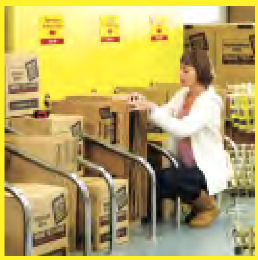
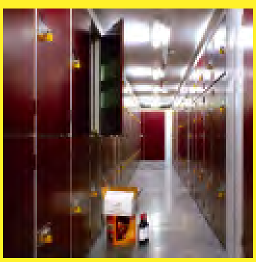
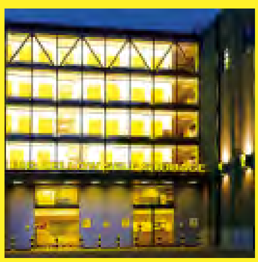
**Big Yellow Group PLC**

# Half Year Report

2009



THE BIG YELLOW SELF STORAGE COMPANY

Get some space in your life.™

# Financial Highlights

## Highlights

- Revenue for the second quarter increased by 7% to £15.1 million from the first quarter (£14.1 million)
- Revenue decrease of 3% to £29.2 million over same period last year (2008: £30.1 million)
- Revenue for the six months up 3% compared to the six months to 31 March 2009 (£28.4 million)
- Occupancy growth of 62,000 sq ft in the period (2008: fall of 10,000 sq ft in the period)
- EBITDA pre non-recurring items and valuation movements[1] £13.7 million (2008: £15.5 million)
- Adjusted profit before tax[1] of £7.7 million up 12% (2008: £6.9 million)
- Cash flows from operating activities (after finance costs) more than doubled to £7.9 million for the period (2008: £2.3 million)
- Adjusted earnings per share[2] of 6.19 pence (2008: 5.76 pence)
- Group net debt fallen to £272.8 million from £308.1 million at 31 March 2009
- Adjusted net assets per share[3] down 4% to 436.6 pence as at 30 September 2009 from 457.0 pence as at 31 March 2009 and down 7% from 467.0 pence as at 30 September 2008

## Statutory

- Loss before tax for the period £3.4 million (2008: loss of £54.3 million)
- Basic loss per share 2.71 pence (2008: loss of 47.46 pence)

## Achievements

- Successful placing of 11.5 million shares in May 2009 raising £31.5 million net of expenses
- We opened 5 stores in the period: Twickenham in the wholly owned Group and Edinburgh, Nottingham, Poole and Sheffield Bramall Lane in Big Yellow Limited Partnership. 59 stores are now open with a further 11 committed, providing 4.4 million sq ft of self storage space when completed
- Lloyds TSB Bank plc have joined the core banking facility, taking a participation of £75 million.

[1] see note 6; [2] see note 8; [3] see note 15

## Contents

# Portfolio Summary

| Wholly owned stores | Sept 2009 Same store[1] | Sept 2009 Lease-up | **Sept 2009 Total** | Sept 2008 Same store | Sept 2008 Lease-up | Sept 2008 Total |
|---|---|---|---|---|---|---|
| Number of stores | 32 | 19 | **51** | 32 | 16 | 48 |
| **At 30 September** | | | | | | |
| Total capacity (sq ft) | 1,944,000 | 1,284,000 | **3,228,000** | 1,944,000 | 1,073,000 | 3,017,000 |
| Occupied space (sq ft) | 1,371,000 | 423,000 | **1,794,000** | 1,471,000 | 336,000 | 1,807,000 |
| Percentage occupied | 71% | 33% | **56%** | 76% | 31% | 60% |
| **For the 6 month period:** | | | | | | |
| Average occupancy | 71% | 31% | **55%** | 78% | 28% | 60% |
| Average annual rent psf | £25.85 | £26.83 | **£25.95** | £26.53 | £27.83 | £26.84 |
| Net rent psf at 30 September | £26.40 | £27.30 | **£26.72** | £26.73 | £27.66 | £26.89 |
| | **£000** | **£000** | **£000** | £000 | £000 | £000 |
| Self storage income | 17,889 | 5,271 | **23,160** | 20,115 | 4,181 | 24,296 |
| Other storage related income[2] | 2,967 | 1,248 | **4,215** | 3,184 | 923 | 4,107 |
| Ancillary store rental income | 36 | 9 | **45** | 36 | 19 | 55 |
| Total storage revenue | 20,892 | 6,528 | **27,420** | 23,335 | 5,123 | 28,458 |
| Direct store operating costs (excluding depreciation) | (6,611) | (3,885) | **(10,496)** | (7,147) | (3,341) | (10,488) |
| Short and long leasehold rent[3] | (972) | (21) | **(993)** | (990) | (21) | (1,011) |
| Store EBITDA[4] | 13,309 | 2,622 | **15,931** | 15,198 | 1,761 | 16,959 |
| Store EBITDA Margin[5] | 64% | 40% | **58%** | 65% | 34% | 60% |

| **Cumulative capital expenditure** | **£m** | **£m** | **£m** |
|---|---|---|---|
| To 30 September 2009 | 160.6 | 185.4 | **346.0** |
| To complete | – | 4.5 | **4.5** |
| Total capital expenditure | 160.6 | 189.9 | **350.5** |

(1) The 32 same stores are those that had reached stabilisation as a portfolio in 2007 prior to the economic downturn. The lease-up stores have yet to trade at their stabilised occupancy levels, and most have opened in the last three years.

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

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

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

(5) Of the same stores, the seven leasehold stores achieved a store EBITDA of £2.28 million and EBITDA margin of 46%. The freehold stores achieved a store EBITDA of £11.03 million and EBITDA margin of 69%.

# Chairman's Statement

The Board of Big Yellow Group PLC, the UK's leading self storage brand, is pleased to announce results for the six months and for the second quarter ended 30 September 2009.

Occupancy growth over the six month period showed a noticeable improvement on the same period last year with growth across the wholly owned portfolio of 62,000 sq ft against a decline of 10,000 sq ft in the same period last year. We saw an improvement in yield per sq ft from a low point of £25.25 in April 2009 to £26.72 at 30 September 2009. This is in line with a slowly improving picture in relation to housing transactions, consumer confidence and the economy generally.

By way of illustration, a recent housing market survey showed that many fewer properties are being bought and sold than in "normal" market conditions. The first nine months of 2009 have registered just over half a million transactions, an annualised turnover rate of only 3.6% of the housing stock, well below the 20-year average of 8.5%. In September mortgage approvals for house purchases were 56,000, up 68% on a year earlier, but still significantly below the 10-year average of 100,000.

### Financial results

Revenue for the period was £29.2 million, down 3% from the £30.1 million achieved in the comparable period last year. Revenue for the second quarter was £15.1 million, up 7% on the £14.1 million reported for the quarter to 30 June 2009. Revenue for the half year was up 3% compared to the previous half year period (six months to 31 March 2009: £28.4 million).

Group EBITDA pre non-recurring items and valuation movements was £13.7 million, down 12% from £15.5 million for the same period last year.

As a result of a revaluation write-down of £14.2 million in the value of our wholly owned investment property assets, the Group made a pre-tax loss of £3.4 million. £13.0 million of the write-down was as a result of valuing six sites as investment property under construction for the first time to comply with the IAS 40 (revised) accounting requirement for periods commencing after 1 January 2009 (see Operating and Financial Review for more detail). The stabilised valuations of these six assets are currently pointing to a revaluation surplus on total development cost of £85.6 million (118%).

After adjusting for the loss on the revaluation of investment properties and other non-recurring items, the Group made an adjusted profit before tax in the period of £7.7 million, up 12% from £6.9 million for the same period last year. Adjusted earnings per share was 6.19 pence (2008: 5.76 pence).

### Placing to fund future growth

We were pleased to receive strong support from our shareholders in May 2009 to enable us to raise £31.5 million (net of expenses). 11.5 million shares were issued at £2.85, which represented a 6% premium to the previous day's closing share price.

The net proceeds of the placing, together with cash generated from operations and the net proceeds of the future sale of surplus land, will be used to provide the Company with the financial flexibility to fund its planned medium term organic growth.

Big Yellow has six committed sites for development, five of which are located in London and one in central Guildford, with the potential for an additional 395,000 sq ft of self storage space. The total capital expenditure required to build out these stores is £51 million.

Our principal ambition is to raise our occupancy levels from 55% to 85% in the medium term, an absorption of approximately one million sq ft, which at today's rent represents revenue in excess of £25 million.

We have started on site at Eltham, and since the period end, have completed the acquisition of a site at Enfield, which had been a conditional purchase agreed in 2007. Our current intention is to construct the existing development sites on a phased basis so they are all open and trading by March 2012.

At 30 September, the Group owned approximately £24 million of land surplus to our requirements. It is anticipated that the surplus land will be sold over the next 18 to 24 months as we are looking to maximise value through planning. Subsequent to the period end the Group completed the sale of surplus land adjacent to our Twickenham store for £3.2 million.

In addition, we have been monitoring selective site acquisition opportunities in London and other key UK cities for our next development phase to increase our footprint over the medium term.

**Dividends**

No Property Income Dividend is payable for the six month period. The Board has continued with the suspension of the discretionary ordinary dividend for the period. The reason for the suspension was to allow the Group to retain operating cash surpluses to fund part of the build out of its existing pipeline of London stores during the economic downturn. The dividend policy will be reviewed during the next financial year in the light of trading conditions and the economic outlook.

**Banking**

Lloyds TSB Bank plc have joined our core banking facility during the period, taking £75 million of the £325 million facility. I would like to thank them for their support, and we look forward to developing our relationship further with them in the future.

**Outlook**

We are experiencing the usual seasonal slow-down in trading, however our cautious optimism at the time we last reported, that the business was at least stabilising, appears to have been broadly well founded. We expect the improvement in the economy to be slow and patchy, and the performance of this business will reflect that.

That said, the brand and our store locations will be a considerable help in achieving our principal ambition of raising our occupancy levels from currently 55% to 85% in the medium term, an absorption of approximately one million sq ft, which at today's rent represents revenue in excess of £25 million (excluding ancillary sales), which comes at minimal marginal cost.

**Nicholas Vetch**
Executive Chairman
16 November 2009

# Operating and Financial Review

### Stores and the market

We have included, as usual, the Portfolio Summary showing the trading performance of all our wholly owned stores over the period (see page 1).

During the period we opened a store in Twickenham, with further stores opening in Nottingham, Edinburgh, Poole and Sheffield (within Big Yellow Limited Partnership). Our Reading store opens in December, and will trade within Big Yellow Limited Partnership.

At the period end occupied space was 1,794,000 sq ft, down 1% from 1,807,000 sq ft at the same time last year and up 62,000 sq ft from 31 March 2009. The 32 same stores are those that had reached stabilisation as a portfolio in 2007 prior to the economic downturn. The lease-up stores have yet to trade at their stabilised occupancy levels, and most have opened in the last three years. The portfolio of 32 same stores (with an average net lettable area of 60,750 sq ft) was 71% occupied at the end of the period, with an average occupancy during the period of 71%, down from 78% for the same period last year.

Revenue for these 32 stores decreased 10% compared to the same period last year. This was caused by the reduction in average occupancy referred to above, and also a fall in average net rents achieved of 3% in the same store portfolio compared to the same six month period in 2008.

Over the winter months, following the collapse of Lehman Brothers and the resultant anticipated consumer downturn, we used aggressive promotions in all of our stores to combat the weak trading environment. Net rents for the Group fell to a low of £25.25 per sq ft in April 2009. In the second half of the last financial year, we lost 75,000 sq ft of occupancy. From May, given the improved trading performance and outlook, we reduced the promotions offered in the stores. We have successfully increased net rents back to their September 2008 levels through a combination of increasing rents and managing promotions to new customers, coupled with existing customer price increases.

At 30 September 2009, the net rent for the Group was £26.72 per sq ft, and £26.40 per sq ft for the same store portfolio. The net rent per sq ft in the lease-up stores is higher, at £27.30, due to their relative London weighting.

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

The 32 same stores achieved EBITDA margins of 64% (2008: 65%). Despite the revenue reduction in the same store portfolio we have mitigated part of the impact on profitability in these stores through cost savings. Same store costs have reduced by 7.5% from the same period last year. Staffing levels in the stores have been reduced from on average 3.6 staff per store to 3.1 staff per store. We have implemented a salary freeze across all levels in the Group, and have sought to take cost out of the business where practicable. These cost savings have in part been offset by higher utility costs and increases in business rates.

The lease-up stores have grown in occupancy by 87,000 sq ft from the same time last year, encouragingly 70,000 sq ft of this growth has been in the six months from 1 April 2009. Revenue for the lease-up stores which were open pre 30 September 2008 has increased by 21% from the same period last year, as illustrated in the table below. The occupancy of these 16 stores has increased from 31% at September 2008 to 36% in September 2009.

In the Autumn, we typically see a seasonal net reduction in occupancy, caused by student and house movers vacating, no longer requiring storage after the summer. In the seven weeks following the period end, we have lost 30,000 sq ft (1.6% of occupancy) across the whole portfolio. This compares to a loss in the same period in 2008 of 20,500 sq ft (1.1% of occupancy) and in 2007 of 64,000 sq ft (3.4% of occupancy).

Total packing materials, insurance and other sales were £4.2 million in the period (2008: £4.1 million).

| | Occupancy | | Revenue | | EBITDA | |
|---|---|---|---|---|---|---|
| **Store performance** | **30 Sept 2009 000 sq ft** | 30 Sept 2008 000 sq ft | **30 Sept 2009 £000** | 30 Sept 2008 £000 | **30 Sept 2009 £000** | 30 Sept 2008 £000 |
| 32 Same stores | **1,371** | 1,471 | **20,892** | 23,335 | **13,309** | 15,198 |
| 16 Lease-up stores opened pre 30 September 2008 | **391** | 336 | **6,196** | 5,123 | **2,848** | 1,761 |
| 3 Lease-up stores opened post 30 September 2008 | **32** | – | **332** | – | **(226)** | – |
| **Total** | **1,794** | 1,807 | **27,420** | 28,458 | **15,931** | 16,959 |

### Administrative expenses

In the period, the cash administrative expenses have reduced by £0.1 million, following head office cost savings. Overall administrative expenses have increased by £0.4 million, following a £0.5 million increase in the non-cash IFRS 2 charge, principally arising from the Long Term Bonus Plan approved at the AGM in July 2009.

### Interest

The Group used £15 million of liquidity in March 2009 to restructure our interest rate hedging arrangements. £190 million of the Group's debt is now fixed over the medium term, whilst the balance of the debt is paying one month LIBOR plus applicable margin. We have seen the benefit of this strategy in the current period, with a materially lower interest cost. The Group's average cost of borrowing during the period to 30 September 2009 was 3.7%, compared to 6.5% for the six months to 30 September 2008. The loan interest expense during the period was £3.6 million lower compared to the same period last year. Capitalised interest was £0.9 million lower in the period, due to fewer developments on site; this reduces the effect of the lower interest expense on adjusted profit.

### Results

The 12% increase in adjusted profit before tax to £7.7 million was principally due to the reduced interest cost, offsetting lower EBITDA. The table below reconciles the statutory loss before tax to the adjusted profit before tax.

| Profit/(loss) before tax analysis | **Six months to 30 Sept 2009 £m** | Six months to 30 Sept 2008 £m | Year ended 31 March 2009 £m |
|---|---|---|---|
| Loss before tax | **(3.4)** | (54.3) | (71.5) |
| *Adjusted for:* | | | |
| Loss on revaluation of investment properties | **14.2** | 53.4 | 52.8 |
| Change in fair value of interest rate derivatives | **(3.7)** | (1.4) | 18.0 |
| Losses on non-current assets | **–** | 7.2 | 11.6 |
| Losses on surplus land | **2.0** | – | – |
| Non-recurring (gains)/losses in associate | **(1.4)** | 0.7 | 1.6 |
| Loan refinancing costs | **–** | 1.3 | 1.3 |
| Adjusted profit before tax | **7.7** | 6.9 | 13.8 |

### Cash flow growth

Cash flows from operating activities have more than doubled to £7.9 million for the period (2008: £2.3 million). This has been increasing over the period, in line with growing occupancy and rental yield.

In the six month period capital expenditure cash outflows were £3.9 million, a reduction of £15.5 million from £19.4 million in the same period last year.

After taking account of capital expenditure the Group had a net cash inflow of £2.7 million (2008: net cash outflow of £7.1 million) in the period. This, coupled with the placing proceeds, led to a reduction in net debt in the period of £35.4 million.

### Taxation

The Group is a Real Estate Investment Trust ("REIT"). We benefit from a zero tax rate on our qualifying self storage earnings. We only pay tax on the profits attributable to our residual business, comprising primarily of the sale of packing materials and insurance, and management fees earned by the Group. Furthermore, Big Yellow has a development pipeline of self storage assets within the REIT ringfence and any development profits arising on these assets will generally be tax free.

There is no cash tax payable for the period. There is no tax charge for the period ended 30 September 2009 (2008: £546,000).

### Dividends

REIT regulatory requirements determine the level of Property Income Dividend ("PID") payable by the Group. On the basis of the full year forecasted distributable reserves for PID purposes, no PID is payable due to the level of shadow capital allowances available to the Group (30 September 2008: PID of nil pence per share). No discretionary ordinary dividend is proposed.

### Financing and Treasury

The Group has a £325 million senior debt facility refinanced in September 2008 with HSH Nordbank AG. During the period, Lloyds TSB Bank plc took a participation of £75 million in the facility.

Certain of the covenants of the core facility were amended during the period (at no cost to the Group) to give the Group more financial flexibility and to facilitate the syndication. The Group was comfortably in compliance with these revised covenants at 30 September 2009, as illustrated in the table below.

| | Previous covenant | Revised Covenant | **At 30 Sept 2009** |
|---|---|---|---|
| Minimum income cover | 1.25x | 1.4x | **2.69x*** |
| Minimum net assets | £350m | £250m | **£531.9m** |
| Maximum gross loan to net assets gearing | 1:1 | 1.3:1 | **0.59:1** |

* the annualised income cover for the quarter to 30 September 2009 was 3.97x. The income cover covenant rises to 1.5x from September 2011, as per the original agreement, and there has been no change in this covenant.

Cash at 30 September 2009 was £38.6 million, held with Royal Bank of Scotland plc. We have paid back £5 million of the revolving element of the loan facility subsequent to the period end. The remainder of the cash is held on medium term deposits; as they mature we will consider paying back additional amounts of the revolving facility, dependent on the Group's cash requirements at that point in time.

The net debt at the end of September was £272.8 million leaving us £52.2 million of available funds. The net debt to gross property assets ratio is 34% and the net debt to equity ratio is 51%.

### Valuations

The Group's investment properties have been valued by Cushman and Wakefield (C&W). At 30 September 2009 the total value of the Group's wholly owned properties is shown in the table below:

| Analysis of property portfolio | No of locations | Value at 30 Sept 2009 £m | Revaluation movement in period £m |
|---|---|---|---|
| Investment property | 51 | 749.9 | (1.2) |
| Investment property under construction | 6 | 25.0 | (13.0) |
| *Investment property total* | 57 | 774.9 | (14.2) |
| Surplus land (including land held for sale of £3.2 million) | 9* | 23.9 | (2.0) |
| **Total** | **66** | **798.8** | **(16.2)** |

* includes Enfield, the acquisition of which completed post period end, this will be classified as investment property under construction at 31 March 2010.

The disposal of the land held for sale completed in October. The Group has received £2 million of the proceeds, with a further £1.2 million to be paid unconditionally in October 2010.

*Investment property*

The total value of the investment property open store portfolio at 30 September 2009 of £749.9 million (2008: £717.7 million), was up £14.8 million from £735.1 million at 31 March 2009.

The increase in valuation of the 50 stores open at 31 March is £1.0 million, representing a 0.1% total increase, of which we estimate 0.7% is a function of capital reduction offset by an improvement of 0.8% due to operational performance. The balance of £13.8 million is the valuation of our Twickenham store which opened in May.

Yields appear to have stabilised for prime product in the wider real estate market, this is based on thin transactional evidence and applies to well let highly sought after assets. In relation to self storage there has been no transactional evidence of prime self storage assets in the period; indeed no material transactions have been completed in the secondary self storage sector. The valuation included in the accounts assumes rental growth in future periods, as described in note 16. If an assumption of no rental growth is applied to the external valuation, the stabilised yield pre administration expenses is 8.59% (March 2009: 8.55%). This is based on an average occupancy over the 10 year cash flow period of 78.6% across the whole portfolio. The mature occupancy assumed is 84.7%, achieved on average in 41 months from 30 September 2009.

*Investment property under construction*

The Group adopted compulsory amendments to IAS 40, Investment Property, during the period. These changes require investment property under construction to be valued, rather than carried at the lower of cost and value in use, as had been the case when they were accounted for under IAS 16. In accordance with IAS 40 the prior year comparatives have not been restated to reflect this change in accounting policy. C&W have therefore valued six wholly owned sites (four with planning consent), and four within Big Yellow Limited Partnership (all with planning consents), in addition to the open store portfolio. It should be noted that Enfield, the acquisition of which completed in October 2009, will be valued on this basis at the year end.

In the past, where the Group had assets in the course of construction, these had been held at cost, and an assessment made of the anticipated surplus to be achieved on the opening and leasing up of a Big Yellow self storage facility within the branded portfolio. If this supported the existing book cost, taking account of projected costs to complete, no provision was made against the cost. The external valuation takes a different approach, and in effect is assuming a sale to a third party of an asset in the course of construction, assuming contingencies on construction costs, assessment of alternative use where planning risk remains and a level of developer's profit. An external valuation also has to consider market evidence, which is clearly limited in the current economic climate.

As a result, and given this is the first time this standard has been applied by the Group, we have booked a deficit of £13.0 million against the Group assets, and have included a £0.3 million uplift as our share of the surplus in Big Yellow Limited Partnership. It should be noted that C&W's forecast valuations for when the assets have reached stabilised occupancy, including assumptions in relation to revenue and operating cost growth within these assets, are currently pointing to a revaluation surplus on total development cost of £85.6 million (118%) on the six wholly owned development sites and £34.8 million (99%) on the four sites within Big Yellow Limited Partnership.

In their report to us, our valuers, Cushman and Wakefield, have drawn attention to valuation uncertainty resulting from exceptional volatility in the financial markets and a lack of transactions in the property investment market. Please see note 16 for further details.

*Surplus land*

These sites are those which the Directors do not intend to develop into self storage centres (with the exception of the site at Enfield, the acquisition of which completed post period end). The sites are held at the lower of cost and net realisable value and have not been externally valued. The Directors have assessed the carrying value of these sites. In the prior year, a provision of £11.6 million was made against these sites, representing approximately a third of the cost of the land. The Directors have made a further provision of £2.0 million against a site where the planning outcome is currently uncertain.

## Net asset value

The valuation translates into an adjusted net asset value of 436.6 pence per share (see note 15), down 7% from 467.0 pence per share last year and down 4% from 457.0 pence per share at 31 March 2009.

| Analysis of Net Asset Value | As at 30 Sept 2009 | As at 30 Sept 2008 | As at 31 March 2009 |
|---|---|---|---|
| Basic net asset value (£m) | **531.9** | 519.9 | 502.3 |
| Exercise of share options (£m) | **1.5** | 2.6 | 2.6 |
| Diluted net asset value (£m) | **533.4** | 522.5 | 504.9 |
| Basic net assets per share (pence) | **417.0** | 453.1 | 437.6 |
| Diluted net assets per share (pence) | **407.5** | 439.4 | 424.3 |
| Diluted shares used for calculation (million) | **130.9** | 118.9 | 119.0 |
| Diluted net asset value (as above) (£m) | **533.4** | 522.5 | 504.9 |
| Fair value of derivatives | **2.5** | 1.4 | 6.3 |
| EPRA net assets (£m) | **535.9** | 523.9 | 511.2 |
| EPRA net asset value per share (pence) | **409.3** | 440.5 | 429.5 |
| Valuation methodology assumption (see note 16) (£m) | **35.7** | 31.5 | 32.6 |
| Adjusted net asset value (£m) | **571.6** | 555.4 | 543.8 |
| Adjusted net assets per share (pence) | **436.6** | 467.0 | 457.0 |

## Big Yellow Limited Partnership

Big Yellow Limited Partnership, a joint venture with Pramerica Real Estate Investors Limited, owns self storage centres and development sites in the Midlands, the North, Scotland and four southern towns.

The Partnership is currently trading from eight open stores. Of the eight stores, seven have opened in the past year. Whilst the stores are still in the early stages of their lease-up profile we have been encouraged by their performance to date. The occupancy of the stores is 77,000 sq ft, against a total capacity of 490,000 sq ft, a growth of 34,000 sq ft in the period from 1 April 2009. In the early stages of lease-up, net rent is suppressed by promotions extended to new customers who form the majority of the customer base. The average net rent achieved at 30 September 2009 at these stores is £17.73 per sq ft, which is expected to increase as the stores lease-up over time with the expiry of opening promotions.

The Partnership made an operating loss of £0.4 million in the period, of which Big Yellow's share is £0.1 million. This loss is to be expected, as the stores take approximately 12 months on average to break even. After revaluation of investment properties and interest rate derivatives, the profit for the period for the Partnership was £3.7 million, of which the Group's share was £1.2 million.

Big Yellow has the option to buy the assets or Pramerica's share of the equity in the Partnership, exercisable from 31 March 2013.

The table below shows the split of stores and development sites between the Group and the Partnership.

| | Big Yellow (wholly owned) | Big Yellow Limited Partnership | Total |
|---|---|---|---|
| **At 30 September 2009** | | | |
| No of stores trading | 51 | 8 | 59 |
| No of stores under development | 7* | 4 | 11 |
| **Total number of stores and sites** | **58** | **12** | **70** |
| Development sites with planning consent | 5 | 4 | 9 |
| Open store capacity (sq ft) | 3,228,000 | 490,000 | 3,718,000 |
| Development site capacity (sq ft) | 465,000 | 241,000 | 706,000 |
| **Total planned capacity (sq ft)** | **3,693,000** | **731,000** | **4,424,000** |

* this includes our site in central Manchester which has a sale contract to Big Yellow Limited Partnership, conditional on the building being completed by 31 December 2010. Given that we are still in planning discussions for the 4.5 acre site, it is likely that this facility will be developed within the Group in due course.

## Corporate Social Responsibility

During the period, the Group participated in an Environmental Real Estate Survey carried out by Maastricht University, commissioned by APG Asset Management, PGGM Investments and USS. 80% of the listed European property market took part in the survey. The survey compiled an "Environmental Real Estate Index" that awards points to reflect the presence of corporate environmental policies and management, as well as the presence of specific measurement mechanisms and the implementation of these policies in each company. We were delighted to be ranked as the number one European real estate company in their Environmental Real Estate Index.

The Group has also been a member of the FTSE4 Good Index series for several years and has previously engaged in the International Carbon Disclosure Project (CDP 2008). These ethical indices are used by analysts to identify low risk sustainable businesses investments.

# Responsibility Statement

We confirm to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting", gives a true and fair view of assets, liabilities, financial position and the loss of the issuer and the undertakings included in the consolidation as a whole as required by DTR 4.2.4R;

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

**James Gibson**
Chief Executive Officer
16 November 2009

# Condensed Consolidated Income Statement

Six months ended 30 September 2009

| | Note | **Six months ended 30 Sept 2009 (unaudited) £000** | Six months ended 30 Sept 2008 (unaudited) £000 | Year ended 31 March 2009 (audited) £000 |
|---|---|---|---|---|
| **Revenue** | *2* | **29,162** | 30,080 | 58,487 |
| Cost of sales | | **(11,688)** | (11,248) | (21,781) |
| **Gross profit** | | **17,474** | 18,832 | 36,706 |
| Administrative expenses | | **(3,428)** | (3,073) | (5,760) |
| **Operating profit before gains and losses on property assets** | | **14,046** | 15,759 | 30,946 |
| Loss on the revaluation of investment properties | *16* | **(14,216)** | (53,396) | (52,848) |
| Net losses on non-current assets | | **–** | (7,219) | (11,583) |
| Losses on surplus land | *10* | **(2,000)** | – | – |
| **Operating loss** | | **(2,170)** | (44,856) | (33,485) |
| Share of profit/(loss) of associate | *9e* | **1,235** | (622) | (1,598) |
| Investment income | *3* | **183** | 170 | 381 |
| Finance costs – interest payable | *4* | **(6,288)** | (10,393) | (17,473) |
| – refinancing costs | *4* | **–** | – | (1,347) |
| – fair value movement of derivatives | *4* | **3,671** | 1,418 | (17,967) |
| **Loss before taxation** | | **(3,369)** | (54,283) | (71,489) |
| Taxation | *5* | **–** | (546) | (1,150) |
| **Loss for the period (attributable to equity shareholders)** | | **(3,369)** | (54,829) | (72,639) |
| **Basic loss per share** | *8* | **(2.71p)** | (47.46p) | (62.86)p |
| **Diluted loss per share** | *8* | **(2.71p)** | (47.21p) | (62.34)p |

Adjusted profit before taxation is shown in note 6.

Adjusted earnings per share is shown in note 8.

All items in the income statement relate to continuing operations.

# Condensed Consolidated Balance Sheet

30 September 2009

| | Note | 30 Sept 2009 (unaudited) £000 | 30 Sept 2008 (unaudited) £000 | 31 March 2009 (audited) £000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Investment property | 9a | **749,890** | 717,700 | 735,060 |
| Investment property under construction | 9a | **24,990** | – | – |
| Development property | 9a | **–** | 83,610 | 73,618 |
| Interest in leasehold properties | 9a | **21,494** | 21,982 | 21,852 |
| Plant, equipment and owner-occupied property | 9b | **2,762** | 3,119 | 3,095 |
| Goodwill | 9c | **1,433** | 1,433 | 1,433 |
| Investment in associate | 9e | **11,520** | 9,637 | 9,285 |
| Deferred tax asset | 13 | **–** | 768 | – |
| | | **812,089** | 838,249 | 844,343 |
| **Current assets** | | | | |
| Surplus land | 10 | **20,693** | – | – |
| Inventories | | **308** | 344 | 338 |
| Trade and other receivables | 11 | **7,363** | 6,307 | 8,362 |
| Cash and cash equivalents | | **38,575** | 1,264 | 3,222 |
| Assets classified as held for sale | 9d | **3,200** | 11,975 | 3,200 |
| | | **70,139** | 19,890 | 15,122 |
| **Total assets** | | **882,228** | 858,139 | 859,465 |
| **Current liabilities** | | | | |
| Trade and other payables | 12 | **(15,405)** | (17,205) | (18,413) |
| Obligations under finance leases | | **(1,984)** | (1,958) | (1,984) |
| Current tax liabilities | | **–** | (90) | – |
| | | **(17,389)** | (19,253) | (20,397) |
| **Non-current liabilities** | | | | |
| Derivative financial instruments | | **(1,879)** | (1,057) | (5,550) |
| Bank borrowings | 14 | **(308,870)** | (294,051) | (308,672) |
| Obligations under finance leases | | **(19,510)** | (20,024) | (19,868) |
| Other payables | 12 | **(2,661)** | (3,889) | (2,661) |
| | | **(332,920)** | (319,021) | (336,751) |
| **Total liabilities** | | **(350,309)** | (338,274) | (357,148) |
| **Net assets** | | **531,919** | 519,865 | 502,317 |
| **Equity** | | | | |
| Called up share capital | | **12,947** | 11,555 | 11,559 |
| Share premium account | | **42,586** | 41,676 | 41,663 |
| Reserves | | **476,386** | 466,634 | 449,095 |
| **Equity shareholders' funds** | | **531,919** | 519,865 | 502,317 |

# Condensed Consolidated Statement of Recognised Income and Expense

Six months ended 30 September 2009

| | **Six months ended 30 Sept 2009 (unaudited) £000** | Six months ended 30 Sept 2008 (unaudited) £000 | Year ended 31 March 2009 (audited) £000 |
|---|---|---|---|
| Current and deferred tax recognised in equity | **–** | (222) | (240) |
| Net expense recognised directly in equity for the period | **–** | (222) | (240) |
| Loss for the period/year | **(3,369)** | (54,829) | (72,639) |
| Total recognised income and expense for the period attributable to equity shareholders | **(3,369)** | (55,051) | (72,879) |

# Condensed Consolidated Statement of Changes in Equity

| **Six months ended 30 September 2009 (unaudited)** | **Share capital £000** | **Share premium account £000** | **Capital redemption reserve £000** | **Retained earnings £000** | **Other distributable reserve £000** | **Own shares £000** | **Total £000** |
|---|---|---|---|---|---|---|---|
| At 1 April 2009 | 11,559 | 41,663 | 1,653 | 449,338 | – | (1,896) | 502,317 |
| Total comprehensive income for the period | – | – | – | (3,369) | – | – | (3,369) |
| Issue of share capital | 1,388 | 923 | – | – | 30,373 | – | 32,684 |
| Credit to equity for equity-settled share based payments | – | – | – | 287 | – | – | 287 |
| **At 30 September 2009** | **12,947** | **42,586** | **1,653** | **446,256** | **30,373** | **(1,896)** | **531,919** |

The other distributable reserve arose from merger relief under S612 of Companies Act 2006, following the Group's placing of 11.5 million shares in the period.

| Six months ended 30 September 2008 (unaudited) | Share capital £000 | Share premium account £000 | Capital redemption reserve £000 | Retained earnings £000 | Own shares £000 | Total £000 |
|---|---|---|---|---|---|---|
| At 1 April 2008 | 11,551 | 41,645 | 1,653 | 527,933 | (1,896) | 580,886 |
| Total comprehensive income for the period | – | – | – | (54,829) | – | (54,829) |
| Issue of share capital | 4 | 31 | – | – | – | 35 |
| Dividends | – | – | – | (6,309) | – | (6,309) |
| Credit to equity for equity-settled share based payments | – | – | – | 304 | – | 304 |
| Deferred tax on share-based payment transactions | – | – | – | (222) | – | (222) |
| At 30 September 2008 | 11,555 | 41,676 | 1,653 | 466,877 | (1,896) | 519,865 |

| Year ended 31 March 2009 (audited) | Share capital £000 | Share premium account £000 | Capital redemption reserve £000 | Retained earnings £000 | Own shares £000 | Total £000 |
|---|---|---|---|---|---|---|
| At 1 April 2008 | 11,551 | 41,645 | 1,653 | 527,933 | (1,896) | 580,886 |
| Total comprehensive income for the period | – | – | – | (72,639) | – | (72,639) |
| Issue of share capital | 8 | 18 | – | – | – | 26 |
| Dividends | – | – | – | (6,309) | – | (6,309) |
| Credit to equity for equity-settled share based payments | – | – | – | 593 | – | 593 |
| Deferred tax on share-based payment transactions | – | – | – | (240) | – | (240) |
| At 31 March 2009 | 11,559 | 41,663 | 1,653 | 449,338 | (1,896) | 502,317 |

# Condensed Consolidated Cash Flow Statement

Six months ended 30 September 2009

| | Note | **Six months ended 30 Sept 2009 (unaudited) £000** | Six months ended 30 Sept 2008 (unaudited) £000 | Year ended 31 March 2009 (audited) £000 |
|---|---|---|---|---|
| Operating loss | | **(2,170)** | (44,856) | (33,485) |
| Loss on the revaluation of investment properties | | **14,216** | 53,396 | 52,848 |
| Loss on non-current assets | | **–** | 7,219 | 11,583 |
| Losses on surplus land | | **2,000** | – | – |
| Depreciation | | **483** | 374 | 729 |
| Depreciation of finance lease obligations | | **358** | 342 | 690 |
| Employee share options | | **762** | 304 | 593 |
| Decrease/(increase) in inventories | | **30** | (13) | (7) |
| Decrease/(increase) in receivables | | **1,150** | 1,274 | (1,013) |
| (Decrease)/increase in payables | | **(2,675)** | (1,518) | 1,363 |
| **Cash generated from operations** | | **14,154** | 16,522 | 33,301 |
| Interest paid | | **(6,277)** | (14,280) | (38,606) |
| Interest received | | **30** | 53 | 496 |
| REIT conversion charge paid | | **–** | – | (90) |
| **Cash flows from operating activities** | | **7,907** | 2,295 | (4,899) |
| **Investing activities** | | | | |
| Sale of non-current assets | | **–** | – | 3,825 |
| Purchase of non-current assets | | **(3,702)** | (19,378) | (35,090) |
| Additions to surplus land | | **(178)** | – | – |
| Sale of assets to associate | | **–** | 15,097 | 22,778 |
| Investment in associate | | **(1,000)** | (4,805) | (5,429) |
| **Cash flows from investing activities** | | **(4,880)** | (9,086) | (13,916) |
| **Financing activities** | | | | |
| Issue of share capital | | **32,684** | 35 | 26 |
| Payment of finance lease liabilities | | **(358)** | (342) | (690) |
| Equity dividends paid | | **–** | (6,309) | (6,309) |
| Increase in borrowings – RBS facility | | **–** | 7,000 | 7,000 |
| Repayment of RBS loan | | **–** | (291,000) | (291,000) |
| Increase in borrowings – drawing of HSH facility | | **–** | 297,000 | 311,339 |
| **Cash flows from financing activities** | | **32,326** | 6,384 | 20,366 |
| **Net increase/(decrease) in cash and cash equivalents** | *A* | **35,353** | (407) | 1,551 |
| **Opening cash and cash equivalents** | | **3,222** | 1,671 | 1,671 |
| **Closing cash and cash equivalents** | | **38,575** | 1,264 | 3,222 |

# A. Reconciliation of net cash flow to movement in net debt

Six months ended 30 September 2009

| | **Six months ended 30 Sept 2009 (unaudited) £000** | Six months ended 30 Sept 2008 (unaudited) £000 | Year ended 31 March 2009 (audited) £000 |
|---|---|---|---|
| Net increase/(decrease) in cash and cash equivalents in the period | **35,353** | (407) | 1,551 |
| Cash inflow from increase in debt financing | **–** | (13,000) | (27,339) |
| **Movement in net debt in the period** | **35,353** | (13,407) | (25,788) |
| Net debt at start of period | **(308,117)** | (282,329) | (282,329) |
| **Net debt at end of period** | **(272,764)** | (295,736) | (308,117) |

Net debt is defined as gross bank borrowings less cash and cash equivalents.

# Notes to the Half Year Report

1. **ACCOUNTING POLICIES**

**Basis of preparation**

The results for the period ended 30 September 2009 are unaudited and were approved by the Board on 16 November 2009. The financial information contained in this report in respect of the year ended 31 March 2009 does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

The annual financial statements of Big Yellow Group PLC are prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standards 34 "Interim Financial Reporting", as adopted by the European Union. The same accounting policies, presentation methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements, except for the adoption of IAS 40 (revised) in respect of Investment Property under Construction (for periods commencing 1 January 2009 or after), IAS 1 (revised), IFRS 8 and IFRIC 15.

The impact of the adoption of IAS 40 (revised) was a) the reclassification of property under construction into investment property (previously held within development property), and b) the reclassification of surplus land elements into surplus land current assets (previously held within development property). The Group's date of adoption was 1 April 2009. In accordance with IAS 40 the prior year comparatives have not been restated to reflect this change in accounting policy.

There was no impact of the adoption of IFRIC 15 or IFRS 8.

The Group's investment property under construction, and surplus land accounting policies are as follows:

**Investment property under construction**

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

Gains or losses arising from the changes in fair value of investment property under construction are included in the income statement in the period in which they arise. In accordance with IAS 40, as the Group uses the fair value model, no depreciation is provided in respect of investment properties including integral plant.

**Surplus land**

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

**Derivatives presentation**

The outstanding derivative financial instruments mature between 2013 and 2015, accordingly they have been transferred to non-current liabilities and the comparative amounts restated.

**Going concern**

A review of the Group's business activities, together with the factors likely to affect its future development, performance and position, is set out in the Chairman's Statement and the Operating and Financial Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are shown in the balance sheet, cash flow statement and accompanying notes to the interim statement. Further information concerning the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk can be found in the Operating and Financial Review of the Group's Annual Report for the year ended 31 March 2009.

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

## 2. SEGMENTAL INFORMATION

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

| | **Six months ended 30 Sept 2009 (unaudited) £000** | Six months ended 30 Sept 2008 (unaudited) £000 | Year ended 31 March 2009 (audited) £000 |
|---|---|---|---|
| **Open stores** | | | |
| Self storage income | **23,160** | 24,296 | 47,206 |
| Other storage related income | **4,215** | 4,107 | 7,964 |
| Ancillary store rental income | **45** | 55 | 96 |
| | **27,420** | 28,458 | 55,266 |
| **Stores under development** | | | |
| Non-storage income | **691** | 822 | 1,636 |
| **Fee income** | | | |
| Fees earned from Big Yellow Limited Partnership | **826** | 650 | 1,368 |
| Other management fees earned | **200** | – | 67 |
| **Franchise income** | | | |
| Franchise fee received | **25** | 150 | 150 |
| **Revenue per income statement** | **29,162** | 30,080 | 58,487 |
| Investment income (see note 3) | **183** | 170 | 381 |
| **Total revenue per IAS 18** | **29,345** | 30,250 | 58,868 |

Further analysis of the Group's operating revenue and costs can be found in the Portfolio Summary.

The seasonality of our business is discussed in note 18.

## 3. INVESTMENT INCOME

| | Six months ended 30 Sept 2009 (unaudited) £000 | Six months ended 30 Sept 2008 (unaudited) £000 | Year ended 31 March 2009 (audited) £000 |
|---|---|---|---|
| Interest receivable on bank deposit | **183** | 170 | 381 |
| | **183** | 170 | 381 |

## 4. FINANCE COSTS

| | Six months ended 30 Sept 2009 (unaudited) £000 | Six months ended 30 Sept 2008 (unaudited) £000 | Year ended 31 March 2009 (audited) £000 |
|---|---|---|---|
| Interest on bank borrowings | **5,765** | 9,344 | 18,075 |
| Capitalised interest | **(113)** | (968) | (1,924) |
| Other interest payable | **–** | 1 | 3 |
| Interest on finance lease obligations | **636** | 669 | 1,319 |
| Change in fair value of interest rate derivatives | **(3,671)** | (1,418) | 17,967 |
| Refinancing costs | **–** | 1,347 | 1,347 |
| | **2,617** | 8,975 | 36,787 |

## 5. TAX

| | Six months ended 30 Sept 2009 (unaudited) £000 | Six months ended 30 Sept 2008 (unaudited) £000 | Year ended 31 March 2009 (audited) £000 |
|---|---|---|---|
| Current tax – UK corporation tax at 28% | **–** | – | (145) |
| | **–** | – | (145) |
| Deferred tax movement | **–** | 546 | 1,295 |
| Total tax charge | **–** | 546 | 1,150 |

## 6. ADJUSTED PROFIT BEFORE TAX

| | **Six months ended 30 Sept 2009 (unaudited) £000** | Six months ended 30 Sept 2008 (unaudited) £000 | Year ended 31 March 2009 (audited) £000 |
|---|---|---|---|
| Loss before tax | **(3,369)** | (54,283) | (71,489) |
| *Adjusted for* | | | |
| Losses on revaluation of investment properties – wholly owned | **14,216** | 53,396 | 52,848 |
| (Gain)/loss on revaluation of investment properties – associate | **(1,356)** | 602 | 885 |
| Change in fair value of interest rate swaps – Group | **(3,671)** | (1,418) | 17,967 |
| Change in fair value of interest rate swaps – associate | **(122)** | 39 | 650 |
| Loss on non-current assets | **–** | 7,219 | 11,583 |
| Losses on surplus land | **2,000** | – | – |
| Loan refinancing costs | **–** | 1,347 | 1,347 |
| Adjusted profit before tax | **7,698** | 6,902 | 13,791 |
| Net bank and other interest | **5,469** | 8,207 | 15,773 |
| Depreciation | **483** | 374 | 729 |
| EBITDA pre non-recurring items and valuation movements | **13,650** | 15,483 | 30,293 |

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

## 7. DIVIDENDS

No interim ordinary dividend has been declared (2008: nil pence).

## 8. EARNINGS/(LOSS) PER ORDINARY SHARE

| | Six months ended 30 Sept 2009 (unaudited) | | | Six months ended 30 Sept 2008 (unaudited) | | | Year ended 31 March 2009 (audited) | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Earnings £m** | **Shares million** | **Pence per share** | Earnings £m | Shares million | Pence per share | Earnings £m | Shares million | Pence per share |
| **Basic** | **(3.37)** | **124.41** | **(2.71)** | (54.83) | 115.53 | (47.46) | (72.64) | 115.55 | (62.86) |
| *Adjustments:* | | | | | | | | | |
| Dilutive share options | **–** | **0.07** | **–** | – | 0.62 | 0.25 | – | 0.96 | 0.52 |
| **Diluted** | **(3.37)** | **124.48** | **(2.71)** | (54.83) | 116.15 | (47.21) | (72.64) | 116.51 | (62.34) |
| *Adjustments:* | | | | | | | | | |
| Loss on investment properties | **14.22** | **–** | **11.43** | 53.40 | – | 45.98 | 52.85 | – | 45.36 |
| Change in fair value of interest rate derivatives | **(3.67)** | **–** | **(2.95)** | (1.42) | – | (1.22) | 17.97 | – | 15.42 |
| Loss on sale of non-current assets | **–** | **–** | **–** | 7.22 | – | 6.22 | 11.58 | – | 9.94 |
| Losses on surplus land | **2.00** | **–** | **1.61** | – | – | – | – | – | – |
| Loan refinancing costs | **–** | **–** | **–** | 1.35 | – | 1.16 | 1.35 | – | 1.16 |
| Share of associate non-recurring costs | **(1.48)** | **–** | **(1.19)** | 0.64 | – | 0.55 | 1.54 | – | 1.32 |
| Deferred tax | **–** | **–** | **–** | – | – | – | 1.30 | – | 1.11 |
| Tax effect of non-recurring items* | **–** | **–** | **–** | 0.33 | – | 0.28 | (0.09) | – | (0.08) |
| **Adjusted – diluted** | **7.70** | **124.48** | **6.19** | 6.69 | 116.15 | 5.76 | 13.86 | 116.51 | 11.89 |
| **Adjusted – basic** | **7.70** | **124.41** | **6.19** | 6.69 | 115.53 | 5.79 | 13.86 | 115.55 | 11.99 |

* This takes into account the tax effect, where applicable, of the change in fair value of derivatives and the refinancing costs.

The calculation of basic loss per share is based on loss after tax for the period/year. The weighted average number of shares used to calculate diluted loss per share has been adjusted for the potential conversion of dilutive share options and shares held in the Employee Benefit Trust.

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

## 9. NON-CURRENT ASSETS

### a) Investment property, Development property and Interests in leasehold properties

| | Investment property £000 | Investment property under construction £000 | Development property £000 | Interest in leasehold properties £000 |
|---|---|---|---|---|
| At 1 April 2009 | 735,060 | – | 73,618 | 21,852 |
| Reclassification to investment property under construction | – | 51,103 | (51,103) | – |
| Reclassification to surplus land | – | – | (22,515) | – |
| Additions | 1,166 | 1,767 | – | – |
| Transfer to investment property | 14,878 | (14,878) | – | – |
| Revaluation | (1,214) | (13,002) | – | – |
| Depreciation | – | – | – | (358) |
| **At 30 September 2009** | **749,890** | **24,990** | **–** | **21,494** |

Capital commitments at 30 September 2009 were £5.8 million (2008: £18.6 million).

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

| | Freehold property £000 | Leasehold improvements £000 | Plant and machinery £000 | Fixtures, fittings and office equipment £000 | Total £000 |
|---|---|---|---|---|---|
| Cost | | | | | |
| At 1 April 2009 | 1,858 | 44 | 651 | 5,137 | 7,690 |
| Additions | 9 | – | 27 | 114 | 150 |
| **At 30 September 2009** | **1,867** | **44** | **678** | **5,251** | **7,840** |
| **Accumulated depreciation** | | | | | |
| At 1 April 2009 | (125) | (34) | (392) | (4,044) | (4,595) |
| Charge for the period | (16) | (1) | (107) | (359) | (483) |
| **At 30 September 2009** | **(141)** | **(35)** | **(499)** | **(4,403)** | **(5,078)** |
| **Net book value** | | | | | |
| **At 30 September 2009** | **1,726** | **9** | **179** | **848** | **2,762** |
| At 31 March 2009 | 1,733 | 10 | 259 | 1,093 | 3,095 |

### c) Goodwill

Goodwill relates to the purchase of Big Yellow Self Storage Company Limited in 1999. The asset is tested bi-annually for impairment. The carrying value of £1.4 million remains unchanged from the prior year as there is considered to be no impairment in the value of the asset.

### d) Assets classified as held for sale

The Group has land at one site with a total historic cost of £4 million, which is carried at £3.2 million, after a provision for impairment in the prior year of £0.8 million against the site. The disposal of the land completed in October 2009. The Group received £2 million in October 2009, with a further unconditional £1.2 million to be received in October 2010.

**9. NON-CURRENT ASSETS (continued)**

**e) Investment in associate**

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

| | 30 Sept 2009 (unaudited) £000 | 30 Sept 2008 (unaudited) £000 | 31 March 2009 (audited) £000 |
|---|---|---|---|
| At the beginning of the year | **9,285** | 5,454 | 5,454 |
| Subscription for partnership capital and advances | **1,000** | 4,805 | 5,429 |
| Share of results (see below) | **1,235** | (622) | (1,598) |
| | **11,520** | 9,637 | 9,285 |

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

| Big Yellow Limited Partnership | 30 Sept 2009 (unaudited) £000 | 30 Sept 2008 (unaudited) £000 | 31 March 2009 (audited) £000 |
|---|---|---|---|
| **Income statement (100%)** | | | |
| Revenue | **732** | 426 | 892 |
| Cost of sales | **(1,126)** | (259) | (843) |
| Administrative expenses | **(33)** | (87) | (135) |
| Operating (loss)/profit | **(427)** | 80 | (86) |
| Gain/(loss) on the revaluation of investment properties | **4,069** | (1,806) | (2,656) |
| Net interest payable | **(304)** | (22) | (103) |
| Fair value movement of interest rate derivatives | **365** | (117) | (1,949) |
| Profit/(loss) before and after tax | **3,703** | (1,865) | (4,794) |
| **Balance sheet (100%)** | | | |
| Investment property | **65,550** | 10,060 | 32,650 |
| Investment property under construction | **20,520** | – | – |
| Development property | **–** | 36,243 | 35,016 |
| Other fixed assets | **670** | 59 | 208 |
| Current assets | **666** | 160 | 94 |
| Current liabilities | **(3,344)** | (2,334) | (4,289) |
| Non-current liabilities | **(49,505)** | (15,278) | (35,825) |
| **Net assets (100%)** | **34,557** | 28,910 | 27,854 |
| **Group share (33.3%)** | | | |
| Operating (loss)/profit | **(142)** | 26 | (29) |
| Net interest payable | **(101)** | (7) | (34) |
| Gain/(loss) on the revaluation of investment properties | **1,356** | (602) | (885) |
| Fair value movement of interest rate derivatives | **122** | (39) | (650) |
| Profit/(loss) for the period | **1,235** | (622) | (1,598) |
| Associate net assets | **11,520** | 9,637 | 9,285 |

## 10. SURPLUS LAND

| | (unaudited) £000 |
|---|---|
| At 1 April 2009 | – |
| Reclassification from development property | 22,515 |
| Additions | 178 |
| Impairment | (2,000) |
| **At 30 September 2009** | **20,693** |

## 11. TRADE AND OTHER RECEIVABLES

| | **30 Sept 2009 (unaudited) £000** | 30 Sept 2008 (unaudited) £000 | 31 March 2009 (audited) £000 |
|---|---|---|---|
| Trade receivables | **1,611** | 1,545 | 1,546 |
| Other receivables | **253** | 52 | 154 |
| Amounts owed by associate | **539** | 262 | – |
| Prepayments and accrued income | **4,960** | 4,448 | 6,662 |
| | **7,363** | 6,307 | 8,362 |

## 12. TRADE AND OTHER PAYABLES

| | **30 Sept 2009 (unaudited) £000** | 30 Sept 2008 (unaudited) £000 | 31 March 2009 (audited) £000 |
|---|---|---|---|
| **Current** | | | |
| Trade payables | **3,963** | 4,827 | 7,460 |
| Other payables | **1,987** | 3,278 | 1,891 |
| Accruals and deferred income | **8,227** | 7,872 | 7,834 |
| VAT repayable under Capital Goods Scheme | **1,228** | 1,228 | 1,228 |
| | **15,405** | 17,205 | 18,413 |
| **Non-current** | | | |
| VAT repayable under Capital Goods Scheme | **2,661** | 3,889 | 2,661 |

## 13. DEFERRED TAX

| | **30 Sept 2009 (unaudited) £000** | 30 Sept 2008 (unaudited) £000 | 31 March 2009 (audited) £000 |
|---|---|---|---|
| The amounts provided in the accounts are: | | | |
| Deduction for share options | **–** | (222) | – |
| Other items | **–** | (546) | – |
| | **–** | (768) | – |

## 14. BANK BORROWINGS

| | 30 Sept 2009 (unaudited) £000 | 30 Sept 2008 (unaudited) £000 | 31 March 2009 (audited) £000 |
|---|---|---|---|
| Bank borrowings | **311,339** | 297,000 | 311,339 |
| Unamortised loan arrangement costs | **(2,469)** | (2,949) | (2,667) |
| | **308,870** | 294,051 | 308,672 |

The Group's £325 million facility is currently provided by HSH Nordbank AG and Lloyds TSB Bank plc. The bank loan is secured on 51 of the Group's properties. The loan is due to expire on 15 September 2013.

The facility is divided into two tranches, Tranche A, up to a maximum of £50 million is used to finance non-stabilised properties within the Group and carries a margin of 150 bps. Tranche B is used to finance stabilised Group properties, and bears interest between 112.5 bps and 150 bps dependent on the Tranche B income cover. The Group is currently paying a margin of 112.5 bps on this Tranche. As the properties within Tranche A stabilise, they can be transferred to Tranche B, reducing the margin payable.

At 30 September 2009 the Group was in compliance with all of its banking covenants.

## 15. ADJUSTED NET ASSETS PER SHARE

| Analysis of net asset value | 30 Sept 2009 (unaudited) £000 | 30 Sept 2008 (unaudited) £000 | 31 March 2009 (audited) £000 |
|---|---|---|---|
| Basic net asset value | **531,919** | 519,865 | 502,317 |
| Exercise of share options | **1,516** | 2,653 | 2,584 |
| Diluted net asset value | **533,435** | 522,518 | 504,901 |
| *Adjustments:* | | | |
| Fair value of derivatives | **1,879** | 1,057 | 5,550 |
| Fair value of derivatives – share of associate | **583** | 282 | 705 |
| EPRA net asset value | **535,897** | 523,857 | 511,156 |
| Basic net assets per share (pence) | **417.0** | 453.1 | 437.6 |
| Diluted net assets per share (pence) | **407.5** | 439.4 | 424.3 |
| EPRA net assets per share (pence) | **409.3** | 440.5 | 429.5 |
| EPRA net asset value | **535,897** | 523,857 | 511,156 |
| Valuation methodology assumption (see note 16) | **35,747** | 31,540 | 32,660 |
| Adjusted net asset value (£000) | **571,644** | 555,397 | 543,816 |
| Adjusted net assets per share (pence) | **436.6** | 467.0 | 457.0 |
| Shares in issue | **129,469,021** | 115,553,818 | 115,592,541 |
| Own shares held | **(1,905,000)** | (815,000) | (815,000) |
| Basic shares in issue used for calculation | **127,564,021** | 114,738,818 | 114,777,541 |
| Exercise of share options | **3,353,670** | 4,179,020 | 4,221,550 |
| Diluted shares used for calculation | **130,917,691** | 118,917,838 | 118,999,091 |

## 15. ADJUSTED NET ASSETS PER SHARE (continued)

Net assets per share are shareholders' funds divided by the number of shares at the period end. The shares currently held in the Group's employee benefits trust (own shares held) are excluded from both net assets and the number of shares. The increase in own shares held in the period arises following the issue of shares to the Group's Employee Benefit Trust, as part of the establishment of the Long Term Bonus Plan for senior management.

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 16).

## 16. VALUATIONS

| | Deemed cost £000 | Revaluation on deemed cost £000 | Valuation £000 |
|---|---|---|---|
| **Freehold stores*** | | | |
| As at 1 April 2009 | 307,222 | 372,098 | 679,320 |
| Movement in period | 15,974 | 956 | 16,930 |
| **As at 30 September 2009** | **323,196** | **373,054** | **696,250** |
| **Leasehold stores** | | | |
| As at 1 April 2009 | 15,396 | 40,344 | 55,740 |
| Movement in period | 70 | (2,170) | (2,100) |
| **As at 30 September 2009** | **15,466** | **38,174** | **53,640** |
| **Total of open stores** | | | |
| As at 1 April 2009 | 322,618 | 412,442 | 735,060 |
| Movement in period | 16,044 | (1,214) | 14,830 |
| **As at 30 September 2009** | **338,662** | **411,228** | **749,890** |
| **Investment property under construction** | | | |
| As at 1 April 2009 | – | – | – |
| Movement in period | 37,992 | (13,002) | 24,990 |
| **As at 30 September 2009** | **37,992** | **(13,002)** | **24,990** |
| **Total of all investment property** | | | |
| As at 1 April 2009 | 322,618 | 412,442 | 735,060 |
| Movement in period | 54,036 | (14,216) | 39,820 |
| **As at 30 September 2009** | **376,654** | **398,226** | **774,880** |

* Includes one long leasehold property.

**16. VALUATIONS (continued)**

The freehold and leasehold investment properties have been valued at 30 September 2009 by external valuers, Cushman & Wakefield LLP ("C&W"). The valuation has been carried out in accordance with the RICS Valuation Standards published by The Royal Institution of Chartered Surveyors ("the Red Book"). The valuation of each of the investment properties and the investment properties under construction has been prepared on the basis of Market Value as a fully equipped operational entity, having regard to trading potential. The valuation has been provided for accounts purposes and as such, is a Regulated Purpose Valuation as defined in the Red Book. In compliance with the disclosure requirements of the Red Book, C&W have confirmed that:

> The members of the RICS who have been the signatories to the valuations provided to the Group for the same purposes as this valuation have done so since September 2004.

> C&W have been carrying out biannual valuations for accounts purposes on behalf of the Group since September 2004.

> C&W do not provide other significant professional or agency services to the Group.

> In relation to the preceding financial year of C&W, the proportion of the total fees payable by the Group to the total fee income of the firm is less than 5%.

*Market uncertainty*

C&W's valuation report comments on valuation uncertainty resulting from the recent global banking crisis and consequent reduction in the availability of debt, coupled with the economic downturn, which have caused the UK commercial property market to experience sharp falls in value and liquidity since mid 2007, with fewer transactions being completed. C&W note that, although there were a number of self storage transactions in 2007, the only significant transaction since 2007 was the sale of a 51% share in Shurgard Europe which was announced in January 2008 and completed on 31 March 2008. C&W observe that in order to provide a rational opinion of value at the present time it is necessary to assume that the self storage sector will continue to perform in a way not greatly different from that being anticipated prior to the "credit crunch", however they have reflected negative sentiment in their capitalisation rates and they have reflected current trading conditions in their cash flow projections for each property. C&W state that there is therefore greater uncertainty attached to their opinion of value than would be anticipated during more normal market conditions.

**Methodology**

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

*Freehold and long leasehold*

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

*Assumptions*

A. Net operating income is based on projected revenue received less projected operating costs together with a central administration charge of 6% of the estimated annual revenue subject to a cap and a collar. The initial net operating income is calculated by estimating the net operating income in the first 12 months following the valuation date.

B. The net operating income in future years is calculated assuming straight-line absorption from day one actual occupancy to an estimated stabilised/mature occupancy level. In the valuation the assumed stabilised occupancy level for the 51 trading stores (both freeholds and leaseholds) open at 30 September 2009 averages 84.70% (March 2009: 85.04%; September 2008: 85.43%). The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth. The average time assumed for the stores to trade at their maturity levels across the portfolio is 41 months; for the 32 same stores, the period to maturity is 36 months (March 2009: 34 months).

C. The capitalisation rates applied to existing and future net cash flow have been estimated by reference to underlying yields for industrial and retail warehouse property, 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 stabilised yield for the 51 stores pre administration expenses is 8.59% (March 2009: 8.55%).

D. The future net cash flow projections (including revenue growth and cost inflation) have been discounted at a rate that reflects the risk associated with each asset. The weighted average annual discount rate adopted (for both freeholds and leaseholds) is 11.49% (March 2009: 11.41%; September 2008: 10.89%).

E. Purchaser's costs of 5.75% have been assumed initially and sale plus purchaser's costs totalling 6.75% are assumed on the notional sales in the tenth year in relation to the freehold stores.

**16. VALUATIONS (continued)**

*Short leasehold*

The same methodology has been used as for freeholds, except that no sale of the assets in the tenth year is assumed but the discounted cash flow is extended to the expiry of the lease. The average unexpired term of the Group's leaseholds is 16.3 years (March 2009: 16.8 years; September 2008: 17.3 years).

*Investment properties under construction*

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

*Prudent lotting*

C&W have assessed the value of each property individually. However, with regard to nine recently opened stores which are loss making or have low cashflow (three wholly owned and six in the Partnership) (March 2009: six stores, three wholly owned and three in the Partnership; September 2008: the assumption was not applied to the valuations). C&W have prepared their valuation on the assumption that were these properties to be brought to the market then they would be lotted or grouped for sale with other more mature assets of a similar type owned by the Company in such a manner as would most likely be adopted in the case of an actual sale of the interests valued. This lotting assumption has been made in order to alleviate the issue of negative or low short term cash flow. C&W have not assumed that the entire portfolio of properties owned by the Group 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 prudent lotting as described above.

**Valuation assumption for purchaser's costs**

The Group's investment property assets have been valued for the purposes of the financial statements after deducting notional purchaser's cost of 5.75% of gross value, as if they were sold directly as property assets. The valuation is an asset valuation which is entirely linked to the operating performance of the business. 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. We believe therefore that the valuation assumptions should be adjusted to reflect the reality.

This approach follows the logic of the valuation methodology in that the valuation is based on a capitalisation of the net operating income after allowing a deduction for operational cost and an allowance for central administration costs. Sale in a corporate structure would result in a reduction in the assumed Stamp Duty Land Tax but an increase in other transaction costs reflecting additional due diligence resulting in a reduced notional purchaser's cost of 2.75% of gross value. All the significant sized transactions that have been concluded in the UK in recent years were completed in a corporate structure. We therefore instructed C&W to carry out a Red Book valuation on the above basis, and this results in a higher property valuation at 30 September 2009 of £809,220,000 (£34,340,000 higher than the value recorded in the financial statements). The valuations in Big Yellow Limited Partnership are £1,407,000 higher than the value recorded in the financial statements. The sum of these is £35,747,000 and translates to 27.3 pence per share. We have included this revised valuation in the adjusted diluted net asset calculation (see note 15).

## 17. RELATED PARTY TRANSACTIONS

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

### Transactions with Big Yellow Limited Partnership

As described in note 9e, the Group has a 33.3% interest in Big Yellow Limited Partnership, and entered into transactions with the Partnership during the year on normal commercial terms as shown in the table below.

| | **30 Sept 2009 £000** | 30 Sept 2008 £000 | 31 March 2009 £000 |
|---|---|---|---|
| Fees earned from Big Yellow Limited Partnership | **826** | 650 | 1,368 |
| Book value of assets sold to the Partnership | **–** | 15,048 | 22,300 |
| Profit on disposal of assets sold to the Partnership | **–** | 49 | 400 |
| Balance due from the Partnership | **539** | 262 | 14 |

No other related party transactions took place during the year ended 31 March 2009 and the periods ended 30 September 2009 and 30 September 2008.

## 18. RISKS AND UNCERTAINTIES

The operational risks facing the Group for the remaining six months of the financial year are consistent with those outlined in the Annual Report for the year ended 31 March 2009. The outlook for the housing market and the economy are marginally improved from March 2009, and the risk mitigating factors listed in the 2009 Annual Report are still appropriate.

The value of Big Yellow's property portfolio is affected by the conditions prevailing in the property investment market and the general economic environment. Accordingly, the Group's net asset value can rise and fall due to external factors beyond management's control. The uncertainties in global financial markets look set to continue and investors remain cautious about property investment in the short-term. We have a high quality prime portfolio of assets which should help to mitigate the impact of this on the Group.

Self storage is a seasonal business, and over the last three years we have seen losses in occupancy of c 2-4% in the December quarter, followed in the New Year by an increase in activity, occupancy and revenue growth. The visibility we have on the business is relatively limited at three to four weeks and is based on the net reservations we have in hand, which are currently in line with our expectations.

Our customers are facing more difficult financial conditions and there is therefore an increased risk that they may default on their rent payments, however since the start of the current economic difficulties, we have not seen an increase in bad debts. We have 30,000 customers and this, coupled with the diversity of their reasons for using storage mean the risk of individual tenant default to Big Yellow is low. 75% of our customers pay by direct debit and we take a deposit from all customers. Furthermore, we have a right of lien over customers' goods, so in the ultimate event of default, we are able to auction the goods to recover the debts.

# Independent Review Report to Big Yellow Group PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2009 which comprises the income statement, the balance sheet, the statement of changes in equity, statement of recognised income and expense, the cash flow statement and related notes 1 to 18. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" 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 half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

**Our responsibility**
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

**Scope of Review**
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP

**Deloitte LLP**
Chartered Accountants and Statutory Auditors
16 November 2009
Reading

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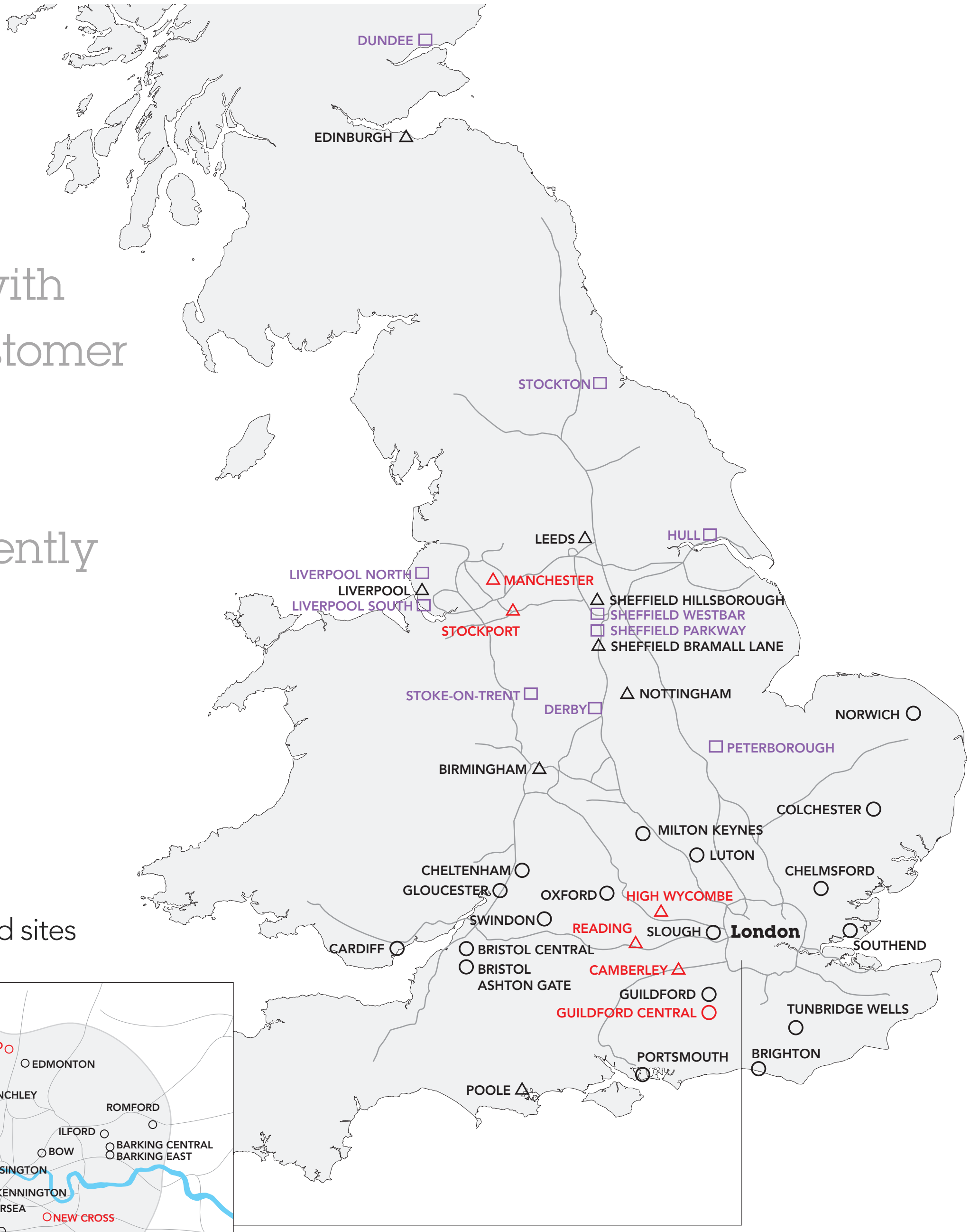
# Our nationwide coverage…

"…Big Yellow's philosophy is to provide personal and business users with exceptional customer service from a network of high profile, conveniently located stores."




**London** – 38 stores and sites


KEY

- 51 Wholly owned stores
- 6 Wholly owned stores under development
- 8 Stores trading in Big Yellow Limited Partnership
- 5 Big Yellow Limited Partnership stores under development
- 10 Managed Armadillo stores

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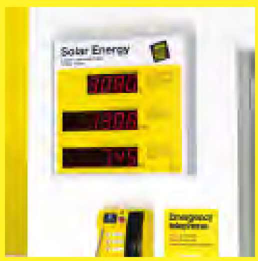


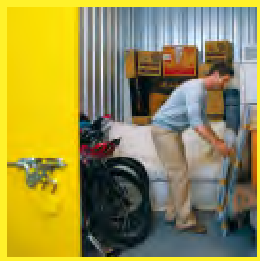


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