehold properties	1,950	1,385	2,574	2,929
Other non-current assets	1,219	1,196	2,029	2,051
Current assets	3,621	1,547	3,100	1,101
Current liabilities	(35,122)	(4,088)	(24,583)	(2,538)
Derivative financial instruments	-	(4)	-	(32)
Non-current liabilities	(7,361)	(26,468)	(5,778)	(24,769)
Net assets (100%)	35,132	34,018	21,167	21,242
Group share				
Operating profit	904	631	428	591
Gain on the revaluation of investment properties	150	1,185	162	746
Net interest payable	(259)	(199)	(185)	(193)
Fair value movement of interest rate derivatives	1	10	6	-
Deferred and current tax	(247)	(263)	(104)	(181)
Profit attributable to shareholders	549	1,364	307	963
Dividends paid	(326)	(290)	(323)	(260)
Retained profit/(loss)	223	1,074	(16)	703
Associates' net assets	7,027	6,804	4,233	4,249

Included within administrative expenses in Armadillo 2 in the current year is a performance fee payable to Big Yellow of £1 million (2019: performance fee in Armadillo 1 of £1 million).

The loans in Armadillo 1 and Armadillo 2 are shown as due within one year, as their expiry at the balance sheet date was July 2020. Both loans have been refinanced subsequent to the year end through to April 2023.

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

15. VALUATION OF INVESTMENT PROPERTY

	Deemed cost £000	Revaluation on deemed cost £000	Valuation £000
Freehold stores			
At 31 March 2019	661,258	655,832	1,317,090
Transfer from investment property under construction	13,646	(4,576)	9,070
Disposal	(11,645)	-	(11,645)
Movement in year	9,583	28,612	38,195
At 31 March 2020	672,842	679,868	1,352,710
Leasehold stores			
At 31 March 2019	12,750	24,590	37,340
Movement in year	277	(5,207)	(4,930)
At 31 March 2020	13,027	19,383	32,410
Total of open stores			
At 31 March 2019	674,008	680,422	1,354,430
Transfer from investment property under construction	13,646	(4,576)	9,070
Disposal	(11,645)	-	(11,645)
Movement in year	9,860	23,405	33,265
At 31 March 2020	685,869	699,251	1,385,120
Investment property under construction			
At 31 March 2019	95,483	(4,368)	91,115
Transfer to investment property	(13,646)	4,576	(9,070)
Disposal	(2,393)	-	(2,393)
Movement in year	56,859	(212)	56,647
At 31 March 2020	136,303	(4)	136,299
Valuation of all investment property			
At 31 March 2019	769,491	676,054	1,445,545
Disposals	(14,038)	-	(14,038)
Movement in year	66,719	23,193	89,912
At 31 March 2020	822,172	699,247	1,521,419

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.

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

15. VALUATION OF INVESTMENT PROPERTY (CONTINUED)

The wholly owned freehold and leasehold investment properties have been valued at 31 March 2020 by external valuers, CBRE Limited (“CBRE”). The Valuation has been prepared in accordance with the version of the RICS Valuation – Global Standards (incorporating the International Valuation Standards) and the UK national supplement (“the Red Book”) current as at the valuation date. 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 financial reporting 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, CBRE have confirmed that:

- this is CBRE’s first annual valuation for these purposes on behalf of the Group;
- one of the members of the RICS who is a signatory to the valuation has provided valuation advice to the Group for the same purposes as this valuation on a regular basis since September 2004. This is the first occasion on which the other member has been a signatory;
- CBRE do not provide other significant professional or agency services to the Group;
- in relation to the preceding financial year of CBRE, 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 CBRE is a fixed amount per asset, and is not contingent on the appraised value.

Material valuation uncertainty due to Novel Coronavirus (Covid-19)

CBRE’s report comments that the outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Observable market activity – that provides the empirical data for CBRE to have an adequate level of certainty in the valuation – is being impacted in the case of the properties valued. For these properties, as at the valuation date, CBRE consider that they can attach less weight to previous market evidence for comparison purposes, to inform their opinion of value. Indeed, the current response to Covid-19 means that they are faced with an unprecedented set of circumstances on which to base a judgement.

CBRE’s valuation is therefore reported as being subject to ‘material valuation uncertainty’ as set out in VPS 3 and VPGA 10 of the Red Book. Consequently, less certainty – and a higher degree of caution – should be attached to CBRE’s valuation than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, CBRE recommend that the Group keep the valuation of the whole portfolio under frequent review.

For the avoidance of doubt, the inclusion of the ‘material valuation uncertainty’ declaration above does not mean that the valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation.

Limited Comparable Market Evidence – Self Storage

The self storage properties have been valued on the basis of Fair Value as fully equipped operational entities, having regard to trading potential. Due to the specialised nature and use of the buildings the approach is to adopt a profits method of valuation and then consider the results in the context of recent comparable evidence of transactions in the sector.

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

15. VALUATION OF INVESTMENT PROPERTY (CONTINUED)

The profits method requires an estimate of the future cashflow that can be generated from the use of the building as a self storage facility, assuming a reasonably efficient operator, and then applying a suitable multiple to the net operating profit. The comparison with recent transactions requires the evidence to be considered in terms of the multiple on net operating profit (or EBITDA/EBITDAR), value per square foot, yield profile etc and then adjusted to reflect differences in location, building factors, tenure, trading maturity and trading risk.

This mirrors the typical approach of purchasers in the self storage market. However, in view of the relatively limited availability of comparable market evidence this requires a degree of valuer judgment. In particular, most of the transactions have comprised share sales due to the nature of the asset class and the terms of those transactions have mostly been kept confidential between the parties.

Portfolio Premium

CBRE's valuation report confirms that the properties have been valued individually but that if the portfolio was to be sold as a single lot or in selected groups of properties, the total value could differ. CBRE state that in current market conditions they are of the view that there could be a portfolio premium.

Assumptions

- A. Net operating income is based on projected revenue received less projected operating costs, which include a management fee to take account of central/head office costs. 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 five of the cash flow period, to an estimated stabilised/mature occupancy level. In the valuation the assumed stabilised occupancy level for the 75 trading stores (both freeholds and leaseholds) open at 31 March 2020 averages 84.4% (31 March 2019: 74 stores averaging 84.7%). The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth. The average time assumed for the 75 stores to trade at their maturity levels is 21.5 months (31 March 2019: 17 months).
- C. The capitalisation rates applied to existing and future net cash flow have been estimated by reference to underlying yields for asset types such as industrial, distribution and retail warehousing, 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 75 stores is 6.15% (31 March 2019: 6.4%) rising to a stabilised net yield pre-administration expenses of 6.78% (31 March 2019: 6.7%). The weighted average exit capitalisation rate adopted (for both freeholds and leaseholds) is 6.07% (31 March 2019: 6.1%).
- 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 9.29% (31 March 2019: 9.3%).
- E. Weighted average purchaser's costs of 6.745% have been adopted reflecting current progressive Stamp Duty Land Tax rates. Purchaser's costs (calculated on the same basis) plus sale costs of 1% have been adopted on the notional sales in the tenth year in relation to the freehold and long leasehold stores.

Short leasehold

The same methodology has been used as for freeholds, but the exit capitalisation rate is adjusted to reflect the unexpired lease term at exit. The average unexpired term of the Group's six short leasehold properties is 12.9 years (31 March 2019: 13.9 years unexpired).

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

15. VALUATION OF INVESTMENT PROPERTY (CONTINUED)

Sensitivities

As noted in 'Significant judgements and key estimates', self storage valuations are complex, derived from data which is not widely publicly available and involve a degree of judgement. For these reasons we have classified the valuations of our property portfolio as Level 3 as defined by IFRS 13. Inputs to the valuations, some of which are 'unobservable' as defined by IFRS 13, include capitalisation yields, stable occupancy rates, and rental growth rates. The existence of an increase of more than one unobservable input would augment the impact on valuation. The impact on the valuation would be mitigated by the inter-relationship between unobservable inputs moving in opposite directions. For example, an increase in stable occupancy may be offset by an increase in yield, resulting in no net impact on the valuation. A sensitivity analysis showing the impact on valuations of changes in yields and stable occupancy is shown below.

		Impact of a change in capitalisation rates		Impact of a change in stabilised occupancy assumption	
		25 bps decrease	25 bps increase	1% increase	1% decrease
Reported Group		£57.1m	(£52.5m)	£21.0m	(£21.0m)

A sensitivity analysis has not been provided for a change in the rental growth rate adopted as there is a relationship between this measure and the discount rate adopted. So, in theory, an increase in the rental growth rate would give rise to a corresponding increase in the discount rate and the resulting value impact would be limited.

Investment properties under construction

CBRE 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. CBRE have allowed for holding costs and construction contingency, as appropriate. Seven schemes do not yet have planning consent and CBRE have reflected the planning risk in their valuation.

Immature stores: valuer judgement

CBRE have assessed the value of each property individually. However, three of the Group's stores are relatively immature and have low initial cash flows. CBRE 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 flows, by adjustment to the capitalisation rates and discount rates adopted. 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 have been transactions where immature low cash flow stores have been traded as part of a group or portfolio transaction. Please note CBRE's comments above in relation to limited comparable market evidence in the self storage sector. The degree of valuation judgement relating to the 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. CBRE 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.

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

15. VALUATION OF INVESTMENT PROPERTY (CONTINUED)

CBRE 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. CBRE 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. As noted above, CBRE 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 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 weighted average purchaser's cost of 6.745% on the net value, as if they were sold directly as property assets. The valuation is an asset valuation which is entirely linked to the operating performance of the business. The assets 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 CBRE to carry out an additional valuation on the above basis, and this results in a higher property valuation at 31 March 2020 of £1,612.3 million (£90.9 million higher than the value recorded in the financial statements). Under the revised valuation of purchaser's costs of 2.75%, the total valuations in the two Armadillo Partnerships performed by Jones Lang LaSalle are £4.3 million higher than the value recorded in the financial statements, of which the Group's share is £0.9 million. The sum of these is £91.8 million and translates to 54.8 pence per share. We have included this revised valuation in the adjusted diluted net asset calculation (see note 13).

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

16. TRADE AND OTHER RECEIVABLES

	31 March 2020 £000	31 March 2019 £000
Current		
Trade receivables	4,399	4,528
Capital Goods Scheme receivable	722	1,195
Other receivables	602	307
Prepayments and accrued income	2,159	14,326
	7,882	20,356
Non-current		
Capital Goods Scheme receivable	660	1,332

Trade receivables are net of a bad debt provision of £176,000 (2019: £30,000). 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.

Historically the Group has recognised a liability at 31 March within trade creditors in respect of rates invoices received and dated prior 31 March relating to the subsequent year commencing 1 April, with an equivalent amount recognised as a prepayment asset. Having reassessed this treatment in the year, the Directors have determined that no liability exists as at 31 March for these costs, and have therefore not recognised a liability or a corresponding prepayment as at 31 March 2020 for these costs. The comparative amounts as at 31 March 2019 have not been restated as the Directors have determined that the impact on the prior year balance sheet amounts (£11.3 million) would not influence the economic decisions of the users of the financial statements. There was no impact on the Group's Income Statement or net assets in either the current or prior year, and no impact on the Group's performance metrics or loan covenants on an actual or forecast basis. Accordingly, the Directors have concluded that the effect was not material and that prior year would not be restated.

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 more 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. 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 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 £379,000 (2019: £302,000) 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 16 days past due (2019: 20 days past due).

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Ageing of past due but not impaired receivables

	2020 £000	2019 £000
1 - 30 days	200	241
31 - 60 days	45	33
60 + days	134	28
Total	379	302

Movement in the allowance for doubtful debts

	2020 £000	2019 £000
Balance at the beginning of the year	30	14
Amounts provided in year	368	280
Amounts written off as uncollectible	(222)	(264)
Balance at the end of the year	176	30

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

	2020 £000	2019 £000
1 - 30 days	1	8
30 - 60 days	45	4
60 + days	130	18
Total	176	30

The increase in impaired trade receivables and the amounts provided in the year is related to tenants at the Group's development sites, and not self storage customers.

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

17. TRADE AND OTHER PAYABLES

	31 March 2020 £000	31 March 2019 £000
Current		
Trade payables	4,748	15,522
Other payables	10,734	9,319
Accruals and deferred income	17,964	16,808
	33,446	41,649

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.

Historically the Group has recognised a liability at 31 March within trade creditors in respect of rates invoices received and dated prior 31 March relating to the subsequent year commencing 1 April, with an equivalent amount recognised as a prepayment asset. Having reassessed this treatment in the year, the Directors have determined that no liability exists as at 31 March for these costs, and have therefore not recognised a liability or a corresponding prepayment as at 31 March 2020 for these costs. The comparative amounts as at 31 March 2019 have not been restated as the Directors have determined that the impact on the prior year balance sheet amounts (£11.3 million) would not influence the economic decisions of the users of the financial statements. There was no impact on the Group's Income Statement or net assets in either the current or prior year, and no impact on the Group's performance metrics or loan covenants on an actual or forecast basis. Accordingly, the Directors have concluded that the effect was not material and that prior year would not be restated.

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 40% 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 statement of comprehensive income ("FVTPL"), financial liabilities are categorised under amortised cost. All financial assets are categorised as loans and receivables.

Exposure to credit and interest rate risks arise 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.

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

18. FINANCIAL INSTRUMENTS (CONTINUED)

A. Balance sheet management

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

The gearing ratio at the year end is as follows:

	2020 £000	2019 £000
Debt	(402,028)	(337,625)
Cash and cash equivalents	51,418	17,902
Net debt	(350,610)	(319,723)
Balance sheet equity	1,163,876	1,123,897
Net debt to equity ratio	30.1%	28.4%

B. Debt management

The Group currently borrows through a senior term loan, secured on 26 self storage assets and sites, a loan with Aviva Commercial Finance Limited secured on a portfolio of 15 self storage assets, and a £70 million loan from M&G Investments 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 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 2020 the Group had two interest rate derivatives in place; £30 million fixed at 0.4% (excluding the margin on the underlying debt instrument) until October 2021, and £35 million fixed at 0.76% (excluding the margin on the underlying debt instrument) until June 2023.

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

18. FINANCIAL INSTRUMENTS (CONTINUED)

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 £30 million interest rate swap settles on a monthly basis. The floating rate on the interest rate swap is one month LIBOR. The Group settles the difference between the fixed and floating interest rate on a net basis.

The £35 million interest rate swap settles on a three-monthly basis. The floating rate on the interest rate swap is three month LIBOR. The Group settles 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. A reconciliation of the movement in derivatives is provided in the table below:

	2020 £000	2019 £000
At 1 April	581	1,704
Fair value movement in the year	(908)	(1,123)
At 31 March	(327)	581

The table below reconciles the opening and closing balances of the Group's finance related liabilities for the current and prior year.

	Loans £000	Obligations under lease liabilities (restated for IFRS 16) £000	Interest rate derivatives £000	Total £000
At 1 April 2019	(337,625)	(19,899)	581	(356,943)
Cash movement in the year	(64,403)	962	-	(63,441)
Fair value movement	-	-	(908)	(908)
At 31 March 2020	(402,028)	(18,937)	(327)	(421,292)

The difference between the loans balance above and the balance sheet is loan arrangement fees of £2,293,000.

	Loans £000	Obligations under lease liabilities £000	Interest rate derivatives £000	Total £000
At 1 April 2018	(330,599)	(22,929)	1,704	(351,824)
Cash movement in the year	(7,026)	1,075	-	(5,951)
Non-cash movement	-	3,080	(1,123)	1,957
At 31 March 2019	(337,625)	(18,774)	581	(355,818)

The difference between the loans balance above and the balance sheet is loan arrangement fees of £1,748,000

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

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 2020, it is estimated that an increase of 0.25 percentage points in interest rates would have reduced the Group's adjusted profit before tax and net equity by £549,000 (2019: reduced adjusted profit before tax by £469,000) and a decrease of 0.25 percentage points in interest rates would have increased the Group's adjusted profit before tax and net equity by £549,000 (2019: increased adjusted profit before tax by £469,000). 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 increased during the year, following the increase in the amount of floating rate debt. 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 56,500 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.

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

18. FINANCIAL INSTRUMENTS (CONTINUED)

H. Financial maturity analysis

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

2020 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>					
Aviva loan	117,528	2,728	2,865	9,484	102,451
M&G loan payable at variable rate	35,000	-	-	35,000	-
M&G loan fixed by interest rate derivatives	35,000	-	-	35,000	-
Bank loan payable at variable rate	184,500	-	-	184,500	-
Debt fixed by interest rate derivatives	30,000	-	-	30,000	-
Total	402,028	2,728	2,865	293,984	102,451

2019 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>					
Aviva loan	85,125	2,598	2,728	9,032	70,767
M&G loan payable at variable rate	35,000	-	-	35,000	-
M&G loan fixed by interest rate derivatives	35,000	-	-	35,000	-
Bank loan payable at variable rate	152,500	-	-	152,500	-
Debt fixed by interest rate derivatives	30,000	-	-	30,000	-
Total	337,625	2,598	2,728	261,532	70,767

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

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. Obligations under lease liabilities are included at the present 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 derivatives, as detailed in note 18C, have been estimated by calculating the present value of future cash flows, using appropriate market discount rates, representing Level 2 fair value measurements as defined by IFRS 7. There are no financial instruments which have been categorised as Level 1 or Level 3. The fair value of the Group's debt equates to its book value.

J. Maturity analysis of financial liabilities

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

	Trade and other payables £000	Interest rate swaps £000	Borrowings and interest £000	Obligations under lease liabilities £000	Total £000
2020					
From five to twenty years	-	-	111,440	19,979	131,419
From two to five years	-	154	319,004	5,342	324,500
From one to two years	-	178	12,746	1,780	14,704
Due after more than one year	-	332	443,190	27,101	470,623
Due within one year	15,482	176	12,746	1,780	30,184
Total	15,482	508	455,936	28,881	500,807

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

18. FINANCIAL INSTRUMENTS (CONTINUED)

	Trade and other payables £000	Interest rate swaps £000	Borrowings and interest £000	Obligations under lease liabilities £000	Total £000
2019					
From five to twenty years	-	-	82,110	20,394	102,504
From two to five years	-	(307)	286,926	4,959	291,578
From one to two years	-	(168)	12,453	1,653	13,938
Due after more than one year	-	(475)	381,489	27,006	408,020
Due within one year	24,841	(132)	12,453	1,653	38,815
Total	24,841	(607)	393,942	28,659	446,835

K. Reconciliation of maturity analyses

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

	Borrowings £000	Interest £000	Unamortised borrowing costs £000	Borrowings and interest £000
2020				
From five to twenty years	102,451	7,967	1,022	111,440
From two to five years	293,984	23,749	1,271	319,004
From one to two years	2,865	9,881	-	12,746
Due after more than one year	399,300	41,597	2,293	443,190
Due within one year	2,728	10,018	-	12,746
Total	402,028	51,615	2,293	455,936

	Borrowings £000	Interest £000	Unamortised borrowing costs £000	Borrowings and interest £000
2019				
From five to twenty years	70,767	9,922	1,421	82,110
From two to five years	261,532	25,067	327	286,926
From one to two years	2,728	9,725	-	12,453
Due after more than one year	335,027	44,714	1,748	381,489
Due within one year	2,598	9,855	-	12,453
Total	337,625	54,569	1,748	393,942

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

19. BORROWINGS

	31 March 2020 £000	31 March 2019 £000
Secured borrowings at amortised cost		
Current liabilities		
Aviva loan	2,728	2,598
	<u>2,728</u>	<u>2,598</u>
Non-current liabilities		
Bank borrowings	214,500	182,500
Aviva loan	114,800	82,527
M&G loan	70,000	70,000
Unamortised loan arrangement costs	(2,293)	(1,748)
	<u>397,007</u>	<u>333,279</u>
Total non-current borrowings		
	<u>397,007</u>	<u>333,279</u>
Total borrowings	<u>399,735</u>	<u>335,877</u>

The weighted average interest rate paid on the borrowings during the year was 2.6% (2019: 2.9%).

The Group has £25,500,000 in undrawn committed bank borrowing facilities at 31 March 2020, which expire after between four and five years (2019: £27,500,000 expiring after between four and five years).

The Group has a £100 million 15 year fixed rate loan with Aviva Commercial Finance Limited, expiring in April 2027. The loan is secured over a portfolio of 15 freehold self storage centres. The annual fixed interest rate on the loan is 4.9%. The loan amortises to £60 million over the course of the 15 years. The debt service is payable monthly based on fixed annual amounts. Additionally in March 2020, the Group agreed a new 7 year debt facility with Aviva of £35 million at an all-in cost of 1.96%, secured over the existing Aviva security pool of 15 stores. The all-in cost of this tranche of the loan reduces to 1.91% following the installation of 50 kWh capacity solar panels at three of the stores. The total debt facilities from Aviva are now £117.5 million of which £82.5 million will continue to amortise down to £60 million over the remaining seven years of the loan.

The Group has a secured £240 million five year revolving bank facility with Lloyds, HSBC and Bank of Ireland expiring in October 2024, with a margin of 1.25%. The Group has an option to increase the amount of the loan facility by a further £30 million during the course of the loan's term.

The Group has a £70 million seven year loan with M&G Investments Limited, with a bullet repayment in June 2023. The loan is secured over a portfolio of 15 freehold self storage centres. Half of the loan is variable and half is subject to an interest rate derivative.

The movement in the Group's loans are shown net in the cash flow statement as the bank loan is a revolving facility and is repaid and redrawn each month.

The Group was in compliance with its banking covenants at 31 March 2020 and throughout the year. The main covenants are summarised in the table below:

Covenant	Covenant level	At 31 March 2020
Consolidated EBITDA	Minimum 1.5x	8.1x
Consolidated net tangible assets	Minimum £250m	£1,164m
Bank loan income cover	Minimum 1.75x	10.8x
Aviva loan interest service cover ratio	Minimum 1.5x	4.8x
Aviva loan debt service cover ratio	Minimum 1.2x	2.9x
M&G income cover	Minimum 1.5x	8.4x

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

19. BORROWINGS (CONTINUED)

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 2020						
Gross financial liabilities	402,028	219,500	182,528	2.5%	5.6 years	4.9 years
At 31 March 2019						
Gross financial liabilities	337,625	187,500	150,125	2.9%	5.6 years	4.5 years

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 approximates to its fair value.

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

20. DEFERRED TAX

Deferred tax assets in respect of IFRS 2 (£0.2 million), corporation tax losses (£4.9 million), capital allowances in excess of depreciation (£0.2 million) and capital losses (£1.6 million) in respect of the non-REIT taxable business have not been recognised as it is not considered probable that sufficient taxable profits will arise in the relevant taxable entity.

21. OBLIGATIONS UNDER LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2020 £000	2019 £000	2020 £000	2019 £000
Amounts payable under lease liabilities:				
Within one year	1,780	1,653	1,751	1,625
Within two to five years inclusive	7,122	6,612	6,266	5,796
Greater than five years	19,979	20,394	10,920	11,353
	28,881	28,659	18,937	18,774
Less: future finance charges	(9,944)	(9,885)		
Present value of lease liabilities	18,937	18,774		

All obligations under lease liabilities 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.

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

22. SHARE CAPITAL

	Called up, allotted and fully paid	
	2020	2019
	£000	£000
Ordinary shares of 10 pence each	16,714	16,667
Movement in issued share capital		
Number of shares at 31 March 2018		158,570,574
Issue of shares – placing		7,204,301
Exercise of share options – Share option schemes		890,283
Number of shares at 31 March 2019		166,665,158
Exercise of share options – Share option schemes		473,369
Number of shares at 31 March 2020		167,138,527

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

At 31 March 2020 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 2020	Number of ordinary shares 2019
11 July 2012	nil p **	11 July 2015	10 July 2022	-	5,359
19 July 2013	nil p **	19 July 2016	19 July 2023	-	7,059
29 July 2014	nil p **	29 July 2017	29 July 2024	830	2,400
21 July 2015	nil p **	21 July 2018	21 July 2025	19,879	47,135
14 March 2016	608.0p*	1 April 2019	1 October 2019	-	36,075
22 July 2016	nil p **	22 July 2019	21 July 2026	58,674	392,262
15 March 2017	580.0p*	1 April 2020	1 October 2020	46,900	51,086
2 August 2017	nil p **	2 August 2020	2 August 2027	382,490	401,847
13 March 2018	675.4p*	1 April 2021	1 October 2021	90,063	98,852
24 July 2018	nil p **	24 July 2021	24 July 2028	343,868	356,703
11 March 2019	749.9p*	1 April 2022	1 October 2022	50,884	56,836
19 July 2019	nil p **	19 July 2022	19 July 2029	366,985	-
2 March 2020	947.0p	1 April 2023	1 October 2023	52,725	-
				1,413,298	1,455,614

* 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. 1,122,907 shares are held in the Employee Benefit Trust (2019: 1,122,907), and no shares are held in treasury.

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

23. SHARE-BASED PAYMENTS

The Company has three equity share-based payment arrangements, namely an LTIP scheme (with approved and unapproved components), an Employee Share Save Scheme ("SAYE") and a Deferred Bonus Plan. The Group recognised a total expense in the year related to equity-settled share-based payment transactions of £2,256,000 (2019: £2,345,000).

Equity-settled share option plans

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 in 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 awards granted in 2011, 2012, 2013, 2014, 2015 and 2016 fully vested. The weighted average share price at the date of exercise for options exercised in the year was £9.88 (2019: £9.10).

	2020 No. of options	2019 No. of options
LTIP scheme		
Outstanding at beginning of year	1,212,765	1,201,802
Granted during the year	457,058	410,340
Lapsed during the year	(62,097)	(27,504)
Exercised during the year	(435,000)	(371,873)
Outstanding at the end of the year	1,172,726	1,212,765
Exercisable at the end of the year	79,383	61,953

The weighted average fair value of options granted during the year was £1,499,000 (2019: £1,365,000).

Options outstanding at 31 March 2020 had a weighted average contractual life of 8.2 years (2019: 8.2 years).

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

23. SHARE-BASED PAYMENTS (CONTINUED)

	2020 No. of options	2020 Weighted average exercise price (£)	2019 No of options	2019 Weighted average exercise price (£)
Employee Share Save Scheme (“SAYE”)				
Outstanding at beginning of year	242,849	6.63	300,028	5.91
Granted during the year	52,725	9.47	56,836	7.50
Forfeited during the year	(16,633)	6.89	(19,724)	6.26
Exercised during the year	(38,369)	6.08	(94,291)	4.95
Outstanding at the end of the year	240,572	7.32	242,849	6.63
Exercisable at the end of the year	-	-	-	-

Options outstanding at 31 March 2020 had a weighted average contractual life of 1.9 years (2019: 2.1 years).

The inputs into the Black-Scholes model for the options granted during the year are as follows:

	LTIP	SAYE
Expected volatility	n/a	18%
Expected life	3 years	3 years
Risk-free rate	0.7%	0.7%
Expected dividends	4.0%	4.1%

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

Deferred bonus plan

The Executive Directors receive awards under the Deferred Performance Plan. This is accounted for as an equity instrument. The plan was set up in July 2018. The vesting criteria and scheme mechanics are set out in the Directors’ Remuneration Report.

24. CAPITAL COMMITMENTS

At 31 March 2020 the Group had £10.0 million of amounts contracted but not provided in respect of the Group’s properties (2019: £13.4 million of capital commitments).

25. EVENTS AFTER THE BALANCE SHEET DATE

On 20 April 2020, the Group announced a placing of 8.3 million shares, which raised £79.9 million (net of expenses) to fund the acquisition of land to grow the business.

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

26. CASH FLOW NOTES

a) Reconciliation of profit after tax to cash generated from operations

	Note	2020 £000	2019 £000
Profit after tax		92,576	126,500
Taxation		871	355
Share of profit of associates		(856)	(2,327)
Investment income		(114)	(167)
Finance costs		10,751	11,199
Operating profit		103,228	135,560
Gain on the revaluation of investment properties	14a, 15	(23,193)	(58,898)
Gain on disposal of investment property		(57)	-
Depreciation of plant, equipment and owner-occupied property	14b	677	712
Depreciation of lease liability capital obligations	14a	1,198	1,075
Employee share options	6	2,256	2,345
Cash generated from operations pre working capital movements		84,109	80,794
(Increase)/decrease in inventories		(130)	1
Decrease/(increase) in receivables		564	(1,874)
Increase in payables		531	3,991
Cash generated from operations		85,074	82,912

b) Reconciliation of net cash flow movement to net debt

	Note	2020 £000	2019 £000
Net increase in cash and cash equivalents in the year		33,516	11,049
Cash flow from increase in debt financing		(64,403)	(7,026)
Change in net debt resulting from cash flows		(30,887)	4,023
Movement in net debt in the year		(30,887)	4,023
Net debt at the start of the year		(319,723)	(323,746)
Net debt at the end of the year	18A	(350,610)	(319,723)

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

27. 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 Armadillo Storage Holding Company Limited

As described in note 14, the Group has a 20% interest in Armadillo Storage Holding Company Limited (“Armadillo 1”), and entered into transactions with Armadillo 1 during the year on normal commercial terms as shown in the table below.

Transactions with Armadillo Storage Holding Company 2 Limited

As described in note 14, the Group has a 20% interest in Armadillo Storage Holding Company 2 Limited (“Armadillo 2”), and entered into transactions with Armadillo 2 during the year on normal commercial terms as shown in the table below.

	31 March 2020	31 March 2019
	£000	£000
Fees earned from Armadillo 1	839	1,735
Fees earned from Armadillo 2	1,394	408
Balance due from Armadillo 1	51	124
Balance due from Armadillo 2	1,018	19

The balance due from Armadillo 2 includes the performance fee of £1 million.

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 £37,000 (2019: £33,000).

No other related party transactions took place during the years ended 31 March 2020 and 31 March 2019.

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

28. GLOSSARY

Adjusted earnings growth	The increase in adjusted eps year-on-year.
Adjusted eps	Adjusted profit after tax divided by the diluted weighted average number of shares in issue during the financial year.
Adjusted NAV	EPRA NAV adjusted for an investment property valuation carried out at purchasers' costs of 2.75%, see note 13.
Adjusted Profit Before Tax	The Company's pre-tax EPRA earnings measure with additional Company adjustments, see note 10.
Average net achieved rent per sq ft	Storage revenue divided by average occupied space over the financial year.
Average rental growth	The growth in average net achieved rent per sq ft year-on-year.
BREEAM	An environmental rating assessed under the Building Research Establishment's Environmental Assessment Method.
Carbon intensity	Carbon emissions divided by the Group's average occupied space.
Closing net rent per sq ft	Annual storage revenue generated from in-place customers divided by occupied space at the balance sheet date.
Debt	Long-term and short-term borrowings, as detailed in note 19, excluding lease liabilities and debt issue costs.
Earnings per share (eps)	Profit for the financial year attributable to equity shareholders divided by the average number of shares in issue during the financial year.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EPRA	The European Public Real Estate Association, a real estate industry body. This organisation has issued Best Practice Recommendations with the intention of improving the transparency, comparability and relevance of the published results of listed real estate companies in Europe.
EPRA earnings	The IFRS profit after taxation attributable to shareholders of the Company excluding investment property revaluations, gains/losses on investment property disposals and changes in the fair value of financial instruments.
EPRA earnings per share	EPRA earnings divided by the average number of shares in issue during the financial year, see note 13.
EPRA NAV per share	EPRA NAV divided by the diluted number of shares at the year end.
EPRA net asset value	IFRS net assets excluding the mark-to-market on interest rate derivatives effective cash flow as deferred taxation on property valuations where it arises. It is adjusted for the dilutive impact of share options.
EPRA NNNAV	The EPRA NAV adjusted to reflect the fair value of debt and derivatives and to include deferred taxation on revaluations.
Equity	All capital and reserves of the Group attributable to equity holders of the Company.
Gross property assets	The sum of investment property and investment property under construction.
Gross value added	The measure of the value of goods and services produced in an area, industry or sector of an economy.
Interest cover	The ratio of operating cash flow divided by interest paid (before exceptional finance costs, capitalised interest and changes in fair value of interest rate derivatives). This metric is provided to give readers a clear view of the Group's financial position.
Like-for-like occupancy	Excludes the closing occupancy of new stores acquired, opened or closed in the current financial year in both the current financial year and comparative figures. In 2020 this excludes Manchester which opened in May 2019.
Like-for-like revenue	Excludes the impact of new stores acquired, opened or stores closed in the current or preceding financial year in both the current year and comparative figures. This excludes Battersea (closed for redevelopment in March 2019), Wapping (opened July 2018) and Manchester (opened May 2019).

Big Yellow Group PLC

Notes to the financial statements Year ended 31 March 2020

28. GLOSSARY (CONTINUED)

LTV (loan to value)	Net debt expressed as a percentage of the external valuation of the Group's investment properties.
Maximum lettable area (MLA)	The total square foot (sq ft) available to rent to customers.
Move-ins	The number of customers taking a storage room in the defined period.
Move-outs	The number of customers vacating a storage room in the defined period.
NAV	Net asset value.
Net debt	Gross borrowings less cash and cash equivalents.
Net initial yield	The forthcoming year's net operating income expressed as a percentage of capital value, after adding notional purchaser's costs.
Net promoter score (NPS)	The Net Promoter Score is an index ranging from -100 to 100 that measures the willingness of customers to recommend a company's products or services to others. The Company measures NPS based on surveys sent to all of its move-ins and move-outs.
Net rent per sq ft	Storage revenue generated from in place customers divided by occupancy.
Occupancy	The space occupied by customers divided by the MLA expressed as a %.
Occupied space	The space occupied by customers in sq ft.
Other storage related income	Packing materials, insurance and other storage related fees.
Pipeline	The Group's development sites.
Property Income Distribution (PID)	A dividend, generally subject to withholding tax, that a UK REIT is required to pay from its tax exempt property rental business and which is taxable for UK-resident shareholders at their marginal tax rate.
REIT	Real Estate Investment Trust. A tax regime which in the UK exempts participants from corporation tax both on UK rental income and gains arising on UK investment property sales, subject to certain conditions.
REVPAF	Total store revenue divided by the average maximum lettable area in the period.
Store EBITDA	Store earnings before interest, tax, depreciation and amortisation, see reconciliation in the portfolio summary.

Big Yellow Group PLC

Ten Year Summary

	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Results										
Revenue	129,313	125,414	116,660	109,070	101,382	84,276	72,196	69,671	65,663	61,885
Operating profit before gains and losses on property assets	79,978	76,662	70,921	65,316	59,854	48,420	39,537	37,454	35,079	32,058
Cash flow from operating activities	73,615	72,173	62,977	55,974	55,467	42,397	32,752	30,186	27,388	23,534
Profit/(loss) before taxation	93,447	126,855	134,139	99,783	112,246	105,236	59,848	31,876	(35,551)	6,901
Adjusted profit before taxation	70,998	67,465	61,422	54,641	48,952	39,405	29,221	25,471	23,643	20,207
Net assets	1,163,876	1,123,897	981,148	890,350	829,387	750,914	594,064	552,628	494,500	544,949
Diluted EPRA earnings per share	42.1p	41.4p	38.5p	34.5p	31.1p	27.1p	20.5p	19.3p	18.2p	15.5p
Declared total dividend per share	33.8p	33.2p	30.8p	27.6p	24.9p	21.7p	16.4p	11.0p	10.0p	9.0p
Key statistics										
Number of stores open	75	74	74	73	71	69	66	66	65	62
Sq ft occupied (000)	3,781	3,810	3,730	3,551	3,363	3,178	2,832	2,632	2,458	2,130
Occupancy (decrease)/increase in year 000 sq ft)*	(29)	80	179	188	185	346	200	174	328	215
Number of customers	56,500	56,000	55,000	52,500	50,000	47,250	41,800	38,500	36,300	32,800
Average number of employees during the year	361	347	335	329	318	300	289	286	279	273

* - the occupancy growth in 2015 and 2017 includes the acquisition of existing stores