



FINANCIAL HIGHLIGHTS

	Second quarter ended 30 September 2004	First quarter ended 30 June 2004		6 months ended 30 September 2004	6 months ended 30 September 2003	
Annualised revenue	£35.0m	£30.9m	+13%	£35.0m	£24.8m	+41%
Turnover	£8.3m	£7.3m	+14%	£15.6m	£11.0m	+42%
Profit before tax	£0.99m	£0.71m	+39%	£1.70m	£0.14m	
Earnings per share				0.99p	0.06p	
Interim dividend				0.5p	–	
Number of customers	23,300	22,900	+2%	23,300	18,600	+25%
Occupied space	1,403,000 sq ft	1,378,000 sq ft	+2%	1,403,000 sq ft	1,129,000 sq ft	+24%

Pre-tax profit of **£1.7 million** for the half year and **£0.99 million** for the second quarter

Annualised revenue up **41%** at **£35.0 million** (2003: 24.8 million)

Adjusted net assets per share of **175p** as at 30 September 2004 following external valuation of trading stores (see note 12)

Interim dividend of **0.5 pence** per ordinary share (2003: nil pence)

42 stores committed, of which 31 are trading, providing **2.6 million sq ft** of capacity when completed

Acquired freehold sites in Fulham, Tunbridge Wells and South Bristol; and a long leasehold in Central Bristol

135,000 sq ft leased up in the period; total occupied space now 1.4 million sq ft, **76%** occupancy

Number of customers up **25%** to 23,300 (2003: 18,600)

Turnover for 19 stores open more than two years up **17%** year on year, of which 6% is yield improvement, with the balance representing occupancy growth

Packing materials, insurance and other sales represented **15.3%** of storage income (2003: 15.3%)

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TRADING SUMMARY

Years since opening as at 1 April 2004	Greater than 2 years		Between 1 and 2 years		Less than 1 year	Total
Number of stores	19		8		4	31
As at 30 September 2004						
Total capacity (sq ft)	1,086,000		548,000		223,000	1,857,000
Occupied space (sq ft)	930,000		390,000		83,000	1,403,000
Percentage occupied	86%		71%		37%	76%
	Freehold	Leasehold	Freehold	Leasehold	Freehold	Total
Number of stores	12	7	5	3	4	31
Total capacity (sq ft)	708,000	378,000	359,000	189,000	223,000	1,857,000
	£'000	£'000	£'000	£'000	£'000	£'000
Annualised revenue	13,621	9,215	6,241	3,736	2,161	34,974
For the 6 month period:						
Self storage sales	5,317	3,731	2,314	1,431	695	13,488
Other income ⁽¹⁾	816	511	375	220	150	2,072
Bulk storage sales	–	–	–	–	16	16
Total turnover	6,133	4,242	2,689	1,651	861	15,576
Direct store operating costs (excluding depreciation)	(2,110)	(2,161)	(1,118)	(1,050)	(542)	(6,981)
Store EBITDA ⁽²⁾	4,023	2,081	1,571	601	319	8,595
Store depreciation	(681)	(432)	(383)	(220)	(155)	(1,871)
Store EBIT ⁽³⁾	3,342	1,649	1,188	381	164	6,724
Administration expenses						(2,596)
Operating profit						4,128
Net interest						(2,426)
Profit before tax						1,702
Capital expenditure to 30 September						
	£m	£m	£m	£m	£m	£m
Pre capital goods scheme	52.6 ⁽⁴⁾	13.7	32.2	7.0	18.9	124.4
Capital goods scheme repayment to complete	5.6	1.4	4.1	0.9	2.8	14.8
	0.0	0.0	0.0	0.0	1.7	1.7
Total cost	58.2	15.1	36.3	7.9	23.4	140.9

⁽¹⁾ Packing materials, insurance and other storage related fees

⁽²⁾ Earnings before interest, tax, depreciation and amortisation

⁽³⁾ Earnings before interest and tax

⁽⁴⁾ Excludes £6m purchase of Wandsworth store freehold at the end of the period (shown as a leasehold above)

CHAIRMAN'S STATEMENT

THE BOARD OF BIG YELLOW GROUP PLC IS PLEASED TO ANNOUNCE RESULTS FOR THE SIX MONTHS AND FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2004. OVER THE PERIOD TAKEN AS A WHOLE WE HAVE ENJOYED GOOD OCCUPANCY AND STRONG REVENUE GROWTH TOGETHER WITH A SIGNIFICANT RISE IN OUR PROFITABILITY. WE LOOK FORWARD TO OPENING THE NEXT 11 STORES, EIGHT OF WHICH ARE LOCATED IN GREATER LONDON WHICH WE BELIEVE WILL CONTRIBUTE TO FURTHER GROWTH IN EARNINGS AND NET ASSET VALUE PER SHARE.

FINANCIAL REVIEW

The Group made a pre-tax profit in the half year of £1.7 million, up from £0.14 million last year. The earnings per share for the period was 0.99p (2003: 0.06p per share).

Turnover for the period was £15.6 million, up 42% on the £11.0 million achieved in the comparable period last year. While the portfolio is more mature than in the prior year, we have managed to maintain packing materials, insurance and other sales as a proportion of storage income in the period at 15.3%.

As at 30 September 2004, the Group had underlying storage and related revenues, calculated on an annualised basis (Annualised Revenue) of £35.0 million, up 41% (2003: £24.8 million). Turnover for the second quarter of £8.3 million was 14% up on the £7.3 million reported for the quarter to June.

Operating cashflows have continued to improve, as reflected in the increase in EBDAT (see note 5) for the six month period to £3.7 million from £2.0 million for the same period in 2003. This is after a further provision of £0.6 million (September 2003: £nil) in the period in respect of the Directors' Long Term Bonus Plan, which takes the total provided to date to £0.8 million.

Total administration expenses for the six months, excluding the bonus provision mentioned above, were £2.0 million, up from £1.7 million for the equivalent period last year. The increase arises principally from annual inflationary increases; corporate costs incurred centrally in relation to the new share incentive plans introduced in the period; and costs related to the Group restructuring at the end of September, the latter totalling £0.2 million.

During the year the Group purchased 615,000 shares into Treasury and these are shown as a debit in reserves.

DIVIDEND

The Board has reviewed its dividend policy and concluded that an interim dividend be paid in the current year, reflecting the Board's confidence in the Group's cashflow growth. Accordingly a dividend of 0.5p per share has been approved by the Board. The ex-dividend date will be 17 November 2004 and the record date 19 November 2004 with an intended payment date of 20 December 2004.

STORE TRADING PERFORMANCE

We now have 31 stores opened and trading, having opened Swindon and Watford in the period, with an average occupancy of 76% at the period end. 19 of the stores have been open for more than two years, with an average occupancy of 86%, leaving 12 in the lease up phase with an average occupancy of 61%. The 19 stores open for more than two years achieved store level EBITDA trading margins of 66% for freeholds and 49% for leaseholds in line with March 2004 results.

Same store turnover for the 19 stores open more than two years at the beginning of the period was up 17% year on year, of which 6% is yield improvement with the balance representing occupancy growth.

A summary of trading performance for the period on the 31 open stores is included in the statement.

The Group has traded strongly over the period taken as a whole with revenue up in every month. Occupancy rose in the first five months, but we experienced a 1.5% drop in occupancy in September.

We believe a number of factors contributed to the weak September figures, including the usual winter slowdown, a lack of spare capacity in the existing portfolio and a reduction in the number of housing transactions. However, we have seen a pick up in move-ins since the period end, back to prior year levels. This, together with a reduction in move-outs compared with September, has led to a resumption of occupancy growth.

RESTRUCTURING

The Group announced on 13 September the restructuring of its business with the transfer of trading operations into a new operating company separate from its property owning companies, and the reclassification to the Real Estate sector. This restructuring was completed on 30 September and became effective on 1 October 2004.

The Board has been advised that as part of this restructuring, the VAT election on all but one of its trading stores will be dis-applied. For those stores affected, storage charges from 1 October 2004 are now exempt from VAT. However, the Group will be unable to recover VAT on the majority of its future capital and operating expenditure. In addition, a proportion of VAT incurred and previously recovered on its historical capital expenditure will be repaid under the Capital Goods Scheme over a period of 10 years (see note 11). The Board believes that this action will improve the Group's competitive position, sales and profitability and provide flexibility for the future.

PROPERTY

We now have 42 stores open or committed, having acquired four stores in the period, freehold stores at Fulham, Tunbridge Wells and South Bristol and a long leasehold store in Central Bristol. When all 42 are open, they will provide total capacity of 2.6 million sq ft. Of the 11 committed stores, we have planning permission on four, are negotiating for planning permission on six and one is subject to a Planning Appeal. We have surplus land at a number of our sites, which we will sell over the coming months.

The property strategy remains to acquire six to eight stores per year for the foreseeable future in London and the South. In addition, we believe that Big Yellow's brand is strengthening sufficiently to warrant trialling an expansion into certain key towns in the Midlands and the North. To that end, we are seeking suitable properties in Manchester, Leeds, Newcastle and Birmingham. We will set the strategy on the number of stores we intend to commit to in the Midlands and the North in due course.

We intend to purchase our future properties by way of freehold acquisition in all but very exceptional circumstances. Further, we will take the opportunity to acquire the freehold interest in our leasehold stores when they become available. To that end, we have acquired the freehold of our Wandsworth store at the end of the period.

The Group now owns 32 of its stores and sites freehold, one as a long leasehold and nine short leasehold.

VALUATION

As mentioned above, we announced in September that the Group had been reclassified from Support Services to the Real Estate sector and trading commenced in the Real Estate sector on 20 September 2004.

While our prime focus is on cash flow and profitability, the Board recognises that net asset value is an important metric in the assessment of property in real estate businesses. We therefore have commissioned a valuation of all the Group's trading properties from Cushman & Wakefield Healey & Baker ("C&W/H&B"). There are 35,000 self storage assets in the USA, in which there is a liquid and transparent market. The valuation methodology deployed by C&W/H&B mirrors exactly that used in the USA. This approach is recognised in the RICS Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors. We have set out a detailed explanation of the valuation in note 12.

The properties held for development which have not been valued have been included at their cost. The resultant valuation is in the sum of £294 million comprising £207.1 million (70%) for freehold trading

stores, £52.6 million (18%) for leasehold trading stores and £34.3 million (12%) for sites held for development. The valuation translates into an adjusted net asset value per share of 175p after the dilutive effect of outstanding share options.

A further valuation will be carried out by C&W/H&B at the year-end and annually thereafter. At the half-year shareholders will be provided with an interim directors' valuation. The Group has not changed its accounting policy, assets are held at historical cost less depreciation.

OUTLOOK

We believe that trading conditions in the coming months will be more testing than we have enjoyed to date. A significant tranche of our customers is derived from housing transactions and it is clear that volumes in the housing market have dropped considerably and may drop further.

It has become apparent over the past five years that the business reacts well to good management and branding and we believe that the Group enjoys a commanding position in both respects within its industry.

While we expect trading conditions to be more difficult in the forthcoming months, we believe the business will prove to be relatively resilient if not completely immune to any adverse changes, assisted by the continued restrictions on the supply side and growing market awareness of self storage and more particularly Big Yellow.

The Group enjoys a strong financial position with interest cover in excess of 2.5 times and a relatively conservative debt structure, whilst owning 32 of our stores and sites freehold and one long leasehold.

The 11 stores in the development pipeline, 10 freehold and one long leasehold, will improve the average quality of the overall portfolio, of which eight will be in Greater London, with flagship stores being planned at Fulham, Kingston and Edmonton.

We remain confident in our business plan, our branding, our market position and our financial structure.



Nicholas Vetch
Chairman
9 November 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Six months ended 30 September 2004

	Note	Six months ended 30 September 2004 (unaudited) £'000	Six months ended 30 September 2003 (unaudited) £'000	Year ended 31 March 2004 (audited) £'000
TURNOVER	2	15,576	10,957	23,830
Cost of sales		(8,852)	(7,658)	(15,470)
GROSS PROFIT		6,724	3,299	8,360
Administrative expenses		(2,596)	(1,691)	(3,641)
OPERATING PROFIT		4,128	1,608	4,719
Gains and losses on fixed assets		-	-	25
Interest receivable and similar income		55	75	187
Interest payable and similar charges	3	(2,481)	(1,540)	(3,688)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,702	143	1,243
Taxation	4	(715)	(83)	(592)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		987	60	651
Dividends	6	(500)	-	(1,044)
RETAINED PROFIT/(LOSS) FOR THE PERIOD/YEAR	13	487	60	(393)
Basic earnings per share	7	0.99p	0.06p	0.66p
Diluted earnings per share	7	0.97p	0.06p	0.64p

All items in the profit and loss account relate to continuing operations.

The company has no recognised gains or losses other than those included in the profit above for the current financial period or preceding financial periods and therefore no separate statement of total recognised gains and losses has been presented.

CONSOLIDATED BALANCE SHEET

30 September 2004

	Note	30 September 2004 (unaudited) £'000	30 September 2003 (unaudited) £'000	31 March 2004 (audited) £'000
FIXED ASSETS				
Intangible assets		1,384	1,481	1,432
Tangible assets	8	169,464	114,458	130,692
		170,848	115,939	132,124
CURRENT ASSETS				
Stocks		275	245	288
Debtors	9	4,738	5,979	5,822
Cash at bank and in hand		5,157	8,217	756
		10,170	14,441	6,866
CREDITORS: amounts falling due within one year	10	(18,296)	(7,862)	(12,017)
NET CURRENT (LIABILITIES)/ASSETS		(8,126)	6,579	(5,151)
TOTAL ASSETS LESS CURRENT LIABILITIES		162,722	122,518	126,973
CREDITORS: amounts falling due after more than one year	11	(104,384)	(63,507)	(68,582)
NET ASSETS		58,338	59,011	58,391
CAPITAL AND RESERVES				
Called up share capital	13	10,000	9,940	9,940
Capital redemption reserve	13	1,653	1,638	1,653
Share premium account	13	2,171	1,923	1,959
Other distributable reserves	13	50,545	52,307	51,045
Treasury shares	13	(812)	-	-
Profit and loss account	13	(5,219)	(6,797)	(6,206)
EQUITY SHAREHOLDERS' FUNDS		58,338	59,011	58,391

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Six months ended 30 September 2004

	Six months ended 30 September 2004 (unaudited) £'000	Six months ended 30 September 2003 (unaudited) £'000	Year ended 31 March 2004 (audited) £'000
Profit for the financial period/year	987	60	651
Dividends	(500)	-	(1,044)
	487	60	(393)
Issue of shares (net of issue costs)	272	-	51
Purchase of own shares	-	-	(218)
Purchase of treasury shares	(812)	-	-
Net (reduction in)/addition to shareholders' funds	(53)	60	(560)
Opening shareholders' funds	58,391	58,951	58,951
Closing shareholders' funds	58,338	59,011	58,391

CONSOLIDATED CASH FLOW STATEMENT

Year ended 30 September 2004

		Six months ended 30 September 2004 (unaudited) £'000	Six months ended 30 September 2003 (unaudited) £'000	Year ended 31 March 2004 (audited) £'000
Net cash inflow from operating activities	B	6,020	2,528	9,107
Returns on investments and servicing of finance		(2,190)	(1,408)	(3,346)
Capital expenditure and financial investment		(19,578)	(15,334)	(32,671)
Equity dividends paid		(1,044)	(994)	(994)
Cash outflow before financing		(16,792)	(15,208)	(27,904)
Financing				
Issue of ordinary share capital (net of expenses)		272		51
Increase in debt	A	22,000	21,158	26,293
Purchase of own shares		-	-	(218)
Purchase of treasury shares		(812)	-	-
		21,460	21,158	26,126
Increase /(decrease) in cash in the period/year	A	4,668	5,950	(1,778)

A. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

Six months ended 30 September 2004

	Six months ended 30 September 2004 (unaudited) £'000	Six months ended 30 September 2003 (unaudited) £'000	Year ended 31 March 2004 (audited) £'000
Increase/(decrease) in cash in the period/year	4,668	5,950	(1,778)
Cash inflow from increase in debt financing	(22,000)	(21,158)	(26,293)
Change in net debt resulting from cash flows	(17,332)	(15,208)	(28,071)
Movement in net debt in the period/year	(17,332)	(15,208)	(28,071)
Net debt at start of period/year	(68,404)	(40,333)	(40,333)
Net debt at end of period/year	(85,736)	(55,541)	(68,404)

B. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

Six months ended 30 September 2004

	Six months ended 30 September 2004 (unaudited) £'000	Six months ended 30 September 2003 (unaudited) £'000	Year ended 31 March 2004 (audited) £'000
Operating profit	4,128	1,608	4,719
Depreciation	1,974	1,774	3,737
Amortisation of goodwill	48	48	97
Decrease/(increase) in stock	13	7	(36)
Decrease/(increase) in debtors	381	(78)	(428)
(Decrease)/increase in creditors	(524)	(831)	1,018
Net cash inflow from operating activities	6,020	2,528	9,107

NOTES TO THE INTERIM REPORT

Six months ended 30 September 2004

1. ACCOUNTING POLICIES

Basis of preparation

The interim information for the six months ended 30 September 2004 and 30 September 2003 is unaudited and does not comprise statutory accounts. The comparative figures for the year ended 31 March 2004 are not statutory accounts but are extracted from the audited statutory accounts. The statutory accounts for the year ended 31 March 2004 have been filed with the Registrar of Companies. They received an unqualified audit report which did not contain a statement under Section 237(2) or 237(3) of the Companies Act 1985. This interim report should be read in conjunction with the statutory accounts for the year ended 31 March 2004. The interim figures have been prepared on the same basis and applying the same accounting policies as in prior years. The Group has adopted UITF 37 "Purchases and sales of own shares" in accounting for its treasury shares.

2. SEGMENTAL INFORMATION

Turnover represents amounts derived from the provision of services which fall within the Group's ordinary activities after deduction of trade discounts and value added tax. The Group's net assets, turnover and profit before tax are attributable to one activity, the provision of self storage and related services. These all arise in the United Kingdom.

3. INTEREST PAYABLE AND SIMILAR CHARGES

	Six months ended 30 September 2004 (unaudited) £'000	Six months ended 30 September 2003 (unaudited) £'000	Year ended 31 March 2004 (audited) £'000
Bank loans	2,459	1,540	3,625
Other interest payable	22	–	63
	2,481	1,540	3,688

4. TAXATION

The current period tax charge for the Group relates entirely to a movement in deferred tax. No corporation tax will be payable as a result of tax losses within the Group, which at 31 March 2004 were £2.9 million. The deferred tax charge in the year results in a tax rate in excess of the standard rate of 30%, primarily because the Group depreciates its buildings for which no corporation tax relief is due, and this permanent disallowable is significant in relation to current period reported pre-tax profit.

5. PROFIT BEFORE DEPRECIATION, AMORTISATION, TAX AND EXCEPTIONAL ITEMS

	Six months ended 30 September 2004 (unaudited) £'000	Six months ended 30 September 2003 (unaudited) £'000	Year ended 31 March 2004 (audited) £'000
Profit before tax	1,702	143	1,243
Exceptional items	–	–	(25)
Depreciation	1,974	1,774	3,737
Amortisation	48	48	97
Profit before depreciation, amortisation, taxation and exceptional items ("EBDAT")	3,724	1,965	5,052

NOTES TO THE INTERIM REPORT

Six months ended 30 September 2004

6. DIVIDENDS

An interim dividend of 0.5 pence per ordinary share has been declared (31 March 2004: final dividend of 1.05 pence per ordinary share, 30 September 2003: nil). The ex-dividend date will be 17 November 2004 and the record date 19 November 2004 with an intended payment date of 20 December 2004.

7. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share has been calculated on the profit for the financial period of £987,000 (six months ended 30 September 2003: profit for the financial period of £60,000; year ended 31 March 2004: profit for the financial year of £651,000) and on the weighted average number of shares in issue during the period of 99,473,430 (six months ended 30 September 2003: 99,400,616; year ended 31 March 2004: 99,379,569).

Diluted earnings per share has been calculated after allowing for the exercise of share options which have met the required exercise conditions. The weighted average number of shares in issue during the period is 101,388,197 (six months ended 30 September 2003: 101,013,842; year ended 31 March 2004: 100,973,605).

8. TANGIBLE FIXED ASSETS

Group	Freehold property £'000	Short leasehold improvements £'000	Assets under construction £'000	Plant and machinery £'000	Motor vehicles £'000	Fixtures, fittings and office equipment £'000	Total £'000
Cost							
At 1 April 2004	85,564	14,502	21,202	15,952	19	2,421	139,660
Additions	20,051	1,448	16,038	3,010	–	199	40,746
Reclassifications	2,942	–	(2,942)	–	–	–	–
At 30 September 2004	108,557	15,950	34,298	18,962	19	2,620	180,406
Accumulated depreciation							
At 1 April 2004	(2,841)	(1,721)	–	(3,173)	(11)	(1,222)	(8,968)
Charge for the year	(526)	(304)	–	(850)	(3)	(291)	(1,974)
At 30 September 2004	(3,367)	(2,025)	–	(4,023)	(14)	(1,513)	(10,942)
Net book value							
At 30 September 2004	105,190	13,925	34,298	14,939	5	1,107	169,464
At 31 March 2004	82,723	12,781	21,202	12,779	8	1,199	130,692

9. DEBTORS

	30 September 2004 (unaudited) £'000	30 September 2003 (unaudited) £'000	31 March 2004 (audited) £'000
Trade debtors	480	642	357
Other debtors	456	424	587
Deferred tax	485	1,709	1,200
Prepayments and accrued income	3,317	3,204	3,678
	4,738	5,979	5,822

NOTES TO THE INTERIM REPORT

Six months ended 30 September 2004

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 September 2004 (unaudited) £'000	30 September 2003 (unaudited) £'000	31 March 2004 (audited) £'000
Bank overdraft	–	–	267
Trade creditors	2,887	2,292	3,985
Taxation and social security	125	101	117
VAT repayable under Capital Goods Scheme (see note 11)	2,479	–	–
Other creditors	1,151	1,593	1,518
Proposed dividend	500	–	1,044
Accruals and deferred income	11,154	3,876	5,086
	18,296	7,862	12,017

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	30 September 2004 (unaudited) £'000	30 September 2003 (unaudited) £'000	31 March 2004 (audited) £'000
Bank loans	90,893	63,893	68,893
Unamortised loan arrangement costs	(530)	(386)	(311)
VAT repayable under Capital Goods Scheme	14,021	–	–
	104,384	63,507	68,582

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

The Group has VAT repayable under the Capital Goods Scheme which is estimated at £16.5 million. The projected annual repayment schedule is set out below:

	Total £'000
Year ended 31 March 2005	2,479
Years ended 31 March 2006 to 31 March 2010 (5 years)	9,525
Years ended 31 March 2011 to 31 March 2015 (5 years)	4,496
Total	16,500

NOTES TO THE INTERIM REPORT

Six months ended 30 September 2004

12. ADJUSTED NET ASSETS PER SHARE

	Net assets £'000	At 30 September 2004 Number of shares	Net assets per share
As per the balance sheet	58,338	100,001,506	
Own shares held	–	(615,000)	
	58,338	99,386,506	58.7p
FRS 13 adjustment	(154)	–	
Exercise of share options	7,131	8,340,744	
Revaluation uplift on freehold properties	91,240	–	
Revaluation uplift on leasehold properties	31,950	–	
Adjusted net assets per share	188,505	107,727,250	175.0p

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

Adjusted net assets per share include:

- the effect of those shares issuable under employee share option schemes;
- the fair value adjustment on the Group's external debt; and
- the revaluation uplift on freehold and leasehold properties.

Comparative data has not been provided as the Group did not carry out full valuations of the Group's property portfolio at 30 September 2003 or 31 March 2004.

The Group's properties have been valued at 30 September 2004 by Cushman and Wakefield, Healy and Baker ("C&W/H&B").

VALUATION METHODOLOGY

Background

The USA has approximately 35,000 self storage assets trading in a highly fragmented market with the largest five operators accounting for only approximately 16% of market share based on net rentable square footage. The vast majority of centres are owned and managed singly or in small portfolios. These properties have a well established track record of being traded and are therefore considered as liquid property assets.

Many valuations of this asset class are undertaken by appraisers in the USA and the accepted valuation approach is to value the properties having regard to trading potential. This approach is recognised in the RICS Appraisal & Valuation Standards published by The Royal Institution of Chartered Surveyors and is adopted for other categories of property that are normally bought and sold on the basis of their trading potential. Examples include hotels, bars, restaurants, marinas and petrol stations.

The UK self storage sector differs from the USA in that the five largest groups control 40-50% of the market and this proportion is likely to increase. The scope for active trading of these property assets is therefore likely to be less, however there is now some evidence that there will be liquidity, with the first store of reasonable quality having recently been acquired by a competitor in West London.

C&W/H&B believe that the valuation methodology adopted in the USA is the most appropriate for the UK market.

NOTES TO THE INTERIM REPORT

Six months ended 30 September 2004

12. ADJUSTED NET ASSETS PER SHARE (continued)

METHODOLOGY

C&W/H&B have adopted different methodologies for the valuation of the leasehold and freehold assets as follows:

Freehold

The valuation is a discounted cash flow of the net operating income over a 10 year period and notional sale of the asset at the end of the tenth year.

Assumptions

- Net operating income is based on revenue received less operating costs which include a central administration charge representing 6% of the estimated annual revenue. The initial net operating income is calculated by estimating the net operating income in the first 12 months following the valuation date.
- The net operating income in future years is calculated assuming straight line absorption from day one actual occupancy to an estimated stabilised/mature occupancy level. In the valuation the assumed stabilised occupancy level for the 31 stores (both freeholds and leaseholds) averages 85.48%. The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth.
- Capitalisation rates of existing and future net cashflow have been estimated by reference to underlying yields for industrial and retail warehouse property, bank base rates, 10 year money rates and inflation. On average, for all 31 stores, the yield (net of purchaser's costs) arising from the first year of the projected cashflow is 8.19%. This rises to 9.21% based on the projected cashflow for the first year following estimated stabilisation of the portfolio.
- The notional sale of the freeholds at the end of the tenth year has been calculated at a weighted average exit yield of 8.75%.
- The future net cashflow projections (including revenue growth and cost inflation) have been discounted at a rate that reflects the risk associated with each asset. The weighted average annual discount rate adopted (for both freeholds and leaseholds) is 11.75%.
- Purchaser's costs of 5.75% (on all assets other than those in stamp duty exempt areas) have been assumed initially and sale and purchaser's costs totalling 7.75% are assumed on the notional sales in the tenth year in relation to the freehold stores.

Leasehold

The same methodology has been used as for freeholds, except that no sale of the assets in the tenth year is assumed but the discounted cash flow is extended to the expiry of the lease. The average unexpired term of the group's leaseholds is 21 years.

13. MOVEMENT ON RESERVES

	Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Other distributable reserves £'000	Treasury shares £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2004	9,940	1,653	1,959	51,045	–	(6,206)	58,391
Profit for the financial period	–	–	–	–	–	987	987
Dividend	–	–	–	–	–	(500)	(500)
Appropriation	–	–	–	(500)	–	500	–
Issue of share capital	60	–	212	–	–	–	272
Purchase of treasury shares	–	–	–	–	(812)	–	(812)
Balance at 30 September 2004	10,000	1,653	2,171	50,545	(812)	(5,219)	58,338

INDEPENDENT REVIEW REPORT TO BIG YELLOW GROUP PLC

INTRODUCTION

We have been instructed by the company to review the financial information for the six months ended 30 September 2004 which comprises the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds, the cash flow statement, and the related notes 1 to 13. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

DIRECTORS' RESPONSIBILITIES

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

REVIEW WORK PERFORMED

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

REVIEW CONCLUSION

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2004.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

Deloitte & Touche LLP
Chartered Accountants
London
9 November 2004



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